
**Audited Financial
Statements**

**As of and for the Year Ended
June 30, 2016**



FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
As of and for the Year Ended June 30, 2016
With Summarized Financial Information as of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Florida State University Real Estate Foundation, Inc.
Tallahassee, Florida

We have audited the accompanying financial statements of the Florida State University Real Estate Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2015. In our opinion, the summarized comparative information presented in the Statements of Activities and Changes in Net Assets for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

September 26, 2016

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Financial Position
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 77,392	\$ 264,308
Accounts receivable	1,447	11,465
Prepaid expenses	14,924	8,527
Real estate held for resale	321,001	401,001
Land, buildings and equipment - net	2,161,837	954,479
Total assets	\$2,576,601	\$1,639,780
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 14,746	\$ 12,521
Total liabilities	14,746	12,521
Net assets		
Unrestricted	129,926	133,633
Temporarily restricted	2,431,929	1,413,626
Permanently restricted	-	80,000
Total net assets	2,561,855	1,627,259
Total liabilities and net assets	\$2,576,601	\$1,639,780

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2016

With Summarized Financial Information for the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues					
Contributions	\$ 33,143	\$ -	\$ -	\$ 33,143	\$ 104,242
University support	274,749	4,151	-	278,900	228,867
University DSO support	75,000	1,250,000	-	1,325,000	75,000
Net realized (losses) gains	-	-	(47,495)	(47,495)	89,516
Other revenue – net (Note 6)	-	56,360	-	56,360	53,895
Net assets released from restrictions:					
Program and facilities support	79,373	(79,373)	-	-	-
Administrative support	15,480	(15,480)	-	-	-
Total revenues	477,745	1,215,658	(47,495)	1,645,908	551,520
Expenses					
Program	79,373	-	-	79,373	76,760
Administrative	402,079	-	-	402,079	344,709
Total expenses	481,452	-	-	481,452	421,469
Change in net assets before transfers	(3,707)	1,215,658	(47,495)	1,164,456	130,051
Transfers to University	-	(10,150)	-	(10,150)	-
Transfers to FSU Foundation	-	(187,205)	(32,505)	(219,710)	-
Change in net assets	(3,707)	1,018,303	(80,000)	934,596	130,051
Net assets at beginning of fiscal year	133,633	1,413,626	80,000	1,627,259	1,497,208
Net assets at end of fiscal year	\$129,926	\$2,431,929	\$ -	\$2,561,855	\$1,627,259

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 934,596	\$130,051
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Gifts	-	(95,000)
Net realized losses (gains)	47,495	(89,516)
Depreciation	42,642	31,129
Transfers in of property	(1,250,000)	-
Changes in assets and liabilities:		
Accounts receivable	10,018	(11,465)
Prepaid expenses	(6,397)	(8,527)
Accounts payable	2,225	(43,428)
Net cash flows used in operating activities	<u>(219,421)</u>	<u>(86,756)</u>
 Cash flows from investing activities		
Proceeds from sale of real estate held for resale	32,505	204,516
Purchase of equipment	-	(2,252)
Net cash flows provided by investing activities	<u>32,505</u>	<u>202,264</u>
 Net change in cash and cash equivalents	(186,916)	115,508
Cash and cash equivalents – beginning of fiscal year	264,308	148,800
Cash and cash equivalents – end of fiscal year	<u><u>\$ 77,392</u></u>	<u><u>\$264,308</u></u>

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose – The Florida State University Real Estate Foundation (“Real Estate Foundation”) was organized to aid the advancement of the Florida State University (“University” or “FSU”) and its objectives and purposes. The Real Estate Foundation began operations in 2011.

The Real Estate Foundation receives contributions 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 makes expenditures, grants, contributions or distributions to or for the benefit of the University, directly and/or through the FSU Foundation.

Basis of Presentation – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, this information should be read in conjunction with the Real Estate Foundation’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Real Estate Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Real Estate Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they either be maintained permanently by the Real Estate Foundation or be maintained permanently by the organization receiving the proceeds from the sale of the assets. Generally the donors of these assets permit the Real Estate Foundation or successor organization to use all or part of the income earned on related investments for general or specific purposes.

The Real Estate Foundation’s policy is to recognize gifts of long-lived assets at fair value in the year received rather than over the useful lives of the assets.

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 net assets are available for use.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accrual Basis – The financial statements of the Real Estate Foundation have been prepared on the accrual basis of accounting.

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 from each of the net asset classifications is pooled in the Real Estate Foundation's main checking account.

Accounts Receivable – Accounts receivable are carried at their estimated collectible amounts. Management determines the allowance for doubtful accounts based on factors including experience and the current economic environment. Management has determined that all outstanding receivable balances are fully collectible in the current period; therefore, no allowance for doubtful accounts has been recorded.

Contributions – Donations of securities, real estate, and other non-monetary items are recorded at fair value at the date of the gift.

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

Income Taxes – The Real Estate Foundation is a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. The Real Estate Foundation is classified as a Type I supporting organization under section 509(a)(3).

The Real Estate Foundation has reviewed its tax status and related filings and determined that there are no tax positions for which an obligation needs to be recorded.

Concentration of Credit Risk – The Real Estate Foundation maintains a cash account with a large financial institution. All accounts at the financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Real Estate Foundation's average cash balance does not exceed the insured maximum and management does not anticipate nonperformance by the financial institution.

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications – Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The line item for prepaid expenses includes \$8,527 that was previously presented in accounts receivable on the statement of financial position as of June 30, 2015. This reclassification had no impact on total assets, total liabilities, total net assets, or changes in net assets previously reported.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is September 26, 2016.

2. CONTRIBUTIONS RECEIVABLE

The Real Estate Foundation is the beneficiary of a conditional promise to give. A conditional promise requires a future event to take place before the promise becomes binding on the donor. The Real Estate Foundation has no control over the required event. At June 30, 2016 and 2015, the Real Estate Foundation was the beneficiary of a bequest totaling \$600,000 and \$0, respectively, which does not meet the appropriate recognition criteria. No receivable was recorded for this bequest, nor was the future support recognized.

3. REAL ESTATE HELD FOR RESALE

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. Real estate held for resale consists of the following properties at June 30:

Real estate held for resale	Acreage	Location	<u>2016</u>	<u>2015</u>
Vacant land	1.02 acres	Apopka, FL	-	80,000
Vacant land	56.16 acres	Laurel Hill, FL	150,000	150,000
Rented residence	1.00 acres	Wewahitchka, FL	160,000	160,000
Vacant land	0.14 acres	St. Marys, GA	11,000	11,000
Vacant land (eroded beach lot)	.25 acres	Alligator Point, FL	<u>1</u>	<u>1</u>
Total real estate held for resale			<u>\$321,001</u>	<u>\$401,001</u>

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

4. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at June 30, are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$1,315,000	\$ 95,000
Buildings and improvements	950,000	920,000
Furniture, fixtures and equipment	<u>3,624</u>	<u>3,624</u>
Total land, buildings and equipment	2,268,624	1,018,624
Less: Accumulated depreciation	<u>(106,787)</u>	<u>(64,145)</u>
Land, buildings and equipment – net	<u>\$2,161,837</u>	<u>\$ 954,479</u>

Total depreciation expense for the years ended June 30, 2016 and 2015 was \$42,642 and \$31,129, respectively.

5. NET ASSETS

At June 30, net assets included unrestricted funds and funds restricted by donors for the following purposes:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 129,926	\$ 133,633
Temporarily restricted		
General university support	\$ 754,180	\$ 777,092
Student support	300,415	296,761
Facilities and equipment	<u>1,377,334</u>	<u>339,773</u>
Total temporarily restricted net assets	<u>\$2,431,929</u>	<u>\$1,413,626</u>
Permanently restricted		
General university support	\$ -	\$ 80,000
Total permanently restricted net assets	<u>\$ -</u>	<u>\$ 80,000</u>
Total net assets	<u>\$2,561,855</u>	<u>\$1,627,259</u>

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

6. OTHER REVENUE

Other revenue for the years ended June 30, is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Rental revenue	\$ 91,034	\$ 91,458
Total revenues	<u>91,034</u>	<u>91,458</u>
Expenses		
Management fee	\$ 12,400	\$ 13,362
Maintenance and repairs	5,913	4,371
Cleaning	7,012	10,067
Utilities	8,661	9,656
Other Fees	<u>688</u>	<u>107</u>
Total expenses	<u>34,674</u>	<u>37,563</u>
Other revenue - net	<u>\$ 56,360</u>	<u>\$ 53,895</u>

7. RELATED PARTY TRANSACTIONS

The Real Estate Foundation is a direct support organization of the University which is organized and operated exclusively to receive, hold, invest, and administer property for the benefit of the University.

The Real Estate Foundation recognized support from the University of \$278,900 and \$228,867 for the years ended June 30, 2016 and 2015, respectively. These monies support salaries, benefits, operating expenses and carrying costs of real estate. In addition, the University provides office space which is recorded as in-kind support.

The Real Estate Foundation recognized support from the FSU Foundation of \$75,000 for each of the years ended June 30, 2016 and 2015. These monies support administrative expenses related to the acquisition and carrying costs of real estate.

The Real Estate Foundation transferred proceeds net of advanced carrying costs from the sale of properties totaling \$219,710 and \$0 to the Foundation for the years ended June 30, 2016 and 2015, respectively. The Real Estate Foundation transferred proceeds from rental activity totaling \$10,150 and \$0 to the University for the year ended June 30, 2016 and 2015, respectively. These transfers are included on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2016 and 2015, respectively.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

7. RELATED PARTY TRANSACTIONS (continued)

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, 2016, the Real Estate Foundation has not received any advances nor accrued any payable related to this line of credit.

The Real Estate Foundation recognized support from the FSU Research Foundation of \$1,250,000 and \$0 for the years ended June 30, 2016 and 2015, respectively. This support is in the form of properties which are being held by the Real Estate Foundation until the current unrelated party leases expire on or before August 31, 2016. Subsequent to fiscal year end June 30, 2016, the Real Estate Foundation transferred the aforementioned land and buildings on September 1, 2016 to the University resulting in a decrease of assets of \$1,236,250.

8. COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2016, the Real Estate Foundation entered into a contract for the purchase of real estate property located in Leon County, Florida. The total purchase price of this contract is \$385,000, of which a \$15,000 deposit was paid in July 2016. Subsequent to fiscal year end June 30, 2016, the Real Estate Foundation sent a letter of termination of the contract to the seller of the above referenced property. The seller accepted the termination and is returning the deposits paid.

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements Performed
In Accordance with *Government Auditing Standards*
For the Year Ended June 30, 2016

To the Board of Trustees
The Florida State University Real Estate Foundation, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida State University Real Estate Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

September 26, 2016