
**Financial Statements
and Reports**

**For the Year Ended
June 30, 2021**



**FLORIDA STATE UNIVERSITY
FOUNDATION**

(A Discrete Component Unit of Florida State University)

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

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RSM US LLP

Independent Auditor's Report

To the Board of Trustees
Florida State University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Florida State University Foundation, Inc. (the Foundation), a component unit of Florida State University, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Foundation's financial statements as listed in the table of contents.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Foundation, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the accompanying financial statements, the Foundation adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Accordingly, net position has been restated as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audit 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 November 10, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Foundation's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
November 10, 2021

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida State University Foundation, Inc. (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 Foundation which follow this section.

The 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 Foundation is to aid the advancement of FSU through its organized fundraising activities and funds management.

OVERVIEW OF FINANCIAL STATEMENTS

The 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 Foundation, the results of operations, and cash flows of the 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 Foundation's significant accounting policies.

Effective July 1, 2020, the Foundation adopted GASB Statement No. 84, *Fiduciary Activities*, addressing the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported as it relates to reporting on activities previously classified as agency funds. As a result, the presentation of the accompanying financial statements and related notes were modified to conform to the new standard required. Funds previously classified as agency funds, in which the related assets held by the Foundation and the offsetting liabilities were included in the accompanying Statements of Net Position, are now defined as custodial funds and the related assets and activities are reflected on separate fiduciary statements referred to as the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

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

OVERVIEW OF FINANCIAL STATEMENTS (continued)

The implementation of this standard contributed to a decrease in assets and liabilities for the balance of the custodial funds on the accompanying Statements of Net Position as of June 30, 2020 and 2019 as shown below:

June 30, 2020	Total (as previously reported)	Custodial Funds	Total (as restated)
Assets			
Current assets	\$501,546,831	(\$7,915,993)	\$493,630,838
Noncurrent assets	228,542,229	(2,068,342)	226,473,887
Total assets	730,089,060	(9,984,335)	720,104,725
Liabilities			
Current liabilities	\$3,843,700	\$ -	\$3,843,700
Noncurrent liabilities	19,228,659	(9,984,335)	9,244,324
Total liabilities	23,072,359	(9,984,335)	13,088,024
Deferred inflows of resources	12,975,909	-	12,975,909
Total net position	\$694,040,792	\$ -	\$694,040,792
June 30, 2019	Total (as previously reported)	Custodial Funds	Total (as restated)
Assets			
Current assets	\$545,930,152	(\$7,929,353)	\$538,000,799
Noncurrent assets	204,261,284	(1,814,242)	202,447,042
Total assets	750,191,436	(9,743,595)	740,447,841
Liabilities			
Current liabilities	\$5,384,907	\$ -	\$5,384,907
Noncurrent liabilities	20,201,974	(9,743,595)	10,458,379
Total liabilities	25,586,881	(9,743,595)	15,843,286
Deferred inflows of resources	13,247,075	-	13,247,075
Total net position	\$711,357,480	\$ -	\$711,357,480

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

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Foundation as of a specific date and includes all of the assets, liabilities and deferred inflows of resources of the Foundation. Net position, the difference between assets less liabilities and deferred inflows of resources, is one indicator of the current financial position of the Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Foundation. The differences in net position that occur over time indicate whether the overall financial condition of the Foundation has improved or deteriorated. Assets and liabilities are reported at cost, 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 and nonexpendable 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.

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

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$642,325,582	\$493,630,838	\$538,000,799
Noncurrent assets	<u>315,158,132</u>	<u>226,473,887</u>	<u>202,447,042</u>
Total assets	<u>957,483,714</u>	<u>720,104,725</u>	<u>740,447,841</u>
Liabilities			
Current liabilities	3,608,098	3,843,700	5,384,907
Noncurrent liabilities	<u>8,911,338</u>	<u>9,244,324</u>	<u>10,458,379</u>
Total liabilities	<u>12,519,436</u>	<u>13,088,024</u>	<u>15,843,286</u>
Deferred inflows of resources	<u>14,733,543</u>	<u>12,975,909</u>	<u>13,247,075</u>
Net position			
Net investment in capital assets	2,515,309	2,466,378	2,403,142
Restricted – expendable	429,462,210	234,091,308	251,368,009
Restricted – nonexpendable endowments	471,517,886	456,823,214	444,817,076
Unrestricted	<u>26,735,330</u>	<u>659,892</u>	<u>12,769,253</u>
Total net position	<u>\$930,230,735</u>	<u>\$694,040,792</u>	<u>\$711,357,480</u>

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

STATEMENT OF NET POSITION *(continued)*

The Foundation's assets totaled approximately \$957.5 million as of June 30, 2021. This balance reflects an increase of \$237.4 million, or 33%, compared to June 30, 2020. Current assets are comprised of resources available to meet current obligations and include cash, short-term investments, amounts due from related organizations, and pledges or other receivables due within one year. Current assets increased \$148.7 million, or 30%, from the previous year and is attributed to higher investment performance. The Foundation's investments returned a positive 36% at June 30, 2021 compared to a negative 0.2% at June 30, 2020. Noncurrent assets consist of long-term investments, beneficial interests in irrevocable split interest agreements and trusts held by others, pledges, cash surrender value of life insurance policies and other receivables due beyond one year, and capital assets. Noncurrent assets increased \$88.7 million, or 39%, over the previous year as a result of an increase in long-term investments due to the growth in market returns.

Total assets were \$720.1 million as of June 30, 2020. This balance reflects a decrease of \$20.3 million, or 3%, compared to June 30, 2019. Current assets decreased \$44.4 million, or 8%, over the prior year and is attributed to lower investment performance as well as the redemption of short term investments to provide funding for the student union loan and the movement from more liquid equity investments to less liquid private assets within the long-term portfolio. Noncurrent assets grew \$24.0 million, or 12%, as a result of a loan that was issued to the University to fund a portion of the new student union facility as well as an increase in long-term investments. See Note 19 for more details on related party transactions.

The Foundation's liabilities totaled approximately \$12.5 million as of June 30, 2021. This balance reflects a decrease of approximately \$569 thousand, or 4%, compared to June 30, 2020. Current liabilities are comprised of amounts owed to the University or related organizations and other vendors at year-end, the current portion of promissory note payments and annuitant payments owed on split-interest agreements for remainder interest trusts. Noncurrent liabilities consist of the long-term liability associated with annuitant payments owed on split-interest agreements for remainder interest trusts, a promissory note, unearned revenue and amounts due to the University or related organizations beyond the next 12 months. Total liabilities include current obligations of \$3.6 million and obligations arising beyond the next year of \$8.9 million, most of which are annuitant payments owed on split-interest agreements for remainder interest trusts as well as the outstanding balance on a promissory note. Principal payments made toward debt during the year ended June 30, 2021 totaled \$248 thousand and were made in accordance with the schedules set forth at the time of issuance.

Total liabilities were \$13.1 million as of June 30, 2020. This balance reflects a decrease of approximately \$2.8 million, or 17%, compared to June 30, 2019. This decrease was attributed to a decline in amounts due to related organizations. Previously the University transferred cash to the Foundation to support its fundraising efforts. New legislation prohibited the transfer of funds to a DSO so amounts totaling \$2.5 million were recorded as an outstanding payable during 2019 and reimbursed to the University in fiscal year 2020 to return unspent funds intended for salary support. Current obligations consisted of \$3.8 million, and obligations arising beyond the next year were \$9.2 million. Principal payments on the mortgage during the year ended June 30, 2020 totaled \$241 thousand.

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

STATEMENT OF NET POSITION (continued)

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

Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Buildings and improvements – net	\$3,668,838	\$3,822,012	\$3,975,186
Furniture and equipment – net	131,460	177,469	202,467
Nondepreciable assets	<u>1,619,876</u>	<u>1,619,876</u>	<u>1,619,876</u>
Total capital assets	<u>\$5,420,174</u>	<u>\$5,619,357</u>	<u>\$5,797,529</u>

The Foundation's capital assets totaled \$5.4 million as of June 30, 2021, and are included in noncurrent assets on the accompanying Statements of Net Position. This balance is net of accumulated depreciation and reflects a decrease of approximately \$199 thousand compared to June 30, 2020, as a result of depreciation expense. The Foundation's office building and related land comprises \$5.3 million, or 98%, of total capital assets. See Note 9 for more details on the Foundation's capital assets.

Capital assets were approximately \$5.6 million as of June 30, 2020. This balance reflects a decrease of approximately \$178 thousand compared to June 30, 2019. The decrease is due to depreciation expense of \$212 thousand as well as the disposal of assets totaling \$33 thousand.

Deferred inflows of resources represent a future impact on net position. The Foundation classifies changes in irrevocable split-interest agreements and trusts held by others as deferred inflows of resources. Changes in deferred inflows of resources are attributable to changes in fair value, changes in liabilities due to trust and life income beneficiaries, new split-interest agreements and maturities during the year. The Foundation's deferred inflows of resources totaled approximately \$14.7 million as of June 30, 2021. This balance reflects an increase of \$1.8 million, or 14%, compared to June 30, 2020, and is due primarily to changes in value of split-interest agreements. The Foundation's deferred inflows of resources totaled approximately \$13.0 million as of June 30, 2020. This balance reflects a decrease of \$271 thousand, or 2%, compared to June 30, 2019, and is the result of changes in the valuation of split-interest agreements.

The Foundation's overall change in net position during fiscal year 2021 was an increase of \$236.2 million over the previous year, and is predominantly attributed to high market returns and the overall impact to investments. The Foundation's investments returned a positive 36% at June 30, 2021 compared to a negative 0.2% at June 30, 2020. Changes in assets, liabilities and deferred inflows of resources during fiscal year 2020 resulted in an overall decrease in net position of approximately \$17.3 million over the prior year. This decrease is primarily due to a decline in market performance and the associated impact to investments.

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

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 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 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 Foundation can be found in the notes to financial statements or the supplementary information, both of which follow this section.

The following summarizes the 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$271,304,936	\$31,314,333	\$72,226,345
Less: Operating expenses	<u>48,846,032</u>	<u>60,013,336</u>	<u>64,031,889</u>
Operating income (loss)	222,458,904	(28,699,003)	8,194,456
Nonoperating expenses	<u>(80,457)</u>	<u>(87,163)</u>	<u>(93,225)</u>
Income (loss) before endowment contributions	222,378,447	(28,786,166)	8,101,231
Contributions to permanent endowments	<u>13,811,496</u>	<u>11,469,478</u>	<u>12,819,779</u>
Change in net position	236,189,943	(17,316,688)	20,921,010
Net position – beginning of year	<u>694,040,792</u>	<u>711,357,480</u>	<u>690,436,470</u>
Net position – end of year	<u>\$930,230,735</u>	<u>\$694,040,792</u>	<u>\$711,357,480</u>

The Foundation's operating revenues are comprised of restricted-expendable contributions, investment earnings, interest and dividends, support from the University and other miscellaneous operating activity. Operating revenues totaled \$271.3 million for the year ended June 30, 2021, an increase of \$240.0 million, or 766%, as compared to fiscal year 2020. The increase in operating revenues from the previous year was primarily attributed to higher investment performance as well as an increase in contributions. The Foundation's investments returned, net of investment fees, a gain of 36% in fiscal year 2021 when compared to a loss of 0.2% in fiscal year 2020. Investment earnings totaled \$238.9 million, or 88%, of total operating revenues during fiscal year 2021, as compared to \$2.2 million in 2020. Professional fees, which includes investment manager and consulting fees, custodial fees and legal fees, totaled approximately \$20.4 million and \$8.3 million for fiscal year 2021 and 2020, respectively.

Total operating revenues were \$31.3 million for the year ended June 30, 2020, a decrease of \$40.9 million, or 57%, as compared to fiscal year 2019. The decrease in overall operating revenue from the prior year was attributed to a decline in contributions as well as lower investment performance returning a loss of 0.2% in fiscal year 2020 compared to a gain of 3.3% in 2019.

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contributions	\$22,152,764	\$18,688,532	\$31,355,867
Investment earnings	238,854,904	2,174,077	25,008,757
University support	7,344,806	7,132,978	8,217,582
Other support and revenue	<u>2,952,462</u>	<u>3,318,746</u>	<u>7,644,139</u>
Total operating revenues	<u>\$271,304,936</u>	<u>\$31,314,333</u>	<u>\$72,226,345</u>

The Foundation's operating expenses consist of costs to support University programs, fundraising, and other management and general administrative expenses in support of the Foundation's mission. Operating expenses totaled \$48.8 million for the year ended June 30, 2021, a decrease of \$11.1 million, or 19%, as compared to fiscal year 2020. Most of the decrease was attributed to the coronavirus pandemic (COVID-19) and a decline in requested support of programs and initiatives as a result of University restricted spending and hiring freeze mandates. The Foundation also had a reduction in operational expenses of close to \$500 thousand over the previous year.

Total operating expenses were \$60.0 million for the year ended June 30, 2020, a decrease of \$4.0 million, or 6%, as compared to fiscal year 2019. Most of the decrease was due a drop in requested support of University programs as well as a decline in operational expenses for the Foundation contributing savings of \$600 thousand, due to COVID-19 which started in March 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
University programs	\$33,828,719	\$44,528,664	\$47,948,882
Administrative	5,742,465	5,821,249	5,953,419
Fundraising	9,049,848	9,438,423	9,954,588
DSO support	<u>225,000</u>	<u>225,000</u>	<u>175,000</u>
Total operating expenses	<u>\$48,846,032</u>	<u>\$60,013,336</u>	<u>\$64,031,889</u>

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

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

Non-operating expenses consist of interest paid on the promissory note for the Foundation office building, and totaled \$80 thousand during fiscal year 2021. This was a slight decline when compared to the fiscal years ended 2020 and 2019 where interest paid was \$87 thousand and \$93 thousand, respectively.

Contributions to permanent endowments were \$13.8 million for the year ended June 30, 2021, an increase of \$2.3 million, or 20%, as compared to fiscal year 2020. The increase is attributed to a growth in endowment contributions as well as the maturity of a few trusts during the year for which the Foundation received the proceeds. Contributions for fiscal year 2020 were \$11.5 million, a decrease of \$1.4 million, or 11%, as compared to fiscal year 2019.

ECONOMIC CONDITIONS AND OUTLOOK

The economic outlook of the Foundation is affected by several factors, including state support received from the University, charitable contributions and fundraising campaigns, recent tax law changes and the financial markets, as well as investment returns. The University is expected to continue to support the Foundation at levels consistent with the current year as annual and major gift contributions and endowments have a direct impact on enhancing University programs.

The economy in the State of Florida affects state appropriations to the University, which may result in a change in the amount of support the Foundation receives from the University in the future. Over the past year COVID-19 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 Foundation's ability to acquire contributions and the effect it will have on the economy with regards to investment performance. 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 MD&A 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 Foundation, 325 West College Avenue, Tallahassee, Florida 32301.

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

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$9,845,636	\$13,254,239
Operating pool investments	55,479,493	34,943,746
Due from related organizations	6,875,136	4,044,365
Pledges receivable - net	380,949	504,266
Investments	568,692,701	439,716,918
Remainder interest trusts	489,142	572,854
Funds held in trust by others - net	302,879	298,304
Other assets	259,646	296,146
Total current assets	<u>642,325,582</u>	<u>493,630,838</u>
Noncurrent assets:		
Due from related organizations	19,365,216	21,536,779
Pledges receivable - net	55,880,755	58,194,217
Investments	214,008,165	122,113,816
Remainder interest trusts	8,467,503	7,162,663
Funds held in trust by others - net	10,014,904	9,829,596
Capital assets - net	5,420,174	5,619,357
Cash surrender value of life insurance policies	1,969,802	1,960,444
Other assets	31,613	57,015
Total noncurrent assets	<u>315,158,132</u>	<u>226,473,887</u>
TOTAL ASSETS	<u>957,483,714</u>	<u>720,104,725</u>

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

LIABILITIES	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts payable and accrued expenses	\$1,216,119	\$449,924
Due to related organizations	1,648,066	2,572,775
Promissory note payable	254,771	248,147
Annuity obligations	489,142	572,854
Total current liabilities	<u>3,608,098</u>	<u>3,843,700</u>
Noncurrent liabilities:		
Due to related organizations	929,284	1,066,133
Unearned revenue	1,280,217	955,000
Promissory note payable	2,650,094	2,904,832
Annuity obligations	4,051,743	4,318,359
Total noncurrent liabilities	<u>8,911,338</u>	<u>9,244,324</u>
TOTAL LIABILITIES	<u>12,519,436</u>	<u>13,088,024</u>
 DEFERRED INFLOWS OF RESOURCES		
Split-interest agreements for remainder interests	\$4,415,760	\$2,844,304
Trusts held by others	10,317,783	10,127,900
Other	-	3,705
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,733,543</u>	<u>12,975,909</u>
 NET POSITION		
Net investment in capital assets	\$2,515,309	\$2,466,378
Restricted:		
Expendable	429,462,210	234,091,308
Nonexpendable endowments	471,517,886	456,823,214
Unrestricted	26,735,330	659,892
TOTAL NET POSITION	<u>\$930,230,735</u>	<u>\$694,040,792</u>

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

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

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Contributions	\$22,152,764	\$18,688,532
University support	7,344,806	7,132,978
Interest and dividends	7,266,302	4,370,361
Net realized and unrealized gains (losses)	231,588,602	(2,196,284)
Administrative support	145,245	139,163
Other revenue	2,807,217	3,179,583
TOTAL OPERATING REVENUES	<u>271,304,936</u>	<u>31,314,333</u>
OPERATING EXPENSES		
University programs	33,828,719	44,528,664
Administrative	5,742,465	5,821,249
Fundraising	9,049,848	9,438,423
Transfers to University and DSO support	225,000	225,000
TOTAL OPERATING EXPENSES	<u>48,846,032</u>	<u>60,013,336</u>
OPERATING INCOME (LOSS)	<u>222,458,904</u>	<u>(28,699,003)</u>
NONOPERATING EXPENSES		
Interest on capital asset-related debt	(80,457)	(87,163)
INCOME (LOSS) BEFORE ENDOWMENT CONTRIBUTIONS	<u>222,378,447</u>	<u>(28,786,166)</u>
ENDOWMENT CONTRIBUTIONS		
Contributions to endowments	13,811,496	11,469,478
CHANGE IN NET POSITION	<u>236,189,943</u>	<u>(17,316,688)</u>
Net position - beginning of year	694,040,792	711,357,480
NET POSITION - END OF YEAR	<u><u>\$930,230,735</u></u>	<u><u>\$694,040,792</u></u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of contributions	\$23,425,095	\$23,174,589
Other receipts	2,599,440	3,407,128
Payments for University programs	(33,788,867)	(44,393,084)
Payments for administrative and fundraising operations	(7,540,002)	(9,711,158)
Payments for DSO support	(225,000)	(225,000)
Net cash used in operating activities	<u>(15,529,334)</u>	<u>(27,747,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	86,952,481	135,227,966
Receipts from interest and dividends	7,266,302	4,370,361
Purchase of investments	(94,368,933)	(100,411,312)
Issuance of loan to Florida State University for Student Union project	(392,156)	(19,607,844)
Net cash (used in) provided by investing activities	<u>(542,306)</u>	<u>19,579,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	-	(33,715)
Principal payments on promissory note payable	(248,114)	(241,408)
Interest paid on capital debt	(80,457)	(87,163)
Net cash used in capital and related financing activities	<u>(328,571)</u>	<u>(362,286)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions for long-term endowments	13,487,973	10,025,395
Payments of annuity obligations	(496,365)	(591,876)
Net cash provided by noncapital financing activities	<u>12,991,608</u>	<u>9,433,519</u>
Net change in cash and cash equivalents	(3,408,603)	902,879
Cash and cash equivalents - beginning of year (as restated)	13,254,239	12,351,360
Cash and cash equivalents - end of year	<u><u>\$9,845,636</u></u>	<u><u>\$13,254,239</u></u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	\$222,458,904	(\$28,699,003)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Net realized and unrealized (gains) losses	(231,588,602)	2,196,284
Interest and dividend income	(7,266,302)	(4,370,361)
Administrative support for custodial funds	(145,245)	(139,163)
Noncash items:		
Noncash gifts	(1,448,735)	(432,595)
Depreciation	199,183	211,887
Other adjustments	3,685	-
Change in assets and liabilities:		
Due from related organizations	(267,052)	138,633
Pledges receivable	2,436,779	5,201,383
Other assets	61,902	86,480
Unearned revenue	321,512	(144,719)
Accounts payable	766,195	(378,075)
Due to related organizations	(1,061,558)	(1,418,276)
NET CASH USED IN OPERATING ACTIVITIES	<u>(\$15,529,334)</u>	<u>(\$27,747,525)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Unrealized gains (losses) on investments	<u>\$208,359,358</u>	<u>(\$6,380,488)</u>
Contributions of securities for permanent endowments	<u>(\$323,523)</u>	<u>(\$1,444,083)</u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.

Statements of Fiduciary Net Position

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$63,232	\$468,148
Investments	<u>14,183,177</u>	<u>9,516,187</u>
TOTAL ASSETS	<u>\$14,246,409</u>	<u>\$9,984,335</u>
 FIDUCIARY NET POSITION		
Restricted:		
Florida State University	\$7,948,441	\$5,645,118
Florida State University Alumni Association	4,424,452	2,751,435
Florida Medical Practice Plan	1,198,236	851,007
Florida State University Athletics	<u>675,280</u>	<u>736,775</u>
TOTAL NET POSITION	<u>\$14,246,409</u>	<u>\$9,984,335</u>

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

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

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Other additions	\$464,509	\$476,886
Interest and dividends	127,325	103,630
Net realized and unrealized gains (losses)	4,061,914	(162,373)
Transfers	-	6,153
TOTAL ADDITIONS	<u>4,653,748</u>	<u>424,296</u>
DEDUCTIONS		
Expenses to support University programs	246,429	44,393
Administrative support	145,245	139,163
TOTAL DEDUCTIONS	<u>391,674</u>	<u>183,556</u>
CHANGE IN FIDUCIARY NET POSITION	<u>4,262,074</u>	<u>240,740</u>
Fiduciary net position - beginning of year	<u>9,984,335</u>	<u>9,743,595</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$14,246,409</u></u>	<u><u>\$9,984,335</u></u>

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

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Florida State University Foundation, Inc. (Foundation) is a direct support organization (DSO) of the 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 through its organized fundraising activities and funds management. The Foundation is governed by a Board of Trustees consisting primarily of appointed volunteer members, some of whom are significant donors to the Foundation. The Board also includes ex-officio University and Foundation staff. The University Board of Trustees is required to approve all elected board members of the Foundation. The Foundation is a non-profit Florida corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. The Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv) and is reported as a discrete component unit of the University in its financial statements.

Reporting Entity – In defining the 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 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 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 Foundation has met all of the financial accountability criteria necessary to be considered a component unit of the University.

Change in Accounting Principle – The Foundation has evaluated GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management has determined that certain assets held on behalf of related entities meet the required criteria to be reported as fiduciary activities since they are controlled by the Foundation, are not derived from the Foundation's own-source revenues and are for the benefit of organizations or other governments that are not part of the financial reporting entity. With this change in accounting guidance, funds previously classified as agency funds, are now defined as custodial funds, and the related assets and activities are reflected on separate fiduciary statements referred to as the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. The Foundation implemented this standard effective July 1, 2020 and has restated the associated assets and liabilities related to the custodial funds as a result of this change (see Note 4).

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

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

Basis of Presentation – As a discrete component unit of the University, the 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, basic financial statements, notes to the financial statements, and required supplementary information other than MD&A.

Basis of Accounting – The 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 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 Foundation is reported in three categories and defined as follows:

Net investment in capital assets – This category of net position consists of 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.

Restricted net position – This category represents the net position of the Foundation which is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through enabling legislation.

Expendable – This portion of restricted net position comprises expendable funds with restrictions to use for the benefit of various programs at the University, including the expendable portion of endowment funds.

Nonexpendable – This portion of restricted net position consists of nonexpendable funds with restrictions to use for the benefit of various programs at the University. The corpus of the permanent endowments are retained while the net earnings or losses on endowment funds are included in expendable funds available for expenditure.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Unrestricted net position – This category of net position represents funds that are available without restriction for carrying out the Foundation’s objectives, but may be designated for specific purposes by action of the Board of Trustees. This category includes losses in excess of historical endowment cost.

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 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 Foundation has reviewed its tax status and related filings and determined that there are no uncertain tax positions that would have a material impact on the financial statements for which an obligation needs to be recorded.

Revenue Recognition – The Foundation recognizes gifts of cash, investment securities or pledges receivable as revenue when all eligibility requirements have been met with the exception of pledges to the endowment which are recognized when funds are received. Donations of securities and other non-monetary items are recorded as revenue based on their acquisition value at the date of the gift.

Operating and Non-operating Activities – The Foundation’s operating income includes all revenues and expenses associated with the organization’s daily activities. Operating revenues consist primarily of contributions, University or other support, interest and dividends as well as net realized and unrealized gains and losses. Operating expenses are comprised of expenditures associated with University programs and facilities or other support as well as administrative and fundraising expenses associated with the Foundation’s operations. Contributions received for endowments are excluded from operating and non-operating activities and are classified as endowment contributions.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Cash and Cash Equivalents – The Foundation considers all highly-liquid investments available for current use with an original maturity of three months or less to be cash equivalents. Cash or cash equivalents held in the operating pool or long-term investment portfolio (until suitable investments are identified) are excluded from cash and cash equivalents.

Operating Pool Investments – A significant portion of the Foundation's excess cash is invested in a short-term investment grade bond fund with underlying credit quality primarily rated Aaa to Baa. Operating pool investments are reported at fair value. Realized and unrealized gains and losses related to these investments are net of investment expenses.

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 loan issued to the University to fund a portion of the new student union facility, an advance on the construction of facilities for the John and Mable Ringling Museum of Art as well as amounts owed to the Foundation as a partial beneficiary in a donor gift agreement with the Seminole Boosters. These amounts are fully collectible and as such, no allowance is recorded. See Note 19 for more details on related party transactions.

Pledges Receivable – In accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, receivables and revenues are recognized when unconditional promises to give that are measurable, verifiable and probable of collection are received and all eligibility requirements, including time requirements, have been met. Conditional promises to give are not included as revenues until the conditions are substantially met. Pledges for permanent endowments do not meet eligibility requirements and are not recorded as assets until the related payments are received.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, which approximates fair value at the date of the pledge. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made. The discount rates applied to the risk-adjusted cash flow range from 1.01% to 5.00%. An allowance for uncollectible pledges receivable is also recorded based on the Foundation's analysis of past collection experience, current economic conditions, pledge activity and other judgmental factors. The allowance captures the risk premium to bring the pledges receivable balance to a risk-adjusted expected cash flow.

Investments and Fair Value Measurement – In accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, 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. Investments in marketable equity securities and debt securities, including mutual funds are recorded at their fair values, which are based on quoted market prices or recognized pricing services. Investments and other financial instruments recorded at fair value are included in Note 2.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Alternative investments, some of which are structured such that the Foundation holds limited partnership interests, are stated at net asset value (NAV) which is a practical expedient for fair value. The fair value for these assets is estimated by adjusting the NAV provided for cash receipts, cash disbursements, security distributions and significant known valuation changes in market values of holdings contained in the portfolio. Individual investment holdings within the alternative investments may include investments in both non-marketable and market-traded securities. Valuation of these investments, and therefore Foundation holdings, may be determined by the investment manager or general partner. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Foundation to securities lending, short sales of securities and trading in futures and forward contracts, options, swap contracts and other derivative products.

While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of any unfunded commitments. The financial statements of the investees are audited annually by independent auditors.

The Foundation manages its long-term investments on a total return basis. To preserve the investments' long-term purchasing power, the Foundation makes available to be spent each year a percentage of the average market value of participating funds for the twelve (12) preceding quarters as authorized by the Foundation's Board of Trustees to fund operations of University programs. The effective spending rate was 3.61% and 3.84% for the years ended June 30, 2021 and 2020, respectively.

Remainder Interest Trusts – The Foundation is trustee and beneficiary of numerous charitable trusts and gift annuities. The assets are recorded at fair value. For gift annuities, a corresponding annuity obligation is recorded for the estimated future contractual payments based upon the life expectancy of beneficiaries, discounted to present value. Annuity obligations are based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. The discount rate used is the rate in effect at the date of the gift and ranges from .4% to 8.2%.

The asset and liability are offset with a related deferred inflows of resources. Changes in the value of split-interest agreements are recognized as an increase or decrease in deferred inflows of resources until such future time as the trusts terminate. Distributions from these trusts are recognized as contributions when received, and any remaining liability is recognized as a gain.

Funds Held in Trust by Others – The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. Funds held in trust by others are recorded as assets and deferred inflows of resources and valued at their net present value (NPV) each year, which approximates fair value. Distributions from these trusts are recognized as contributions when received. The discount rate used is 5.65%. This rate is calculated based on the current U.S. treasury rate for securities plus the risk premium rate.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

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 or other amounts classified as construction in progress are 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.

Impairment of Capital Assets – The 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 the carrying value or fair value. Pursuant to these guidelines, no impairments have been recognized for the years ended June 30, 2021 and 2020.

Cash Surrender Value of Life Insurance Policies – Various individuals have donated life insurance policies with the Foundation designated as beneficiary and owner. The cash surrender value of the policy is reflected in the accompanying financial statements.

Other Assets – Other assets consist of accounts receivable, prepaid expenses and other advances or deposits. The Foundation uses the allowance method to determine uncollectible accounts receivable. All accounts receivable that are past due by 90 days or more are deemed uncollectible and are reserved at 100%.

Accounts Payable and Accrued Expenses – Accounts payable includes accrued expenses and outstanding liabilities to vendors. Accrued expenses are amounts which were owed to a vendor at the time the financial statements were prepared but for which no invoice has been received.

Due to Related Organizations – Due to related organizations consists of amounts owed to the University or related entities. These balances are primarily associated with departmental expenses and salaries and related benefits for Foundation employees that are reimbursed to the University as well as outstanding balances owed for future life insurance distributions. See Note 19 for more details on related party transactions.

Unearned Revenue – Unearned revenue consists of cash received before eligibility requirements are met, excluding time requirements. Resources received before time requirements are met but after all other eligibility requirements are met are recorded as deferred inflows of resources until such time restrictions have elapsed. Amounts recorded as unearned revenue primarily relate to advances received for the construction of facilities.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

Inexhaustible Collections – The Foundation has elected to exercise the option of not capitalizing items that meet the definition of “collections” as prescribed by accounting principles generally accepted in the United States of America. All donations of collections are transferred to the University at the time of the gift. The Foundation received donations of paintings, sculptures, photographs, memorabilia and similar items with a value of \$669,674 and \$4,698,919 for the years ended June 30, 2021 and 2020, respectively.

Deferred Inflow of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period. The Foundation offsets activity associated with irrevocable split-interest agreements for remainder interest trusts and trusts held by others as deferred inflows of resources. These amounts will be recognized as revenue upon the termination of the trust.

Fiduciary Activities – The Foundation serves in a custodial capacity for the University, the Florida State University Alumni Association (Alumni Association), the Florida Medical Practice Plan (FMPP) and the Florida State University Athletics (Athletics). In accordance with the provisions of GASB 84, *Fiduciary Activities*, the balances and related activities associated with these funds are included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and are not reflected in the accompanying Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

Recent Accounting Pronouncements – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new guidance is effective for fiscal years beginning after December 15, 2019. The Foundation has fully adopted GASB 84 in its financial statements as of June 30, 2021. This change impacted total assets and liabilities as further discussed in Note 4.

In June 2017, 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 the effective date of these standard for 18 months.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The new guidance is effective for fiscal years beginning after June 15, 2022; however, early adoption is permitted.

The Foundation is currently evaluating the impact of adopting GASB 87 and GASB 96 on its financial statements. The GASB has issued other new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The 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 Foundation's reported net position or activities in the near term.

2. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents – The goal of the Foundation is to invest its excess operating cash in a manner that will achieve the highest rate of total return, while seeking to preserve capital. In addition, the Foundation maintains accounts with large financial institutions that qualify as public depositories pursuant to Chapter 280, Florida Statutes. A qualified public depository has a branch office(s) authorized to receive deposits in Florida, maintains Federal Deposit Insurance Corporation (FDIC) deposit insurance, meets the specific statutory requirements of Section 280.17, Florida Statutes, and has been approved by the Florida Treasury's Bureau of Collateral Management to accept public funds for deposit. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are satisfied first through any applicable deposit insurance, and then through the sale of collateral pledged or deposited by the defaulting depository. When necessary, assessments may also be made against other qualified public depositories of the same type as the depository in default. Cash balances totaled \$9,908,868 and \$13,722,387 as of June 30, 2021 and 2020, respectively. Of these amounts, cash in custodial funds totaled \$63,232 and \$468,148 as of June 30, 2021 and 2020, respectively. Deposits held with public depositories consisted of \$930,258 and \$811,373 as of June 30, 2021 and 2020, respectively. The remaining balance was held for investment in various short term investment vehicles.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS *(continued)*

Operating Pool Investments – All of the Foundation’s operating pool investments are invested in a short-term bond fund consisting of a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. The fund is expected to maintain a dollar-weighted average maturity of one to four years. Operating pool investments consisted of \$55,479,493 and \$34,943,746 as of June 30, 2021 and 2020, respectively. Investment expenses are included in net realized and unrealized gains and losses in the accompanying Statements of Revenues, Expenses and Changes in Net Position and totaled \$32,568 and \$22,140 for the years ended June 30, 2021 and 2020, respectively. Realized gains and losses and increases and decreases in fair value on operating pool investments are reflected in net realized and unrealized gains and losses in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Custodial Funds – The Foundation invests amounts on behalf of the University, the Alumni Association, FMPP and Athletics. In accordance with the provisions of GASB Statement No. 84, *Fiduciary Activities*, funds previously classified as agency funds, in which the related assets held by the Foundation were included in the accompanying Statements of Net Position are now defined as custodial funds, and the related assets and activities are included on the accompanying Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The fair value of these investments were \$14,183,177 and \$9,516,187 at June 30, 2021 and 2020, respectively.

Fair Value Measurements – The goal of the Foundation is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets withdrawn in accordance with the Foundation’s investment and spending policies. To achieve this goal, some investment risk must be taken. To manage such risk, the Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Foundation’s Investment Committee, which has oversight responsibility for the Foundation’s investment program. The Foundation’s Investment Committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed.

In December 2016, the Foundation reaffirmed its engagement with Cambridge Associates, LLC, an independent consulting firm, to execute its investment program, including the engagement of investment managers, oversight of those managers, investment policy planning, review and compliance, and investment performance reporting. All financial assets are held in custody for the Foundation in proprietary accounts by a major commercial bank, except those assets that have been invested in limited partnerships, hedge funds or in certain products with multiple investors, such as index funds, all of which have separate custodial arrangements appropriate to their legal structure.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS *(continued)*

The fair value hierarchy prioritizes the inputs into three broad levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A portion of the Foundation's investment assets are classified within Level 1 because they are comprised of marketable securities and commingled funds with readily determinable fair values based on daily redemption values. There are no investments within Level 2. The Foundation's policy is to recognize transfers between levels at the end of each reporting period. There were no transfers that occurred between Level 1, Level 2 and Level 3 during the years ended June 30, 2021 and 2020.

The Foundation's limited partnerships are invested in real estate, natural resources, venture capital, private equity and distressed funds. The fair values of the limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing and other relevant factors. Therefore, the fair values of limited partnership investments are based on the valuations as presented in the fund's June 30, 2021 capital account statement. Investments in limited partnerships represents 30.04% and 21.93% of total investments at June 30, 2021 and 2020, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

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

Operating pool investments – The Foundation’s operating pool investments is an investment in a short-term investment grade bond fund with underlying credit quality primarily rated Aaa to Baa and is classified as Level 1.

Marketable securities – The fair value of marketable securities reflects market closing prices reported from publicly traded exchanges and are recorded in Level 1.

Commingled funds and alternative investments – The fair value of these assets are valued at NAV and are not classified within the fair value hierarchy.

Remainder interest trusts – The Foundation’s beneficial interest in funds held in trust administered by a third party is classified at NAV. Its fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets. The Foundation has an irrevocable right to receive the remaining trust assets once the trust matures and thus the fair value of the Foundation's beneficial interest is estimated to approximate the fair value of the trusts' assets.

Funds held in trust by others – The Foundation’s beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are estimated using the income approach and measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

Assets measured at fair value on a recurring basis as of June 30, 2021 and 2020 are summarized as follows:

June 30, 2021	Level 1	Level 2	Level 3	Total
Marketable securities:				
Short-term investment fund	\$12,236,222	\$ -	\$ -	\$12,236,222
Other financial instruments:				
Funds held in trust by others	-	-	10,317,783	10,317,783
Operating pool investments	55,479,493	-	-	55,479,493
Total assets in the fair value hierarchy	67,715,715	-	10,317,783	78,033,498
Remainder interest trusts at NAV (a)	-	-	-	8,956,645
Investments measured at NAV (a)	-	-	-	784,647,821
Total assets measured at NAV (a)	-	-	-	793,604,466
Total assets invested	67,715,715	-	10,317,783	871,637,964
Custodial assets invested	-	-	-	(14,183,177)
Total investments	\$67,715,715	\$ -	\$10,317,783	\$857,454,787

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

June 30, 2020	Level 1	Level 2	Level 3	Total
Marketable securities:				
Short-term investment fund	\$11,793,397	\$ -	\$ -	\$11,793,397
Securities held for resale	1,022	-	-	1,022
Institutional mutual funds:				
International equities – emerging markets	8,326,585	-	-	8,326,585
Other financial instruments:				
Funds held in trust by others	-	-	10,127,900	10,127,900
Operating pool investments	34,943,746	-	-	34,943,746
Total assets in the fair value hierarchy	55,064,750	-	10,127,900	65,192,650
Remainder interest trusts at NAV (a)	-	-	-	7,735,517
Investments measured at NAV (a)	-	-	-	551,225,917
Total assets measured at NAV (a)	-	-	-	558,961,434
Total assets invested	55,064,750	-	10,127,900	624,154,084
Custodial assets invested	-	-	-	(9,516,187)
Total investments	\$55,064,750	\$ -	\$10,127,900	\$614,637,897

(a) Certain investments that are measured at NAV per share using the practical expedient or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments as shown in the accompanying Statements of Net Position.

Investment expenses, which are included in net realized and unrealized gains and losses, totaled \$20,370,531 and \$8,275,229 for the years ended June 30, 2021 and 2020, respectively. The following schedule provides a breakdown of net realized and unrealized gains and losses on investments for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Net realized gains	\$27,291,158	\$4,021,831
Net unrealized gains (losses)	208,359,358	(6,380,488)
Total net realized and unrealized gains (losses)	235,650,516	(2,358,657)
Custodial fund net realized gains (losses)	4,061,914	(162,373)
Net realized and unrealized gains (losses)	<u>\$231,588,602</u>	<u>(\$2,196,284)</u>

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Investments not reported at fair value as of June 30, 2021 and 2020 consist of the State Board of Administration Florida PRIME. The Foundation's investment in the State Board of Administration Florida PRIME is recorded at amortized cost. The fair value of the Foundation's position in the pool is equal to the value of pooled shares.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date, and any differences may be material.

The following table discloses all investments whose value is calculated using NAV, using the practical expedient.

June 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>Fixed income (a)</u>				
Domestic institutional pooled fund	\$63,825,065	\$ -	Daily	2 days
<u>Equities (b)</u>				
Institutional pooled funds	386,364,365	-	Daily/1-6 Months	2 - 60 days
<u>Hedge funds</u>				
Long/short equity (c)				
U.S. long/short	4,677,784	-	Annually	60 days
Global long/short	18,113,024	-	Quarterly/Annually/Every 3 Yrs	45-65 days
Absolute return (d)				
Diversified arbitrage	12,653,217	-	Quarterly	45 days
Event driven/open mandate	33,535,045	-	Quarterly/Annually	30-90 days
Credit strategies/distressed	11,781,797	-	Quarterly/Annually/Every 2 Yrs	45-90 days
Global macro	34,032	-	Monthly	10 days
<u>Limited partnerships (e)</u>				
Venture capital	74,413,912	9,576,466		
Private equity	102,027,193	76,911,655		
Distressed assets	12,257,557	12,694,524		
Real estate	13,106,964	7,617,153		
Natural resources	37,599,368	22,344,009		
<u>Real assets (f)</u>				
Global real estate institutional pooled fund	14,258,498	-	Daily	2 days
Total investments	\$784,647,821	\$129,143,807		
<u>Remainder interest trusts</u>				
Fixed income				
Domestic institutional pooled fund	\$2,529,767	\$ -	Daily	N/A
Equities				
U.S. institutional pooled fund	3,950,214	-	Daily/1-6 Months	N/A
Global ex U.S. institutional pooled fund	2,338,814	-	1 - 6 Months	N/A
Real Assets				
Global REIT mutual fund	83,625	-	Daily	N/A
Commodity index fund	54,225	-	Daily	N/A
Total other financial instruments	\$8,956,645	\$ -		

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

June 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>Fixed income (a)</u>				
Domestic institutional pooled fund	\$48,764,543	\$ -	Daily	2 days
<u>Equities (b)</u>				
Institutional pooled funds	291,223,240	-	Daily/1-6 Months	2 - 60 days
<u>Hedge funds</u>				
Long/short equity (c)				
U.S. long/short	3,814,563	-	Annually	60 days
Global long/short	21,899,789	-	Quarterly/Annually/Every 3 Yrs	45-65 days
Absolute return (d)				
Diversified arbitrage	12,318,887	-	Quarterly	45 days
Event driven/open mandate	27,123,661	-	Quarterly/Annually	30-90 days
Credit strategies/distressed	10,140,914	-	Quarterly/Annually/Every 2 Yrs	45-90 days
Global macro	34,028	-	Monthly	10 days
<u>Limited partnerships (e)</u>				
Venture capital	45,542,375	17,983,787		
Private equity	39,993,162	64,594,107		
Distressed assets	7,994,871	2,875,000		
Real estate	8,708,598	2,568,129		
Natural resources	23,062,559	19,147,611		
<u>Real assets (f)</u>				
Global real estate institutional pooled fund	10,604,727	-	Daily	2 days
Total investments	\$551,225,917	\$107,168,634		
<u>Remainder interest trusts</u>				
Fixed income				
Domestic institutional pooled fund ¹	\$2,590,858	\$ -	Daily	N/A
Equities				
U.S. institutional pooled fund	3,058,367	-	Daily/1-6 Months	N/A
Global ex U.S. institutional pooled fund	1,854,991	-	1 - 6 Months	N/A
Real Assets				
Global REIT mutual fund	202,099	-	Daily	N/A
Commodity index fund	29,202	-	Daily	N/A
Total other financial instruments	\$7,735,517	\$ -		

(a) Fixed income - This category includes investments in a domestic institutional pooled fund. The investment objective of the domestic fund is to approximate as closely as practicable, before expenses, the performance of the Barclays U.S. Intermediate Government/Credit Bond Index over the long term. The fund attempts to achieve its investment objective by investing in other collective investment funds (each an underlying fund), managed by the Trustee, which have characteristics consistent with the fund's overall investment objective. As of June 30, 2021, all of the investments in this category can be redeemed in less than one year.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS *(continued)*

(b) Equities - This category includes investments in U.S., global ex. U.S., global, and emerging markets institutional pooled funds. The investment objective of the U.S. funds, if passive, is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index over the long term. If active, the investment objective is to generate above average long-term capital appreciation with compounded annual long-term returns that are superior to their respective benchmark indices. The investment objective of the global ex. U.S. funds is to invest in international equity and equity-related securities that offer safety of capital, capital appreciation, and a satisfactory long-term rate of return relative to their respective benchmarks. The investment objective of the emerging markets funds is to achieve long-term capital appreciation by investing in equity securities of emerging and frontier markets. As of June 30, 2021, all of the investments in this category can be redeemed in less than one year.

(c) Long/short equity - This category includes investments in offshore funds that invest both long and short in domestic and international equity securities. The funds can also opportunistically invest in other domestic and international securities and instruments where the managers deem appropriate. The managers of the funds seek to provide either superior risk-adjusted return or capital appreciation within their specific investment styles which can include U.S. Growth, U.S. Value, Global and Sector-specific. The fair value of the investments in this category has been estimated using the NAV per share of the investments. Investments representing approximately 1.6% of the value of the investments in this category can be redeemed in one year or later due to restrictions in place at the time of acquisition. The remaining 98.4% can be redeemed in less than one year at June 30, 2021.

(d) Absolute return - This category includes investments in offshore funds that are designed to produce results that are largely independent of, or have low correlation to, the broader markets. The absolute return strategies will potentially benefit the Foundation by generating returns from a variety of sources, helping lower portfolio volatility, and diversifying portfolios with low-correlation returns. The strategies include diversified arbitrage, event driven/open mandate, credit strategies/distressed, and global macro. The fair values of the investments of all the managers in this category have been estimated using the NAV per share of the investments. Investments representing approximately 1.3% of the value of the investments in this category can be redeemed in one year or later due to restrictions in place at the time of acquisition. The remaining 98.7% can be redeemed in less than one year at June 30, 2021.

(e) Limited partnerships - This category includes investments in several limited partnership funds that invest in private equity, venture capital, distressed assets, natural resources and real estate. The nature of the investment in this category is that distributions are received through the liquidation of underlying assets. If these investments are held, it is estimated that the underlying assets of the funds would be liquidated over 5 to 15 years. However, as of June 30, 2021, it is probable that all of the investments in this category will be sold at an amount different from the fair value of the company's ownership interest and partners' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transactions and recent statement of changes for the funds.

(f) Real assets - This category includes investments in a global real estate investment trust (REIT) fund. The investment objective of the global REIT mutual fund is total return through investing in real estate securities globally. This investment objective is achieved by investing in primarily equity and potentially debt securities of companies whose business is to own, operate, develop and manage real estate. As of June 30, 2021, all of the investments in this category can be redeemed in less than one year.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Foundation has a formal policy addressing concentration of credit risk. Investments shall be diversified with the intent to minimize the risk of large realized and unrealized losses to the invested assets. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holding in individual issues, corporations, or industries. Each investment within the portfolio will be expected to serve at least one of the following three principle investment roles, as indicated:

- Growth of long-term real value over the investment horizon;
- Diversification to mitigate risk inherent in equity-dominant portfolios; and
- Hedging of macro-economic risks, (e.g., inflation and economic contraction)

The portfolio will be diversified both by asset class (e.g., equities and bonds) and within asset classes (e.g., within equities by sector, industry, quality and style). The portfolio will also have diversification in the number and type of investment managers by and within asset class as appropriate with the policy intention of having no single active manager exceed 10% of the portfolio at most recent market value. The Investment Committee may make an exception to this constraint (not to exceed 15%) as long as the decision is discussed, the rationale is documented and the position is reviewed regularly by the Investment Committee. The portfolio will be rebalanced on a quarterly basis or when the asset allocation deviates materially from policy targets. Timing delays in rebalancing the portfolio may result due to specific redemption requirements for certain investment managers. One active manager exceeded 10% of the portfolio and was granted an exception by the Investment Committee as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the Foundation was in compliance with the policy addressing concentration of credit risk. The following table shows investments that represent greater than 5% of the Foundation’s long-term investment portfolio as of June 30, 2021 and 2020:

Investments Held by Individual Managers	June 30, 2021	%
Domestic institutional pooled fixed income	\$63,825,065	8.32%
Domestic institutional pooled equity	43,486,817	5.67%
Domestic institutional pooled equity	119,935,341	15.63%
Totals	\$227,247,223	

Investments Held by Individual Managers	June 30, 2020	%
Domestic institutional pooled fixed income	\$48,764,543	8.54%
Domestic institutional pooled equity	90,477,057	15.84%
Global institutional pooled equity	38,294,783	6.70%
Totals	\$177,536,383	

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not have a formal policy that limits its investment choices. (The credit risk ratings listed below are issued upon standards set by Standard and Poor's).

The Foundation had the following investments subject to credit risk at June 30:

Investment Rating	2021		2020	
	Short-term bond fund	Domestic institutional pooled bond fund	Short-term bond fund	Domestic institutional pooled bond fund
A1	\$ -	\$ -	\$3,068,061	\$ -
A2	-	-	4,815,248	-
A3	-	-	4,699,934	-
Aa1	-	-	674,414	-
Aa2	-	-	1,450,165	-
Aa3	-	-	1,401,244	-
AAA	3,364,303	-	-	-
Aaa	-	41,345,876	5,405,798	30,877,709
AA	2,238,711	-	-	-
Aa	-	2,342,380	-	2,048,111
A	16,463,696	8,801,477	-	7,680,416
Baa	-	11,316,184	-	8,148,555
B1	-	-	34,944	-
Ba1	-	-	269,067	-
Ba2	-	-	111,820	-
Ba3	-	-	136,281	-
Baa1	-	-	4,158,306	-
Baa2	-	-	4,504,249	-
Baa3	-	-	2,260,860	-
BBB	24,458,392	-	-	-
Less than BBB	1,064,976	-	-	-
Below Baa	-	19,148	-	4,876
NR	1,320,944	-	922,515	-
U.S. government	6,568,471	-	999,391	-
Unknown/Not Rated	-	-	31,449	4,876
Totals	\$55,479,493	\$63,825,065	\$34,943,746	\$48,764,543

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Custodial Risk – The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker, dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundation’s name. As of June 30, 2021 and 2020, all Foundation funds were held in the name of the counterparty for the benefit of the Foundation.

Interest Rate Risk – Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Foundation had the following investments subject to interest rate risk as of June 30, 2021 and 2020, respectively:

		Investment Maturities (in years)			
June 30, 2021	Fair Value	Less than 1	1-5	6-10	More than 10
Short-term bond	\$55,479,493	\$ -	\$55,479,493	\$ -	\$ -
Domestic institutional pooled bond fund	63,825,065	-	63,825,065	-	-
Totals	\$119,304,558	\$ -	\$119,304,558	\$ -	\$ -

		Investment Maturities (in years)			
June 30, 2020	Fair Value	Less than 1	1-5	6-10	More than 10
Short-term bond	\$34,943,746	\$ -	\$34,943,746	\$ -	\$ -
Domestic institutional pooled bond fund	\$48,764,543	-	\$48,764,543	-	-
Totals	\$83,708,289	\$ -	\$83,708,289	\$ -	\$ -

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation has the following foreign currency exposure at June 30:

<u>Currency Type</u>	<u>2021</u>	<u>2020</u>
EUR (Euro)	\$26,974,185	\$20,847,060
JPY (Japanese Yen)	19,267,275	17,951,635
GBP (Pound Sterling)	18,496,584	15,056,210
CNY (Chinese Yuan)	13,101,747	8,686,275
INR (Indian Rupee)	9,248,292	5,790,850
CHF (Swiss Franc)	7,706,910	8,107,190
HKD (Hong Kong Dollar)	5,394,837	8,107,190
TWD (Taiwan Dollar)	3,082,764	3,474,510
AUD (Australian Dollar)	2,312,073	1,737,255
CAD (Canadian Dollar)	2,312,073	2,316,340
KRW (South Korean Won)	2,312,073	3,474,510
Non-USD PI	1,541,382	2,316,340
Other	27,744,876	19,109,805
Total foreign currency exposure	<u>\$139,495,071</u>	<u>\$116,975,170</u>

3. ENDOWMENT

The Foundation's endowment consists of approximately 1,946 funds established for a variety of restricted purposes. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds are classified and reported based on donor-imposed restrictions.

The management of the Foundation's endowed funds is guided by the laws of the State of Florida, specifically Florida Statute 617.2104, *Florida Uniform Prudent Management of Institutional Funds Act* (Florida UPMIFA). The Board of Trustees of the Foundation has interpreted Florida UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted nonexpendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Florida UPMIFA.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

3. ENDOWMENT *(continued)*

In accordance with Florida UPMIFA, subject to the intent of a donor expressed in the gift instrument, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the endowment fund.
- 2) The purposes of the institution and the endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation or deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the institution.
- 7) The investment policy of the institution.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return net of inflation, spending distributions and administrative fees each year.

The objectives of the Foundation's investment portfolio are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power or real rate of return will be defined as returns in excess of inflation as defined by the Consumer Price Index – Urban (CPI-U). At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the assets while providing the necessary capital to fund the annual spending policy of 4% plus an additional 1.5% to cover administrative fees. Therefore, the desired minimum real rate of return is equal to CPI-U plus 550 basis points (5.5%) on an annualized basis. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. The assets are invested for the long term and higher short-term volatility in these assets is to be expected and accepted.

The endowment spending policy is designed to provide a stable income stream to the University community for its current needs while maintaining the purchasing power of the endowed assets. The Foundation uses a smoothing formula based on a rolling three-year average of the total endowment quarterly market values. The total endowment ending market values for the last 12 quarters are averaged and the result is then multiplied by the stated 4% spending rate (1% per quarter) to determine the total amount to be distributed. This total amount to be distributed is then allocated to participating funds based on their pro-rata share of the total endowment pool.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

3. ENDOWMENT (continued)

From time to time, the fair value of assets associated with individual, donor-restricted endowment funds may fall below historical dollar value (the aggregate value of all contributions to an endowment fund at the time they were made). These deficiencies result from unfavorable market fluctuations, continued appropriations for certain programs that were deemed prudent by the Board of Trustees and administrative fees. The total amount of deficiencies of this nature as of June 30, 2021 and 2020 was \$0 and \$22,129,995, respectively and is classified as part of unrestricted net position in the accompanying Statements of Net Position. The recovery of previous losses of \$22,129,995 and losses of \$15,563,993 for the years ended June 30, 2021 and 2020, respectively, are reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Future gains will be used to restore these deficiencies in unrestricted net position before any net appreciation above historical cost value of such funds increase restricted expendable net position. Under current State of Florida law, there is no legal obligation to restore these deficiencies.

4. CUSTODIAL FUNDS

The Foundation holds assets, primarily reported as investments, for the University, the Alumni Association, FMPP and Athletics. The Foundation implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. In accordance with the provisions of GASB Statement No. 84, net position was restated to reflect the balances of funds held on behalf of other organizations which are now required to be reported in a custodial fund. Balances previously reported in the Foundation's financial statements as of June 30, 2019 have been restated as follows:

	<u>Enterprise Fund</u>		<u>Custodial Fund</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Net Position</u>
Balance, as previously reported – June 30, 2019	\$750,191,436	\$25,586,881	\$ -	\$ -
Adjustment due to implementation of GASB Statement No. 84	(9,743,595)	(9,743,595)	9,743,595	9,743,595
Balance, as restated – July 1, 2019	<u>\$740,447,841</u>	<u>\$15,843,286</u>	<u>\$9,743,595</u>	<u>\$9,743,595</u>

Amounts reported as custodial funds consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
University	\$7,948,441	\$5,645,118
Florida State University Alumni Association	4,424,452	2,751,435
Florida Medical Practice Plan	1,198,236	851,007
Florida State University Athletics	675,280	736,775
Total custodial funds	<u>\$14,246,409</u>	<u>\$9,984,335</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

4. CUSTODIAL FUNDS (continued)

Below is a summary of the amounts held on behalf of custodial funds at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$63,232	\$468,148
Investments	14,183,177	9,516,187
Summary of custodial funds	<u>\$14,246,409</u>	<u>\$9,984,335</u>

5. DUE FROM RELATED ORGANIZATIONS

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

	<u>2021</u>	<u>2020</u>
University	\$20,066,667	\$19,673,325
Seminole Boosters	3,443,683	3,420,658
Ringling Museum	2,283,526	2,461,455
Real Estate Foundation	421,562	7,824
Alumni Association	21,561	14,529
Florida Medical Practice Plan	3,353	3,353
Amounts due from related organizations	<u>\$26,240,352</u>	<u>\$25,581,144</u>

See Note 19 for more details concerning related party transactions.

6. PLEDGES RECEIVABLE

Pledges receivable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
In one year or less	\$1,375,578	\$888,557
Between one and five years	5,009,500	4,843,503
Greater than five years	58,259,844	62,224,830
Unconditional promises to give	64,644,922	67,956,890
Less: Allowance for uncollectibles	(992,667)	(919,362)
Unamortized discount	(7,390,551)	(8,339,045)
Total pledges receivable – net	<u>\$56,261,704</u>	<u>\$58,698,483</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

6. PLEDGES RECEIVABLE (*continued*)

Approximately 90% and 91% of pledges receivable were attributable to two donors at June 30, 2021 and 2020, respectively. The Foundation is the beneficiary of numerous conditional promises to give and bequests. A conditional promise requires a future event to take place before the promise becomes binding on the donor and as such, is not recognized until it becomes unconditional. Typically, the Foundation has no control over the required event. No receivable was recorded for these bequests and pledges, nor was the future support recognized.

The Foundation had approximately \$38.7 million of outstanding state matching funds pending appropriation at June 30, 2021 and 2020, respectively. This represents gifts received by the Foundation that have been approved for state matching funds; however, such matching funds have not yet been appropriated by the Florida Legislature. No receivable was recorded for the anticipated state funds, nor was the future support recognized.

7. REMAINDER INTEREST TRUSTS

The Foundation is the trustee and beneficiary of numerous irrevocable charitable trust and gift annuity agreements. These assets have been donated to the Foundation for investment, in return for payments to the donor(s) or their designees. Upon the satisfaction of the terms of each trust or annuity, the Foundation receives the balance of the invested assets. If the remaining assets are to be endowed, per the donor's direction, the value at maturity must meet the Foundation's endowment minimum of \$30,000 as established on July 1, 2020 or grandfathered in at prior endowment minimum levels. If the value does not meet the required minimum, the Florida UPMIFA can be applied to repurpose the assets.

These assets are recorded at fair value. For gift annuities, a corresponding annuity obligation is recorded for the estimated future contractual payments based upon the life expectancy of the beneficiaries, discounted to present value. The related annuity liability is valued, using IRS tables, at the net present value each year based on the discount rate at the time the annuity was established. See Note 1 for the discount rate used.

The Foundation charitable gift annuities are invested into one pooled account. Gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, the pooled assets will be utilized to fund future payments and is ultimately the responsibility of the Foundation. As of June 30, 2021 and 2020, the Foundation held assets in excess of the minimum gift annuity reserves required by state law.

Per 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.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

7. REMAINDER INTEREST TRUSTS *(continued)*

The following are the invested assets and annuity obligations at June 30:

	<u>2021</u>	<u>2020</u>
Fair value of securities held	\$8,956,645	\$7,735,517
Annuity obligations	<u>(4,540,885)</u>	<u>(4,891,213)</u>
Remainder interest trusts	<u>\$4,415,760</u>	<u>\$2,844,304</u>

8. FUNDS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights or claims to its portion of such assets or income therefrom. Upon the satisfaction of the terms of each trust, the Foundation receives the remainder interest which is added to the endowment per the donor's direction. If the remaining assets are to be endowed, per the donor's direction, the value at maturity must meet the Foundation's endowment minimum of \$30,000 as established on July 1, 2020 or grandfathered in at prior endowment minimum levels. If the value does not meet the required minimum, the Florida UPMIFA can be applied to repurpose the assets. Funds held in trust by others are valued, using IRS tables, at their net present value each year. See Note 1 for the discount rate used.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides guidance concerning trusts held by a third party and the appropriate treatment assuming specific criteria are met. Similar to the treatment for split-interest agreements for remainder interest trusts, changes associated with trusts held by others are reported as deferred inflows of resources until such time as the agreement terminates and the beneficial interest asset and any remaining deferred inflows of resources are eliminated.

Funds held in trust by others consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Statement value of trusts	\$15,292,736	\$13,916,583
Discount to present value	<u>(4,974,953)</u>	<u>(3,788,683)</u>
Funds held in trust by others - net	<u>\$10,317,783</u>	<u>\$10,127,900</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

9. CAPITAL ASSETS

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	\$1,619,876	\$ -	\$ -	\$1,619,876
Total nondepreciable capital assets	1,619,876	-	-	1,619,876
Depreciable capital assets:				
Buildings	4,305,164	-	-	4,305,164
Furniture and equipment	2,449,158	-	-	2,449,158
Total depreciable capital assets	6,754,322	-	-	6,754,322
Less, accumulated depreciation				
Buildings	(483,152)	(153,174)	-	(636,326)
Furniture and equipment	(2,271,689)	(46,009)	-	(2,317,698)
Total accumulated depreciation	(2,754,841)	(199,183)	-	(2,954,024)
Total depreciable capital assets - net	3,999,481	(199,183)	-	3,800,298
Total capital assets – net	\$5,619,357	(\$199,183)	\$ -	\$5,420,174
June 30, 2020	Beginning balance	Increases	Decreases	Ending balance
Nondepreciable capital assets:				
Land	\$1,619,876	\$ -	\$ -	\$1,619,876
Total nondepreciable capital assets	1,619,876	-	-	1,619,876
Depreciable capital assets:				
Buildings	4,305,164	-	-	4,305,164
Furniture and equipment	2,458,871	33,715	(43,428)	2,449,158
Total depreciable capital assets	6,764,035	33,715	(43,428)	6,754,322
Less, accumulated depreciation				
Buildings	(329,978)	(153,174)	-	(483,152)
Furniture and equipment	(2,256,404)	(58,713)	43,428	(2,271,689)
Total accumulated depreciation	(2,586,382)	(211,887)	43,428	(2,754,841)
Total depreciable capital assets - net	4,177,653	(178,172)	-	3,999,481
Total capital assets – net	\$5,797,529	(\$178,172)	\$ -	\$5,619,357

Depreciation expense totaling \$199,183 and \$211,887 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.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

10. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The cash surrender value of life insurance policies is net of any outstanding policy loans and totaled \$1,969,802 and \$1,960,444 as of June 30, 2021 and 2020, respectively. The net death benefit value of the underlying life insurance in force at June 30, 2021 and 2020 is approximately \$8.2 and \$8.3 million, respectively. Various individuals have donated policies with the Foundation designated as beneficiary and owner; however, only the cash surrender value is reflected in the financial statements since the insured individuals can stop paying policy premiums at their discretion.

11. OTHER ASSETS

Other assets consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Prepaid expenses	\$250,926	\$279,742
Accounts receivable – net	40,333	73,419
Total other assets	<u>\$291,259</u>	<u>\$353,161</u>

12. DUE TO RELATED ORGANIZATIONS

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

	<u>2021</u>	<u>2020</u>
University	\$2,490,793	\$3,544,755
Seminole Boosters	83,578	89,380
Real Estate Foundation	2,979	2,979
Alumni Association	-	1,794
Amounts due to related organizations	<u>\$2,577,350</u>	<u>\$3,638,908</u>

See Note 19 for more details concerning related party transactions.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

13. PROMISSORY NOTE PAYABLE

On January 15, 2016, the Foundation financed property with a fully amortizing nonrecourse promissory note for \$4,042,334. Principal and interest payments of \$27,381 are due monthly through the due date of July 15, 2031 at a fixed rate of 2.61%. The outstanding balance was \$2,904,865 and \$3,152,979 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:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$3,152,979	\$3,394,387
Less: Principal payments	<u>(248,114)</u>	<u>(241,408)</u>
Ending balance	<u>\$2,904,865</u>	<u>\$3,152,979</u>
Amounts due within one year	<u>\$254,771</u>	<u>\$248,147</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$254,771	\$73,800	\$328,571
2023	261,595	66,976	328,571
2024	268,440	60,131	328,571
2025	275,792	52,779	328,571
2026	283,179	45,392	328,571
2027 – 2031	1,533,738	109,120	1,642,858
2032	<u>27,350</u>	<u>59</u>	<u>27,409</u>
Totals	<u>\$2,904,865</u>	<u>\$408,257</u>	<u>\$3,313,122</u>

Principal and interest payments of \$328,571 were made during the years ended June 30, 2021 and 2020, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

14. SUPPORT OF UNIVERSITY PROGRAMS

Expenditures in support of University programs included the following purposes for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Salary supplements	\$15,761,222	\$13,993,344
Scholarships, grants and fellowships	9,280,658	10,393,380
Professional services	2,415,775	3,536,675
Equipment and supplies	1,527,421	1,704,270
Printing and marketing	1,375,040	2,091,859
Rents and leases	656,426	890,476
Travel and entertainment	602,519	4,850,003
Utilities and maintenance	350,274	738,950
Taxes and license fees	275,190	191,461
Facilities construction	251,962	598,627
Insurance	89,449	269,737
Other University support	1,242,783	5,269,882
Total program expenditures	<u><u>\$33,828,719</u></u>	<u><u>\$44,528,664</u></u>

15. DESIGNATED UNRESTRICTED NET POSITION

The Foundation's Board of Trustees has the authority to designate unrestricted net position for specific purposes, and these actions may be rescinded at any time. During fiscal year 2019, the Board of Trustees approved the establishment of a maintenance reserve to provide protection against unforeseen facilities and infrastructure issues or other emergencies that may arise throughout the year creating unanticipated shortfalls. This reserve is not intended to be a sustained resource for recurring maintenance items or capital projects nor is it intended to replace a permanent loss of funds or eliminate an ongoing budget deficit.

Since these designations are not the result of donor-imposed or contractual restrictions, they are reflected as a component of unrestricted net position on the Statements of Net Position. Below is a schedule of the maintenance reserve activity for the years ended June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$118,555	\$90,000
Additions to reserve	90,000	90,000
Expenditures	(40,291)	(61,445)
Ending balance	<u><u>\$168,264</u></u>	<u><u>\$118,555</u></u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

16. RETIREMENT PLAN

The Foundation established a 403(b) tax deferred retirement plan to purchase annuity contracts for its employees to provide funds for retirement. Participants in the plan become vested upon employment. All benefits under the plan are provided through the purchase of individual or group fixed or variable annuity contracts. The Foundation contributes 11% of the base salary for each employee to the plan, plus an additional amount up to 4% of annual salary to match voluntary employee contributions. In the event the plan is terminated, vested employees at that time will have a non-forfeitable interest in the annuity contract. Effective December 14, 2018, Foundation employees transitioned to University employees, and no contributions have been made to the plans since that time.

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 Florida 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.

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.).

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

16. RETIREMENT PLAN *(continued)*

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 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 Foundation is not a payor fund for the purposes of liquidating the pension liability. An actuarial valuation has been performed for the plan. All employees of the Foundation are 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 employees of the Foundation 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 Foundation paid by the University is recorded in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Retirement contributions were \$808,090 and \$771,370 for the years ended June 30, 2021 and 2020, respectively.

17. 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 Employees' Group Health Insurance Plan, 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.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

17. OTHER POSTEMPLOYMENT BENEFITS PAYABLE *(continued)*

It has been determined that the 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 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 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.

18. RISK MANAGEMENT PROGRAMS

The 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. In addition, cyber liability coverage is provided through the University. No settlements have exceeded coverage in place during the previous three fiscal years.

19. RELATED PARTY TRANSACTIONS

The Foundation serves as a DSO of the University and enhances their academic vision and priorities through its organized fundraising activities and funds management. As a result, the 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 reimbursing software or other expenditures. Further details outlining each relationship are provided below:

Florida State University (University) – The University provides support to the Foundation to aid in their fundraising efforts. Amounts totaling \$6,044,511 and \$5,807,547 were included in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively. The employees of the Foundation's Accounting Office are employed by the University and report to the Associate Vice President in the Division of Finance and Administration. In May of 2004, the Foundation and University signed an operating agreement outlining the duties and responsibilities of the Foundation Accounting Office and detailing the University's operational oversight. The University has provided funding for the accounting staff salaries since July 1, 2007. Amounts totaling \$1,300,295 and \$1,325,431 are included in the accompanying Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, respectively. On occasion payments may be made to the University that are owed to the Foundation for funds they hold on their behalf. Amounts owed to the Foundation from the University were \$0 and \$122 as of June 30, 2021 and 2020, respectively.

The Foundation provides support to the President of the University who assists in the fundraising efforts of the Foundation by actively participating in various donor engagement and cultivation events throughout the year. The Foundation provided support of \$719,084 and \$725,000 for the years ended June 30, 2021 and 2020, respectively.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

19. RELATED PARTY TRANSACTIONS (continued)

In February of 2019, the Foundation Board of Trustees approved an agreement to loan the University funds, in an amount not to exceed \$20,000,000, at an interest rate of 4% for the purpose of financing a portion of the costs of a new student union facility. A re-set of the interest rate will occur five years from the execution date of the loan. The minimum interest rate on the loan will re-set to the greater of four percent or 100 basis points above the 10-year treasury rate. The University will make draws against this loan as needed during construction.

On December 1, 2019, the University signed a promissory note to draw funds against the loan for \$19,223,376. Additional draws were taken towards the first two interest payments on the loan to arrive at a principal balance of \$20,000,000. The first draw occurred on June 1, 2020 totaling \$384,468, and the second draw occurred on December 1, 2020 totaling \$392,157 which includes \$65,359 in accrued interest from the prior year. Principal and interest payments are due bi-annually beginning June 1, 2021 through the due date of December 1, 2030. Amounts owed to the Foundation from the University were \$20,066,667 and \$19,673,203 as of June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$19,673,203	\$19,223,376
Additional draws	326,798	384,468
Accrued interest	66,666	65,359
Ending balance	<u>\$20,066,667</u>	<u>\$19,673,203</u>
Amounts due within one year	<u>\$2,000,000</u>	<u>\$400,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$2,000,000	\$760,000	\$2,760,000
2023	2,000,000	680,000	2,680,000
2024	2,000,000	600,000	2,600,000
2025	2,000,000	520,000	2,520,000
2026	2,000,000	440,000	2,440,000
2027 – 2031	10,000,000	1,000,000	11,000,000
Totals	<u>\$20,000,000</u>	<u>\$4,000,000</u>	<u>\$24,000,000</u>

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

Florida Medical Practice Plan (FMPP) – FMPP is the faculty practice plan for the FSU College of Medicine which was established to further the education, service and research missions of the college and enable faculty to maintain clinical competence, fulfill certification requirements, share expertise with other health care providers and serve as a clinical teacher for students and resident physicians. A cost share agreement was entered into between the college and the Foundation whereby a portion of a fundraising staff position is funded by FMPP. Amounts owed from FMPP to the Foundation for this purpose was \$3,353 as of June 30, 2021 and 2020.

Florida State University Alumni Association, Inc. (Alumni Association) – The Alumni Association serves to aid, strengthen and expand the University by providing a connecting link between alumni and the University to cultivate charitable giving. These efforts are accomplished through programmatic initiatives such as publication of the VIRESS magazine as well as hosted events with colleges on campus and Seminole Club chapters nationwide. Seminole Club chapters unite alumni and friends of the University in certain geographic areas to assist FSU in achieving its goals. By promoting advancement for the University through various outreach and engagement activities that are held throughout the year, the Alumni Association plays a vital role in advancing the overall mission of the University. The Foundation provided support to the Alumni Association for this purpose totaling \$125,000 for the years ended June 30, 2021 and 2020, respectively.

The Foundation also manages all of the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Alumni Association pays the Foundation for the costs attributed to their use of the software and the credit card processing system. Amounts owed from the Alumni Association to the Foundation for these purposes was \$21,561 and \$14,529 as of June 30, 2021 and 2020, respectively. The total amount owed from the Foundation to the Alumni Association for reimbursement of payments made on their behalf was \$0 and \$1,794 as of June 30, 2021 and 2020, respectively.

Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) – The Real Estate Foundation operates to receive, hold, manage, lease, develop or sell real estate for the benefit of the University and to provide expertise and strategic support for all of the University's real estate needs. The Foundation received proceeds from the Real Estate Foundation pertaining to the sale of properties totaling \$875,527 and \$567 during the years ended June 30, 2021 and 2020, respectively. In addition, the Foundation provided support for property carrying costs to the Real Estate Foundation in the amount of \$1,095 and \$11,402 for the years ended June 30, 2021 and 2020. Amounts owed from the Real Estate Foundation to the Foundation for proceeds not yet transferred at year-end were \$417,382 and \$0 as of June 30, 2021 and 2020, respectively. The Foundation and Real Estate Foundation also often receive certain contributions on behalf of the other. Depending on the nature of the donation, these assets may be held for a period of time or immediately transferred. The total amount owed to the Real Estate Foundation from the Foundation was \$2,979 as of June 30, 2021 and 2020.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

The Foundation provided support to the Real Estate Foundation for administrative expenses of \$100,000 for the years ended June 30, 2021 and 2020, respectively. In April 2013, the 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 the University. 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, the Real Estate Foundation has not drawn any advances nor accrued any receivable for this line of credit.

The Foundation also manages all of the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Real Estate Foundation pays the Foundation for the costs attributed to their use of the software and the credit card processing system. Amounts owed from the Real Estate Foundation to the Foundation for these purposes was \$4,180 and \$7,824 as of June 30, 2021 and 2020, respectively.

John and Mable Ringling Museum of Art (Ringling Museum) – The Ringling Museum was established to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. In February of 2012, the University and the Ringling Museum, a DSO of the University, entered into a memorandum of understanding (MOU) with the Foundation. The MOU was created to provide a bridge loan from the Foundation to the Ringling Museum in the amount of \$3,075,000 which was used as a funding match in the construction of the Asian Art Center at the Ringling Museum. The loan was provided specifically in lieu of State of Florida Matching programs which had been placed on hold and was not made to waive or forego any future right to State of Florida matches for this gift should they become available. In August of 2017, the MOU was amended to require the Ringling Museum to begin making payments on the bridge loan. The initial payment was due 30 days following approval of the agreement by all parties, and annual payments of \$205,000 are due by September 1 of each year. Amounts owed from the Ringling Museum to the Foundation for the bridge loan was \$2,255,000 and \$2,460,000 as of June 30, 2021 and 2020, respectively.

The Foundation also manages all of the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Ringling Museum of Art Foundation pays the Foundation for the costs attributed to their use of the software and the credit card processing system. Amounts owed from the Ringling Museum of Art Foundation to the Foundation for these purposes was \$28,526 and \$1,455 as of June 30, 2021 and 2020, respectively.

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. In May of 2005, the Boosters entered into an agreement with a donor who made a commitment to make a \$25 million gift to the Boosters. The Foundation is a partial beneficiary to this commitment which was fulfilled based on donations of real estate received by the Boosters during fiscal year 2019. As the properties are sold, it is expected that the Boosters will transfer cash to the Foundation to fulfill the obligation.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

In addition to this commitment, the Foundation and Boosters also often receive certain contributions on behalf of the other. Depending on the nature of the donation, these assets may be held for a period of time or immediately transferred. The Foundation also manages all of the service contracts related to the accounting and fundraising software shared by the DSOs. As part of this contract, the Boosters pays the Foundation for the costs attributed to their use of the software and the credit card processing system. Amounts owed from the Boosters to the Foundation for these purposes was \$3,443,683 and \$3,420,658 as of June 30, 2021 and 2020, respectively. The total amount owed from the Foundation to the Boosters for similar purposes was \$83,578 and \$89,380 as of June 30, 2021 and 2020, respectively.



RSM US LLP

**Report 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**

Independent Auditor's Report

To the Board of Trustees
Florida State University 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 major fund and the aggregate remaining fund information of the Florida State University Foundation, Inc. (the Foundation), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the schedule of findings and questioned costs, issued under separate cover, as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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.

RSM US LLP

Jacksonville, Florida
November 10, 2021