
**Financial Statements
and Reports**

**For the Years Ended
June 30, 2023 and 2022**



**FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION**

(A Discrete Component Unit of Florida State University)

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
For the Years Ended June 30, 2023 and 2022

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation) which comprise the statements of net position as of June 30, 2023 and 2022, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Real Estate Foundation, as of June 30, 2023 and 2022, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 Real Estate Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 Real Estate Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 Real Estate 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 Real Estate 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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by Identify designated accounting standards setter, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 on our consideration of the Real Estate Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Real Estate Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Real Estate Foundation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 26, 2023

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

The management's discussion and analysis provides an overview of the financial position and activities of the Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) for the years ended June 30, 2023, 2022, and 2021, respectively. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. It should be read in conjunction with the financial statements and notes to financial statements for the Real Estate Foundation which follow this section.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Real Estate Foundation as of a specific date and includes all of the assets, liabilities and deferred inflows of resources of the Real Estate Foundation. Net position, the difference between assets less liabilities and deferred inflows of resources, is one indicator of the current financial position of the Real Estate Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Real Estate Foundation. The differences in net position that occur over time indicate whether the overall financial condition of the Real Estate Foundation has improved or deteriorated. Assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. 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 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 REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF NET POSITION (continued)

The following schedule is a summary of the Real Estate Foundation's statements of net position as of June 30:

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets	\$2,129,889	\$2,140,678	\$1,935,462
Noncurrent assets	<u>15,155,434</u>	<u>16,113,888</u>	<u>17,099,598</u>
Total assets	<u>17,285,323</u>	<u>18,254,566</u>	<u>19,035,060</u>
Liabilities			
Current liabilities	241,772	248,932	643,454
Noncurrent liabilities	<u>11,276,880</u>	<u>11,532,555</u>	<u>11,780,065</u>
Total liabilities	<u>11,518,652</u>	<u>11,781,487</u>	<u>12,423,519</u>
Deferred inflows of resources	<u>4,315,316</u>	<u>4,959,098</u>	<u>5,631,202</u>
Net position			
Net investment in capital assets	(51,837)	20,048	140,500
Restricted – expendable	566,981	521,945	658,855
Unrestricted	<u>936,211</u>	<u>971,988</u>	<u>180,984</u>
Total net position	<u>\$1,451,355</u>	<u>\$1,513,981</u>	<u>\$980,339</u>

The Real Estate Foundation's assets totaled \$17,285,323 as of June 30, 2023. This balance reflects a decrease of \$969,243, or 5%, compared to June 30, 2022, and is attributed primarily to payments received against the lease receivable held on Champions Hall as well as depreciation on the Champions Hall asset. Current assets are comprised of resources available to meet current obligations and include cash, short-term real estate investments, amounts due from related organizations and other receivables due within one year. Current assets decreased \$10,789, or 1%, over the previous year and are primarily attributed to the greater discounted factor in year two (2) of the lease agreement with Seminole Boosters leading to a higher proportion of lease payments being recorded to interest revenue. Noncurrent assets consist of amounts owed from related organizations beyond one year, capital assets and real estate investments. Noncurrent assets decreased \$958,454, or 6%, over the prior year due to payments received against the lease receivable held on Champions Hall as well as depreciation on the Champions Hall asset. See Notes 4 and 5 for more details on the purchase of Champions Hall and the related party transaction.

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

STATEMENT OF NET POSITION *(continued)*

The Real Estate Foundation's assets totaled \$18,254,566 as of June 30, 2022. This balance reflects a decrease of \$780,494, or 4%, compared to June 30, 2021, and is attributed to the sale of investments and the subsequent transfer of proceeds to funds held within the Florida State University Foundation, Inc. (FSU Foundation). Current assets are comprised of resources available to meet current obligations and include cash, short-term real estate investments, amounts due from related organizations and other receivables due within one year. Current assets increased \$205,216, or 11%, over the previous year and are primarily attributed to cash received as a benefit of assisting the Florida State University Board of Trustees (FSU BOT) in negotiating a series of easements with the City of Tallahassee that will benefit both the general public and a private developer, and cash received from the lease receivable held on Champions Hall. Cash proceeds from the sale of an investment prior to the end of the prior fiscal year were transferred in the current fiscal year, as well as cash proceeds from the sale of two separate parcels of real property previously reported as \$250,000 and \$283,000, respectively. Noncurrent assets consist of amounts owed from related organizations beyond one year, capital assets and long-term real estate investments. Noncurrent assets decreased \$985,710, or 6%, over the prior year due to payments received against the lease receivable held on Champions Hall as well as depreciation on the Champions Hall asset.

The Real Estate Foundation's liabilities totaled \$11,518,652 as of June 30, 2023 and reflects a decrease of \$262,835, or 2%, compared to June 30, 2022. Current liabilities are comprised of amounts due to related organizations as well as other vendors within the next year. Noncurrent liabilities consist of the long-term liability associated with amounts due to related organizations beyond the next 12 months. Total liabilities include current obligations of \$241,772 and obligations arising beyond the next year of \$11,276,880, most of which is related to an outstanding balance on a promissory note owed to the Florida State University Research Foundation, Inc. (FSU Research Foundation) for the aforementioned purchase of a building and adjacent lot. See Notes 5 and 7 for more details on the purchase of Champions Hall and the related party transaction.

Total liabilities for the Real Estate Foundation were \$11,781,487 as of June 30, 2022. This balance reflects a decrease of \$642,032, or 5%, compared to June 30, 2021 and is primarily due to the aforementioned promissory note owed to FSU Research Foundation.

The Real Estate Foundation's deferred inflows of resources totaled \$4,315,316 as of June 30, 2023. This balance reflects a decrease of \$643,782, or 13%, over the prior year and is mostly attributed to the recapture of discounted present value as payments are received related to the lease agreement with the Boosters. Deferred inflows of resources totaled \$4,959,098 as of June 30, 2022. This balance reflects a decrease of \$672,104, or 12%, compared to June 30, 2021, and is mostly attributed to the recapture of discounted present value as payments are received related to the lease agreement with the Boosters.

Changes in assets, liabilities and deferred inflows of resources as of June 30, 2023 resulted in an overall decrease in net position of \$62,626, or 4%, compared to June 30, 2022. This decrease is the cumulative effect of payments received against the lease receivable on Champions Hall, depreciation of the Champions Hall asset, the recapture of discounted present value as payments are received from the Boosters, and payments made against the promissory note payable due to the Research Foundation. Total ending net position as of June 30, 2022 increased \$533,642, or 54%, for a balance of \$1,513,981 compared to \$980,339 as of June 30, 2021.

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

STATEMENT OF NET POSITION (continued)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Buildings and improvements – net	\$9,511,327	\$9,851,713	\$10,192,100
Nondepreciable assets	<u>1,948,400</u>	<u>1,948,400</u>	<u>1,948,400</u>
Total capital assets	<u>\$11,459,727</u>	<u>\$11,800,113</u>	<u>\$12,140,500</u>

The Real Estate Foundation’s capital assets totaled \$11,459,727 as of June 30, 2023, and are included as noncurrent assets on the Statements of Net Position. This balance is net of accumulated depreciation and reflects a decrease of \$340,386 compared to June 30, 2022, as a result of depreciation expense incurred. Capital assets is currently comprised of two buildings and two parcels of land. See Note 5 for more details on the Real Estate Foundation’s capital assets.

Capital assets were \$11,800,113 as of June 30, 2022. This balance reflects a decrease of \$340,387 compared to June 30, 2021, and is attributed to depreciation expense incurred.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenue and expense activity for the Real Estate Foundation, categorized as operating and 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 Real Estate Foundation has chosen to report the expenses by their functional classifications on the Statement of Revenues, Expenses and Changes in Net Position. Additional information on the functional classification of expenses for the Real Estate Foundation can be found in the notes to financial statements or the supplementary information, both of which follow this section.

The following table summarizes the Real Estate Foundation’s changes in net position for the fiscal year ended June 30, 2023 and the two preceding fiscal years:

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

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$1,058,484	\$2,019,479	\$1,430,649
Operating expenses	741,923	1,022,220	1,240,747
Operating income (loss)	316,561	997,259	189,902
Nonoperating (expenses) revenues	(379,187)	(463,617)	302,123
Change in net position	(62,626)	533,642	492,025
Net position – beginning of year	1,513,981	980,339	488,314
Net position – end of year	\$1,451,355	\$1,513,981	\$980,339

The Real Estate Foundation's operating revenues are comprised of restricted-expendable contributions, support from the University, transfers from related organizations, lease revenue, rental income and other miscellaneous operating activity. Operating revenues totaled \$1,058,484 for the fiscal year ended June 30, 2023, a decrease of \$960,995, or 48%, as compared to fiscal year 2022. The decrease in operating revenues from the previous year is primarily attributed to the prior year's revenues being higher due to an unanticipated other revenue stream from assisting the FSU BOT and City of Tallahassee to negotiate a series of easements that netted an additional \$725,000 in that prior fiscal year.

Total operating revenues were \$2,019,479 for the fiscal year ended June 30, 2022, an increase of \$588,830, or 41%, as compared to fiscal year 2021. The increase in operating revenues from the previous year is mostly attributed to a contribution of real estate, lease revenue from Boosters, and other revenue from assisting the FSU BOT and City of Tallahassee to negotiate a series of easements, which represents \$1,680,104, or 83%.

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>2023</u>	<u>2022</u>	<u>2021</u>
Contributions	\$1,000	\$283,000	\$1,080,000
Transfers from related organizations	357,488	311,387	300,094
Lease revenue	645,323	672,104	50,555
Interest revenue	54,673	27,988	-
Other support and revenue	-	725,000	-
Total operating revenues	\$1,058,484	\$2,019,479	\$1,430,649

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

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

The Real Estate Foundation's operating expenses include administrative expenses for operations, property carrying costs and transfers to related organizations pertaining to the sale of real estate. Operating expenses totaled \$741,923 for the year ended June 30, 2023, a decrease of \$280,297, or 27%, as compared to fiscal year 2022. While administrative costs and property carrying costs increased slightly, there was a significant decrease in total operating expenses due to there being no activity in transfers to related organizations during fiscal year 2023. The Real Estate Foundation's operating expenses were \$1,022,220 for the year ended June 30, 2022, a decrease of \$218,527, or 18%, as compared to fiscal year 2021. While administrative costs increased significantly and property carrying costs decreased slightly, the overall decrease in total operating expenses is primarily due to a decrease in transfers to related organizations from the distribution of sales proceeds, representing \$378,252, or 37% of operating expenses.

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>2023</u>	<u>2022</u>	<u>2021</u>
Administrative	\$722,393	\$626,233	\$272,211
Property carrying costs	19,530	17,735	45,009
Transfers to related organizations	-	378,252	923,527
Total operating expenses	\$741,923	\$1,022,220	\$1,240,747

The Real Estate Foundation's net nonoperating income (loss) consists of realized and unrealized gains or losses on real estate. There were no unrealized gains or losses recorded for the years ended June 30, 2023 and 2022, respectively. There was no realized gain or loss for the year ended June 30, 2023, as compared to realized losses of \$109,079 during fiscal year 2022. The Real Estate Foundation recognized realized gains of \$302,123 and no unrealized gain or loss for the year ended June 30, 2021.

ECONOMIC CONDITIONS AND OUTLOOK

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

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

REQUESTS FOR INFORMATION

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Net Position

June 30, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$988,442	\$1,024,566
Accounts receivable	0	741
Due from related organizations	620,341	646,036
Prepaid expenses	61,106	9,335
Investments	460,000	460,000
Total current assets	<u>2,129,889</u>	<u>2,140,678</u>
Noncurrent assets:		
Due from related organizations	2,245,707	2,863,775
Capital assets - net	11,459,727	11,800,113
Investments	1,450,000	1,450,000
Total noncurrent assets	<u>15,155,434</u>	<u>16,113,888</u>
TOTAL ASSETS	<u>17,285,323</u>	<u>18,254,566</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	6,000	-
Due to related organizations	235,772	248,932
Total current liabilities	<u>241,772</u>	<u>248,932</u>
Noncurrent liabilities:		
Due to related organizations	11,276,880	11,532,555
Total noncurrent liabilities	<u>11,276,880</u>	<u>11,532,555</u>
TOTAL LIABILITIES	<u>11,518,652</u>	<u>11,781,487</u>
 DEFERRED INFLOWS OF RESOURCES		
Lease	2,860,796	3,506,119
Life insurance policy	4,520	2,979
Life estate	1,450,000	1,450,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,315,316</u>	<u>4,959,098</u>
 NET POSITION		
Net investment in capital assets	(\$51,837)	20,048
Restricted:		
Expendable	566,981	521,945
Unrestricted	936,211	971,988
TOTAL NET POSITION	<u>\$1,451,355</u>	<u>\$1,513,981</u>

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Contributions	\$1,000	\$283,000
Transfers from related organizations	357,488	311,387
Lease revenue	645,323	672,104
Interest revenue	54,673	27,988
Other revenue	-	725,000
TOTAL OPERATING REVENUES	1,058,484	2,019,479
OPERATING EXPENSES		
Administrative	722,393	626,233
Property carrying costs	19,530	17,735
Transfers to related organizations	-	378,252
TOTAL OPERATING EXPENSES	741,923	1,022,220
OPERATING INCOME	316,561	997,259
NONOPERATING (EXPENSES) REVENUES		
Interest on capital asset-related debt	(379,187)	(354,538)
Investment income (loss)	-	(109,079)
NET NONOPERATING (EXPENSES) REVENUES	(379,187)	(463,617)
Change in net position	(62,626)	533,642
Net position - beginning of year	1,513,981	980,339
NET POSITION - END OF YEAR	\$1,451,355	\$1,513,981

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Amounts received from others	\$700,996	\$1,425,092
Transfers from related organizations	102,537	154,082
Transfers to related organizations	(334)	(798,392)
Cash paid for property carrying costs	323,547	325,406
Cash paid for administrative expenses	(515,182)	(420,332)
Net cash provided by operating activities	<u>611,564</u>	<u>685,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of real estate held for resale	-	423,921
Net cash provided by investing activities	<u>-</u>	<u>423,921</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Promissory note payable on capital assets	(268,501)	(219,935)
Interest paid on capital debt	(379,187)	(354,538)
Net cash used in capital and related financing activities	<u>(647,688)</u>	<u>(574,473)</u>
Net change in cash and cash equivalents	(36,124)	535,304
Cash and cash equivalents - beginning of year	1,024,566	489,262
Cash and cash equivalents - end of year	<u>\$988,442</u>	<u>\$1,024,566</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Income	\$316,561	\$997,259
Adjustments to reconcile operating income to net cash used in operating activities:		
Noncash contributions	-	(283,000)
Depreciation expense	340,386	340,387
Change in assets and liabilities:		
Accounts receivable	741	(655)
Due from related organizations	643,763	723,711
Prepaid expenses	(51,771)	2,355
Accounts payable	6,000	(1,957)
Due to related organizations	(334)	(420,140)
Deferred gift - leases	(645,323)	(672,104)
Deferred gift – life insurance	1,541	-
NET CASH USED IN OPERATING ACTIVITIES	<u>\$611,564</u>	<u>\$685,856</u>

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

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

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Real Estate Foundation (Real Estate Foundation) is a direct support organization (DSO) of Florida State University (University or FSU) pursuant to section 1004.28, Florida Statutes, and Regulation 9.011, Board of Governors, established to aid the advancement of the University and its objectives and purposes. The Real Estate Foundation’s primary function is to receive gifts of real estate to hold, manage, lease, mortgage, develop, administer or sell in order to contribute or distribute all or a portion of the net proceeds from such activity to the University, the Florida State University Foundation (FSU Foundation), or such other entity as the Board may determine appropriate. The Real Estate Foundation is governed by a Board of Directors consisting primarily of University senior administration, direct support organizations and at-large members of the real estate industry which represent a diverse cross-section of skill sets, knowledge and experience. The Real Estate Foundation is a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income.

Reporting Entity – In defining the Real Estate 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 Real Estate Foundation would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit’s board. The Real Estate Foundation is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, 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 Real Estate 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 Real Estate Foundation is classified as a Type I supporting organization under section 509(a)(3). The Real Estate Foundation has reviewed its tax status and related filings and determined that there are no tax positions that would have a material impact on the financial statements for which an obligation needs to be recorded.

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

Operating and Nonoperating Activities – The Real Estate Foundation’s operating income includes all revenues and expenses associated with the organization’s daily activities, as well as ongoing activities that are in support of the University’s programs and initiatives. Operating revenues consist primarily of contributions of real estate, support from the University and other related organizations, lease revenue, rental income and other miscellaneous operating activity. Operating expenses are comprised of administrative costs associated with the Real Estate Foundation’s operations, property carrying costs and transfers to related organizations associated with carrying out the Real Estate Foundation’s mission.

Cash and Cash Equivalents – The Real Estate Foundation considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits held by financial institutions. The Real Estate Foundation maintains its accounts with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. There were no uninsured amounts as of June 30, 2023 and 2022, respectively.

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 lease agreement with the Seminole Boosters, Inc. (Boosters), property carrying costs as well as a future life insurance distribution. These amounts are fully collectible and as such, no allowance is recorded.

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

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

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

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

Capital Assets – Capital assets 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 ranges from 5 to 30 years. Land is 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. Items with a cost less than \$5,000 are expensed.

Impairment of Capital Assets – The Real Estate Foundation reviews its capital assets and considers impairment whenever 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 carrying value or fair value. Pursuant to these guidelines, no impairments have been recognized for the years ended June 30, 2023 and 2022.

Due to Related Organizations – Due to related organizations consists of amounts owed to the University or related entities. These balances consist primarily of the outstanding balance owed on a promissory note to the Florida State University Research Foundation, Inc. (FSU Research Foundation).

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

Deferred Inflow of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period. The Real Estate Foundation offsets activity associated with irrevocable split-interest agreements as deferred inflows of resources as well as the net present value of lease payments expected to be received during the lease term. These amounts will be recognized as revenue upon the termination of the trust or as lease payments are received.

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

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

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

Lease Revenue – In accordance with the provisions of GASB Statement No. 87, *Leases*, the Real Estate Foundation recorded a lease receivable and a deferred inflow of resources at the commencement of the lease with the Boosters in June 2021. The lease receivable is measured at the net present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The Real Estate Foundation has deemed the amount to be fully collectible. As future lease payments are received, lease revenue will be recognized.

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

Rental Income – Rental income is recognized on a straight-line basis in accordance with accounting guidance.

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

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

Recent Accounting Pronouncements – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the Real Estate Foundation's fiscal year beginning July 1, 2022. This Statement defines a SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government is required to recognize a subscription liability and an intangible asset representing the government's right to use the subscription asset.

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

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

2. DEPOSITS AND INVESTMENTS

Deposits

The bank balance of the Real Estate Foundation’s deposits, consisting of cash held in non-interest-bearing checking accounts was \$988,442 and \$1,024,566 as of June 30, 2023 and 2022, respectively.

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

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

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

Investments

The Real Estate Foundation receives real estate gifts, which are subsequently marketed and sold, with proceeds going to support the University in accordance with the donor’s restrictions. The fair market value for the investment balances of the Real Estate Foundation’s portfolio, consisting of real estate held for resale, is as follows as of June 30, 2023 and 2022, respectively:

<u>Investment type</u>	<u>Location</u>	<u>Carrying Value</u>	<u>Unrealized Gains (Losses)</u>	<u>June 30, 2023</u>
Vacant land	Mineral, VA	\$210,000	-	210,000
Vacant land	Chelsea, AL	250,000	-	250,000
Total investments		\$460,000	\$ -	\$460,000

<u>Investment type</u>	<u>Location</u>	<u>Carrying Value</u>	<u>Unrealized Gains (Losses)</u>	<u>June 30, 2022</u>
Vacant land	Mineral, VA	\$210,000	-	210,000
Vacant land	Chelsea, AL	250,000	-	250,000
Total investments		\$460,000	\$ -	\$460,000

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

2. DEPOSITS AND INVESTMENTS (continued)

The Real Estate Foundation entered into a split interest agreement during the fiscal year ending June 30, 2020, whereby the Real Estate Foundation serves as Trustee. The value of the life estate is included in investments on the accompanying Statements of Net Position with a fair market value of \$1,450,000 as of June 30, 2023 and 2022, respectively.

All real estate investments, with the exception of the life estate, are anticipated to have an investment maturity of less than 1 year. The following schedule provides a breakdown of net realized and unrealized gains and losses on investments for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Net realized (losses) gains	\$ -	(\$109,079)
Total net realized and unrealized (losses) gains	\$ -	(\$109,079)

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

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

3. FAIR VALUE MEASUREMENTS

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

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

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

3. FAIR VALUE MEASUREMENTS (continued)

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

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

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

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

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

The Real Estate Foundation's assets measured at fair value on a recurring basis are summarized as follows as of June 30, 2023 and 2022, respectively:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value at June 30, 2023</u>
Real estate				
Land	\$ -	\$ -	\$460,000	\$460,000
Total investments	\$ -	\$ -	\$460,000	\$460,000
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value at June 30, 2022</u>
Real estate				
Land	\$ -	\$ -	\$460,000	\$460,000
Total investments	\$ -	\$ -	\$460,000	\$460,000

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

4. DUE FROM RELATED ORGANIZATIONS

On April 19, 2021, the Florida State University Real Estate Foundation (Real Estate Foundation) entered into the *Real Estate Sale and Purchase Agreement* with the Seminole Boosters, Inc. to purchase Champions Hall (89,818 gross square foot, five-story building located at 232 Hayden Road) and a vacant lot (located at 237 Hayden Road). On June 4, 2021, the two parties effected the sale for \$12,000,000.

Per the provisions of GASB Statement No. 87, *Leases*, a lease receivable and a deferred inflow of resources was recorded at the commencement of the lease term. The lease receivable is measured at the net present value of lease payments expected to be received during the term of the lease, reduced by any provision for estimated uncollectible amounts. The Real Estate Foundation has deemed the amount to be fully collectible. Future lease payments are discounted using the interest rate implicit in the lease agreement, or 4.15%, and are calculated in the lease amortization schedule. As future payments are received, lease revenue will be recognized and the lease receivable and any remaining deferred inflows of resources will be eliminated.

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

	<u>2023</u>	<u>2022</u>
Beginning balance	\$3,506,119	\$4,178,223
Additions	-	-
Less: Lease payments	<u>(645,323)</u>	<u>(672,104)</u>
Ending balance	<u>\$2,860,796</u>	<u>\$3,506,119</u>
Amounts due within one year	<u>\$619,608</u>	<u>\$645,323</u>

The following is a schedule by years of future present value payments required under the lease receivable:

<u>Year Ending June 30,</u>	<u>Undiscounted Cash Flow</u>	<u>Discounted Value</u>	<u>Present Value</u>
2024	\$699,996	\$80,387	\$619,609
2025	699,996	105,076	594,920
2026	699,996	128,782	571,214
2027	699,996	151,543	548,453
2028	699,996	173,396	526,600
Totals	<u>\$3,499,980</u>	<u>\$639,184</u>	<u>\$2,860,796</u>

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

	<u>2023</u>	<u>2022</u>
Seminole Boosters	\$2,860,796	\$3,506,119
FSU Foundation	4,520	2,979
University	<u>732</u>	<u>713</u>
Amounts due from related organizations	<u>\$2,866,048</u>	<u>\$3,509,811</u>

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

5. CAPITAL ASSETS

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

On June 4, 2021, the Real Estate Foundation entered into a lease agreement with the Boosters whereas the Boosters lease the property (building and lot) from the Real Estate Foundation for a period of seven (7) years with payments beginning June 30, 2021. The first monthly lease payment was prorated in the amount of \$50,555 and the remaining payments are due in the amount of \$58,333 per month. Any payments past due will accrue interest at the lesser rate of (i) 12% per annum or (ii) the maximum allowed by law. In accordance with the lease agreement, at the end of the lease term, the Real Estate Foundation has the right to require the Boosters to purchase the property, referred to as the put option. If the Boosters default on the lease agreement, then the FSU Research Foundation has the right to accelerate the option.

The put option schedule is as follows:

Option Date	Option Amount
June 30, 2024	\$11,356,000
June 30, 2025	\$11,123,000
June 30, 2026	\$10,880,000
June 30, 2027	\$10,627,000
June 30, 2028	\$10,363,000

Lease and interest revenue are included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. The Real Estate Foundation recognized lease revenue in the amount of \$645,323 and \$672,104 for the years ended June 30, 2023 and 2022, respectively. The Real Estate Foundation recognized interest revenue in the amount of \$54,673 and \$27,988 for the years ended June 30, 2023 and 2022, respectively.

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

5. CAPITAL ASSETS (continued)

A summary of changes in capital assets for the years ended June 30, 2023 and 2022 is shown below:

<u>June 30, 2023</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land	\$1,948,400	\$ -	\$ -	\$1,948,400
Total nondepreciable capital assets	1,948,400	-	-	1,948,400
Depreciable capital assets:				
Buildings	10,211,600	-	-	10,211,600
Total depreciable capital assets	10,211,600	-	-	10,211,600
Less, accumulated depreciation				
Buildings	(359,887)	(340,386)	-	(700,273)
Total accumulated depreciation	(359,887)	(340,386)	-	(700,273)
Total depreciable capital assets - net	9,851,713	(340,386)	-	9,511,327
Total capital assets – net	\$11,800,113	(\$340,386)	\$ -	\$11,459,727
<u>June 30, 2022</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land	\$1,948,400	\$ -	\$ -	\$1,948,400
Total nondepreciable capital assets	1,948,400	-	-	1,948,400
Depreciable capital assets:				
Buildings	10,211,600	-	-	10,211,600
Total depreciable capital assets	10,211,600	-	-	10,211,600
Less, accumulated depreciation				
Buildings	(19,500)	(340,387)	-	(359,887)
Total accumulated depreciation	(19,500)	(340,387)	-	(359,887)
Total depreciable capital assets - net	10,192,100	(340,387)	-	9,851,713
Total capital assets – net	\$12,140,500	(\$340,387)	\$ -	\$11,800,113

Depreciation expense totaling \$340,386 and \$340,387 was included in administrative expenses on the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022, respectively.

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

6. INTERFUND BALANCES

Interfund balances consists of the following at June 30:

Due to operating fund from:	<u>2023</u>	<u>2022</u>
Investment funds	\$81,991	\$57,071
Capital asset funds	<u>2,790</u>	<u>2,673</u>
Total due to operating fund from others	<u>\$84,781</u>	<u>\$59,744</u>

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

7. DUE TO RELATED ORGANIZATIONS

On June 4, 2021, the Real Estate Foundation financed property with a 30-year amortizing nonrecourse promissory note for \$12,000,000 with the FSU Research Foundation. Principal and interest payments of \$52,225 are due monthly through the due date of June 1, 2028 at a fixed rate of 3.25%. On July 1, 2028, the outstanding principal balance plus all accrued but unpaid interest will become due. The outstanding balance was \$11,511,564 and \$11,780,065 as of June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Beginning balance	\$11,780,065	\$12,000,000
Less: Principal payments	<u>268,501</u>	<u>219,935</u>
Ending balance	<u>\$11,511,564</u>	<u>\$11,780,065</u>
Amounts due within one year	<u>\$234,684</u>	<u>\$247,510</u>

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

7. DUE TO RELATED ORGANIZATIONS (continued)

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>Totals</u>
2024	\$234,684	\$371,022	\$605,706
2025	264,110	362,587	\$626,697
2026	272,822	353,875	\$626,697
2027	281,822	344,875	\$626,697
2028	291,119	335,578	\$626,697
2029	10,167,007	27,536	\$10,194,543
Totals	<u>\$11,511,564</u>	<u>\$1,795,473</u>	<u>\$13,307,037</u>

Principal and interest payments of \$647,688 and \$574,472 were made during the years ended June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
FSU Research Foundation	\$11,511,564	\$11,780,065
FSU Foundation	1,088	1,422
Amounts due to related organizations	<u>\$11,512,652</u>	<u>\$11,781,487</u>

8. OPERATING LEASES

The Real Estate Foundation entered into a lease agreement on April 25, 2019 relating to office facilities with a three-year term effective July 1, 2019. The lease renewed with a rental rate increase of 2% annually and was originally scheduled to end on June 30, 2022. The University acquired the property in November 2021 and provided additional support to the Real Estate Foundation in the form of contributed facilities for the final eight months of fiscal year 2022. The Real Estate Foundation occupies 2,011 square feet of office facilities in Tallahassee, Florida, the use of which is now provided without charge by the University. The rental value of the facilities was estimated based on the price per square foot pursuant to the previous lease agreement. In-kind contributions of \$25,771 and \$17,180 have been recognized as revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023 and 2022, respectively. Lease expense totaled \$0 and \$8,591 for the years ended June 30, 2023 and 2022, respectively.

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

9. RETIREMENT PLAN

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

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

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

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

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

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

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

9. RETIREMENT PLAN *(continued)*

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

The cost of the defined benefit pension plan for employees of the Real Estate Foundation paid by the University is recorded in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Retirement contributions were \$17,566 and \$15,457 for the years ended June 30, 2023 and 2022, respectively.

10. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit 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 Real Estate Foundation is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the OPEB plan. The employees of the Real Estate 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 Real Estate 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.

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

11. RISK MANAGEMENT PROGRAMS

The Real Estate Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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. No settlements have exceeded coverage in place during the previous three fiscal years.

12. RELATED PARTY TRANSACTIONS

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

Florida State University (University) – The University provides support to the Real Estate Foundation to fund salaries and related benefits, professional fees, carrying costs of real estate and other operational expenses. The Real Estate Foundation conducts due diligence and studies on properties and real estate projects that may involve or require University resources. Amounts totaling \$254,932 and \$208,912 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022, respectively.

Amounts totaling \$2,556 and \$2,475 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years June 30, 2023 and 2022, respectively. Property carrying costs owed to the Real Estate Foundation from the University were \$732 and \$713 as of June 30, 2023 and 2022, respectively.

Florida State University Foundation (FSU Foundation) – The FSU Foundation provides monetary support to the Real Estate Foundation to support the administration, acquisition and carrying costs of real estate. Amounts totaling \$100,000 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022, respectively. Amounts owed to the Real Estate Foundation from the FSU Foundation were \$4,520 and \$2,979 as of June 30, 2023 and 2022, respectively, in relation to a future distribution of a life insurance policy.

The FSU Foundation also manages all of the service contracts related to the accounting and fundraising software shared by DSOs of the University. As part of this contract, the Real Estate Foundation reimburses the Foundation for the costs attributed to their use of the software as well as other operating expenses. The total amount owed from the Real Estate Foundation to the FSU Foundation for these purposes was \$1,088 and \$1,422 as of June 30, 2023 and 2022, respectively.

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

12. RELATED PARTY TRANSACTIONS *(continued)*

The Real Estate Foundation receives and holds real estate property to be sold and transferred to the Foundation. The Real Estate Foundation also provides guidance to the FSU Foundation on real estate gift transactions. Amounts totaling \$0 and \$378,252 were included as transfers to related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022, respectively.

In April 2013, the FSU Foundation made available to the Real Estate Foundation a \$2.5 million line of credit. The line of credit has been extended in order to provide the Real Estate Foundation with the additional funding it requires to fulfill its mission to acquire, hold, manage, lease, mortgage, develop, administer or sell real property for the benefit of FSU. Interest will be paid monthly based on the amount of principal outstanding and principal borrowings will be repaid upon the sale of property purchased with the line of credit. As of June 30, 2023 and 2022, respectively, the Real Estate Foundation has not received any advances nor accrued any payable related to this line of credit.

Florida State University Research Foundation (FSU Research Foundation) – The purpose of the FSU Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University’s work products. Amounts owed to the FSU Research Foundation from the Real Estate Foundation for the nonrecourse promissory note related to the purchase of Champions Hall were \$11,511,564 and \$11,780,065 as of June 30, 2023 and 2022, respectively. See Notes 5 and 7 for more details concerning the purchase and lease of Champions Hall.

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. Amounts owed to the Real Estate Foundation from the Boosters for the lease related to Champions Hall were \$2,860,796 and \$3,506,119 as of June 30, 2023 and 2022, respectively. See Notes 4 and 5 for more details concerning the purchase and lease of Champions Hall.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through [September 22, 2023](#), which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation), which comprise the statements of net position, revenues, expenses, and changes in net position, and cash flows for the years ended, and the related notes to the financial statements and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 26, 2023