
**Audited Financial
Statements**

**For the Year Ended
June 30, 2015**



THE FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
For the Year Ended June 30, 2015
With Summarized Financial Information for the Year Ended June 30, 2014

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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 statement of financial position as of June 30, 2015, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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 9, 2015, 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.

September 9, 2015

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Financial Position
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 264,308	\$ 148,800
Accounts receivable	19,992	-
Real estate held for resale	401,001	516,001
Land, buildings and equipment - net	954,479	888,356
Total assets	<u><u>\$1,639,780</u></u>	<u><u>\$1,553,157</u></u>
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 12,521	\$ 55,949
Total liabilities	<u>12,521</u>	<u>55,949</u>
Net assets		
Unrestricted	133,633	149,280
Temporarily restricted	1,413,626	1,267,928
Permanently restricted	80,000	80,000
Total net assets	<u>1,627,259</u>	<u>1,497,208</u>
Total liabilities and net assets	<u><u>\$1,639,780</u></u>	<u><u>\$1,553,157</u></u>

The accompanying notes are an integral part of these financial statements.

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2015

With Summarized Financial Information for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenues					
Contributions	\$ 9,242	\$ 95,000	\$ -	\$ 104,242	\$ 183,230
University support	226,792	2,075	-	228,867	208,776
Other support	75,000	-	-	75,000	200,000
Net realized gains (losses)	-	89,516	-	89,516	(337,543)
Other revenue	-	53,895	-	53,895	27,707
Net assets released from restrictions:					
Program and facilities support	76,760	(76,760)	-	-	-
Administrative support	18,028	(18,028)	-	-	-
Total revenues	<u>405,822</u>	<u>145,698</u>	<u>-</u>	<u>551,520</u>	<u>282,170</u>
Expenses					
Program	76,760	-	-	76,760	65,429
Administrative	344,709	-	-	344,709	316,958
Total expenses	<u>421,469</u>	<u>-</u>	<u>-</u>	<u>421,469</u>	<u>382,387</u>
Change in net assets before transfers to FSU Foundation	(15,647)	145,698	-	130,051	(100,217)
Transfers to FSU Foundation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(217,457)</u>
Change in net assets	(15,647)	145,698	-	130,051	(317,674)
Net assets at beginning of fiscal year	<u>149,280</u>	<u>1,267,928</u>	<u>80,000</u>	<u>1,497,208</u>	<u>1,814,882</u>
Net assets at end of year	<u>\$133,633</u>	<u>\$1,413,626</u>	<u>\$80,000</u>	<u>\$1,627,259</u>	<u>\$1,497,208</u>

The accompanying notes are an integral part of these financial statements.

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$130,051	(\$317,674)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Noncash gifts	(95,000)	(171,000)
Net realized (gains) losses	(89,516)	337,543
Depreciation	31,129	30,849
Changes in assets and liabilities:		
Accounts receivable	(19,992)	4,374
Accounts payable	(43,428)	44,835
Net cash flows used in operating activities	<u>(86,756)</u>	<u>(71,073)</u>
 Cash flows from investing activities		
Proceeds from sale of real estate held for resale	204,516	217,457
Purchase of equipment	(2,252)	(1,372)
Net cash flows provided by investing activities	<u>202,264</u>	<u>216,085</u>
 Net change in cash and cash equivalents	115,508	145,012
Cash and cash equivalents - beginning of year	148,800	3,788
Cash and cash equivalents - end of year	<u><u>\$264,308</u></u>	<u><u>\$148,800</u></u>

The accompanying notes are an integral part of these financial statements.

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

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 began operations in 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 – 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 Foundation’s financial statements for the year ended June 30, 2014, 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 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 either be maintained permanently by the 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 Foundation or successor organization 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.

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

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and cash equivalents includes monies received from the sale of donated real estate property awaiting transfer to the FSU Foundation. The amounts restricted for this purpose included in cash and cash equivalents totaled \$206,771 and \$65,259 at June 30, 2015 and 2014, respectively.

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.

Advertising Costs – The Foundation expenses advertising costs as incurred.

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, and accounts payable have a carrying amount that is a reasonable estimate of the fair value because of the short maturity of these instruments.

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.

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. As of June 30, 2015, the Foundation had deposits in excess of the insured maximum but 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.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is September 9, 2015.

2. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Rent receivable	\$11,293	\$ -
Prepaid insurance	8,527	-
Other receivables	<u>172</u>	<u>-</u>
Total accounts receivable	<u>\$19,992</u>	<u>\$ -</u>

3. 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:

Real estate held for resale	Acreage	Location	<u>2015</u>	<u>2014</u>
Vacant land	1.22 acres	St. George Island, FL	\$ -	\$115,000
Vacant land	1.02 acres	Apopka, FL	80,000	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>\$401,001</u>	<u>\$516,001</u>

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

4. LAND, BUILDINGS AND EQUIPMENT

Buildings and improvements consists of one condominium donated to the College of Music for use by visiting faculty and artists and a rental property. Land consists of 40 acres of undeveloped property located in Leon County, Florida. The balance as of June 30 is:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$920,000	\$920,000
Furniture, fixtures and equipment	<u>3,624</u>	<u>1,372</u>
Total depreciable assets	923,624	921,372
Less: Accumulated depreciation	<u>(64,145)</u>	<u>(33,016)</u>
Buildings and equipment – net	859,479	888,356
Land	<u>95,000</u>	<u>-</u>
Land, buildings and equipment – net	<u>\$954,479</u>	<u>\$888,356</u>

Total depreciation expense for the year ended June 30, 2015 and 2014 was \$31,129 and \$30,849, respectively.

5. NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Unrestricted	\$ 133,633	\$ 149,280
Temporarily restricted		
General university support	\$1,131,718	\$1,160,346
Facilities and equipment	<u>281,908</u>	<u>107,582</u>
Total temporarily restricted net assets	\$1,413,626	\$1,267,928
Permanently restricted		
General university support	<u>\$ 80,000</u>	<u>\$ 80,000</u>
Total permanently restricted net assets	<u>\$ 80,000</u>	<u>\$ 80,000</u>
Total net assets	<u>\$1,627,259</u>	<u>\$1,497,208</u>

THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2015 and 2014

6. RELATED PARTY TRANSACTIONS

The 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 Foundation recognized support from the University of \$228,867 and \$208,776 for the years ended June 30, 2015 and 2014, 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 Foundation recognized support from the FSU Foundation of \$75,000 and \$200,000 for the year ended June 30, 2015 and 2014, respectively. These monies support administrative expenses related to the acquisition and carrying costs of real estate.

The Foundation transferred proceeds to the FSU Foundation from the sale of property of \$0 and \$217,457 for the years ended June 30, 2015 and 2014, respectively. These transfers are included on the Statement of Activities and Changes in Net Assets.

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, 2015

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, 2015, 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 9, 2015.

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.

Cary Riggs & Ingram, L.L.C.

September 9, 2015