Financial Statements
and Reports

For the Year Ended
June 30, 2021

FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION

(A Discrete Component Unit of Florida State University)

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
For the Years Ended June 30, 2021 and 2020

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Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation) which comprise the statements of net position as of June 30, 2021 and 2020, the related statements of revenues, expenses, and changes in net position 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 Florida State University Real Estate Foundation, Inc., as of June 30, 2021 and 2020, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated NEED DATE 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 solely 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 effectiveness of the Real Estate Foundation's 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, 2021

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis provides an overview of the financial position and activities of the Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) for the years ended June 30, 2021, 2020, and 2019, respectively. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. It should be read in conjunction with the financial statements and notes to financial statements for the Real Estate Foundation which follow this section.

The Real Estate Foundation is presented as a discrete component unit of Florida State University (University or FSU) and is a direct support organization (DSO) of the University pursuant to Section 1004.28, Florida Statutes, and Regulation 9.011, Board of Governors. The primary purpose of the Real Estate Foundation is to aid in the advancement of the University through oversight and advisory of the University's real estate initiatives which include administering real estate gift acceptance, strategic land acquisitions, project leadership development and long term real estate planning.

OVERVIEW OF FINANCIAL STATEMENTS

The Real Estate Foundation's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the GASB. The financial statements focus on the financial condition of the Real Estate Foundation, the results of operations, and cash flows of the Real Estate Foundation as a whole. The accrual basis of accounting is used for presentation which is similar to most private-sector companies. See the notes to the financial statements for a summary of the Real Estate Foundation's significant accounting policies.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Real Estate Foundation as of a specific date and includes all of the assets, liabilities and deferred inflows of resources of the Real Estate Foundation. Net position, the difference between assets less liabilities and deferred inflows of resources, is one indicator of the current financial position of the Real Estate Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Real Estate Foundation. The differences in net position that occur over time indicate whether the overall financial condition of the Real Estate Foundation has improved or deteriorated. Assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. Net position is reported in the following three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding borrowings attributable to the acquisition, construction or improvement of those assets. Restricted net position is comprised of expendable assets and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislation. Unrestricted net position consists of those assets that do not meet the definition of net investment in capital assets or restricted.

STATEMENT OF NET POSITION *(continued)*

The following schedule is a summary of the Real Estate Foundation's statements of net position as of June 30, 2021 and the two preceding fiscal years:

Condensed Statements of Net Position

	2021	2020	2019
Assets			
Current assets	$1,935,462	$639,038	$131,331
Noncurrent assets	17,099,598	1,643,646	196,075
Total assets	**19,035,060**	**2,282,684**	**327,406**
Liabilities			
Current liabilities	643,454	8,391	8,613
Noncurrent liabilities	11,780,065	-	-
Total liabilities	**12,423,519**	**8,391**	**8,613**
Deferred inflows of resources	**5,631,202**	**1,785,979**	**2,979**
Net position			
Net investment in capital assets	140,500	190,667	193,096
Restricted – expendable	658,855	239,057	71,864
Unrestricted	180,984	58,590	50,854
Total net position	**$980,339**	**$488,314**	**$315,814**

The Real Estate Foundation's assets totaled $19,035,060 as of June 30, 2021. This balance reflects an increase of $16,752,376, or 734%, compared to June 30, 2020, and is attributed to the purchase of Champions Hall. Current assets are comprised of resources available to meet current obligations and include cash, short-term real estate investments, amounts due from related organizations and other receivables due within one year. Current assets increased $1,296,424, or 203%, over the previous year and are primarily attributed to amounts owed from related organizations within the next 12 months pertaining to a lease agreement with the Seminole Boosters, Inc. (Boosters) as well as an increase in cash related to the sale of investments. The investments were sold prior to the end of the year but the proceeds had not yet been transferred to the benefit of the Florida State University Foundation (FSU Foundation). Three separate parcels of real property previously reported at $333,000 as part of a charitable remainder unitrust were also sold, and the cash proceeds were transferred to the FSU Foundation. Noncurrent assets consist of amounts owed from related organizations beyond one year, capital assets and long-term real estate investments. Noncurrent assets increased $15,455,952, or 940%, over the prior year due to the purchase of a building and vacant lot and the impact this acquisition had on capital assets as well as the related lease receivable with the Boosters. See Notes 5 and 6 for more details on the purchase of Champions Hall and the related party transaction.

STATEMENT OF NET POSITION *(continued)*

Total assets for the Real Estate Foundation were $2,282,684 as of June 30, 2020. This balance reflects an increase of $1,955,278, or 597%, compared to June 30, 2019. Current assets increased $507,707, or 387%, over the prior year and is due to an increase in investments and remainder interest trusts related to donations of real estate. Noncurrent assets grew $1,447,571, or 738%, in investments as a result of a donation of property through a life estate agreement.

The Real Estate Foundation's liabilities totaled $12,423,519 as of June 30, 2021 and reflects an increase of $12,415,128 compared to June 30, 2020. Current liabilities are comprised of amounts due to related organizations as well as other vendors within the next year. Noncurrent liabilities consist of the long-term liability associated with amounts due to related organizations beyond the next 12 months. Total liabilities include current obligations of $643,454 and obligations arising beyond the next year of $11,780,065, most of which is related to an outstanding balance on a promissory note owed to the Florida State University Research Foundation, Inc. (FSU Research Foundation) for the aforementioned purchase of a building and adjacent lot. See Notes 6 and 8 for more details on the on the purchase of Champions Hall and the related party transaction.

Total liabilities for the Real Estate Foundation were $8,391 as of June 30, 2020. This balance reflects a slight decrease of $222, or 3%, compared to June 30, 2019 and is primarily due to a decline in amounts owed to related organizations as well as other vendors at year-end.

The Real Estate Foundation's deferred inflows of resources totaled $5,631,202 as of June 30, 2021. This balance reflects an increase of $3,845,223, or 215%, over the prior year and is mostly attributed to the addition of the present value of future payments related to the lease agreement with the Boosters as well as the sale of three parcels of real property related to a charitable remainder unitrust. Deferred inflows of resources totaled $1,785,979 as of June 30, 2020. This balance reflects an increase of $1,783,000 compared to June 30, 2019, pertaining to gifts of real estate related to remainder interest trust agreements for a life estate and a charitable remainder unitrust.

Changes in assets, liabilities and deferred inflows of resources as of June 30, 2021 resulted in an overall increase in net position of $492,025, or 101%, compared to June 30, 2020. This increase is primarily due to gifts of real estate. Total ending net position as of June 30, 2020 increased $172,500, or 55%, for a balance of $488,314 compared to $315,814 as of June 30, 2019.

The following summarizes capital assets for the fiscal year ended June 30, 2021 and the two preceding fiscal years:

Capital Assets

	2021	2020	2019
Buildings and improvements – net	$10,192,100	$47,667	$49,833
Furniture and equipment – net	-	-	263
Nondepreciable assets	1,948,400	143,000	143,000
Total capital assets	**$12,140,500**	**$190,667**	**$193,096**

STATEMENT OF NET POSITION *(continued)*

The Real Estate Foundation's capital assets totaled $12,140,500 as of June 30, 2021, and are included as noncurrent assets on the Statements of Net Position. This balance is net of accumulated depreciation and reflects an increase of $11,949,833 compared to June 30, 2020, as a result of the acquisition of a building and vacant lot valued at $12,000,000, the transfer of land to the University valued at $48,000 as well as depreciation expense incurred. Capital assets is currently comprised of two buildings and two parcels of land. See Note 6 for more details on the Real Estate Foundation's capital assets.

Capital assets were $190,667 as of June 30, 2020. This balance reflects a decrease of $2,429 compared to June 30, 2019, and is attributed to depreciation expense incurred.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenue and expense activity for the Real Estate Foundation, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The GASB allows financial reporting entities to report expenses using either a natural or functional classification. The Real Estate Foundation has chosen to report the expenses by their functional classifications on the Statement of Revenues, Expenses and Changes in Net Position. Additional information on the natural classification of expenses for the Real Estate Foundation can be found in the notes to financial statements or the supplementary information, both of which follow this section.

The following table summarizes the Real Estate Foundation's changes in net position for the fiscal year ended June 30, 2021 and the two preceding fiscal years:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	2019
Operating revenues	$1,430,649	$729,785	$642,184
Operating expenses	1,240,747	546,696	659,369
Net operating income (loss)	**189,902**	**183,089**	**(17,185)**
Net non-operating income (loss)	**302,123**	**(10,589)**	**(9,927)**
Change in net position	**492,025**	**172,500**	**(27,112)**
Net position – beginning of year	488,314	315,814	342,926
Net position – end of year	**$980,339**	**$488,314**	**$315,814**

The Real Estate Foundation's operating revenues are comprised of restricted-expendable contributions, support from the University, transfers from related organizations, lease revenue, rental income and other miscellaneous operating activity. Operating revenues totaled $1,430,649 for the fiscal year ended June 30, 2021, an increase of $700,864, or 96%, as compared to fiscal year 2020. The increase in operating revenues from the previous year is mostly attributed to contributions of real estate which represents $1,080,000, or 75%.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(continued)*

Total operating revenues were $729,785 for the fiscal year ended June 30, 2020, an increase of $87,601, or 14%, as compared to fiscal year 2019. Restricted-expendable contributions increased significantly; however, the increase was offset by the decrease in needed support from the University related to staff vacancies and reductions in consulting expenditures.

The following summarizes the operating revenues by source that were used to fund operating activities for the fiscal year ended June 30, 2021 and the two preceding fiscal years:

Operating Revenues

	2021	2020	2019
Contributions	$1,080,000	$210,000	$222,500
Transfers from related organizations	300,094	511,041	410,694
Lease revenue	50,555	-	-
Rental income	-	8,700	8,700
Other support and revenue	-	44	290
Total operating revenues	**$1,430,649**	**$729,785**	**$642,184**

The Real Estate Foundation's operating expenses include administrative expenses for operations, property carrying costs and transfers to related organizations pertaining to the sale of real estate. Operating expenses totaled $1,240,747 for the year ended June 30, 2021, an increase of $694,051, or 127%, as compared to fiscal year 2020. While administrative costs decreased significantly and property carrying costs increased slightly, the increase in total operating expenses is primarily due to an increase in transfers to related organizations from the distribution of sales proceeds, representing $923,527, or 74% of operating expenses. The Real Estate Foundation's operating expenses were $546,696 for the year ended June 30, 2020, a decrease of $112,673, or 17%, as compared to fiscal year 2019.

The following illustrates the operating expenses by source that were used to fund operating activities for the fiscal year ended June 30, 2021 and the two preceding fiscal years:

Operating Expenses

	2021	2020	2019
Administrative	$272,211	$498,906	$478,914
Property carrying costs	45,009	38,526	23,815
Transfers to related organizations	923,527	9,264	156,640
Total operating expenses	**$1,240,747**	**$546,696**	**$659,369**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(continued)*

The Real Estate Foundation's net non-operating income (loss) consists of realized and unrealized gains or losses on real estate. There were no unrealized gains or losses recorded for the year ended June 30, 2021, as compared to $2,500 in unrealized losses for fiscal year 2020. Realized gains totaled $302,123 for the year ended June 30, 2021, as compared to realized losses of $8,089 during fiscal year 2020, and was mostly attributed to the aforementioned sale of the three properties related to the charitable remainder unitrust. The Real Estate Foundation recognized realized losses of $11,427 and unrealized gains of $1,500 for the year ended June 30, 2019.

ECONOMIC CONDITIONS AND OUTLOOK

The economic outlook of the Real Estate Foundation is affected by several factors, including support received from the University and the FSU Foundation as well as the state of the real estate market and the impact that has on donations of real estate. Florida's economy affects state appropriations to the University which could impact the amount of support the Real Estate Foundation receives during the next year; however, it is expected that the University and the FSU Foundation will continue to support the Real Estate Foundation at levels consistent with the current year. Over the past year the coronavirus pandemic has impacted the state of Florida. There is still much uncertainty concerning what influence this may have on the economy as a whole, specifically as it relates to the Real Estate Foundation's ability to acquire gifts of real estate and dispose of them. Aside from these considerations, management is not aware of any other factors within management's control that would have a significant impact on future periods.

REQUESTS FOR INFORMATION

Questions concerning information provided in the management's discussion and analysis or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Florida State University Real Estate Foundation, 325 West College Avenue, Tallahassee, Florida 32301.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Net Position
June 30, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	$489,262	$20,439
Accounts receivable	86	138
Due from related organizations	724,424	3,175
Prepaid expenses	11,690	9,786
Investments	710,000	272,500
Remainder interest trust	-	333,000
Total current assets	**1,935,462**	**639,038**
Noncurrent assets:		
Due from related organizations	3,509,098	2,979
Capital assets - net	12,140,500	190,667
Investments	1,450,000	1,450,000
Total noncurrent assets	**17,099,598**	**1,643,646**
TOTAL ASSETS	**19,035,060**	**2,282,684**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	1,957	567
Due to related organizations	641,497	7,824
Total current liabilities	**643,454**	**8,391**
Noncurrent liabilities:		
Due to related organizations	11,780,065	-
Total noncurrent liabilities	**11,780,065**	**-**
TOTAL LIABILITIES	**12,423,519**	**8,391**
DEFERRED INFLOWS OF RESOURCES		
Lease	4,178,223	-
Life insurance policy	2,979	2,979
Life estate	1,450,000	1,450,000
Remainder interest trust	-	333,000
TOTAL DEFERRED INFLOWS OF RESOURCES	**5,631,202**	**1,785,979**
NET POSITION		
Net investment in capital assets	140,500	190,667
Restricted:		
Expendable	658,855	239,057
Unrestricted	180,984	58,590
TOTAL NET POSITION	**$980,339**	**$488,314**

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Contributions	$1,080,000	$210,000
Transfers from related organizations	300,094	511,041
Lease revenue	50,555	-
Rental income	-	8,700
Other revenue	-	44
TOTAL OPERATING REVENUES	**1,430,649**	**729,785**
OPERATING EXPENSES		
Administrative	272,211	498,906
Property carrying costs	45,009	38,526
Transfers to related organizations	923,527	9,264
TOTAL OPERATING EXPENSES	**1,240,747**	**546,696**
OPERATING INCOME	**189,902**	**183,089**
NON-OPERATING REVENUES		
Investment income (loss)	302,123	(10,589)
NET NON-OPERATING INCOME (LOSS)	**302,123**	**(10,589)**
Change in net position	**492,025**	**172,500**
Net position - beginning of year	488,314	315,814
NET POSITION - END OF YEAR	**$980,339**	**$488,314**

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Amounts received from others	$ -	$8,744
Transfers from related organizations	104,169	116,953
Transfers to related organizations	(461,789)	(1,872)
Cash paid for property carrying costs	(39,434)	(29,673)
Cash paid for administrative expenses	(78,746)	(115,223)
Net cash used in operating activities	**(475,800)**	**(21,071)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of real estate held for resale	944,623	1,911
Net cash provided by investing activities	**944,623**	**1,911**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	12,000,000	-
Promissory note payable on capital assets	(12,000,000)	-
Net cash provided by (used in) capital and related financing activities	**-**	**-**
Net change in cash and cash equivalents	468,823	(19,160)
Cash and cash equivalents - beginning of year	20,439	39,599
Cash and cash equivalents - end of year	**$489,262**	**$20,439**
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Income	**$189,902**	**$183,089**
Adjustments to reconcile operating income to net cash used in operating activities:		
Noncash contributions	(1,080,000)	(210,000)
Depreciation expense	2,167	2,429
Capital assets transferred to the University	48,000	-
Change in assets and liabilities:		
Accounts receivable	52	(138)
Due from related organizations	(4,227,368)	4,744
Prepaid expenses	(1,904)	(973)
Accounts payable	1,390	(7,614)
Due to related organizations	413,738	7,392
Deferred gift - leases	4,178,223	-
NET CASH USED IN OPERATING ACTIVITIES	**($475,800)**	**($21,071)**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Unrealized gains (losses) on investments	$ -	($2,500)

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Real Estate Foundation (Real Estate Foundation) is a direct support organization (DSO) of Florida State University (University or FSU) pursuant to section 1004.28, Florida Statutes, and Regulation 9.011, Board of Governors, established to aid the advancement of the University and its objectives and purposes. The Real Estate Foundation's primary function is to receive gifts 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 is governed by a Board of Directors consisting primarily of University senior administration, direct support organizations and at-large members of the real estate industry which represent a diverse cross-section of skill sets, knowledge and experience. 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.

Reporting Entity – In defining the Real Estate Foundation for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity, Omnibus*. These statements establish the standards for defining and reporting on the financial reporting entity and whether it is considered a component unit of another entity. The Real Estate Foundation would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit's board. The Real Estate Foundation is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

A summary of the Real Estate Foundation's significant accounting policies follows:

Basis of Presentation – As a discrete component unit of the University, the Real Estate Foundation prepares its financial statements according to the provisions of GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

These standards require public institutions to present management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary information other than MD&A.

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Accounting – The Real Estate Foundation prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for government business-type activities. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows. The Real Estate Foundation follows the principles of fund accounting whereby separate accounts are maintained for each fund in the general ledger to ensure compliance with donor restrictions. For financial reporting purposes, these funds are combined into one column.

Net position of the Real Estate Foundation is reported in three categories and defined as follows:

> <u>Net investment in capital assets</u> – This category of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets net of any related unspent debt proceeds.
>
> <u>Restricted net position</u> – This category represents the net position of the Real Estate Foundation which is restricted by constraints placed on the use by either externally imposed creditors, grantors, contributors or laws or regulations of other governments or imposed by law through enabling legislation. The Real Estate Foundation does not administer endowments on behalf of the University so restricted net position balances are expendable and represent funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs and initiatives of the University.
>
> <u>Unrestricted net position</u> – This category of net position represents funds that are available without restriction for carrying out the Real Estate Foundation’s objectives that do not meet the definition of “net investment in capital assets” or “restricted”.

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 resources are available for use.

Fund Accounting – To help ensure that the restrictions placed on the use of resources and gifts complies with donor intent, the amounts of the Real Estate Foundation are maintained in accordance with the principals of fund accounting. This is the procedure by which resources for various restrictions are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of 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, deferred outflows of resources, liabilities, deferred inflows of resources 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.

Income Taxes – Pursuant to a determination letter received from the Internal Revenue Service (IRS), the Real Estate Foundation is a non-profit corporation exempt from federal income taxes under Internal Revenue Code 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 that would have a material impact on the financial statements for which an obligation needs to be recorded.

Revenue Recognition – The Real Estate Foundation recognizes gifts of long-lived assets at fair value in the year received rather than over the useful lives of the assets. Intentions to give, such as bequests, are not included in the financial statements.

Operating and Non-operating Activities – The Real Estate Foundation's operating income includes all revenues and expenses associated with the organization's daily activities, as well as ongoing activities that are in support of the University's programs and initiatives. Operating revenues consist primarily of contributions of real estate, support from the University and other related organizations, lease revenue, rental income and other miscellaneous operating activity. Operating expenses are comprised of administrative costs associated with the Real Estate Foundation's operations, property carrying costs and transfers to related organizations associated with carrying out the Real Estate Foundation's mission.

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 and cash equivalents consists of deposits held by financial institutions. The Real Estate Foundation maintains its accounts with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. There were no uninsured amounts as of June 30, 2021 and 2020, respectively.

Due from Related Organizations – Due from related organizations consists of amounts owed from the University or related entities. These balances are primarily related to a lease agreement with the Seminole Boosters, Inc. (Boosters), property carrying costs as well as a future life insurance distribution. These amounts are fully collectible and as such, no allowance is recorded.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include prepaid costs and accounts receivable. Prepaid expenses are expenses paid in advance of actually incurring them. Accounts receivable are carried at their estimated collectible amounts.

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued)*

Investments – The Real Estate Foundation's real estate investments are reported at fair value using quoted market prices or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurement and Application.*

Capital Assets – Capital assets include land, buildings and equipment with a cost of $5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost when purchased, or at acquisition value at the date of gift, if contributed. Depreciation is computed using the straight-line method of accounting on buildings and equipment over the estimated useful life of the depreciable asset. The useful life of the various assets range from 5 to 30 years. Land is not subject to depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Items with a cost less than $5,000 are expensed.

Impairment of Capital Assets – The Real Estate Foundation reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. As a result of any impairments, property with a permanent decrease in value is stated at the lower of carrying value or fair value. Pursuant to these guidelines, no impairments have been recognized for the years ended June 30, 2021 and 2020.

Due to Related Organizations – Due to related organizations consists of amounts owed to the University or related entities. These balances consist primarily of the outstanding balance owed on a promissory note to the Florida State University Research Foundation, Inc. (FSU Research Foundation) as well as proceeds from the sale of properties to be transferred to the FSU Foundation.

Split Interest Agreements – The Real Estate Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of charitable remainder trusts and life estates. At the time of receipt, a contribution is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities are recorded when the Real Estate Foundation serves as the trustee, and are calculated as the present value of projected future distributions for the Real Estate Foundation's obligations related to the split interest agreements. The Real Estate Foundation's estimated remainder interests in split interest agreements are classified as restricted net position based upon donor designations.

Deferred Inflow of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period. The Real Estate Foundation offsets activity associated with irrevocable split-interest agreements as deferred inflows of resources as well as the net present value of lease payments expected to be received during the lease term. These amounts will be recognized as revenue upon the termination of the trust or as lease payments are received.

Contributions – Donations of gifts and real estate, including pledges, are recorded as revenue when all eligibility requirements are met. Amounts are recorded at fair value at the date of the gift.

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued)*

Lease Revenue – In accordance with the provisions of GASB Statement No. 87, *Leases*, the Real Estate Foundation recorded a lease receivable and a deferred inflows of resources at the commencement of the lease with the Boosters. The lease receivable is measured at the net present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The Real Estate Foundation has deemed the amount to be fully collectible. As future lease payments are received, lease revenue will be recognized.

Rental Income – Rental income is recognized on a straight-line basis in accordance with accounting guidance.

Management and Administrative Fees – The Real Estate Foundation assesses two fees pertaining to the appraised value of the asset at the time of gift acceptance, the administrative fee that is collected at the time of sale and the management fee that is collected annually and varies based on the effort required to manage and maintain the asset.

Budget – As set forth in the bylaws of the articles of incorporation, the Real Estate Foundation adopts an annual budget for all revenues and expenses which the Board of Directors approves. This budget must then be approved by the President of the University and sent to the University Board of Trustees for review and final approval.

Recent Accounting Pronouncements – In June 2016, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance was effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. In response to the coronavirus pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended this effective date by 18 months. The Real Estate Foundation has early adopted GASB Statement No. 87 in its financial statements as of June 30, 2021.

The GASB has issued other new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The Real Estate Foundation has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Real Estate Foundation's reported financial position or activities in the near term.

2. DEPOSITS AND INVESTMENTS

Deposits

The bank balance of the Real Estate Foundation's deposits, consisting of cash held in non-interest bearing checking accounts was $489,262 and $20,439 as of June 30, 2021 and 2020, respectively.

Custodial Credit Risk – Custodial credit risk exists when, in the event of a bank failure, the Real Estate Foundation's deposits may not be returned to it. The Real Estate Foundation's policy in regards to custodial credit risk is to maintain deposits in qualified public depositories pursuant to Chapter 280, Florida Statutes, and, accordingly, are entirely insured by federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

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.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates which will adversely affect a deposit. The Real Estate Foundation does not maintain deposits in foreign currency.

Investments

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. The fair market value for the investment balances of the Real Estate Foundation's portfolio, consisting of real estate held for resale, is as follows as of June 30, 2021 and 2020, respectively:

Investment type	Location	Carrying Value	Unrealized Gains (Losses)	June 30, 2021
Vacant land	Mineral, VA	$210,000	-	210,000
Vacant land	Chelsea, AL	250,000	-	250,000
Vacant land	Port St. Lucie, FL	250,000	-	250,000
Total investments		**$710,000**	**$ -**	**$710,000**

Investment type	Location	Carrying Value	Unrealized Gains (Losses)	June 30, 2020
Vacant land	Hendersonville, NC	$65,000	($2,500)	$62,500
Vacant land	Mineral, VA	210,000	-	210,000
Total investments		**$275,000**	**($2,500)**	**$272,500**

2. DEPOSITS AND INVESTMENTS *(continued)*

The Real Estate Foundation entered into a split interest agreement during the fiscal year ending June 30, 2020, whereby the Real Estate Foundation serves as Trustee. The value of the life estate is included in investments on the accompanying Statements of Net Position with a fair market value of $1,450,000 as of June 30, 2021 and 2020, respectively. See Note 4 for more details on remainder interest trusts.

All real estate investments, with the exception of the life estate, are anticipated to have an investment maturity of less than 1 year. The following schedule provides a breakdown of net realized and unrealized gains and losses on investments for the years ended June 30:

	2021	**2020**
Net realized gains (losses)	$302,123	($8,089)
Net unrealized gains	-	(2,500)
Total net realized and unrealized gains	**$302,123**	**($10,589)**

Credit Risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Real Estate Foundation does not currently hold any investments to which this risk may apply.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Real Estate Foundation does not currently hold any investments to which this risk may apply and as a result, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. FAIR VALUE MEASUREMENTS

The Real Estate Foundation prepares its financial statements according to the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. 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.

In determining the fair value, the Real Estate Foundation uses the market approach. Based on this approach, the Real Estate Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Real Estate Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Real Estate Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

3. FAIR VALUE MEASUREMENTS *(continued)*

The Real Estate Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are disclosed in one of the following three categories:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the asset;
- Level 3 inputs are significant unobservable inputs.

All transfers between fair value hierarchy levels are recognized by the Real Estate Foundation at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety, requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

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 are summarized as follows as of June 30, 2021 and 2020, respectively:

Description	**Level 1**	**Level 2**	**Level 3**	**Fair Value at June 30, 2021**
Real estate				
Land	$ -	$ -	$710,000	$710,000
Total investments	**$ -**	**$ -**	**$710,000**	**$710,000**

Description	**Level 1**	**Level 2**	**Level 3**	**Fair Value at June 30, 2020**
Real estate				
Land	$ -	$ -	$272,500	$272,500
Total investments	**$ -**	**$ -**	**$272,500**	**$272,500**

4. REMAINDER INTEREST TRUSTS

The Real Estate Foundation entered into a life estate agreement on August 26, 2019, whereby the Real Estate Foundation serves as Trustee. The value of the remainder interest trust is based on the fair market value, the actuarial life expectancy of the donor and the responsibility associated with executory costs and other factors. The donor is responsible for the executory costs of this life estate.

The Real Estate Foundation entered into a charitable remainder unitrust on May 1, 2020, whereby the Real Estate Foundation serves as Trustee. The charitable remainder unitrust was funded with three separate parcels of real property. The individual properties were all subsequently sold by the Real Estate Foundation on February 12, 2021, and the cash proceeds were transferred to the FSU Foundation. The FSU Foundation set up a charitable gift annuity with the cash proceeds and now serves as the Trustee for those assets. The value of remainder interest trusts was $0 and $333,000 as of June 30, 2021 and 2020, respectively.

Per the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, changes associated with split-interest agreements are reported as deferred inflows of resources until such time as the assets are transferred to the remainder-interest beneficiaries, and the liability and any remaining deferred inflows of resources are eliminated.

5. DUE FROM RELATED ORGANIZATIONS

On April 19, 2021, the Florida State University Real Estate Foundation (Real Estate Foundation) entered into the *Real Estate Sale and Purchase Agreement* with the Seminole Boosters, Inc. to purchase Champions Hall (89,818 gross square foot, five-story building located at 232 Hayden Road) and a vacant lot (located at 237 Hayden Road). On June 4, 2021, the two parties effected the sale for $12,000,000.

Per the provisions of GASB Statement No. 87, *Leases*, a lease receivable and a deferred inflow of resources was recorded at the commencement of the lease term. The lease receivable is measured at the net present value of lease payments expected to be received during the term of the lease, reduced by any provision for estimated uncollectible amounts. The Real Estate Foundation has deemed the amount to be fully collectible. Future lease payments are discounted using the interest rate implicit in the lease agreement, or 4.15%, and are calculated in the lease amortization schedule. As future payments are received, lease revenue will be recognized and the lease receivable and any remaining deferred inflows of resources will be eliminated.

A summary of changes in the lease receivable is shown below for the years ended June 30:

	2021	2020
Beginning balance	$ -	$ -
Additions	4,228,778	-
Less: Lease payments	(50,555)	-
Ending balance	**$4,178,223**	**$ -**
Amounts due within one year	$722,659	$ -

5. DUE FROM RELATED ORGANIZATIONS *(continued)*

The following is a schedule by years of future present value payments required under the lease receivable:

Year Ending June 30,	Undiscounted Cash Flow	Discounted Value	Present Value
2022	$699,996	$27,892	$672,104
2023	699,996	54,673	645,323
2024	699,996	80,387	619,609
2025	699,996	105,076	594,920
2026	699,996	128,782	571,214
2027 – 2028	1,399,992	324,939	1,075,053
Totals	**$4,899,972**	**$721,749**	**$4,178,223**

Amounts owed from the University and related entities consists of the following at June 30:

	2021	2020
Seminole Boosters	$4,228,778	$ -
FSU Foundation	2,979	2,979
University	1,765	3,175
Amounts due from related organizations	**$4,233,522**	**$6,154**

6. CAPITAL ASSETS

The Real Estate Foundation's capital assets are comprised of two buildings and two parcels of land. One of the parcels of land was accepted in 2015 and has strategic value to the University. In 2018, FSU and the Blueprint Intergovernmental Agency approved a partnership to develop a new road segment as part of a larger Gateway project leading from the Tallahassee Airport to FSU's campus and to Downtown Tallahassee. This subject property sits at an intersection that will need to be improved as part of the larger project. The gifted property was offered at a time that FSU reasonably saw the potential for the infrastructure improvements and is now holding this property in support of the future project. One of the buildings is held for the benefit of the FSU College of Music and provides temporary lodging for faculty and guests, including visiting professions, eminent scholars, and artists traveling to the University to support the academic mission of the College of Music.

On June 4, 2021, the Real Estate Foundation entered into a lease agreement with the Boosters whereas the Boosters will lease the property (building and lot) from the Real Estate Foundation for a period of seven (7) years with payments beginning June 30, 2021. The first monthly lease payment is prorated in the amount of $50,555 and the remaining payments are due in the amount of $58,333 per month. Any payments past due will accrue interest at the lesser rate of (i) 12% per annum or (ii) the maximum allowed by law. In accordance with the lease agreement, at the end of the lease term, the Real Estate Foundation has the right to require the Boosters to purchase the property, referred to as the put option. If the Boosters default on the lease agreement, then the FSU Research Foundation has the right to accelerate the option.

6. CAPITAL ASSETS *(continued)*

The put option schedule is as follows:

Option Date	Option Amount
June 30, 2022	$11,777,000
June 30, 2023	$11,580,000
June 30, 2024	$11,356,000
June 30, 2025	$11,123,000
June 30, 2026	$10,880,000
June 30, 2027	$10,627,000
June 30, 2028	$10,363,000

Lease and interest revenue are included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. The Real Estate Foundation recognized lease revenue in the amount of $50,555 and $0 for the years ended June 30, 2021 and 2020, respectively. The Real Estate Foundation recognized interest revenue in the amount of $0 for the years ended June 30, 2021 and 2020, respectively.

A summary of changes in capital assets for the years ended June 30, 2021 and 2020 is shown below:

June 30, 2021	Beginning balance	Increases	Decreases	Ending balance
Nondepreciable capital assets:				
Land	$143,000	$1,853,400	($48,000)	$1,948,400
Total nondepreciable capital assets	**143,000**	**1,853,400**	**(48,000)**	**1,948,400**
Depreciable capital assets:				
Buildings	65,000	10,146,600	-	10,211,600
Computer equipment	-	-	-	-
Total depreciable capital assets	**65,000**	**10,146,600**	**-**	**10,211,600**
Less, accumulated depreciation				
Buildings	(17,333)	(2,167)	-	(19,500)
Furniture and equipment	-	-	-	-
Total accumulated depreciation	**(17,333)**	**(2,167)**	**-**	**(19,500)**
Total depreciable capital assets - net	**47,667**	**10,144,433**	**-**	**10,192,100**
Total capital assets – net	**$190,667**	**$11,997,833**	**($48,000)**	**$12,140,500**

6. CAPITAL ASSETS *(continued)*

June 30, 2020	Beginning balance	Increases	Decreases	Ending balance
Nondepreciable capital assets:				
Land	$143,000	$ -	$ -	$143,000
Total nondepreciable capital assets	**143,000**	**-**	**-**	**143,000**
Depreciable capital assets:				
Buildings	65,000	-	-	65,000
Computer equipment	3,624	-	(3,624)	-
Total depreciable capital assets	**68,624**	**-**	**(3,624)**	**65,000**
Less, accumulated depreciation				
Buildings	(15,167)	(2,166)	-	(17,333)
Furniture and equipment	(3,361)	(263)	3,624	-
Total accumulated depreciation	**(18,528)**	**(2,429)**	**3,624**	**(17,333)**
Total depreciable capital assets - net	**50,096**	**(2,429)**	**-**	**47,667**
Total capital assets – net	**$193,096**	**($2,429)**	**$ -**	**$190,667**

Depreciation expense totaling $2,167 and $2,429 was included in administrative expenses on the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively.

7. INTERFUND BALANCES

Interfund balances consists of the following at June 30:

Due to operating fund from:	2021	2020
Investment funds	$52,130	$34,171
Capital asset funds	3,664	3,980
Total due to operating fund from others	**$55,794**	**$38,151**

The balances for investment funds primarily consist of carrying costs associated with properties that are being held for resale. The Real Estate Foundation fronts these payments from its operation funds and is reimbursed at the time of sale as resources become available. Balances associated with capital asset funds, those properties reported as capital assets on the accompany Statements of Net Position, result due to a time lag. Expenses incurred are invoiced and reimbursed as they occur.

8. DUE TO RELATED ORGANIZATIONS

On June 4, 2021, the Real Estate Foundation financed property with a 30 year amortizing nonrecourse promissory note for $12,000,000 with the FSU Research Foundation. Principal and interest payments of $52,225 are due monthly through the due date of June 1, 2028 at a fixed rate of 3.25%. On July 1, 2028, the outstanding principal balance plus all accrued but unpaid interest will become due. The outstanding balance was $12,000,000 and $0 as of June 30, 2021 and 2020, respectively.

A summary of changes in the promissory note payable is shown below for the years ended June 30:

	2021	2020
Beginning balance	$ -	$ -
Additions:	12,000,000	-
Less: Principal payments	-	-
Ending balance	**$12,000,000**	**$ -**
Amounts due within one year	$219,935	$ -

The following is a schedule by years of future minimum principal and interest payments required under the promissory note payable:

Year Ending June 30,	Principal	Interest	Totals
2022	$219,935	$354,538	$574,473
2023	247,510	379,187	626,697
2024	255,675	371,022	626,697
2025	264,110	362,587	626,697
2026	272,822	353,875	626,697
2027 – 2029	10,739,948	707,989	11,447,937
Totals	**$12,000,000**	**$2,529,198**	**$14,529,198**

Principal and interest payments of $0 were made during the years ended June 30, 2021 and 2020, respectively.

Amounts owed to the University and related entities consists of the following at June 30:

	2021	2020
FSU Research Foundation	$12,000,000	$ -
FSU Foundation	421,562	7,824
Amounts due to related organizations	**$12,421,562**	**$7,824**

9. OPERATING LEASES

The Real Estate Foundation had an operating lease agreement related to parking facilities, with an original expiration date of June 30, 2020 and an option to renew for five additional one-year terms. The contract was not renewed and ended on June 30, 2020. Lease expense totaled $0 and $8,700 for the years ended June 30, 2021 and 2020, respectively. Rental income received for this activity through a sublease agreement was transferred to the University and totaled $0 and $8,700 for the years ended June 30, 2021 and 2020, respectively.

The Real Estate Foundation entered into a lease agreement on April 25, 2019 relating to office facilities with a three-year term effective July 1, 2019. The lease renews with a rental rate increase of 2% annually and ends on June 30, 2022. In the normal course of business, it is expected that this lease will be renewed or replaced by the purchase or lease of other facilities. Lease expense totaled $25,265 and $24,770 for the years ended June 30, 2021 and 2020, respectively.

Expected future lease payments under this agreement are as follows:

Fiscal Year Ending June 30,	Totals
2022	$25,771
Totals	**$25,771**

10. 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.

10. RETIREMENT PLAN *(continued)*

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.

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 at 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 employees of the Real Estate Foundation paid by the University is recorded in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Retirement contributions were $14,391 and $27,056 for the years ended June 30, 2021 and 2020, respectively.

11. 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 health plan (OPEB Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 insurance premiums 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. A stand-alone report is not issued, and the OPEB Plan information is not included in the report of a public employee retirement system or another entity.

OPEB 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 OPEB 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 OPEB plan. The employees of the Real Estate Foundation 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 employees of the Real Estate Foundation and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the OPEB Plan, or the net OPEB liability recorded in these financial statements.

12. 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. Coverage for directors and officers, property and general liability 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 previous three fiscal years.

13. 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. As a result, the Real Estate Foundation maintains integral relationships with many related organizations of the University. These relationships take various forms from providing or receiving support to sharing resources or providing reimbursement for the use of software or other expenditures. Further details outlining each relationship are provided below:

Florida State University (University) – The University provides support to the Real Estate Foundation to fund salaries and related benefits, professional fees, carrying costs of real estate and other operational expenses. The Real Estate Foundation conducts due diligence and studies on properties and real estate projects that may involve or require University resources. Amounts totaling $197,335 and $398,752 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively.

On May 26, 2021, the Real Estate Foundation transferred a parcel of land (Tract "D" Summercamp West, Lanark Village, Florida) to the University valued at $48,000. This amount is included as transfers to related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2021. Amounts totaling $1,664 and $367 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years June 30, 2021 and 2020, respectively. Property carrying costs owed to the Real Estate Foundation from the University were $1,765 and $3,175 as of June 30, 2021 and 2020, respectively.

The University also leased a parking garage to the Real Estate Foundation and received lease payments in return. The contract for this lease ended on June 30, 2020. See Note 9 for more details on the lease agreement. Amounts totaling $0 and $8,700 were included as transfers to related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively.

Florida State University Foundation (FSU Foundation) – The FSU Foundation provides monetary support to the Real Estate Foundation to support the administration, acquisition and carrying costs of real estate. Amounts totaling $101,095 and $111,402 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively. Amounts owed to the Real Estate Foundation from the FSU Foundation were $2,979 as of June 30, 2021 and 2020, respectively, in relation to a future distribution of a life insurance policy.

The FSU Foundation also manages all of the service contracts related to the accounting and fundraising software shared by DSOs of the University. As part of this contract, the Real Estate Foundation reimburses the Foundation for the costs attributed to their use of the software as well as other operating expenses. The total amount owed from the Real Estate Foundation to the FSU Foundation for these purposes was $4,180 and $7,824 as of June 30, 2021 and 2020, respectively.

13. RELATED PARTY TRANSACTIONS *(continued)*

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. Amounts totaling $875,527 and $564 were included as transfers to related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively. Proceeds on the sale of properties that had not yet been transferred to the FSU Foundation were $417,382 and $0 as of June 30, 2021 and 2020, respectively.

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, 2021 and 2020, respectively, the Real Estate Foundation has not received any advances nor accrued any payable related to this line of credit.

Florida State University Research Foundation (FSU 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. Amounts totaling $0 and $520 were included as transfers from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively. Amounts owed to the FSU Research Foundation from the Real Estate Foundation for the nonrecourse promissory note related to the purchase of Champions Hall were $12,000,000 and $0 as of June 30, 2021 and 2020, respectively. See Notes 6 and 8 for more details concerning the purchase and lease of Champions Hall.

Seminole Boosters, Inc. (Boosters) – The Boosters serve to increase and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Amounts owed to the Real Estate Foundation from the Boosters for the lease related to Champions Hall were $4,228,778 and $0 as of June 30, 2021 and 2020, respectively. See Notes 5 and 6 for more details concerning the purchase and lease of Champions Hall.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 7, 2021, 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.

14. SUBSEQUENT EVENTS *(continued)*

A gift of real estate property valued at $283,000 was donated by a private party to the Real Estate Foundation on July 30, 2021. The projected impact to the financial statements will be an increase of $283,000 to investments on the accompanying Statements of Net Position as well as contributions on the Statements of Revenues, Expenses and Changes in Net Position.

The Real Estate Foundation assisted the Florida State University Board of Trustees in negotiating a series of easements with the City of Tallahassee that will benefit both the general public and a private developer. In recognition of the unique benefit received by the developer, the developer will remit a payment to the Real Estate Foundation.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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*

The Board of Directors
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 the Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2021.

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, 2021