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**Financial Statements  
and Reports**

**For the Year Ended  
June 30, 2019**



**FLORIDA STATE UNIVERSITY**  
**REAL ESTATE FOUNDATION**  
*(A Discrete Component Unit of Florida State University)*

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**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**Financial Statements and Reports**  
*For the Year Ended June 30, 2019*

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**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**Notes to Financial Statements**  
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**3. FAIR VALUE MEASUREMENTS (continued)**

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

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

The Real Estate Foundation's assets measured at fair value on a recurring basis as of June 30, 2019 are summarized as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Real estate				
Land	\$ -	\$ -	\$ 75,000	\$ 75,000
<b>Investments at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>

**4. CAPITAL ASSETS**

A summary of changes in capital assets at June 30 is shown below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Non-depreciable capital assets</b>				
Land	\$ 143,000	\$ -	\$ -	\$ 143,000
<b>Total non-depreciable capital assets</b>	<b>\$ 143,000</b>	<b>-</b>	<b>-</b>	<b>\$ 143,000</b>
<b>Depreciable capital assets</b>				
Buildings	\$ 65,000	\$ -	\$ -	\$ 65,000
Computer equipment	3,624	-	-	3,624
<b>Total depreciable capital assets</b>	68,624	-	-	68,624
<b>Less: accumulated depreciation</b>				
Buildings	(13,000)	(2,167)	-	(15,167)
Computer equipment	(2,820)	(541)	-	(3,361)
<b>Total accumulated depreciation</b>	(15,820)	(2,708)	-	(18,528)
<b>Total depreciable capital assets</b>	<b>\$ 52,804</b>	<b>\$ (2,708)</b>	<b>\$ -</b>	<b>\$ 50,096</b>
<b>Total capital assets</b>	<b>\$ 195,804</b>	<b>\$ (2,708)</b>	<b>\$ -</b>	<b>\$ 193,096</b>

Total depreciation expense for the year ended June 30, 2019 was \$2,708.

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
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**5. 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 one-year terms. Lease expense totaled \$8,700 for the year ended June 30, 2019. Commitments relating to operating leases for each of the next five years and thereafter are as follows:

<b>For the fiscal year ended June 30,</b>	
2020	\$ 8,700
Thereafter	<u>-</u>
<b>Total minimum lease payments</b>	<b><u>\$ 8,700</u></b>

Income received for this activity through a sublease agreement is transferred to the University and totaled \$8,700 for the year ended June 30, 2019.

**6. RETIREMENT PLAN**

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

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

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

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**

**Notes to Financial Statements**  
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**6. RETIREMENT PLAN (continued)**

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

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

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

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

The cost of the defined benefit pension plan for the Real Estate Foundation's current employees is paid by the University and recorded by the Real Estate Foundation as an operating transfer from related organizations and an operating expense. Retirement contributions were \$22,350 for the year ended June 30, 2019.

**7. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
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**7. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)**

A stand-alone report is not issued, and the Plan information is not included in the report of a public employee retirement system or another entity.

Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor’s recommended budget and the General Appropriations Act. The University provided required contributions toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums.

It has been determined that the Real Estate Foundation is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the plan. The Real Estate Foundation’s employees were included in the actuarial analysis of the valuation of the OPEB Plan and are part of the OPEB disclosed in the footnotes and required supplementary information of the University’s Annual Report. The University does not determine a separate liability for the Real Estate Foundation employees and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the Plan, or the net OPEB liability recorded in these financial statements.

**8. RISK MANAGEMENT PROGRAMS**

The Real Estate Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property and general liability coverage are provided through commercial insurance carriers, and management continuously reviews the limits of coverage to ensure that they are adequate. No settlements have exceeded coverage in place during the past three fiscal years.

**9. INTERFUND BALANCES AND TRANSFERS**

Interfund balances consisted of the following at June 30, 2019:

Due to operating fund from:	
Investment funds	\$ 4,075
Capital asset funds	<u>7,337</u>
<b>Total due to operating fund from others</b>	<b><u>\$ 11,412</u></b>

These balances resulted from the time lag between the dates that the interfund reimbursable expenditures occur, transactions are recorded in the accounting system, and payments to the operating fund are made. Balances are reimbursed quarterly or at the time of sale as resources are available.

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
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**9. INTERFUND BALANCES AND TRANSFERS** *(continued)*

Interfund transfers consisted of the following for the year ended June 30, 2019:

Transfers to operating funds from:	
Investment funds	\$ 17,710
Capital asset funds	<u>15,339</u>
<b>Total transfers to operating fund</b>	<b><u><u>\$ 33,049</u></u></b>

Transfers to operating funds are used to move the support received from beneficiaries to the operating fund that expended the cash on behalf of that fund. Transfers are made quarterly or at the time of sale as resources are available.

Transfers from operating funds to:	
Investment funds	\$ 12
Capital asset funds	<u>5,834</u>
<b>Total transfers from operating fund</b>	<b><u><u>\$ 5,846</u></u></b>

Transfers from operating funds are used to provide support to those funds that end the period in a cash deficit. Transfers are made quarterly.

**10. RELATED PARTY TRANSACTIONS**

The Real Estate Foundation is a DSO of the University which is organized and operated exclusively to receive, hold, invest, provide guidance and administer property for the benefit of the University and its DSOs.

**Florida State University**

The University provides monetary support to the Real Estate Foundation to support salaries, benefits, professional fees, operations and carrying costs of real estate. The Real Estate Foundation conducts due diligence and studies on properties and real estate projects that may involve or require University resources.

The University provides support to the Real Estate Foundation in the form of contributed facilities. The Real Estate Foundation occupies 541 square feet of office facilities in Tallahassee, Florida, the use of which is provided without charge by the University. The rental value of the facilities was estimated based on current rental rates for comparable properties in the area. In-kind contributions of \$8,648 have been recognized as revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019.

The University also leases a parking garage to the Real Estate Foundation and receives lease payments in return. See Note 5 for more details.

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**

**Notes to Financial Statements**  
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**10. RELATED PARTY TRANSACTIONS (continued)**

**Florida State University Foundation**

The FSU Foundation provides monetary support to the Real Estate Foundation to support the administration, acquisition and carrying costs of real estate. The Real Estate Foundation receives and holds real estate property to be sold and transferred to the Foundation. The Real Estate Foundation also provides guidance to the FSU Foundation on real estate gift transactions.

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

**Florida State University Research Foundation**

The purpose of the FSU Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products. The FSU Research Foundation provides monetary support to the Real Estate Foundation to support acquisition and carrying costs of real estate that are to its benefit.

Transactions between the Real Estate Foundation, University and its related DSOs for the year ended June 30, 2019 were as follows:

Transfers from related organizations:	
University	\$ 345,432
FSU Foundation	64,438
FSU Research Foundation	<u>824</u>
<b>Total transfers from related organizations</b>	<b><u>\$ 410,694</u></b>
Transfers to related organizations:	
University	\$ 8,700
FSU Foundation	<u>147,940</u>
<b>Total transfers to related organizations</b>	<b><u>\$ 156,640</u></b>

These transfers include both cash and noncash support.

**FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
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**10. RELATED PARTY TRANSACTIONS (continued)**

Amounts due from the University and related organizations at June 30, 2019 were as follows:

FSU Foundation	\$ 10,467
FSU Research Foundation	351
University	<u>80</u>
<b>Total accounts receivable</b>	<b><u><u>\$ 10,898</u></u></b>

Amounts due to the University and related organizations at June 30, 2019 were as follows:

FSU Foundation	\$ <u>432</u>
<b>Total accounts receivable</b>	<b><u><u>\$ 432</u></u></b>

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 13, 2019, 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.

A gift of real estate property valued at \$1,450,000 was donated by a private party to the Real Estate Foundation on August 26, 2019. An additional gift of real estate property valued at \$40,000 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 Net Position will be an increase to Investments of \$1,490,000.