
**Financial Statements
and Reports**

**For the Year Ended
June 30, 2018**



FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
For the Year Ended June 30, 2018
With Summarized Financial Information for the Year Ended June 30, 2017

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's 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 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 auditor's 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 Florida State University Real Estate Foundation, Inc., as of June 30, 2018 and 2017, and the changes in its net position and cash flows for the years 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 Real Estate Foundation's 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented in the statement of activities and changes in net assets as of and for the year ended June 30, 2017, 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 7, 2018, 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 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 Real Estate Foundation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 7, 2018

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Financial Position
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 340,576	\$ 36,917
Accounts receivable	16,927	68,170
Prepaid expenses	8,505	14,197
Real estate held for resale	23,000	1,109,320
Land, buildings and equipment - net	195,804	150,696
Total assets	<u>\$ 584,812</u>	<u>\$1,379,300</u>
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 241,886	\$ 26,645
Total liabilities	<u>241,886</u>	<u>26,645</u>
Net assets		
Unrestricted	124,633	144,152
Temporarily restricted	218,293	1,208,503
Total net assets	<u>342,926</u>	<u>1,352,655</u>
 Total liabilities and net assets	<u>\$ 584,812</u>	<u>\$1,379,300</u>

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, 2018

With Summarized Financial Information for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues				
Contributions	\$ 14,169	\$ 48,000	\$ 62,169	\$ 31,769
University support	553,223	6,905	560,128	471,007
University DSO support	25,000	7,327	32,327	100,000
Gains on insurance proceeds	-	53,277	53,277	-
Net realized gains	-	266,584	266,584	-
Rental revenue	-	80,628	80,628	109,751
Net assets released from restrictions:				
Program and facilities support	65,839	(65,839)	-	-
Administrative support	20,200	(20,200)	-	-
Total revenues	<u>678,431</u>	<u>376,682</u>	<u>1,055,113</u>	<u>712,527</u>
Expenses				
Program	65,839	-	65,839	107,661
Administrative	<u>632,111</u>	<u>-</u>	<u>632,111</u>	<u>569,782</u>
Total expenses	<u>697,950</u>	<u>-</u>	<u>697,950</u>	<u>677,443</u>
Change in net assets before transfers	(19,519)	376,682	357,163	35,084
Transfers to University	-	(10,150)	(10,150)	(1,255,300)
Transfers to FSU Foundation	<u>-</u>	<u>(1,356,742)</u>	<u>(1,356,742)</u>	<u>(1,901)</u>
Change in net assets	(19,519)	(990,210)	(1,009,729)	(1,222,117)
Net assets at beginning of fiscal year	<u>144,152</u>	<u>1,208,503</u>	<u>1,352,655</u>	<u>2,574,772</u>
Net assets at end of fiscal year	<u>\$ 124,633</u>	<u>\$ 218,293</u>	<u>\$ 342,926</u>	<u>\$1,352,655</u>

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	(\$1,009,729)	(\$1,222,117)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Gifts	(48,000)	(12,000)
Gains on insurance proceeds	(53,277)	-
Net realized gains	(266,584)	-
Depreciation	2,892	30,907
Transfers out of property	-	1,235,000
Changes in assets and liabilities:		
Accounts receivable	51,243	(53,806)
Prepaid expenses	5,692	727
Accounts payable	215,241	11,899
Net cash flows used in operating activities	<u>(1,102,522)</u>	<u>(9,390)</u>
Cash flows from investing activities		
Proceeds from claims on insurance policies	206,277	-
Proceeds from the sale of real estate held for resale	1,199,904	-
Improvements to real estate held for resale	-	(31,085)
Net cash flows provided by (used in) investing activities	<u>1,406,181</u>	<u>(31,085)</u>
Net change in cash and cash equivalents	303,659	(40,475)
Cash and cash equivalents – beginning of fiscal year	36,917	77,392
Cash and cash equivalents – end of fiscal year	<u><u>\$ 340,576</u></u>	<u><u>\$ 36,917</u></u>

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

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.

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, 2017, 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.

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.

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.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as of the date of contribution. 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 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. Cash balances were \$340,576 and \$36,917 as of June 30, 2018 and 2017, respectively.

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, 2018 and 2017

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

Change in Basis of Accounting – The Florida legislature passed and the governor signed into law Chapter 2018-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses university direct support organizations. With this change, the university board of trustees will have to approve all direct support organization (DSO) board members. Under current accounting guidance, a key determinate in determining whether a DSO should report under FASB, the current basis of accounting, versus governmental accounting standards (GASB) is board control. With the change in the statute, the university has control of the board of the DSO and the FASB reporting model is no longer appropriate. The Real Estate Foundation will convert to the GASB reporting model for fiscal year ending June 30, 2019. Management is still evaluating the impact of this change. However, at this time, it is believed that in adopting the GASB reporting model it will be necessary to restate opening net assets.

Reclassifications – Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is September 7, 2018.

2. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
University support	\$ 6,905	\$ 43,638
University DSO support	7,328	-
Rental revenue	-	24,532
Other receivable	<u>2,694</u>	<u>-</u>
Total accounts receivable	<u>\$ 16,927</u>	<u>\$ 68,170</u>

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

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:

Type	Acreage	Location	<u>2018</u>	<u>2017</u>
Vacant land	56.16 acres	Laurel Hill, FL	\$ -	\$ 150,000
Rented residence	1.00 acres	Wewahitchka, FL	-	160,000
Vacant land	0.14 acres	St. Marys, GA	11,000	11,000
Vacant land (eroded lot)	0.25 acres	Alligator Point, FL	-	1
Rented vacation residence	1.00 acres	St. George Island, FL	-	776,319
Vacant land	0.25 acres	Springhill, FL	<u>12,000</u>	<u>12,000</u>
Total real estate held for resale			<u>\$ 23,000</u>	<u>\$1,109,320</u>

On August 15, 2017, the Wewahitchka, FL property incurred a loss due to a fire, causing significant structural damage to the building. The insurance company has settled the claim and distributed insurance proceeds in the amount of \$206,277 and loss of income proceeds of \$5,700 to the Real Estate Foundation. Gains of \$53,277 on the insurance proceeds received are included on the Statement of Activities and Changes in Net Assets.

4. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 143,000	\$ 95,000
Buildings and improvements	65,000	65,000
Furniture, fixtures and equipment	<u>3,624</u>	<u>3,624</u>
Total land, buildings and equipment	211,624	163,624
Less: Accumulated depreciation	<u>(15,820)</u>	<u>(12,928)</u>
Land, buildings and equipment – net	<u>\$ 195,804</u>	<u>\$ 150,696</u>

Total depreciation expense for the years ended June 30, 2018 and 2017 was \$2,892 and \$30,907, respectively.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

5. NET ASSETS

Net assets included unrestricted funds and funds restricted by donors for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 124,633	\$ 144,152
Temporarily restricted		
General university support	\$ 23,274	\$ 759,787
Student support	-	300,244
Facilities and equipment	<u>195,019</u>	<u>148,472</u>
Total temporarily restricted net assets	<u>\$ 218,293</u>	<u>\$1,208,503</u>
Total net assets	<u>\$ 342,926</u>	<u>\$1,352,655</u>

6. RELATED PARTY TRANSACTIONS

The Real Estate Foundation is a DSO 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 \$560,128 and \$471,007 for the years ended June 30, 2018 and 2017, respectively. These monies support salaries, benefits, operations, consulting services 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, a DSO of the University, of \$25,000 and \$100,000 for the years ended June 30, 2018 and 2017, respectively. These monies support administrative expenses related to the acquisition and carrying costs of real estate.

The Real Estate Foundation recognized support from the FSU Research Foundation, a DSO of the University, of \$7,327 and \$0 for the years ended June 30, 2018 and 2017, respectively. These monies support administrative expenses related to the acquisition and carrying costs of real estate.

The Real Estate Foundation transferred proceeds from rental activity totaling \$10,150 and \$20,300 to the University for the years ended June 30, 2018 and 2017, respectively. Amounts owed to the University related to rental activity were \$725 and \$0 for the years ended June 30, 2018 and 2017, respectively. In addition, the Real Estate Foundation transferred properties to the University that resulted in a decrease in assets of \$0 and \$1,235,000 for the years ended June 30, 2018 and 2017. These transfers are included on the Statement of Activities and Changes in Net Assets.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

6. RELATED PARTY TRANSACTIONS (continued)

The Real Estate Foundation transferred proceeds from rental activity totaling \$0 and \$1,901 to the FSU Foundation for the years ended June 30, 2018 and 2017, respectively. In addition, the Real Estate Foundation transferred proceeds to the FSU Foundation from the sale of property totaling \$1,356,742 and \$0 for the years ended June 30, 2018 and 2017, respectively. These transfers are included on the Statement of Activities and Changes in Net Assets. Amounts owed to the FSU Foundation related to rental activity as well as other expenses which will be reimbursed were \$235,470 and \$5,038 for the years ended June 30, 2018 and 2017, respectively. These amounts are included on the Statement of Financial Position.

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, 2018, the Real Estate Foundation has not received any advances nor accrued any payable related to this line of credit.

7. OPERATING LEASES

The Real Estate Foundation has an operating lease agreement relating to parking facilities, with an original expiration date of June 30, 2020 and an option to renew for five additional 1-year terms. Lease expense totaled \$10,150 and \$17,400 for the years ended June 30, 2018 and 2017, respectively. Commitments relating to operating leases for each of the next five years and thereafter are as follows:

For the year ended June 30,	
2019	\$ 8,700
2020	8,700
2021	-
2022	-
2023	-
Thereafter	-
Total minimum lease payments	<u>\$ 17,400</u>

Income received for this activity through a sublease agreement is transferred to the University and totaled \$10,150 and \$17,400 for the years ended June 30, 2018 and 2017, respectively. These transfers are included on the Statement of Activities and Changes in Net Assets.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended June 30, 2018 and 2017

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 7, 2018, 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.

Real estate property valued at \$215,000 is expected to be donated by a private party to the Real Estate Foundation by the end of the calendar year. The projected impact to the Statement of Financial Position will be an increase to Real Estate Held for Resale of \$215,000.

**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***

Audit Committee
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, the financial statements of Florida State University Real Estate Foundation, Inc. (Real Estate Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2018.

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) 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 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 may exist that have not been identified.

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 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 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 7, 2018