
**Financial Statements
and Reports**

**For the Year Ended
June 30, 2022**



**FLORIDA STATE UNIVERSITY
FOUNDATION**

(A Discrete Component Unit of Florida State University)

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Financial Statements and Reports
For the Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR’S REPORT	1
II. MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited).....	4
III. FINANCIAL STATEMENTS	
A. Statements of Net Position	11
B. Statements of Revenues, Expenses and Changes in Net Position	13
C. Statements of Cash Flows	14
D. Statements of Fiduciary Net Position	16
E. Statements of Changes in Fiduciary Net Position	17
F. Notes to Financial Statements	18
IV. REPORTS AND FINDINGS	
A. 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	51
V. SUPPLEMENTARY INFORMATION (Unaudited)	
A. Schedules of Functional Expenses.....	53

Independent Auditor's Report

Board of Trustees
Florida State University Foundation, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Florida State University Foundation, Inc. (the Foundation), a discrete component unit of the Florida State University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Foundation, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedules of Functional Expenses but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Foundation's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
November 8, 2022

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida State University Foundation, Inc. (Foundation) for the years ended June 30, 2022, 2021, and 2020, 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 Foundation which follow this section.

The 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 Foundation is to aid the advancement of FSU through its organized fundraising activities and funds management.

OVERVIEW OF FINANCIAL STATEMENTS

The 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 Foundation, the results of operations, and cash flows of the 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 Foundation's significant accounting policies.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Foundation as of a specific date and includes all of the assets, liabilities and deferred inflows of resources of the Foundation. Net position, the difference between assets less liabilities and deferred inflows of resources, is one indicator of the current financial position of the Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Foundation. The differences in net position that occur over time indicate whether the overall financial condition of the Foundation has improved or deteriorated. Assets and liabilities are reported at cost, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. Net position is reported in the following three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding borrowings attributable to the acquisition, construction or improvement of those assets. Restricted net position is comprised of expendable and nonexpendable 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 legislation. Unrestricted net position consists of those assets that do not meet the definition of net investment in capital assets or restricted.

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

STATEMENT OF NET POSITION *(continued)*

The following schedule is a summary of the Foundation's Statements of Net Position as of June 30:

Condensed Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets	\$234,524,013	\$283,147,563	\$120,087,564
Noncurrent assets	<u>706,394,538</u>	<u>674,336,151</u>	<u>600,017,161</u>
Total assets	<u>940,918,551</u>	<u>957,483,714</u>	<u>720,104,725</u>
Liabilities			
Current liabilities	2,264,396	3,608,098	3,843,700
Noncurrent liabilities	<u>8,141,938</u>	<u>8,911,338</u>	<u>9,244,324</u>
Total liabilities	<u>10,406,334</u>	<u>12,519,436</u>	<u>13,088,024</u>
Deferred inflows of resources	<u>11,363,423</u>	<u>14,733,543</u>	<u>12,975,909</u>
Net position			
Net investment in capital assets	2,588,513	2,515,309	2,466,378
Restricted – expendable	394,729,946	429,462,210	234,091,308
Restricted – nonexpendable endowments	494,548,528	471,517,886	456,823,214
Unrestricted	<u>27,281,807</u>	<u>26,735,330</u>	<u>659,892</u>
Total net position	<u>\$919,148,794</u>	<u>\$930,230,735</u>	<u>\$694,040,792</u>

The Foundation's assets totaled approximately \$940.9 million as of June 30, 2022. This balance reflects a decrease of \$16.6 million, or 2%, compared to June 30, 2021. Current assets are comprised of resources available to meet current obligations and include cash, short-term investments, amounts due from related organizations, and pledges or other receivables due within one year. Current assets decreased \$48.6 million, or 17%, from the previous year and is attributed to lower investment performance. The Foundation's investments returned a negative 0.9% during the year ended June 30, 2022 compared to a positive 41.2% during the year ended June 30, 2021. Noncurrent assets consist of long-term investments, beneficial interests in irrevocable split interest agreements and trusts held by others, pledges, cash surrender value of life insurance policies and other receivables due beyond one year, and capital assets. Noncurrent assets increased \$32.1 million, or 5%, over the previous year as a result of an increase of investment in private equities which are illiquid and fluctuations in liquidity of alternative investments.

Total assets were \$957.5 million as of June 30, 2021. This balance reflects an increase of \$237.4 million, or 33%, compared to June 30, 2020. Current assets increased \$163.1 million, or 136%, over the prior year and is attributed to higher investment performance. Noncurrent assets increased \$74.3 million, or 12%, over the previous year as a result of an increase in long-term investments due to the growth in market returns.

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

STATEMENT OF NET POSITION (continued)

The Foundation's liabilities totaled approximately \$10.4 million as of June 30, 2022. This balance reflects a decrease of approximately \$2.1 million, or 17%, compared to June 30, 2021, primarily due to timing of payables. Current liabilities are comprised of amounts owed to the University or related organizations and other vendors at year-end, the current portion of promissory note payments and annuitant payments owed on split-interest agreements for remainder interest trusts. Noncurrent liabilities consist of the long-term liability associated with annuitant payments owed on split-interest agreements for remainder interest trusts, a promissory note, unearned revenue and amounts due to the University or related organizations beyond the next 12 months. Total liabilities include current obligations of \$2.3 million and obligations arising beyond the next year of \$8.1 million, most of which are annuitant payments owed on split-interest agreements for remainder interest trusts as well as the outstanding balance on a promissory note. Principal payments made toward debt during the year ended June 30, 2022 totaled \$255 thousand and were made in accordance with the schedules set forth at the time of issuance.

Total liabilities were \$12.5 million as of June 30, 2021. This balance reflects a decrease of approximately \$569 thousand, or 4%, compared to June 30, 2020. Current obligations consisted of \$3.6 million, and obligations arising beyond the next year were \$8.9 million. Principal payments on the mortgage during the year ended June 30, 2021 totaled \$248 thousand.

The following summarizes capital assets for the fiscal years ended June 30:

Capital Assets

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Buildings and improvements – net	\$3,515,664	\$3,668,838	\$3,822,012
Furniture and equipment – net	103,076	131,460	177,469
Nondepreciable assets	<u>1,619,876</u>	<u>1,619,876</u>	<u>1,619,876</u>
Total capital assets	<u>\$5,238,616</u>	<u>\$5,420,174</u>	<u>\$5,619,357</u>

The Foundation's capital assets totaled \$5.2 million as of June 30, 2022, and are included in noncurrent assets on the accompanying Statements of Net Position. This balance is net of accumulated depreciation and reflects a decrease of approximately \$182 thousand compared to June 30, 2021, as a result of depreciation expense, offset slightly by the purchase of Dell CTO Poweredge and Server for \$11 thousand. The Foundation's office building and related land comprises \$5.1 million, or 98%, of total capital assets. See Note 9 for more details on the Foundation's capital assets.

Capital assets were approximately \$5.4 million as of June 30, 2021. This balance reflects a decrease of approximately \$199 thousand compared to June 30, 2020, as a result of depreciation expense.

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

STATEMENT OF NET POSITION *(continued)*

Deferred inflows of resources represent a future impact on net position. The Foundation classifies changes in irrevocable split-interest agreements and trusts held by others as deferred inflows of resources. Changes in deferred inflows of resources are attributable to changes in fair value, changes in liabilities due to trust and life income beneficiaries, new split-interest agreements and maturities during the year. The Foundation's deferred inflows of resources totaled approximately \$11.4 million as of June 30, 2022. This balance reflects a decrease of \$3.4 million, or 23%, compared to June 30, 2021, and is due to changes in value of trusts held by others and split-interest agreements.

The Foundation's deferred inflows of resources totaled approximately \$14.7 million as of June 30, 2021. This balance reflects an increase of \$1.8 million, or 14%, compared to June 30, 2020, and is the result of changes in the valuation of split-interest agreements.

The Foundation's overall change in net position during fiscal year 2022 was a decrease of \$11.1 million over the previous year, and is predominantly attributed to low market returns and the overall impact to investments. The Foundation's investments returned a negative 0.9% for the year ended June 30, 2022 compared to a positive 41.2% for the year ended June 30, 2021.

Changes in assets, liabilities and deferred inflows of resources during fiscal year 2021 resulted in an overall increase in net position of approximately \$236.2 million over the prior year. This increase is predominantly attributed to high market returns and the overall impact to investments.

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 Foundation, categorized as operating and nonoperating. 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 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 classification of expenses for the Foundation can be found in the notes to financial statements or the supplementary information, both of which follow this section.

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

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

The following summarizes the Foundation's changes in net position for the fiscal years ended June 30:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$22,029,073	\$271,304,936	\$31,314,333
Less: Operating expenses	<u>55,758,404</u>	<u>48,846,032</u>	<u>60,013,336</u>
Operating (loss) income	(33,729,331)	222,458,904	(28,699,003)
Nonoperating expenses	<u>(73,809)</u>	<u>(80,457)</u>	<u>(87,163)</u>
(Loss) Income before endowment contributions	(33,803,140)	222,378,447	(28,786,166)
Contributions to permanent endowments	<u>22,721,199</u>	<u>13,811,496</u>	<u>11,469,478</u>
Change in net position	(11,081,941)	236,189,943	(17,316,688)
Net position – beginning of year	<u>930,230,735</u>	<u>694,040,792</u>	<u>711,357,480</u>
Net position – end of year	<u>\$919,148,794</u>	<u>\$930,230,735</u>	<u>\$694,040,792</u>

The Foundation's operating revenues are comprised of restricted-expendable contributions, investment earnings, interest and dividends, support from the University and other miscellaneous operating activity. Operating revenues totaled \$22.0 million for the year ended June 30, 2022, a decrease of \$249.3 million, or 92%, compared to fiscal year 2021. The decrease in operating revenues was primarily attributed to lower investment performance. The Foundation's investments returned, net of investment fees, a loss of 0.9% in fiscal year 2022 and a gain of 41.2% in fiscal year 2021. Investment earnings were negative \$12.3 million during fiscal year 2022 and \$238.9 million in 2021. Professional fees, which include investment manager, consulting, custodial, and legal fees totaled approximately \$22.2 million and \$20.4 million for fiscal year 2022 and 2021, respectively.

Total operating revenues were \$271.3 million for the year ended June 30, 2021, an increase of \$240.0 million, or 766%, compared to fiscal year 2020. The increase in operating revenues from the previous year was primarily attributed to higher investment performance as well as an increase in contributions returning a gain of 41.2% in fiscal year 2021 compared to a loss of 0.2% in 2020.

The following summarizes the operating revenues by source that were used to fund operating activities for the fiscal years ended June 30:

Operating Revenues

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contributions	\$25,293,010	\$22,152,764	\$18,688,532
Investment earnings	(12,344,456)	238,854,904	2,174,077
University support	6,503,388	7,344,806	7,132,978
Other support and revenue	<u>2,577,131</u>	<u>2,952,462</u>	<u>3,318,746</u>
Total operating revenues	<u>\$22,029,073</u>	<u>\$271,304,936</u>	<u>\$31,314,333</u>

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

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

The Foundation's operating expenses consist of costs to support University programs, fundraising, and other management and general administrative expenses in support of the Foundation's mission. Operating expenses totaled \$55.8 million for the year ended June 30, 2022, an increase of \$6.9 million, or 14%, as compared to fiscal year 2021. Most of the increase was attributed to a reduction of restrictions related to the coronavirus pandemic (COVID-19).

Total operating expenses were \$48.8 million for the year ended June 30, 2021, a decrease of \$11.1 million, or 19%, compared to fiscal year 2020. Most of the decrease was due to COVID-19 and a decline in requested support of programs and initiatives as a result of University restricted spending and hiring freeze mandates. The Foundation also had a reduction in operational expenses of close to \$500 thousand over the previous year.

The following illustrates the operating expenses by source that were used to fund operating activities for the fiscal years ended June 30:

Operating Expenses

	<u>2022</u>	<u>2021</u>	<u>2020</u>
University programs	\$41,046,588	\$33,828,719	\$44,528,664
Administrative	5,477,178	5,742,465	5,821,249
Fundraising	9,009,638	9,049,848	9,438,423
DSO support	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
Total operating expenses	<u>\$55,758,404</u>	<u>\$48,846,032</u>	<u>\$60,013,336</u>

Nonoperating expenses consist of interest paid on the promissory note for the Foundation office building, and totaled \$74 thousand during fiscal year 2022. This was a slight decline compared to the fiscal years ended 2021 and 2020 where interest paid was \$80 thousand and \$87 thousand, respectively.

Contributions to permanent endowments were \$22.7 million for the year ended June 30, 2022, an increase of \$8.9 million, or 65%, compared to fiscal year 2021.

Contributions for fiscal year 2021 were \$13.8 million, an increase of \$2.3 million, or 20%, compared to fiscal year 2020.

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

ECONOMIC CONDITIONS AND OUTLOOK

The economic outlook of the Foundation is affected by several factors, including state support received from the University, charitable contributions and fundraising campaigns, recent tax law changes and the financial markets, as well as investment returns. The University is expected to continue to support the Foundation at levels consistent with the current year as annual and major gift contributions and endowments have a direct impact on enhancing University programs.

The economy in the State of Florida affects state appropriations to the University, which may result in a change in the amount of support the Foundation receives from the University in the future. 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 MD&A 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 Foundation, 325 West College Avenue, Tallahassee, Florida 32301.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statements of Net Position
June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$8,874,325	\$9,845,636
Operating pool investments	58,544,320	55,479,493
Due from related organizations	6,328,466	6,875,136
Pledges receivable - net	517,280	380,949
Investments	158,926,265	209,514,682
Remainder interest trusts	761,172	489,142
Funds held in trust by others - net	348,834	302,879
Other assets	223,351	259,646
Total current assets	<u>234,524,013</u>	<u>283,147,563</u>
Noncurrent assets:		
Due from related organizations	17,233,517	19,365,216
Pledges receivable - net	52,965,858	55,880,755
Investments	614,221,968	573,186,184
Remainder interest trusts	6,769,302	8,467,503
Funds held in trust by others - net	7,920,044	10,014,904
Capital assets - net	5,238,616	5,420,174
Cash surrender value of life insurance policies	1,989,551	1,969,802
Other assets	55,682	31,613
Total noncurrent assets	<u>706,394,538</u>	<u>674,336,151</u>
TOTAL ASSETS	<u>940,918,551</u>	<u>957,483,714</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statements of Net Position
June 30, 2022 and 2021

LIABILITIES	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable and accrued expenses	\$133,453	\$1,216,119
Due to related organizations	1,108,176	1,648,066
Promissory note payable	261,595	254,771
Annuity obligations	761,172	489,142
Total current liabilities	<u>2,264,396</u>	<u>3,608,098</u>
Noncurrent liabilities:		
Due to related organizations	728,456	929,284
Unearned revenue	1,350,217	1,280,217
Promissory note payable	2,388,508	2,650,094
Annuity obligations	3,674,757	4,051,743
Total noncurrent liabilities	<u>8,141,938</u>	<u>8,911,338</u>
TOTAL LIABILITIES	<u>10,406,334</u>	<u>12,519,436</u>
DEFERRED INFLOWS OF RESOURCES		
Split-interest agreements for remainder interests	\$3,094,545	\$4,415,760
Trusts held by others	8,268,878	10,317,783
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,363,423</u>	<u>14,733,543</u>
NET POSITION		
Net investment in capital assets	\$2,588,513	\$2,515,309
Restricted:		
Expendable	394,729,946	429,462,210
Nonexpendable endowments	494,548,528	471,517,886
Unrestricted	27,281,807	26,735,330
TOTAL NET POSITION	<u>\$919,148,794</u>	<u>\$930,230,735</u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Contributions	\$25,293,010	\$22,152,764
University support	6,503,388	7,344,806
Interest and dividends	8,058,117	7,266,302
Net realized and unrealized (losses) gains	(20,402,573)	231,588,602
Other revenue	2,410,015	2,807,217
Administrative support	167,116	145,245
TOTAL OPERATING REVENUES	<u>22,029,073</u>	<u>271,304,936</u>
OPERATING EXPENSES		
University programs	41,046,588	33,828,719
Administrative	5,477,178	5,742,465
Fundraising	9,009,638	9,049,848
Transfers to University and DSO support	225,000	225,000
TOTAL OPERATING EXPENSES	<u>55,758,404</u>	<u>48,846,032</u>
OPERATING (LOSS) INCOME	<u>(33,729,331)</u>	<u>222,458,904</u>
NONOPERATING EXPENSES		
Interest on capital asset-related debt	(73,809)	(80,457)
(LOSS) INCOME BEFORE ENDOWMENT CONTRIBUTIONS	<u>(33,803,140)</u>	<u>222,378,447</u>
ENDOWMENT CONTRIBUTIONS		
Contributions to endowments	22,721,199	13,811,496
CHANGE IN NET POSITION	<u>(11,081,941)</u>	<u>236,189,943</u>
Net position - beginning of year	930,230,735	694,040,792
NET POSITION - END OF PERIOD	<u>\$919,148,794</u>	<u>\$930,230,735</u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of contributions	\$27,087,406	\$23,425,095
Other receipts	5,101,205	2,599,440
Payments for University programs	(41,011,173)	(33,788,867)
Payments for administrative and fundraising operations	(9,612,912)	(7,540,002)
Payments for DSO support	(225,000)	(225,000)
Net cash used in operating activities	<u>(18,660,474)</u>	<u>(15,529,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	279,279,890	86,952,481
Receipts from interest and dividends	8,058,117	7,266,302
Purchase of investments	(287,243,172)	(94,368,933)
Issuance of loan to University for Student Union project	-	(392,156)
Net cash provided by (used in) investing activities	<u>94,835</u>	<u>(542,306)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(11,458)	-
Principal payments on promissory note payable	(254,762)	(248,114)
Interest paid on capital debt	(73,809)	(80,457)
Net cash used in capital and related financing activities	<u>(340,029)</u>	<u>(328,571)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions for long-term endowments	18,451,571	13,487,973
Payments of annuity obligations	(517,214)	(496,365)
Net cash provided by noncapital financing activities	<u>17,934,357</u>	<u>12,991,608</u>
Net change in cash and cash equivalents	(971,311)	(3,408,603)
Cash and cash equivalents - beginning of year	9,845,636	13,254,239
Cash and cash equivalents - end of year	<u><u>\$8,874,325</u></u>	<u><u>\$9,845,636</u></u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating (loss) income	(\$33,729,331)	\$222,458,904
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Net realized and unrealized losses (gains)	20,402,573	(231,588,602)
Interest and dividend income	(8,058,117)	(7,266,302)
Administrative support for custodial funds	(167,116)	(145,245)
Noncash items:		
Noncash gifts	(1,017,276)	(1,448,735)
Depreciation	193,016	199,183
Change in assets and liabilities:		
Due from related organizations	2,678,369	(267,052)
Pledges receivable	2,778,566	2,436,779
Other assets	12,226	61,902
Unearned revenue	70,000	325,197
Accounts payable	(1,082,666)	766,195
Due to related organizations	(740,718)	(1,061,558)
NET CASH USED IN OPERATING ACTIVITIES	<u><u>(\$18,660,474)</u></u>	<u><u>(\$15,529,334)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Unrealized (losses) gains on investments	<u><u>(\$60,988,324)</u></u>	<u><u>\$208,359,358</u></u>
Contributions of securities for permanent endowments	<u><u>(\$4,269,628)</u></u>	<u><u>(\$323,523)</u></u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statements of Fiduciary Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$147,786	\$63,232
Current investments	6,415,440	7,869,935
Noncurrent investments	8,310,615	6,313,242
TOTAL ASSETS	<u>\$14,873,841</u>	<u>\$14,246,409</u>
 FIDUCIARY NET POSITION		
Restricted:		
Florida State University	\$7,753,176	\$7,948,441
Florida State University Alumni Association	5,291,128	4,424,452
Florida Medical Practice Plan	1,168,798	1,198,236
Florida State University Athletics	660,739	675,280
TOTAL NET POSITION	<u>\$14,873,841</u>	<u>\$14,246,409</u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Other additions	\$1,002,666	\$464,509
Interest and dividends	132,740	127,325
Net realized and unrealized (losses) gains	(338,603)	4,061,914
TOTAL ADDITIONS	<u>796,803</u>	<u>4,653,748</u>
DEDUCTIONS		
Expenses to support University programs	2,255	246,429
Administrative support	167,116	145,245
TOTAL DEDUCTIONS	<u>169,371</u>	<u>391,674</u>
CHANGE IN FIDUCIARY NET POSITION	627,432	4,262,074
Fiduciary net position - beginning of year	14,246,409	9,984,335
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$14,873,841</u></u>	<u><u>\$14,246,409</u></u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Florida State University Foundation, Inc. (Foundation) is a direct support organization (DSO) of the Florida State University (University or FSU) pursuant to Section 1004.28, Florida Statutes, and Regulation 9.011, Board of Governors, established to aid the advancement of the University through its organized fundraising activities and funds management. The Foundation is governed by a Board of Trustees consisting primarily of appointed volunteer members, some of whom are significant donors to the Foundation. The Board also includes ex-officio University and Foundation staff. The University Board of Trustees is required to approve all elected board members of the Foundation. The Foundation is a non-profit Florida 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 Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv) and is reported as a discrete component unit of the University in its financial statements.

Reporting Entity – In defining the Foundation for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus*. These statements establish the standards for defining and reporting on the financial reporting entity and whether it is considered a component unit of another entity. The 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 or 2) 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 Foundation has met all of the financial accountability criteria necessary to be considered a component unit of the University.

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

Basis of Presentation – As a discrete component unit of the University, the 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, basic financial statements, notes to the financial statements, and required supplementary information other than MD&A.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Basis of Accounting – The 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.

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

Net investment in capital assets – This category of net position consists of 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 Foundation which is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through enabling legislation.

Expendable – This portion of restricted net position comprises expendable funds with restrictions to use for the benefit of various programs at the University, including the expendable portion of endowment funds.

Nonexpendable – This portion of restricted net position consists of nonexpendable funds with restrictions to use for the benefit of various programs at the University. The corpus of the permanent endowments are retained while the net earnings or losses on endowment funds are included in expendable funds available for expenditure.

Unrestricted net position – This category of net position represents funds that are available without restriction for carrying out the Foundation's objectives, but may be designated for specific purposes by action of the Board of Trustees. This category includes losses in excess of historical endowment cost.

The 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 – The 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. 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. For reporting purposes, these funds are combined into one column.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources 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 – Pursuant to a determination letter received from the Internal Revenue Service (IRS), the Foundation is a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), with the exception of any unrelated business income. The Foundation has reviewed its tax status and related filings and determined that there are no uncertain tax positions that would have a material impact on the financial statements for which an obligation needs to be recorded.

Revenue Recognition – The Foundation recognizes gifts of cash, investment securities or pledges receivable as revenue when all eligibility requirements have been met with the exception of pledges to the endowment which are recognized when funds are received. Donations of securities and other non-monetary items are recorded as revenue based on their acquisition value at the date of the gift.

Operating and Nonoperating Activities – The Foundation's operating income includes all revenues and expenses associated with the organization's daily activities. Operating revenues consist primarily of contributions, University or other support, interest and dividends as well as net realized and unrealized gains and losses. Operating expenses are comprised of expenditures associated with University programs and facilities or other support as well as administrative and fundraising expenses associated with the Foundation's operations. Contributions received for endowments are excluded from operating and nonoperating activities and are classified as endowment contributions.

Cash and Cash Equivalents – The Foundation considers all highly-liquid investments available for current use with an original maturity of three months or less to be cash equivalents. Cash or cash equivalents held in the operating pool or long-term investment portfolio (until suitable investments are identified) are excluded from cash and cash equivalents.

Operating Pool Investments – A significant portion of the Foundation's excess cash is invested in a short-term investment grade bond fund with underlying credit quality primarily rated Aaa to BBB. Operating pool investments are reported at fair value. Realized and unrealized gains and losses related to these investments are reported net of investment expenses.

Due from Related Organizations – Due from related organizations consists of amounts owed from the University or related entities. These balances are primarily related to a loan issued to the University to fund a portion of the new student union facility, an advance on the construction of facilities for the John and Mable Ringling Museum of Art as well as amounts owed to the Foundation as a partial beneficiary in a donor gift agreement with the Seminole Boosters. These amounts are fully collectible and as such, no allowance is recorded. See Note 18 for more details on related party transactions.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable – In accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, receivables and revenues are recognized when unconditional promises to give that are measurable, verifiable and probable of collection are received and all eligibility requirements, including time requirements, have been met. Conditional promises to give are not included as revenues until the conditions are substantially met. Pledges for permanent endowments do not meet eligibility requirements and are not recorded as assets until the related payments are received.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, which approximates fair value at the date of the pledge. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made. The discount rates applied to the risk-adjusted cash flow range from 1.01% to 5.00%. An allowance for uncollectible pledges receivable is also recorded based on the Foundation's analysis of past collection experience, current economic conditions, pledge activity and other judgmental factors. The allowance captures the risk premium to bring the pledges receivable balance to a risk-adjusted expected cash flow.

Investments and Fair Value Measurement – In accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, 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. Investments in marketable equity securities and debt securities, including mutual funds are recorded at their fair values, which are based on quoted market prices or recognized pricing services. Investments and other financial instruments recorded at fair value are included in Note 2.

Alternative investments, some of which are structured such that the Foundation holds limited partnership interests, are stated at net asset value (NAV) which is a practical expedient for fair value. The fair value for these assets is estimated by adjusting the NAV provided for cash receipts, cash disbursements, security distributions and significant known valuation changes in market values of holdings contained in the portfolio. Individual investment holdings within the alternative investments may include investments in both non-marketable and market-traded securities. Valuation of these investments, and therefore Foundation holdings, may be determined by the investment manager or general partner. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Foundation to securities lending, short sales of securities and trading in futures and forward contracts, options, swap contracts and other derivative products.

While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of any unfunded commitments. The financial statements of the investees are audited annually by independent auditors.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

The Foundation manages its long-term investments on a total return basis. To preserve the investments' long-term purchasing power, the Foundation makes available to be spent each year a percentage of the average market value of participating funds for the twelve (12) preceding quarters as authorized by the Foundation's Board of Trustees to fund operations of University programs. The effective spending rate was 3.16% and 3.61% for the years ended June 30, 2022 and 2021, respectively.

Remainder Interest Trusts – The Foundation is trustee and beneficiary of numerous charitable trusts and gift annuities. The assets are recorded at fair value. For gift annuities, a corresponding annuity obligation is recorded for the estimated future contractual payments based upon the life expectancy of beneficiaries, discounted to present value. Annuity obligations are based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. The discount rate used is the rate in effect at the date of the gift and ranges from 0.4% to 8.2%.

The asset and liability are offset with a related deferred inflows of resources. Changes in the value of split-interest agreements are recognized as an increase or decrease in deferred inflows of resources until such future time as the trusts terminate. Distributions from these trusts are recognized as contributions when received, and any remaining liability is recognized as a gain.

Funds Held in Trust by Others – The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. Funds held in trust by others are recorded as assets and deferred inflows of resources and valued at their net present value (NPV) each year, which approximates fair value. Distributions from these trusts are recognized as contributions when received. The discount rate used is 6.77%. This rate is calculated based on the current U.S. treasury rate for securities plus the risk premium rate.

Capital Assets – Capital assets include land, buildings and equipment with a cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost when purchased, or at acquisition value at the date of gift, if contributed. Depreciation is computed using the straight-line method of accounting on buildings and equipment over the estimated useful life of the depreciable asset. The useful life of the various assets range from 3 to 30 years. Land or other amounts classified as construction in progress are not subject to depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of Capital Assets – The Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. As a result of any impairments, property with a permanent decrease in value is stated at the lower of the carrying value or fair value. Pursuant to these guidelines, no impairments have been recognized for the years ended June 30, 2022 and 2021.

Cash Surrender Value of Life Insurance Policies – Various individuals have donated life insurance policies with the Foundation designated as beneficiary and owner. The cash surrender value of the policy is reflected in the accompanying financial statements.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Other Assets – Other assets consist of accounts receivable, prepaid expenses and other advances or deposits. The Foundation uses the allowance method to determine uncollectible accounts receivable. All accounts receivable that are past due by 90 days or more are deemed uncollectible and are reserved at 100%.

Accounts Payable and Accrued Expenses – Accounts payable includes accrued expenses and outstanding liabilities to vendors. Accrued expenses are amounts which were owed to a vendor at the time the financial statements were prepared but for which no invoice has been received.

Due to Related Organizations – Due to related organizations consists of amounts owed to the University or related entities. These balances are primarily associated with departmental expenses and salaries and related benefits for Foundation employees that are reimbursed to the University as well as outstanding balances owed for future life insurance distributions. See Note 18 for more details on related party transactions.

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. Amounts recorded as unearned revenue primarily relate to advances received for the construction of facilities.

Inexhaustible Collections – The Foundation has elected to exercise the option of not capitalizing items that meet the definition of “collections” as prescribed by accounting principles generally accepted in the United States of America. All donations of collections are transferred to the University at the time of the gift. The Foundation received donations of paintings, sculptures, photographs, memorabilia and similar items with a value of \$397,192 and \$669,674 for the years ended June 30, 2022 and 2021, respectively.

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 for remainder interest trusts and trusts held by others as deferred inflows of resources. These amounts will be recognized as revenue upon the termination of the trust.

Fiduciary Activities – The Foundation serves in a custodial capacity for the University, the Florida State University Alumni Association (Alumni Association), the Florida Medical Practice Plan (FMPP) and the Florida State University Athletics (Athletics). In accordance with the provisions of GASB Statement No. 84, *Fiduciary Activities*, the balances and related activities associated with these funds are included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and are not reflected in the accompanying Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The new guidance is effective for fiscal years beginning after June 15, 2022; however, early adoption is permitted. In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* that includes clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The requirements related to SBITAs are effective for fiscal years beginning after June 15, 2022.

The Foundation is currently evaluating the impact of the adoption of these standards on its financial statements. The GASB has issued other new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The 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 Foundation's reported net position or activities in the near term.

Reclassifications – Certain amounts in the 2021 financial statements have been reclassified in order to conform with the 2022 presentation. These reclassifications had no impact on total assets, total liabilities, total net position, or change in net position as previously reported.

2. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents – The goal of the Foundation is to invest its excess operating cash in a manner that will achieve the highest rate of total return, while seeking to preserve capital. In addition, the Foundation maintains accounts with large financial institutions that qualify as public depositories pursuant to Chapter 280, Florida Statutes. A qualified public depository has a branch office(s) authorized to receive deposits in Florida, maintains Federal Deposit Insurance Corporation (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. Cash balances totaled \$9,022,111 and \$9,908,868 as of June 30, 2022 and 2021, respectively. Of these amounts, cash in custodial funds totaled \$147,786 and \$63,232 as of June 30, 2022 and 2021, respectively. Deposits held with public depositories consisted of \$2,576,136 and \$930,258 as of June 30, 2022 and 2021, respectively. The remaining balance was held for investment in various short-term investment vehicles.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Operating Pool Investments – All of the Foundation’s operating pool investments are invested in a short-term bond fund consisting of a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. The fund is expected to maintain a dollar-weighted average maturity of one to four years. Operating pool investments consisted of \$58,544,320 and \$55,479,493 as of June 30, 2022 and 2021, respectively. Investment expenses are included in net realized and unrealized gains and losses in the accompanying Statements of Revenues, Expenses and Changes in Net Position and totaled \$29,616 and \$32,568 for the years ended June 30, 2022 and 2021, respectively. Realized gains and losses and increases and decreases in fair value on operating pool investments are reflected in net realized and unrealized gains and losses in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Custodial Funds – The Foundation invests amounts on behalf of the University, the Alumni Association, FMPP and Athletics. In accordance with the provisions of GASB Statement No. 84, *Fiduciary Activities*, the related assets and activities are included in the accompanying Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The fair value of these investments was \$14,726,055 and \$14,183,177 at June 30, 2022 and 2021, respectively.

Fair Value Measurements – The goal of the Foundation is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets withdrawn in accordance with the Foundation’s investment and spending policies. To achieve this goal, some investment risk must be taken. To manage such risk, the Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Foundation’s Investment Committee, which has oversight responsibility for the Foundation’s investment program. The Foundation’s Investment Committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed.

In December 2016, the Foundation reaffirmed its engagement with Cambridge Associates, LLC, an independent consulting firm, to execute its investment program, including the engagement of investment managers, oversight of those managers, investment policy planning, review and compliance, and investment performance reporting. All financial assets are held in custody for the Foundation in proprietary accounts by a major commercial bank, except those assets that have been invested in limited partnerships, hedge funds or in certain products with multiple investors, such as index funds, all of which have separate custodial arrangements appropriate to their legal structure.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value through a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS *(continued)*

The fair value hierarchy prioritizes the inputs into three broad levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A portion of the Foundation's investment assets are classified within Level 1 because they are comprised of marketable securities and operating pool investments with readily determinable fair values based on daily redemption values. There are no investments within Level 2. The Foundation's policy is to recognize transfers between levels at the end of each reporting period. There were no transfers that occurred between Level 1, Level 2 and Level 3 during the years ended June 30, 2022 and 2021.

The Foundation's limited partnerships are invested in real estate, natural resources, venture capital, private equity and distressed funds. The fair values of the limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing and other relevant factors. Therefore, the fair values of limited partnership investments are based on the valuations as presented in the fund's June 30, 2022 capital account statement. Investments in limited partnerships represents 36.02% and 30.04% of total investments at June 30, 2022 and 2021, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

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

Operating pool investments – The Foundation’s operating pool investments is an investment in an investment grade bond fund with underlying credit quality primarily rated Aaa to BBB and is classified as Level 1.

Marketable securities – The fair value of marketable securities reflects market closing prices reported from publicly traded exchanges and are recorded in Level 1.

Commingled funds and alternative investments – The fair value of these assets are valued at NAV and are not classified within the fair value hierarchy.

Remainder interest trusts – The Foundation’s beneficial interest in funds held in trusts administered by a third party is classified at NAV. Its fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets. The Foundation has an irrevocable right to receive the remaining trust assets once the trust matures and thus the fair value of the Foundation's beneficial interest is estimated to approximate the fair value of the trusts' assets.

Funds held in trust by others – The Foundation’s beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are estimated using the income approach and measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Assets measured at fair value on a recurring basis as of June 30 are summarized as follows:

June 30, 2022	Level 1	Level 2	Level 3	NAV	Total
Marketable securities:					
Short-term investment fund	\$20,097,643	\$ -	\$ -	\$ -	\$20,097,643
Other financial instruments:					
Funds held in trust by others	-	-	8,268,878	-	8,268,878
Operating pool investments	58,544,320	-	-	-	58,544,320
Remainder interest trusts ^(a)	-	-	-	7,530,474	7,530,474
Investments measured at NAV ^(a)	-	-	-	767,776,645	767,776,645
Custodial assets invested	(375,642)	-	-	(14,350,413)	(14,726,055)
Total investments	\$78,266,321	\$ -	\$8,268,878	\$760,956,706	\$847,491,905

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Marketable securities:					
Short-term investment fund	\$12,236,222	\$ -	\$ -	\$ -	\$12,236,222
Other financial instruments:					
Funds held in trust by others	-	-	10,317,783	-	10,317,783
Operating pool investments	55,479,493	-	-	-	55,479,493
Remainder interest trusts ^(a)	-	-	-	8,956,645	8,956,645
Investments measured at NAV ^(a)	-	-	-	784,647,821	784,647,821
Custodial assets invested	(217,784)	-	-	(13,965,393)	(14,183,177)
Total investments	\$67,497,931	\$ -	\$10,317,783	\$779,639,073	\$857,454,787

(a) Certain investments that are measured at NAV per share using the practical expedient or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments as shown in the accompanying Statements of Net Position.

Investment expenses, which are included in net realized and unrealized gains and losses, totaled \$22,231,727 and \$20,370,531 for the years ended June 30, 2022 and 2021, respectively. The following schedule provides a breakdown of net realized and unrealized gains and losses on investments for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Net realized gains	\$40,247,148	\$27,291,158
Net unrealized (losses) gains	(60,988,324)	208,359,358
Total net realized and unrealized (losses) gains	(20,741,176)	235,650,516
Custodial fund net realized losses (gains)	338,603	(4,061,914)
Net realized and unrealized (losses) gains	(\$20,402,573)	\$231,588,602

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Investments not reported at fair value as of June 30, 2022 and 2021 consist of the State Board of Administration Florida PRIME. The Foundation's investment in the State Board of Administration Florida PRIME is recorded at amortized cost. The fair value of the Foundation's position in the pool is equal to the value of pooled shares.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

While the Foundation 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 estimate of fair value at the reporting date.

The following table discloses all investments whose value is calculated using NAV, using the practical expedient.

June 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>Fixed income (a)</u>				
Domestic institutional pooled fund	\$61,677,498	\$ -	Daily	2 days
Private credit	6,391,088	6,554,474		
<u>Equities (b)</u>				
Institutional pooled funds	299,841,531	-	Daily/1-6 Months	2 - 60 days
<u>Hedge funds</u>				
<u>Long/short equity (c)</u>				
U.S. long/short	-	-	Annually	60 days
Global long/short	20,003,735	-	Quarterly/Annually/Every 3 Yrs	45-65 days
<u>Absolute return (d)</u>				
Multi-Strategy	49,697,881	-	Quarterly	45 days
Event driven/open mandate	11,182,980	-	Quarterly/Annually	30-90 days
Credit strategies/distressed	6,948,918	-	Quarterly/Annually/Every 2 Yrs	45-90 days
Global macro	34,028	-	Monthly	10 days
Private credit	5,109,213	4,824,892		
Fixed income relative value	10,674,733	-	Quarterly	60 days
<u>Limited partnerships (e)</u>				
Venture capital	91,581,841	6,637,265		
Private equity	119,993,253	61,096,171		
Distressed assets	14,151,528	9,170,055		
Real estate	13,281,436	8,991,793		
Natural resources	44,806,208	14,975,794		
<u>Real assets (f)</u>				
Global real estate institutional pooled fund	12,400,774	-	Daily	2 days
Total investments	\$767,776,645	\$112,250,444		
<u>Remainder interest trusts</u>				
<u>Fixed income</u>				
Domestic institutional pooled fund	\$2,513,279	\$ -	Daily	N/A
<u>Equities</u>				
U.S. institutional pooled fund	2,831,641	-	Daily/1-6 Months	N/A
Global ex U.S. institutional pooled fund	1,807,316	-	1 - 6 Months	N/A
<u>Real Assets</u>				
Global REIT mutual fund	324,375	-	Daily	N/A
Commodity index fund	53,863	-	Daily	N/A
Total other financial instruments	\$7,530,474	\$ -		

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Fixed income (a)</u>				
Domestic institutional pooled fund	\$63,825,065	\$ -	Daily	2 days
<u>Equities (b)</u>				
Institutional pooled funds	386,364,365	-	Daily/1-6 Months	2 - 60 days
<u>Hedge funds</u>				
Long/short equity (c)				
U.S. long/short	4,677,784	-	Annually	60 days
Global long/short	18,113,024	-	Quarterly/Annually/Every 3 Yrs	45-65 days
Absolute return (d)				
Diversified arbitrage	12,653,217	-	Quarterly	45 days
Event driven/open mandate	33,535,045	-	Quarterly/Annually	30-90 days
Credit strategies/distressed	11,781,797	-	Quarterly/Annually/Every 2 Yrs	45-90 days
Global macro	34,032	-	Monthly	10 days
<u>Limited partnerships (e)</u>				
Venture capital	74,413,912	9,576,466		
Private equity	102,027,193	76,911,655		
Distressed assets	12,257,557	12,694,524		
Real estate	13,106,964	7,617,153		
Natural resources	37,599,368	22,344,009		
<u>Real assets (f)</u>				
Global real estate institutional pooled fund	14,258,498	-	Daily	2 days
Total investments	<u>\$784,647,821</u>	<u>\$129,143,807</u>		
<u>Remainder interest trusts</u>				
Fixed income				
Domestic institutional pooled fund	\$2,529,767	\$ -	Daily	N/A
Equities				
U.S. institutional pooled fund	3,950,214	-	Daily/1-6 Months	N/A
Global ex U.S. institutional pooled fund	2,338,814	-	1 - 6 Months	N/A
Real Assets				
Global REIT mutual fund	83,625	-	Daily	N/A
Commodity index fund	54,225	-	Daily	N/A
Total other financial instruments	<u>\$8,956,645</u>	<u>\$ -</u>		

(a) Fixed income - This category includes investments in a domestic institutional pooled fund. The investment objective of the domestic fund is to approximate as closely as practicable, before expenses, the performance of the Barclays U.S. Intermediate Government/Credit Bond Index over the long term. The fund attempts to achieve its investment objective by investing in other collective investment funds (each an underlying fund), managed by the Trustee, which have characteristics consistent with the fund's overall investment objective. As of June 30, 2022, all of the investments in this category can be redeemed in less than one year.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS *(continued)*

(b) Equities - This category includes investments in U.S., global ex. U.S., global, and emerging markets institutional pooled funds. The investment objective of the U.S. funds, if passive, is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index over the long term. If active, the investment objective is to generate above average long-term capital appreciation with compounded annual long-term returns that are superior to their respective benchmark indices. The investment objective of the global ex. U.S. funds is to invest in international equity and equity-related securities that offer safety of capital, capital appreciation, and a satisfactory long-term rate of return relative to their respective benchmarks. The investment objective of the emerging markets funds is to achieve long-term capital appreciation by investing in equity securities of emerging and frontier markets. As of June 30, 2022, all of the investments in this category can be redeemed in less than one year.

(c) Long/short equity - This category includes investments in offshore funds that invest both long and short in domestic and international equity securities. The funds can also opportunistically invest in other domestic and international securities and instruments where the managers deem appropriate. The managers of the funds seek to provide either superior risk-adjusted return or capital appreciation within their specific investment styles which can include U.S. Growth, U.S. Value, Global and Sector-specific. The fair value of the investments in this category has been estimated using the NAV per share of the investments. Investments representing approximately 2.8% of the value of the investments in this category can be redeemed in one year or later due to restrictions in place at the time of acquisition. The remaining 97.2% can be redeemed in less than one year at June 30, 2022.

(d) Absolute return - This category includes investments in offshore funds that are designed to produce results that are largely independent of, or have low correlation to, the broader markets. The absolute return strategies will potentially benefit the Foundation by generating returns from a variety of sources, helping lower portfolio volatility, and diversifying portfolios with low-correlation returns. The strategies include diversified arbitrage, event driven/open mandate, credit strategies/distressed, and global macro. The fair values of the investments of all the managers in this category have been estimated using the NAV per share of the investments. Investments representing approximately 5.0% of the value of the investments in this category can be redeemed in one year or later due to restrictions in place at the time of acquisition. The remaining 95.0% can be redeemed in less than one year at June 30, 2022.

(e) Limited partnerships - This category includes investments in several limited partnership funds that invest in private equity, venture capital, distressed assets, natural resources and real estate. The nature of the investment in this category is that distributions are received through the liquidation of underlying assets. If these investments are held, it is estimated that the underlying assets of the funds would be liquidated over 5 to 15 years. However, as of June 30, 2022, it is probable that all of the investments in this category will be sold at an amount different from the fair value of the company's ownership interest and partners' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transactions and recent statements of changes for the funds.

(f) Real assets - This category includes investments in a global real estate investment trust (REIT) fund. The investment objective of the global REIT mutual fund is total return through investing in real estate securities globally. This investment objective is achieved by investing in primarily equity and potentially debt securities of companies whose business is to own, operate, develop and manage real estate. As of June 30, 2022, all of the investments in this category can be redeemed in less than one year.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Foundation has a formal policy addressing concentration of credit risk. Investments shall be diversified with the intent to minimize the risk of large realized and unrealized losses to the invested assets. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holding in individual issues, corporations, or industries. Each investment within the portfolio will be expected to serve at least one of the following three principle investment roles, as indicated:

- Growth of long-term real value over the investment horizon;
- Diversification to mitigate risk inherent in equity-dominant portfolios; and
- Hedging of macro-economic risks, (e.g., inflation and economic contraction)

The portfolio will be diversified both by asset class (e.g., equities and bonds) and within asset classes (e.g., within equities by sector, industry, quality and style). The portfolio will also have diversification in the number and type of investment managers by and within asset class as appropriate with the policy intention of having no single active manager exceed 10% of the portfolio at most recent market value. The Investment Committee may make an exception to this constraint (not to exceed 15%) as long as the decision is discussed, the rationale is documented and the position is reviewed regularly by the Investment Committee. The portfolio will be rebalanced on a quarterly basis or when the asset allocation deviates materially from policy targets. Timing delays in rebalancing the portfolio may result due to specific redemption requirements for certain investment managers. One active manager exceeded 10% of the portfolio and was granted an exception by the Investment Committee as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, the Foundation was in compliance with the policy addressing concentration of credit risk. The following table shows investments that represent greater than 5% of the Foundation’s long-term investment portfolio as of June 30:

Investments Held by Individual Managers	2022	Percent
Domestic institutional pooled fixed income	\$61,677,498	7.83%
Domestic institutional pooled equity	40,067,195	5.09%
Domestic institutional pooled equity	98,372,774	12.49%
Private Equity Venture Capital Fund	47,157,587	5.99%
Totals	\$247,275,054	

Investments Held by Individual Managers	2021	Percent
Domestic institutional pooled fixed income	\$63,825,065	8.32%
Domestic institutional pooled equity	43,486,817	5.67%
Domestic institutional pooled equity	119,935,341	15.63%
Totals	\$227,247,223	

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not have a formal policy that limits its investment choices. The credit risk ratings listed below are issued upon standards set by Standard and Poor's.

The Foundation had the following investments subject to credit risk at June 30:

Investment Rating	2022		2021	
	Short-term bond fund	Domestic institutional pooled bond fund	Short-term bond fund	Domestic institutional pooled bond fund
AAA	\$2,382,754	\$ -	\$3,364,303	\$ -
Aaa	-	42,008,544	-	41,345,876
AA	1,650,950	-	2,238,711	-
Aa	-	2,041,525	-	2,342,380
A	7,306,331	8,135,262	16,463,696	8,801,477
Baa	-	9,485,999	-	11,316,184
BBB	7,224,369	-	24,458,392	-
Less than BBB	46,835	-	1,064,976	-
Below Baa	-	-	-	19,148
U.S. government	39,933,081	-	6,568,471	-
Unknown/Not Rated	-	6,168	1,320,944	-
Totals	\$58,544,320	\$61,677,498	\$55,479,493	\$63,825,065

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Foundation had the following investments subject to interest rate risk as of June 30:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1-5	6-10	More than 10
2022					
Short-term bond fund	\$58,544,320	\$ -	\$58,544,320	\$ -	\$ -
Domestic institutional pooled bond fund	61,677,498	-	61,677,498	-	-
Totals	\$120,221,818	\$ -	\$120,221,818	\$ -	\$ -
		Investment Maturities (in years)			
	Fair Value	Less than 1	1-5	6-10	More than 10
2021					
Short-term bond fund	\$55,479,493	\$ -	\$55,479,493	\$ -	\$ -
Domestic institutional pooled bond fund	63,825,065	-	63,825,065	-	-
Totals	\$119,304,558	\$ -	\$119,304,558	\$ -	\$ -

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation has the following foreign currency exposure at June 30:

<u>Currency Type</u>	<u>2022</u>	<u>2021</u>
AUD (Australian Dollar)	\$2,380,870	\$2,312,073
BRL (Brazilian Real)	3,968,110	2,312,073
CAD (Canadian Dollar)	4,761,730	2,312,073
CHF (Swiss Franc)	4,761,730	7,706,910
CNY (Chinese Yuan)	12,697,950	13,101,747
EGP (Egyptian Pound)	793,620	1,541,382
EUR (Euro)	22,221,420	26,974,185
GBP (Pound Sterling)	15,078,820	18,496,584
HKD (Hong Kong Dollar)	3,968,110	5,394,837
INR (Indian Rupee)	5,555,350	9,248,292
JPY (Japanese Yen)	13,491,570	19,267,275
KRW (South Korean Won)	1,587,240	2,312,073
NOK (Norwegian Krone)	-	1,541,382
Non-USD PI	6,348,980	1,541,382
RUB (Russian Ruble)	-	3,082,764
SGD (Singapore Dollar)	1,587,240	2,312,073
TWD (Taiwan New Dollar)	1,587,240	3,082,764
VND (Vietnamese Dong)	793,620	1,541,382
ZAR (South African Rand)	1,587,240	770,691
RON (Romanian Leu)	793,620	-
Other	7,142,580	14,643,129
Total foreign currency exposure	<u>\$111,107,040</u>	<u>\$139,495,071</u>

3. ENDOWMENT

The Foundation's endowment consists of approximately 2,026 funds established for a variety of restricted purposes. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds are classified and reported based on donor-imposed restrictions.

The management of the Foundation's endowed funds is guided by the laws of the State of Florida, specifically Florida Statute 617.2104, Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA). The Board of Trustees of the Foundation has interpreted Florida UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted nonexpendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

3. ENDOWMENT *(continued)*

the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Florida UPMIFA.

In accordance with Florida UPMIFA, subject to the intent of a donor expressed in the gift instrument, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The investment policy of the institution.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return net of inflation, spending distributions and administrative fees each year.

The objectives of the Foundation's investment portfolio are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power or real rate of return will be defined as returns in excess of inflation as defined by the Consumer Price Index – Urban (CPI-U). At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the assets while providing the necessary capital to fund the annual spending policy of 4% plus an additional 1.5% to cover administrative fees. Therefore, the desired minimum real rate of return is equal to CPI-U plus 550 basis points (5.5%) on an annualized basis. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. The assets are invested for the long term and higher short-term volatility in these assets is to be expected and accepted.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

3. ENDOWMENT (continued)

The endowment spending policy is designed to provide a stable income stream to the University community for its current needs while maintaining the purchasing power of the endowed assets. The Foundation uses a smoothing formula based on a rolling three-year average of the total endowment quarterly market values. The total endowment ending market values for the last 12 quarters are averaged and the result is then multiplied by the stated 4% spending rate (1% per quarter) to determine the total amount to be distributed. This total amount to be distributed is then allocated to participating funds based on their pro-rata share of the total endowment pool.

From time to time, the fair value of assets associated with individual, donor-restricted endowment funds may fall below historical dollar value (the aggregate value of all contributions to an endowment fund at the time they were made). These deficiencies result from unfavorable market fluctuations, continued appropriations for certain programs that were deemed prudent by the Board of Trustees and administrative fees. The total amount of deficiencies of this nature as of June 30, 2022 and 2021 was \$829,309 and \$0, respectively and is classified as part of unrestricted net position in the accompanying Statements of Net Position. The recovery of previous losses of \$0 and \$22,129,995 for the years ended June 30, 2022 and 2021, respectively, are reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Future gains will be used to restore these deficiencies in unrestricted net position before any net appreciation above historical cost value of such funds increase restricted expendable net position. Under current State of Florida law, there is no legal obligation to restore these deficiencies.

4. CUSTODIAL FUNDS

The Foundation holds assets, primarily reported as investments, for the University, the Alumni Association, FMPP and Athletics.

Amounts reported as custodial funds consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
University	\$7,753,176	\$7,948,441
Florida State University Alumni Association	5,291,128	4,424,452
Florida Medical Practice Plan	1,168,798	1,198,236
Florida State University Athletics	660,739	675,280
Total custodial funds	<u>\$14,873,841</u>	<u>\$14,246,409</u>

Below is a summary of the amounts held on behalf of custodial funds at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$147,786	\$63,232
Investments	14,726,055	14,183,177
Summary of custodial funds	<u>\$14,873,841</u>	<u>\$14,246,409</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

5. DUE FROM RELATED ORGANIZATIONS

Amounts owed from the University and related entities consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
University	\$18,060,000	\$20,066,667
Seminole Boosters	3,418,519	3,443,683
Ringling Museum	2,051,949	2,283,526
Real Estate Foundation	1,422	421,562
Alumni Association	27,219	21,561
Florida Medical Practice Plan	2,874	3,353
Amounts due from related organizations	<u>\$23,561,983</u>	<u>\$26,240,352</u>

See Note 18 for more details concerning related party transactions.

6. PLEDGES RECEIVABLE

Pledges receivable consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
In one year or less	\$1,272,287	\$1,375,578
Between one and five years	5,604,354	5,009,500
Greater than five years	54,316,202	58,259,844
Unconditional promises to give	61,192,843	64,644,922
Less: Allowance for uncollectibles	(1,135,618)	(992,667)
Unamortized discount	(6,574,087)	(7,390,551)
Total pledges receivable – net	<u>\$53,483,138</u>	<u>\$56,261,704</u>

Approximately 88% and 90% of pledges receivable were attributable to two donors at June 30, 2022 and 2021, respectively. The Foundation is the beneficiary of numerous conditional promises to give and bequests. A conditional promise requires a future event to take place before the promise becomes binding on the donor and as such, is not recognized until it becomes unconditional. Typically, the Foundation has no control over the required event. No receivable was recorded for these bequests and pledges, nor was the future support recognized.

The Foundation had approximately \$38.7 million of outstanding state matching funds pending appropriation at June 30, 2022 and 2021. This represents gifts received by the Foundation that have been approved for state matching funds; however, such matching funds have not yet been appropriated by the Florida Legislature. No receivable was recorded for the anticipated state funds, nor was the future support recognized.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

7. REMAINDER INTEREST TRUSTS

The Foundation is the trustee and beneficiary of numerous irrevocable charitable trust and gift annuity agreements. These assets have been donated to the Foundation for investment, in return for payments to the donor(s) or their designees. Upon the satisfaction of the terms of each trust or annuity, the Foundation receives the balance of the invested assets. If the remaining assets are to be endowed, per the donor's direction, the value at maturity must meet the Foundation's endowment minimum of \$30,000 as established on July 1, 2020 or grandfathered in at prior endowment minimum levels. If the value does not meet the required minimum, the Florida UPMIFA can be applied to repurpose the assets.

These assets are recorded at fair value. For gift annuities, a corresponding annuity obligation is recorded for the estimated future contractual payments based upon the life expectancy of the beneficiaries, discounted to present value. The related annuity liability is valued, using IRS tables, at the net present value each year based on the discount rate at the time the annuity was established. See Note 1 for the discount rate used.

The Foundation charitable gift annuities are invested into one pooled account. Gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, the pooled assets will be utilized to fund future payments and is ultimately the responsibility of the Foundation. As of June 30, 2022 and 2021, the Foundation held assets in excess of the minimum gift annuity reserves required by state law.

In accordance with 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.

The following are the invested assets and annuity obligations at June 30:

	<u>2022</u>	<u>2021</u>
Fair value of securities held	\$7,530,474	\$8,956,645
Annuity obligations	<u>(4,435,929)</u>	<u>(4,540,885)</u>
Remainder interest trusts	<u>\$3,094,545</u>	<u>\$4,415,760</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

8. FUNDS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights or claims to its portion of such assets or income therefrom. Upon the satisfaction of the terms of each trust, the Foundation receives the remainder interest which is added to the endowment per the donor's direction. If the remaining assets are to be endowed, per the donor's direction, the value at maturity must meet the Foundation's endowment minimum of \$30,000 as established on July 1, 2020 or grandfathered in at prior endowment minimum levels. If the value does not meet the required minimum, the Florida UPMIFA can be applied to repurpose the assets. Funds held in trust by others are valued, using IRS tables, at their net present value each year. See Note 1 for the discount rate used.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides guidance concerning trusts held by a third party and the appropriate treatment assuming specific criteria are met. Similar to the treatment for split-interest agreements for remainder interest trusts, changes associated with trusts held by others are reported as deferred inflows of resources until such time as the agreement terminates and the beneficial interest asset and any remaining deferred inflows of resources are eliminated.

Funds held in trust by others consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Statement value of trusts	\$12,983,161	\$15,292,736
Discount to present value	<u>(4,714,283)</u>	<u>(4,974,953)</u>
Funds held in trust by others - net	<u>\$8,268,878</u>	<u>\$10,317,783</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

9. CAPITAL ASSETS

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

<u>June 30, 2022</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land	\$1,619,876	\$ -	\$ -	\$1,619,876
Total nondepreciable capital assets	<u>1,619,876</u>	<u>-</u>	<u>-</u>	<u>1,619,876</u>
Depreciable capital assets:				
Buildings	4,305,164	-	-	4,305,164
Furniture and equipment	2,449,158	11,458	(38,160)	2,422,456
Total depreciable capital assets	<u>6,754,322</u>	<u>11,458</u>	<u>(38,160)</u>	<u>6,727,620</u>
Less, accumulated depreciation				
Buildings	(636,326)	(153,174)	-	(789,500)
Furniture and equipment	(2,317,698)	(39,842)	38,160	(2,319,380)
Total accumulated depreciation	<u>(2,954,024)</u>	<u>(193,016)</u>	<u>38,160</u>	<u>(3,108,880)</u>
Total depreciable capital assets - net	<u>3,800,298</u>	<u>(181,558)</u>	<u>-</u>	<u>3,618,740</u>
Total capital assets – net	<u>\$5,420,174</u>	<u>(\$181,558)</u>	<u>\$ -</u>	<u>\$5,238,616</u>
<u>June 30, 2021</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land	\$1,619,876	\$ -	\$ -	\$1,619,876
Total nondepreciable capital assets	<u>1,619,876</u>	<u>-</u>	<u>-</u>	<u>1,619,876</u>
Depreciable capital assets:				
Buildings	4,305,164	-	-	4,305,164
Furniture and equipment	2,449,158	-	-	2,449,158
Total depreciable capital assets	<u>6,754,322</u>	<u>-</u>	<u>-</u>	<u>6,754,322</u>
Less, accumulated depreciation				
Buildings	(483,152)	(153,174)	-	(636,326)
Furniture and equipment	(2,271,689)	(46,009)	-	(2,317,698)
Total accumulated depreciation	<u>(2,754,841)</u>	<u>(199,183)</u>	<u>-</u>	<u>(2,954,024)</u>
Total depreciable capital assets - net	<u>3,999,481</u>	<u>(199,183)</u>	<u>-</u>	<u>3,800,298</u>
Total capital assets – net	<u>\$5,619,357</u>	<u>(\$199,183)</u>	<u>\$ -</u>	<u>\$5,420,174</u>

Depreciation expense totaling \$193,016 and \$199,183 is included in administrative expenses on the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

10. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The cash surrender value of life insurance policies is net of any outstanding policy loans and totaled \$1,989,551 and \$1,969,802 as of June 30, 2022 and 2021, respectively. The net death benefit value of the underlying life insurance in force was approximately \$8.2 million at June 30, 2022 and 2021. Various individuals have donated policies with the Foundation designated as beneficiary and owner; however, only the cash surrender value is reflected in the financial statements since the insured individuals can stop paying policy premiums at their discretion.

11. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Prepaid expenses	\$237,445	\$250,926
Accounts receivable – net	41,588	40,333
Total other assets	<u>\$279,033</u>	<u>\$291,259</u>

12. DUE TO RELATED ORGANIZATIONS

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

	<u>2022</u>	<u>2021</u>
University	\$1,749,158	\$2,490,793
Seminole Boosters	84,439	83,578
Real Estate Foundation	2,979	2,979
Alumni Association	56	-
Amounts due to related organizations	<u>\$1,836,632</u>	<u>\$2,577,350</u>

See Note 18 for more details concerning related party transactions.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

13. PROMISSORY NOTE PAYABLE

On January 15, 2016, the Foundation financed property with a fully amortizing nonrecourse promissory note for \$4,042,334. Principal and interest payments of \$27,381 are due monthly through the due date of July 15, 2031 at a fixed rate of 2.61%. The outstanding balance was \$2,650,103 and \$2,904,865 as of June 30, 2022 and 2021, respectively. A summary of changes in the promissory note payable is shown below for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$2,904,865	\$3,152,979
Less: Principal payments	<u>(254,762)</u>	<u>(248,114)</u>
Ending balance	<u>\$2,650,103</u>	<u>\$2,904,865</u>
Amounts due within one year	<u><u>\$261,595</u></u>	<u><u>\$254,771</u></u>

The following is a schedule by years of future minimum principal and interest payments required under the promissory note payable:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$261,595	\$66,976	\$328,571
2024	268,440	60,131	328,571
2025	275,792	52,779	328,571
2026	283,179	45,392	328,571
2027	290,764	37,807	328,571
2028 - 2032	<u>1,270,333</u>	<u>71,363</u>	<u>1,341,696</u>
	<u>\$2,650,103</u>	<u>\$334,448</u>	<u>\$2,984,551</u>

Principal and interest payments of \$328,571 were made during the years ended June 30, 2022 and 2021.

14. DESIGNATED UNRESTRICTED NET POSITION

The Foundation's Board of Trustees has the authority to designate unrestricted net position for specific purposes, and these actions may be rescinded at any time. During fiscal year 2019, the Board of Trustees approved the establishment of a maintenance reserve to provide protection against unforeseen facilities and infrastructure issues or other emergencies that may arise throughout the year creating unanticipated shortfalls. This reserve is not intended to be a sustained resource for recurring maintenance items or capital projects nor is it intended to replace a permanent loss of funds or eliminate an ongoing budget deficit. In addition, the Board of Trustees approved the establishment of a presidential reserve of \$3,000,000 for the University President's initiatives and future growth for the Foundation.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

14. DESIGNATED UNRESTRICTED NET POSITION *(continued)*

Since these designations are not the result of donor-imposed or contractual restrictions, they are reflected as a component of unrestricted net position on the Statements of Net Position. Below are schedules for the maintenance reserve activity and the presidential reserve at June 30:

Maintenance Reserve	<u>2022</u>	<u>2021</u>
Beginning balance	\$168,264	\$118,555
Additions to reserve	90,000	90,000
Expenditures	<u>(14,655)</u>	<u>(40,291)</u>
Maintenance Reserve ending balance	<u>\$243,609</u>	<u>\$168,264</u>

Presidential Initiatives & Future Growth Reserve	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	\$ -
Additions to reserve	3,000,000	-
Expenditures	<u>-</u>	<u>-</u>
Presidential Initiatives & Future Growth Reserve ending balance	<u>\$3,000,000</u>	<u>\$ -</u>

15. RETIREMENT PLAN

The Foundation established a 403(b) tax deferred retirement plan to purchase annuity contracts for its employees to provide funds for retirement. Participants in the plan became vested upon employment. All benefits under the plan are provided through the purchase of individual or group fixed or variable annuity contracts. The Foundation contributed 11% of the base salary for each employee to the plan, plus an additional amount up to 4% of annual salary to match voluntary employee contributions. In the event the plan is terminated, vested employees at that time will have a non-forfeitable interest in the annuity contract. Effective December 14, 2018, Foundation employees transitioned to University employees, and no contributions have been made to the plans since that time.

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 Florida 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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

15. RETIREMENT PLAN *(continued)*

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.).

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 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 at www.frs.myflorida.com.

It has been determined that the Foundation is not a payor fund for the purposes of liquidating the pension liability. An actuarial valuation has been performed for the plan. All employees of the Foundation are 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 employees of the Foundation and as a result, there is no net pension liability recorded in these financial statements.

The cost of the defined benefit pension plan for employees of the Foundation paid by the University is recorded in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Retirement contributions were \$805,802 and \$808,090 for the years ended June 30, 2022 and 2021, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

16. 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 Employees' Group Health Insurance Plan, an agent multiple-employer defined benefit health plan (OPEB Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 insurance premiums 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 OPEB Plan information is not included in the report of a public employee retirement system or another entity.

OPEB 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 OPEB 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.

It has been determined that the Foundation is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the OPEB Plan. The employees of the Foundation 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 employees of the Foundation and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the OPEB Plan, or the net OPEB liability recorded in these financial statements.

17. RISK MANAGEMENT PROGRAMS

The 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. Coverage for directors and officers, property and general liability are provided through commercial insurance carriers, and management continuously reviews the limits of coverage to ensure that they are adequate. In addition, cyber liability coverage is provided through the University. No settlements have exceeded coverage in place during the previous three fiscal years.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

18. RELATED PARTY TRANSACTIONS

The Foundation serves as a DSO of the University and enhances their academic vision and priorities through its organized fundraising activities and funds management. As a result, the 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 reimbursing software or other expenditures. Further details outlining each relationship are provided below:

Florida State University – Foundation personnel are employees of the University. The University tracks, administers, and reports all payroll and fringe benefit costs. The University directly funded salaries for University employees that perform fundraising functions for the benefit of both the University and the Foundation of \$5,319,269 and \$6,044,511 included in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021, respectively. The University directly funded salaries for the Foundation's Accounting Office employees of \$1,184,119 and \$1,300,295 included in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021, respectively. Fundraising staff report to the Vice President of University Advancement and Accounting staff report to the Associate Vice President in the Division of Finance and Administration. In May of 2004, the Foundation and University signed an operating agreement outlining the duties and responsibilities of the Foundation Accounting Office and detailing the University's operational oversight.

The Foundation has accounts held at the University in which money is transferred to pay salaries and reimburse other expenses incurred by the University. The balances of these accounts reflect pending transfers. The total amount owed from the Foundation to the University was \$1,749,158 and \$2,490,793 as of June 30, 2022 and 2021, respectively.

The Foundation provides support to the President of the University who assists in the fundraising efforts of the Foundation by actively participating in various donor engagement and cultivation events throughout the year. The Foundation provided support of \$725,000 and \$719,084 for the years ended June 30, 2022 and 2021, respectively.

In February of 2019, the Foundation Board of Trustees approved an agreement to loan the University funds, in an amount not to exceed \$20,000,000, at an interest rate of 4% for the purpose of financing a portion of the costs of a new student union facility. A re-set of the interest rate will occur five years from the execution date of the loan. The minimum interest rate on the loan will re-set to the greater of four percent or 100 basis points above the 10-year treasury rate. On December 1, 2019, the University signed a promissory note to draw funds against the loan for \$19,223,376. Additional draws were taken towards the first two interest payments on the loan to arrive at a principal balance of \$20,000,000. The first draw occurred on June 1, 2020 totaling \$384,467, and the second draw occurred on December 1, 2020 totaling \$392,157 which includes \$65,359 in accrued interest from the prior year. Principal and interest payments are due bi-annually beginning June 1, 2021 through the due date of December 1, 2030. Amounts owed to the Foundation from the University were \$18,060,000 and \$20,066,667 as of June 30, 2022 and 2021, respectively. Interest payments of \$760,000 and \$0 have been received as of June 30, 2022 and 2021, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

18. RELATED PARTY TRANSACTIONS (continued)

A summary of changes in the note receivable is shown below for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Beginning principal balance	\$20,000,000	\$19,673,203
Increase	-	326,797
Decrease	<u>(2,000,000)</u>	<u>-</u>
Ending principal balance	<u>\$18,000,000</u>	<u>\$20,000,000</u>
Accrued interest	\$820,000	\$66,667
Interest received	<u>(760,000)</u>	<u>-</u>
Interest balance	<u>\$60,000</u>	<u>\$66,667</u>
Principal and interest balance	<u>\$18,060,000</u>	<u>\$20,066,667</u>
Amounts due within one year	<u>\$2,000,000</u>	<u>\$2,000,000</u>

The following is a schedule by years of future minimum principal and interest payments required under the note receivable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$2,000,000	\$680,000	\$2,680,000
2024	2,000,000	600,000	2,600,000
2025	2,000,000	520,000	2,520,000
2026	2,000,000	440,000	2,440,000
2027	2,000,000	360,000	2,360,000
2028 - 2031	<u>8,000,000</u>	<u>640,000</u>	<u>8,640,000</u>
Totals	<u>\$18,000,000</u>	<u>\$3,240,000</u>	<u>\$21,240,000</u>

Florida Medical Practice Plan (FMPP) – FMPP is the faculty practice plan for the FSU College of Medicine which was established to further the education, service and research missions of the college and enable faculty to maintain clinical competence, fulfill certification requirements, share expertise with other health care providers and serve as a clinical teacher for students and resident physicians. A cost share agreement was entered into between the college and the Foundation whereby a portion of a fundraising staff position is funded by FMPP. Amounts owed from FMPP to the Foundation for this purpose was \$2,874 and \$3,353 as of June 30, 2022 and 2021, respectively.

Florida State University Alumni Association, Inc. (Alumni Association) – The Alumni Association serves to aid, strengthen and expand the University by providing a connecting link between alumni and the University to cultivate charitable giving. These efforts are accomplished through programmatic initiatives such as publication of the VIRES magazine as well as hosted events with colleges on campus and Seminole Club chapters nationwide. Seminole Club chapters unite alumni and friends of the University in certain geographic areas to assist FSU in achieving its goals. By promoting advancement for the University through various outreach and engagement activities that are held throughout the year, the Alumni Association plays a vital role in advancing

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

18. RELATED PARTY TRANSACTIONS *(continued)*

the overall mission of the University. The Foundation provided support to the Alumni Association for this purpose totaling \$125,000 for the years ended June 30, 2022 and 2021.

The Foundation manages the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Alumni Association pays the Foundation for the costs attributed to its use of the software and the credit card processing system. In addition, the Foundation manages purchasing cards for the Alumni Association. The Foundation and Alumni Association also receive certain contributions on behalf of the other. Depending on the nature of the donation, these assets may be held for a period of time or immediately transferred. The total amount owed from the Foundation to the Alumni Association was \$56 and \$0 as of June 30, 2022 and 2021, respectively. The total amount owed from the Alumni Association to the Foundation was \$27,219 and \$21,561 as of June 30, 2022 and 2021, respectively.

Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) – The Real Estate Foundation operates to receive, hold, manage, lease, develop or sell real estate for the benefit of the University and to provide expertise and strategic support for all of the University’s real estate needs. The Foundation received proceeds from the Real Estate Foundation pertaining to the sale of properties totaling \$378,252 and \$875,527 during the years ended June 30, 2022 and 2021, respectively. In addition, the Foundation provided support for property carrying costs to the Real Estate Foundation in the amount of \$2,475 and \$1,095 for the years ended June 30, 2022 and 2021, respectively.

The Foundation manages the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Real Estate Foundation pays the Foundation for the costs attributed to its use of the software and the credit card processing system. In addition, the Foundation manages purchasing cards for the Real Estate Foundation. The Foundation and Real Estate Foundation also receive certain contributions on behalf of the other. Depending on the nature of the donation, these assets may be held for a period of time or immediately transferred. The total amount owed from the Real Estate Foundation to the Foundation was \$1,422 and \$421,562 as of June 30, 2022 and 2021, respectively. The total amount owed to the Real Estate Foundation from the Foundation was \$2,979 as of June 30, 2022 and 2021.

The Foundation provided support to the Real Estate Foundation for administrative expenses of \$100,000 for the years ended June 30, 2022 and 2021. In April 2013, the 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 the University. 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, 2022, the Real Estate Foundation has not drawn any advances nor accrued any receivable for this line of credit.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

18. RELATED PARTY TRANSACTIONS *(continued)*

John and Mable Ringling Museum of Art (Ringling Museum) – The Ringling Museum was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. In February of 2012, the University and the Ringling Museum, a DSO of the University, entered into a memorandum of understanding (MOU) with the Foundation. The MOU was created to provide a bridge loan from the Foundation to the Ringling Museum in the amount of \$3,075,000 which was used as a funding match in the construction of the Asian Art Center at the Ringling Museum. The loan was provided specifically in lieu of State of Florida Matching programs which had been placed on hold and was not made to waive or forego any future right to State of Florida matches for this gift should they become available. In August of 2017, the MOU was amended to require the Ringling Museum to begin making payments on the bridge loan. The initial payment was due 30 days following approval of the agreement by all parties, and annual payments of \$205,000 are due by September 1 of each year. Amounts owed from the Ringling Museum to the Foundation for the bridge loan was \$2,050,000 and \$2,255,000 as of June 30, 2022 and 2021, respectively.

The Foundation manages the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Ringling Museum pays the Foundation for the costs attributed to its use of the software and the credit card processing system. Amounts owed from the Ringling Museum to the Foundation for this purpose was \$1,949 and \$28,526 as of June 30, 2022 and 2021, respectively.

Seminole Boosters, Inc. (Boosters) – The Boosters serve to increase and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. In May of 2005, the Boosters entered into an agreement with a donor who made a commitment to make a \$25 million gift to the Boosters. The Foundation is a partial beneficiary to this commitment which was fulfilled based on donations of real estate received by the Boosters during fiscal year 2019. As the properties are sold, it is expected that the Boosters will transfer cash to the Foundation to fulfill the obligation.

The Foundation manages the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Boosters pays the Foundation for the costs attributed to its use of the software and the credit card processing system. In addition, the Foundation and Boosters also receive certain contributions on behalf of the other. Depending on the nature of the donation, these assets may be held for a period of time or immediately transferred. The total amount owed from the Boosters to the Foundation was \$3,418,519 and \$3,443,683 as of June 30, 2022 and 2021, respectively. The total amount owed from the Foundation to the Boosters was \$84,439 and \$83,578 as of June 30, 2022 and 2021, respectively.

**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**

Independent Auditor's Report

To the Board of Trustees
Florida State University 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 (*Government Auditing Standards*), the financial statements of the major fund and the aggregate remaining fund information of the Florida State University Foundation, Inc. (the Foundation), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

RSM US LLP

Jacksonville, Florida
November 8, 2022

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Schedule of Functional Expenses
For the Years Ended June 30, 2022 and 2021

June 30, 2022

	<u>University Programs</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salary and other supplements	\$13,136,531	\$4,048,843	\$7,236,197	\$24,421,571
Scholarships, grants and fellowships	9,063,525	-	-	9,063,525
Travel and entertainment	4,064,693	49,427	469,288	4,583,408
Professional services	2,715,486	417,782	798,767	3,932,035
Printing and marketing	2,310,503	45,842	342,679	2,699,024
Equipment and supplies	2,672,556	113,062	8,023	2,793,641
Rent and leases	1,214,708	77,667	91,102	1,383,477
Facilities construction	1,538,532	-	-	1,538,532
Utilities and maintenance	605,200	195,008	59,357	859,565
Insurance	78,701	133,393	1,079	213,173
Taxes and license fees	621,143	203,138	3,146	827,427
Depreciation	-	193,016	-	193,016
Other University support	3,025,010	-	-	3,025,010
Subtotal	41,046,588	5,477,178	9,009,638	55,533,404
Other Expenses:				
Transfers to University and DSO support	-	-	-	225,000
Total	<u>\$41,046,588</u>	<u>\$5,477,178</u>	<u>\$9,009,638</u>	<u>\$55,758,404</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Schedule of Functional Expenses
For the Years Ended June 30, 2022 and 2021

June 30, 2021

	<u>University Programs</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salary and other supplements	\$15,761,222	\$4,323,840	\$7,953,512	\$28,038,574
Scholarships, grants and fellowships	9,280,658	-	-	9,280,658
Travel and entertainment	602,519	19,437	76,347	698,303
Professional services	2,415,775	414,189	655,962	3,485,926
Printing and marketing	1,375,040	22,697	275,577	1,673,314
Equipment and supplies	1,527,421	89,342	2,510	1,619,273
Rent and leases	656,426	112,726	18,279	787,431
Facilities construction	251,962	-	-	251,962
Utilities and maintenance	350,274	244,988	64,403	659,665
Insurance	89,449	105,903	-	195,352
Taxes and license fees	275,190	210,160	3,258	488,608
Depreciation	-	199,183	-	199,183
Other University support	1,242,783	-	-	1,242,783
Subtotal	33,828,719	5,742,465	9,049,848	48,621,032
Other Expenses:				
Transfers to University and DSO support	-	-	-	225,000
Total	<u>\$33,828,719</u>	<u>\$5,742,465</u>	<u>\$9,049,848</u>	<u>\$48,846,032</u>