Audited Financial Statements

For the Year Ended
June 30, 2012
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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 statement of financial position of The Florida State University Real Estate Foundation, Inc. (the Foundation) as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Schedules and Notes on pages 10-13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We have not audited the Foundation Operations Financial Statements on pages 16-19, and we express no opinion or other form of assurance on this additional information.

Carr Higgins, LLC

August 31 2012
THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statement of Financial Position
As of June 30, 2012

Assets
   Cash and cash equivalents                    $5,453
   Accounts receivable                         1,838
   Real estate held for resale                  555,000
   Buildings and improvements                   65,000

Total assets                                  $627,291

Liabilities and net assets
   Liabilities
      Accounts payable                          $1,209
      Total liabilities                         1,209
   Net assets
      Unrestricted                             11,278
      Temporarily restricted                    59,804
      Permanently restricted                    555,000
      Total net assets                          626,082

Total liabilities and net assets                $627,291

The accompanying notes are an integral part of these financial statements.
# Statement of Activities and Changes in Net Assets

*For the Year Ended June 30, 2012*

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$10,000</td>
<td>$</td>
<td>$</td>
<td>$10,000</td>
</tr>
<tr>
<td>Other support</td>
<td>16,993</td>
<td>65,000</td>
<td>555,000</td>
<td>636,993</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program and facilities support</td>
<td>5,196</td>
<td>(5,196)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>32,189</td>
<td>59,804</td>
<td>555,000</td>
<td>646,993</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>5,196</td>
<td>-</td>
<td>-</td>
<td>5,196</td>
</tr>
<tr>
<td>Administrative</td>
<td>15,715</td>
<td>-</td>
<td>-</td>
<td>15,715</td>
</tr>
<tr>
<td>Total expenses</td>
<td>20,911</td>
<td>-</td>
<td>-</td>
<td>20,911</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>11,278</td>
<td>59,804</td>
<td>555,000</td>
<td>626,082</td>
</tr>
<tr>
<td>Net assets at beginning of fiscal year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets at end of period</strong></td>
<td>$11,278</td>
<td>$59,804</td>
<td>$555,000</td>
<td>$626,082</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities
Change in net assets $626,082

Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:
   Noncash items:
      Noncash gifts (620,000)
   Changes in assets and liabilities:
      Accounts and interest receivable (1,838)
      Accounts payable 1,209

Net cash flows provided by operating activities 5,453

Net change in cash and cash equivalents 5,453
Cash and cash equivalents - beginning of year -
Cash and cash equivalents - end of period $5,453

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose – The Florida State University Real Estate Foundation ("Foundation") was organized to aid the advancement of The Florida State University ("University" or "FSU") and its objectives and purposes. The Foundation was incorporated in May 2011, was approved as an FSU Direct Support Organization in June 2011 and held its inaugural board meeting in July 2011.

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

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

Basis of Presentation – 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 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 Foundation and/or the passage of time.

- **Permanently restricted net assets** – Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The 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.

Cash and Cash Equivalents – The 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 Foundation’s main checking account.

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

Advertising Costs - The Foundation expenses advertising costs as incurred.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation – Land, buildings and equipment with a cost equal to or greater than $1,000 are carried at cost or, if donated, at fair value, less accumulated depreciation. Items with a cost less than $1,000 are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to thirty years.

Fair Value of Financial Instruments – 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.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

- Cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued liabilities, compensated absence liability and refundable advances have a carrying amount that is a reasonable estimate of the fair value because of the short maturity of these instruments.

Concentration of Credit Risk – The 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. Management does not anticipate nonperformance by the financial institution.

Income Taxes – The 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 Foundation is classified as a Type I supporting organization under section 509(a)(3).

The 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.

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.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is August 31, 2012.
2. REAL ESTATE HELD FOR RESALE

The 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:

<table>
<thead>
<tr>
<th>Real estate held for resale</th>
<th>Acreage</th>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacant land</td>
<td>0.19 acres</td>
<td>Miramar Beach, FL</td>
<td>$175,000</td>
</tr>
<tr>
<td>Two uninhabited residences</td>
<td>3.50 acres</td>
<td>Tallahassee, FL</td>
<td>380,000</td>
</tr>
<tr>
<td><strong>Total real estate held for resale</strong></td>
<td></td>
<td></td>
<td><strong>$555,000</strong></td>
</tr>
</tbody>
</table>

3. BUILDINGS AND IMPROVEMENTS

Buildings and improvements consists of one condominium valued at $65,000. No depreciation was charged in the year ended June 30, 2012.

4. NET ASSETS

At June 30, 2012, net assets included unrestricted funds and funds restricted by donors for the following purposes:

- **Unrestricted** $11,278
- **Temporarily restricted**
  - Faculty and staff support $59,804
  **Total temporarily restricted net assets** $59,804
- **Permanently restricted**
  - Faculty and staff support $555,000
  **Total permanently restricted net assets** $555,000
- **Total net assets** $626,082
5. RELATED PARTY TRANSACTIONS

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

During fiscal year 2012, three properties previously gifted to the FSU Foundation were transferred to the Foundation to administer per its mission. Monies from the sale of those properties gifted with donor restrictions that the proceeds be used for the creation of an endowment will be transferred to the FSU Foundation.

The Foundation recognized support from FSU Foundation of $16,993 for the year ended June 30, 2012. These monies support administrative expenses related to the acquisition of real estate.
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, 2012

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

We have audited the financial statements of The Florida State University Real Estate Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Foundation’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Foundation’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundation’s financial statements are free of 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.
This report is intended solely for the information and use of management, the board of trustees, others within the organization, the Auditor General of the State of Florida and The Florida State University, and is not intended to be and should not be used by anyone other than these specified parties.

August 31, 2012