Financial Statements and Reports

For the Year Ended June 30, 2017

FLORIDA STATE UNIVERSITY
FOUNDATION

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Financial Statements and Reports
For the Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

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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 Florida State University Foundation, Inc. (the Foundation), (a component unit of the Florida State University), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida State University Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Florida State University Foundation, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of Florida State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida State University Foundation, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
September 29, 2017

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Financial Position
June 30, 2017
With Summarized Financial Information for June 30, 2016

	2017	2016
Assets		
Cash and cash equivalents	$19,334,679	$12,900,390
Operating pool investments	30,612,193	40,795,497
Accounts receivable - net	3,773,299	3,451,849
Contributions receivable - net	76,656,200	78,634,942
Investments	550,178,600	491,621,404
Remainder interest trusts	10,251,364	9,740,891
Funds held in trust by others - net	10,892,643	9,936,094
Land, buildings and equipment - net	4,021,137	4,164,336
Cash surrender value of life insurance policies	1,694,238	1,616,885
Total assets	**$707,414,353**	**$652,862,288**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$3,743,264	$2,433,201
Deferred revenue	5,300,000	6,100,000
Compensated absence liability	900,895	891,029
Agency liability	8,410,550	1,123,431
Promissory note payable	3,855,317	4,042,334
Annuity obligations	6,128,162	6,324,501
Total liabilities	28,338,188	20,914,496
Net assets (deficit)		
Unrestricted	274,767	(14,996,754)
Temporarily restricted	237,133,408	214,843,277
Permanently restricted	441,667,990	432,101,269
Total net assets	679,076,165	631,947,792
Total liabilities and net assets	**$707,414,353**	**$652,862,288**

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenues					
Contributions	$250	$22,608,286	$8,960,676	$31,569,212	$101,440,952
University support	7,832,639	-	-	7,832,639	7,273,256
Other support	-	1,706,125	300	1,706,425	2,407,828
Interest and dividends	244	5,496,540	71,280	5,568,064	4,280,303
Net realized and unrealized gains (losses)	-	54,042,907	1,032,055	55,074,962	(15,460,626)
Recovery of previous losses in excess of historic cost of endowments	12,989,698	(12,989,698)	-	-	-
Other revenue	1,308,450	2,950,124	-	4,258,574	4,299,632
Net assets released from restrictions:					
Program and facilities support	41,520,704	(40,820,704)	(700,000)	-	-
Administrative support	11,901,683	(11,901,683)	-	-	-
Total revenues	75,553,668	21,091,897	9,364,311	106,009,876	104,241,345
Expenses					
Program	41,496,042	-	-	41,496,042	38,768,109
FSU facilities construction	1,012,412	-	-	1,012,412	3,223,388
Administrative	7,194,273	-	-	7,194,273	7,053,236
Fundraising	10,579,420	-	-	10,579,420	10,701,180
Total expenses	60,282,147	-	-	60,282,147	59,745,913
Excess of revenues over expenses	15,271,521	21,091,897	9,364,311	45,727,729	44,495,432
Other changes					
Change in value of split-interest agreements	-	-	162,689	162,689	(818,725)
Provision for uncollectible pledges	-	1,198,234	39,721	1,237,955	(1,195,505)
Change in net assets	**15,271,521**	**22,290,131**	**9,566,721**	**47,128,373**	**42,481,202**
Net assets (deficit) at beginning of year	(14,996,754)	214,843,277	432,101,269	631,947,792	589,466,590
Net assets at end of year	**$274,767**	**$237,133,408**	**$441,667,990**	**$679,076,165**	**$631,947,792**

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$47,128,373	$42,481,202
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions for long-term endowments	(8,649,203)	(16,118,856)
Noncash items:		
Noncash gifts	(1,517,487)	(1,720,156)
Net realized and unrealized (gains) losses	(55,074,962)	15,460,626
Change in value of split-interest agreements	(162,689)	818,725
Depreciation and amortization	141,913	97,360
Other adjustments	1,286	32,979
Provision for uncollectible pledges	(1,237,955)	1,195,505
Change in present value discount for pledges	(353,313)	12,111,405
Changes in assets and liabilities:		
Accounts receivable	(321,450)	(18,887)
Contributions receivable	3,570,010	(71,552,836)
Deferred revenue	(800,000)	600,000
Accounts payable	1,310,063	(1,317,222)
Compensated absence liability	9,866	50,051
Net cash used in operating activities	**(15,955,548)**	**(17,880,104)**
Cash flows from investing activities		
Proceeds from sale of investments	202,256,698	126,678,305
Purchase of investments	(187,819,169)	(129,578,227)
Purchase of land, buildings and equipment	-	(58,032)
Net cash provided by (used in) investing activities	**14,437,529**	**(2,957,954)**
Cash flows from financing activities		
Contributions for long-term endowments	8,649,203	16,118,856
Principal payments on promissory note payable	(187,017)	-
Changes to funds held in trust by others	234,431	5,898
Payments of annuity obligations	(744,309)	(735,850)
Net cash provided by financing activities	**7,952,308**	**15,388,904**
Net change in cash and cash equivalents	6,434,289	(5,449,154)
Cash and cash equivalents - beginning of year	12,900,390	18,349,544
Cash and cash equivalents - end of year	**$19,334,679**	**$12,900,390**
Supplemental disclosures of cash flow information		
Cash payments for interest on promissory note payable	**$142,917**	**$69,570**
Non-cash investing and financing activities		
Purchase of land and building through issuance of promissory note payable	**$ -**	**$4,042,334**

See Notes to Financial Statements.

FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Florida State University Foundation, Inc. (Foundation) is a not-for-profit entity established to aid the advancement of Florida State University (University or FSU) 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 Foundation is a direct support organization of the University and is reported as a component unit of the University in its financial statements.

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

Comparative Financial Statements – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, this information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of Accounting – The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Trustees.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed or legal stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

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

Contributions – The Foundation reports gifts of cash and other assets as restricted support when the use of the related assets is limited by donor-imposed restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor restrictions as to how long the long-lived assets must be maintained, when donated or acquired long-lived assets are placed in service they are reflected as net assets released from restrictions.

Donations of securities and other non-monetary items are recorded at fair value at the date of the gift.

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

Operating Pool Investments – The Foundation invests a majority of its excess cash 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.

Accounts Receivable – Accounts receivable consists primarily of an amount due from the University related to an advance for the construction of facilities. 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%.

Contributions Receivable – 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 in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received.

The allowance for uncollectible contributions receivable is based upon the Foundation's analysis of past collection experience, pledge activity and other judgmental factors. If a pledge is past due and has had no activity for two years it is deemed uncollectible. Large pledges are reviewed on a case-by-case basis. The allowance captures the risk premium to bring the contributions receivable balance to a risk-adjusted expected cash flow. The discount rates applied to the risk-adjusted cash flow range from 1.01% to 5.00%.

Fair Value of Financial Instruments – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 5.

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

Investments – Investments in marketable equity securities and debt securities, including mutual funds are recorded at their estimated fair values, which are based on quoted market prices or recognized pricing services.

Alternative investments (non-traditional, not readily-marketable assets), some of which are structured such that the Foundation holds limited partnership interests, are stated at fair value as estimated at net asset value (NAV). 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, in turn, 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 forwards 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, except for investments relating to remainder interest trusts, 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 4.04% and 4.13% for the years ended June 30, 2017 and 2016, respectively.

Remainder Interest Trusts – The Foundation is trustee and beneficiary of numerous charitable trusts and gift annuities. The assets held 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 1.2% to 8.2%.

As of June 30, 2017 and 2016, the Foundation held assets in excess of the minimum gift annuity reserves required by state law.

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 valued at their net present value each year, which approximates fair value. The discount rate used is 5.95%.

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

Concentration of Credit Risk – The majority of the Foundation's cash equivalents are invested in a local government surplus trust fund administered by the State of Florida with underlying credit quality rated A-1+ to A-1. 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 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. The Foundation has minimal cash deposited that does not exceed the federally insured deposit amount and does not anticipate nonperformance by the financial institutions.

The Foundation's long-term investment portfolio is comprised of investments in multiple asset classes that are spread among numerous strategies, all designed to diversify the portfolio with the intent of limiting exposure to risk of loss. The portfolio includes investments in approximately 59 different funds with over 47 unique managers. Two investments exceeded 10% of the total portfolio as of June 30, 2017. These investments were invested in the following asset classes: a public equity institutional pooled fund (13.92%) and a fixed income institutional pooled fund (13.12%). Management believes the exposure of the long-term portfolio is not significant and is in accordance with the guidelines established by the Foundation's Investment Committee.

Land, buildings and equipment – Land, buildings and equipment are capitalized at cost when purchased, or at fair value at the date of gift, if contributed. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of depreciable assets. The lives of the various assets range from 5 to 30 years. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gains or losses from disposition are credited or charged to income. 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. The cost of leasehold improvements on leased office space is capitalized and amortized using the straight-line method of accounting over the term of the lease, or the useful life of the improvement, whichever is shorter.

Impairment of long-lived assets – The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No

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

impairment of its long-lived assets or asset groups has been recognized during the year ended June 30, 2017 and 2016.

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. Therefore, the fair value of donated collections of art, historical treasures and similar items are not reflected in the accompanying financial statements.

The Foundation received donations of paintings, sculptures, photographs, memorabilia and similar items with a value of $783,237 and $869,225 for the years ended June 30, 2017 and 2016, respectively.

Agency Transactions – The Foundation serves in an agency capacity for the University, the Florida State University Alumni Association, the Florida Medical Practice Plan and Florida State University Athletics. The related assets held by the Foundation and the offsetting agency liabilities are included in the accompanying statement of financial position. Agency activities are not reflected in the accompanying statement of activities.

Income Taxes – The Foundation is a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. The Foundation is classified as 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).

The Foundation has reviewed its tax status and related filings and determined that there are no uncertain tax positions for which an obligation needs to be recorded pursuant to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*.

Advertising Costs – The Foundation expenses advertising costs as incurred. Advertising expenses of $596,135 and $388,094 for the years ended June 30, 2017 and 2016, respectively, are included in program and administrative expenses in the accompanying statement of activities.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reclassifications – Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation. These reclassifications had no impact on total assets, total liabilities, total net assets, classification between net assets or changes in net assets previously reported.

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

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is September 29, 2017.

Recent Accounting Pronouncements – The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendment applies to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for the Foundation for their fiscal year beginning after December 15, 2016 and requires retrospective treatment to all periods presented. The Foundation has fully adopted the provisions of ASU 2015-07 as of June 30, 2016 and has presented the financial statements in accordance with this new pronouncement.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2017. The Foundation elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is not expected to impact the Foundation's financial statements as the Foundation has certain operating lease arrangements as both the lessee and lessor that will terminate and not be renewed due to the purchase of a new building (See Note 16) prior to the effective date of this ASU.

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

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit organizations has been addressed. Key elements of the ASU include: 1) Reducing net asset classifications from three categories to two, reporting net assets with donor restrictions and net assets without donor restrictions, 2) Expanding disclosures about the nature and amount of any donor restrictions, 3) Expanding disclosures on any board designations of net assets without donor restrictions and 4) Classifying underwater donor-restricted endowments as net assets with donor restrictions. There will be enhanced required disclosures for underwater endowments, including disclosure of policies for reducing or ceasing spending from such endowments, the aggregate fair value, the aggregate original gift amount or level required to be maintained by donor or law, and the aggregate amount of any deficiencies. The placed-in-service approach will be required for determining when restrictions are met for all capital gifts, eliminating the over-time option for expirations of capital restrictions. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date. Enhanced disclosures will be required for organizations that present an operating measure. The indirect or direct method of presenting the statement of cash flows will be allowed; however, the reconciliation of operating items no longer will be required when using the direct method. When an organization derives net investment return from several different sources, such as donor endowments and unrestricted operating endowments, it may present the net investment return in multiple line items in the statement of activities. Higher education institutions will no longer be required to present "other investment portfolio" investment returns separately from other components of investment return. The components of net investment expense will no longer be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information. Several new reporting requirements related to expenses are as follows: 1) Disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return), 2) Disclosure of expenses netted with investment return and 3) Enhanced disclosures regarding cost allocations. ASU 2016-14 eliminates the requirement to disclose the unrealized gains and losses for the period related to equity securities held at the report date as previously required by ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements.

The FASB 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 financial position or activities in the near term.

2. OPERATING POOL INVESTMENTS

The goal of the Foundation is to invest its excess operating cash in a manner that will achieve the highest rate of total return. Operating pool investments consisted of $30,612,193 and $40,795,497 for the years ended June 30, 2017 and 2016, respectively. Investment expenses for the years ended June 30, 2017 and 2016 totaled $21,462 and $22,424, respectively, which is included in net realized and unrealized gains (losses) in the accompanying statement of activities.

Approximately 100% of the Foundation's operating pool investments at June 30, 2017 and 2016, respectively, 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.

Realized gains and losses and increases and decreases in fair value on operating pool investments are reflected in net realized and unrealized gains (losses) in the accompanying statement of activities.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

	2017	2016
Accounts receivable	$3,787,542	$3,475,091
Less: Allowance for uncollectibles	(14,243)	(5,561)
Unamortized discount	-	(17,681)
Total accounts receivable – net	**$3,773,299**	**$3,451,849**

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable. Contributions receivable are recorded at fair value. See Note 1 for discount rates used. Unconditional promises are expected to be realized in the following periods:

	2017	2016
In one year or less	$2,159,453	$4,716,404
Between one and five years	12,356,796	11,788,520
Greater than five years	76,933,717	81,045,446
Unconditional promises – face value	91,449,966	97,550,370
Less: Allowance for uncollectibles	(2,429,412)	(6,197,761)
Unamortized discount	(12,364,354)	(12,717,667)
Contributions receivable - net	**$76,656,200**	**$78,634,942**

4. CONTRIBUTIONS RECEIVABLE *(continued)*

Approximately 79% and 80% of contributions receivable were attributable to two donors at June 30, 2017 and 2016, 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. Typically, the Foundation has no control over the required event. At June 30, 2017 and 2016, the Foundation was the beneficiary of certain conditional promises and other items, such as bequests, that do not meet recognition criteria of approximately $345 million and $348 million, respectively. No receivable was recorded for these bequests and pledges, nor was the future support recognized.

At June 30, 2017 and 2016, the Foundation had approximately $38.7 million of outstanding state matching funds pending appropriation. 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.

5. INVESTMENTS AND 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 (Committee), which has oversight responsibility for the Foundation's investment program. The 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.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

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

Marketable securities - The fair value of marketable securities reflects market closing prices reported from publicly traded exchanges.

Commingled funds and alternative investments - Depending on the redemption options available, as a practical expedient it may be possible that for investments in other funds or investment partnerships, the reported net asset value (NAV) represents fair value based on observable data such as ongoing redemption and/or subscription activity. As of June 30, 2016, the Foundation adopted Accounting Standards Update 2015-07, *Fair Value Measurement* (Topic 820), which allows for the entity to not categorize investments whose fair value is determined using the net asset value practical expedient within the fair value hierarchy. As a result, the Foundation has not classified these investments 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 trusts mature 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.

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

The following method and assumptions were used to estimate the fair value for assets measured at fair value on a non-recurring basis. There have been no changes to valuation method and assumptions during the year ended June 30, 2017.

Contributions receivable - Unconditional promises to give that are expected to be collected in future years are recorded at estimated fair value determined using the discounted present value of expected cash flows. The discounts on those amounts are computed using a risk adjusted discount rate applicable at the time the promises are received.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. For the years ended June 30, 2017 and 2016, the Foundation recorded $5,658,820 and $66,948,335 in contributions receivable assets measured at fair value, on a non-recurring basis.

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.

Assets measured at fair value on a recurring basis as of June 30, 2017 and 2016 are summarized as follows:

Fair Value Measurement at June 30, 2017	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities:				
Short-term investment fund	$1,298,947	$ -	$ -	$1,298,947
Commingled funds:				
International equities – emerging markets	14,773,766	-	-	14,773,766
Real assets – global natural resources	12,045,752	-	-	12,045,752
Total assets in the fair value hierarchy	28,118,465	-	-	28,118,465
Investments measured at net asset value (a)	-	-	-	522,060,135
Total investments at fair value	**28,118,465**	**-**	**-**	**550,178,600**
Other financial instruments				
Remainder interest trusts measured at NAV	-	-	-	10,251,364
Funds held in trust by others	-	-	10,892,643	10,892,643
Operating pool investments	30,612,193	-	-	30,612,193
Total investments & other financial instruments	**$58,730,658**	$ -	**$10,892,643**	**$601,934,800**

(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 on the Statement of Financial Position.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Measurement at June 30, 2016	Level 1	Level 2	Level 3	Total
Investments				
Marketable securities:				
Securities held for resale	$5,439	$ -	$ -	$5,439
Commingled funds:				
International equities – emerging markets	16,078,669	-	-	16,078,669
Real assets – global natural resources	21,069,652	-	-	21,069,652
Total assets in the fair value hierarchy	37,153,760	-	-	37,153,760
Investments measured at net asset value (a)	-	-	-	454,467,644
Total investments at fair value	**37,153,760**	-	-	**491,621,404**
Other financial instruments				
Remainder interest trusts measured at NAV	-	-	-	9,740,891
Funds held in trust by others	-	-	9,936,094	9,936,094
Operating pool investments	40,795,497	-	-	40,795,497
Total investments & other financial instruments	**$77,949,257**	$ -	**$9,936,094**	**$552,093,886**

(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 on the Statement of Financial Position.

Investment expenses, which have been netted against realized and unrealized gains and losses for the years ended June 30, 2017 and 2016 totaled $8,323,922 and $5,701,407, respectively.

The Foundation's policy is to recognize transfers between levels at the beginning of the reporting period. There were no transfers that occurred between Level 1, Level 2 and Level 3 during the years ended June 30, 2017 and 2016, respectively. Relating to Level 3, the following tables present a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs for the years ended June 30, 2017 and 2016, respectively:

	2017	2016
Beginning balances at July 1	**$9,936,094**	**$10,062,335**
Net realized and unrealized gains (losses) included in change in net assets	556,824	(315,607)
Purchases, sales issuances and settlements		
Purchases	634,156	243,314
Sales	(234,431)	(53,948)
Issuances	-	-
Settlements	-	-
Ending balances at June 30	**$10,892,643**	**$9,936,094**

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

The following tables disclose all investments whose value is calculated using NAV, using the practical expedient.

	June 30, 2017			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed income (a)				
Domestic institutional pooled fund	$73,247,892	$ -	Daily	2 days
Equities (b)				
Institutional pooled funds	240,462,082	-	Daily / 1-6 months	2 - 60 days
Hedge funds				
Long/short Equity (c)				
U.S. long/short	12,114,410	-	Annually	60 days
Global long/short	45,171,361	-	Quarterly / Annually / Every 3 Years	45-65 days
Absolute return (d)				
Diversified arbitrage	18,518,482	-	Quarterly	45 days
Event driven/open mandate	29,931,233	-	Quarterly / Annually / Every 12 months	30-90 days
Credit strategies/distressed	14,007,703	-	Quarterly / Annually / Every 24 Months	45-90 days
Global macro	4,124,078	-	Monthly	10 days
Limited partnerships (e)				
Venture capital	16,204,847	20,654,183		
Private equity	24,077,449	10,495,740		
Distressed assets	4,267,666	5,000,000		
Real estate	8,609,638	3,102,774		
Natural resources	20,446,701	12,199,556		
Real assets (f)				
Global real estate institutional pooled fund	10,876,593	-	Daily	2 days
Total investments	**$522,060,135**	**$51,452,253**		
Remainder interest trusts				
Fixed income				
Domestic institutional pooled fund	$3,352,546	$ -	Daily	N/A
Equities				
U.S. institutional pooled fund	3,803,206	-	Daily / 1-6 months	N/A
Global ex U.S. institutional pooled fund	2,178,711	-	1 - 6 months	N/A
Real Assets				
Global REIT mutual fund	469,664	-	Daily	N/A
Commodity index fund	447,237	-	Daily	N/A
Total other financial instruments	**$10,251,364**	**$ -**		

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

	June 30, 2016			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Fixed income (a)				
Domestic institutional pooled fund	$48,851,191	$ -	Daily	2 days
Global institutional pooled fund	25,780,882	-	Daily	10 days
Equities (b)				
Institutional pooled funds	178,422,072	-	Daily / 1-6 months	2 - 60 days
Hedge funds				
Long/short Equity (c)				
U.S. long/short	11,284,051	-	Annually	60 days
Global long/short	41,041,343	-	Quarterly / Annually / Every 3 Years	45-65 days
Absolute return (d)				
Diversified arbitrage	19,762,620	-	Quarterly	45 days
Event driven/open mandate	36,196,728	-	Quarterly / Annually / Every 12 months	30-90 days
Credit strategies/distressed	12,065,936	-	Quarterly / Annually / Every 24 Months	45-90 days
Global macro	1,265,615	-	Monthly	10 days
Limited partnerships (e)				
Venture capital	11,214,261	26,300,213		
Private equity	25,028,555	6,367,243		
Distressed assets	7,098,556	4,622,810		
Real estate	10,173,680	4,674,809		
Natural resources	15,370,240	18,780,647		
Real assets (f)				
Global real estate institutional pooled fund	10,911,914	-	Daily	2 days
Total investments	**$454,467,644**	**$60,745,722**		
Remainder interest trusts				
Fixed income				
Domestic institutional pooled fund	$3,527,701	$ -	Daily	N/A
Equities				
U.S. institutional pooled fund	3,458,810	-	Daily / 1-6 months	N/A
Global ex U.S. institutional pooled fund	1,910,925	-	1 - 6 months	N/A
Real Assets				
Global REIT mutual fund	441,794	-	Daily	N/A
Commodity index fund	401,661	-	Daily	N/A
Total other financial instruments	**$9,740,891**	**$ -**		

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

(a) Fixed Income - This category includes investments in domestic and global institutional pooled funds. 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. The investment objective of the global fund is to provide investors with competitive risk-adjusted total returns relative to the unhedged Citigroup World Government Bond Index (CWGBI) or the CWGBI ex-US, over a 3 to 5 year period. To do so, the fund follows a value philosophy, and concentrates portfolio assets in countries and currencies that fit its definition of value, which is signified by high real (inflation adjusted) interest rates and an appreciating currency. The fund seeks to limit risk by investing primarily in the sovereign debt of developed countries. As of June 30, 2017, all of these investments are held in the domestic institutional pooled fund and can be redeemed in less than one year.

(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, 2017, 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. Investments representing approximately 32.8% 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 67.2% can be redeemed in less than one year at June 30, 2017.

(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. Investments representing approximately 24.3% 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 75.7% can be redeemed in less than one year at June 30, 2017.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

(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 June 30th valuations of the investments in limited partnerships are based upon the value determined by each partnership's general partner as of March 31st, adjusted for capital contributions and distributions that occurred during the quarter ended June 30th. These amounts may differ from values that would be determined if the investments in limited partnerships were publicly traded or if the June 30th valuation amounts were currently available. 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, 2017, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest and partners' capital.

(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. The investment objective of the global natural resources mutual fund is long-term growth of capital. This investment objective is achieved by investing in equity and equity-related securities and in asset-based securities. As of June 30, 2017, all of the investments in this category can be redeemed in less than one year.

6. REMAINDER INTEREST TRUSTS

The Foundation is the beneficiary of numerous irrevocable charitable trusts and gift annuities. 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. These assets are then added to the endowment per the donor's direction. For gift annuities, 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.

Contributions of $251,135 and $993,180 were received for the years ended June 30, 2017 and 2016, respectively. The change in the value of annuities included in the change of split-interest agreements in the accompanying statement of activities was a decrease of $394,135 and $455,068 for the years ended June 30, 2017 and 2016, respectively.

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

	2017	2016
Fair value of securities held	$10,251,364	$9,740,891
Annuity obligations	(6,128,162)	(6,324,501)
Permanently restricted net assets	**$4,123,202**	**$3,416,390**

7. 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. Net realized and unrealized gains in trusts held by others are reported as permanently restricted because appreciation in such funds is not available for use by the Foundation unless appropriated by the respective trustees. 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. 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.

Contributions of $1,000,000 and $520,000 were received for the years ended June 30, 2017 and 2016, respectively. The change in the value of funds held in trust by others included in the change of split-interest agreements in the accompanying statement of activities was an increase of $556,824 for the year ended June 30, 2017 and a decrease of $363,657 for the year ended June 30, 2016.

Fair value of these funds at June 30 is as follows:

	2017	2016
Statement value	$17,619,318	$16,365,651
Discount to fair value	(6,726,675)	(6,429,557)
Funds held in trust by others - net	**$10,892,643**	**$9,936,094**

8. LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land	$1,619,876	$1,619,876
Buildings and leasehold improvements	2,935,889	2,935,889
Furniture, fixtures and equipment	2,445,477	2,540,452
Total land, buildings and equipment	7,001,242	7,096,217
Less: Accumulated depreciation	(2,980,105)	(2,931,881)
Land, buildings and equipment – net	**$4,021,137**	**$4,164,336**

Total depreciation expense for the years ended June 30, 2017 and 2016 was $141,913 and $97,360, respectively.

8. LAND, BUILDINGS AND EQUIPMENT *(continued)*

On January 15, 2016, the Foundation purchased real estate in the form of a building and land. The building currently has one tenant occupying the space. Management's intention is to renovate the building beginning in fiscal year 2018 and fully occupy the space in fiscal year 2019. The Foundation financed this property with a promissory note obligation (see Note 11).

9. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The cash surrender value of life insurance policies totaled $1,694,238 and $1,616,885 for the years ended June 30, 2017 and 2016, respectively.

The cash surrender value of life insurance policies is net of any outstanding policy loans. The net death benefit value of the underlying life insurance in force at June 30, 2017 and 2016 is approximately $8.4 million and $6.4 million, respectively. Various individuals have donated the 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.

10. AGENCY LIABILITY

The Foundation holds assets, primarily reported as investments, for the University, the Florida State University Alumni Association, the Florida Medical Practice Plan and Florida State University Athletics. The funds held on their behalf are reported as agency liabilities. The fair value of these investments as of June 30, 2017 and 2016 is as follows:

	2017	2016
University	$5,290,654	$ -
Florida State University Alumni Association	1,555,440	403,025
Florida Medical Practice Plan	794,284	720,406
Florida State University Athletics	770,172	-
Total Agency Liabilities	**$8,410,550**	**$1,123,431**

11. PROMISSORY NOTE PAYABLE

On January 15, 2016, the Foundation financed property with a fully amortizing nonrecourse promissory note for $4,042,334. The promissory note is collateralized by a building and underlying land with a carrying value of $3,925,445 (see Note 8) and anticipated future renovations. An interest payment was paid on July 15, 2016, and principal and interest payments of $29,426 are due monthly beginning August 15, 2016 through the due date of July 15, 2031 at a fixed rate of 3.71%.

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

Fiscal Year:	
2018	$215,732
2019	223,989
2020	232,214
2021	241,448
2022	250,688
Thereafter	2,691,246
Total future promissory note payments required	**$3,855,317**

Principal and interest payments of $329,934 and $69,570 were made during the years ended June 30, 2017 and 2016, respectively.

12. NET ASSETS

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

	2017	2016
Unrestricted		
Unrestricted net assets before adjustment for losses	$15,090,371	$12,808,548
Losses in excess of historic cost of endowments	(14,815,604)	(27,805,302)
Total unrestricted net assets	**$274,767**	**($14,996,754)**
Temporarily restricted		
General college support	$67,865,925	$63,219,393
Faculty and staff support	55,131,155	55,356,102
Student financial aid	52,918,640	48,805,997
Research	1,405,384	1,860,335
Facilities and equipment	15,016,332	14,909,512
Other	44,795,972	30,691,938
Total temporarily restricted net assets	**$237,133,408**	**$214,843,277**
Permanently restricted		
General college support	$130,819,062	$128,243,711
Faculty and staff support	99,609,342	99,072,150
Student financial aid	156,429,773	150,149,143
Research	516,028	514,068
Facilities and equipment	202,465	199,552
Other	54,091,320	53,922,645
Total permanently restricted net assets	**$441,667,990**	**$432,101,269**
Total net assets	**$679,076,165**	**$631,947,792**

13. ENDOWMENT

The *Not-for-Profit Entities Presentation of Financial Statements* ASC 958-205 provides guidance, among other things, on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). During the year ended June 30, 2011, the State of Florida adopted its version of UPMIFA with an effective date of July 1, 2012. The following disclosures are required by ASC 958-205 for all not-for-profit organizations.

13. ENDOWMENT *(continued)*

The Foundation's endowment consists of approximately 1,577 funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

Interpretation of Relevant Law

The management of the Foundation's endowed funds is guided by the laws of the State of Florida. Specifically, Title XXXVI, Business Organizations, Chapter 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Florida UPMIFA. In accordance with Florida UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1) The purposes of the institution;
2) The intent of the donors of the endowment fund;
3) The terms of the applicable instrument;
4) The long-term and short-term needs of the institution in carrying out its purposes;
5) The general economic conditions;
6) The possible effect of inflation or deflation;
7) The other resources of the institution; and
8) Perpetuation of the endowment.

Return Objectives and Risk Parameters

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.

13. ENDOWMENT *(continued)*

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 1.9% to cover administrative fees. Therefore, the desired minimum real rate of return is equal to CPI-U plus 590 basis points (5.9%) on an annualized basis. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's current spending policy is 4% of a three-year moving average of the quarterly market values of participating funds. Spending distributions are made to participating funds on a quarterly basis (1% per quarter) based on their pro-rata share of the total of all participating funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns.

13. ENDOWMENT *(continued)*

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated funds	$2,040,444	$ -	$ -	$2,040,444
Donor-restricted funds	(14,815,604)	62,787,503	416,250,490	464,222,389
Total funds	**($12,775,160)**	**$62,787,503**	**$416,250,490**	**$466,262,833**

Changes in endowment funds for the year ended June 30, 2017, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	($25,764,858)	$48,109,827	$405,849,043	$428,194,012
Investment return:				
Investment income	-	4,087,118	-	4,087,118
Net realized and unrealized gains	-	38,457,135	-	38,457,135
Recovery of previous losses in excess of historic cost of endowments	12,989,698	(12,989,698)	-	-
Total investment return	12,989,698	29,554,555	-	42,544,253
Contributions	-	1,345,982	11,103,966	12,449,948
Appropriation of endowment assets for expenditure	-	(16,242,034)	-	(16,242,034)
Other Changes				
Reclassification of assets	-	19,173	(702,519)	(683,346)
Endowment net assets (deficit), end of year	**($12,775,160)**	**$62,787,503**	**$416,250,490**	**$466,262,833**

13. ENDOWMENT *(continued)*

At June 30, 2016, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated funds	$2,040,444	$ -	$ -	$2,040,444
Donor-restricted funds	(27,805,302)	48,109,827	405,849,043	426,153,568
Total funds	**($25,764,858)**	**$48,109,827**	**$405,849,043**	**$428,194,012**

Changes in endowment funds for the year ended June 30, 2016, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	($8,373,757)	$65,984,325	$393,489,867	$451,100,435
Investment return:				
Investment income	-	3,043,240	-	3,043,240
Net realized and unrealized gains	-	(22,085,064)	-	(22,085,064)
Losses in excess of historic cost of endowments	(17,391,101)	17,391,101	-	-
Total investment return	(17,391,101)	(1,650,723)	-	(19,041,824)
Contributions	-	587,646	12,369,586	12,957,232
Appropriation of endowment assets for expenditure	-	(16,821,831)	-	(16,821,831)
Other Changes				
Reclassification of assets	-	10,410	(10,410)	-
Endowment net assets (deficit), end of year	**($25,764,858)**	**$48,109,827**	**$405,849,043**	**$428,194,012**

13. 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, 2017 and 2016 was $14,815,604 and $27,805,302, respectively and is classified as part of unrestricted net assets in the accompanying statement of activities. The recovery of previous losses of $12,989,698 and losses of $17,391,101 for the years ended June 30, 2017 and 2016, respectively, are reported in the accompanying statement of activities. Future gains will be used to restore these deficiencies in unrestricted net assets before any net appreciation above historical cost value of such funds increase temporarily restricted net assets. Under current State of Florida law, there is no legal obligation to restore these deficiencies.

14. PROGRAM EXPENDITURES

At June 30, expenditures for program support included the following purposes:

	2017	2016
Salary supplements	$12,351,526	$11,712,603
Scholarships, grants and fellowships	8,877,752	8,512,413
Travel and entertainment	6,991,062	7,064,689
Equipment and supplies	3,794,582	3,741,718
Professional services	2,996,216	2,728,078
Printing and marketing	2,356,498	2,384,698
Rents and leases	957,493	508,569
Utilities and maintenance	224,309	479,131
Taxes and license fees	174,909	450,608
Insurance	72,348	63,592
Other university support	2,699,347	1,122,010
Total program expenditures	**$41,496,042**	**$38,768,109**

15. EMPLOYERS CONTRIBUTION PLAN

The Foundation established a 403(b) tax deferred retirement plan to purchase annuity contracts for all 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.

15. EMPLOYERS CONTRIBUTION PLAN *(continued)*

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. To date, the Foundation has made contributions of $13,380,487, net of unvested forfeitures. Of this total, $1,236,253 and $1,263,178 was contributed during the years ended June 30, 2017 and 2016, respectively. In the event the plan is terminated, vested employees will at that time have a non-forfeitable interest in the annuity contract.

16. OPERATING LEASES

The Foundation has a lease agreement relating to office facilities, with an original expiration date of March 31, 2013, which has been extended. The modified lease has an annual term and may be renewed yearly for up to five years through March 31, 2018 with a rental rate increase of 3% per year. This lease will be replaced by real estate purchased by the Foundation on January 15, 2016, in the form of a building and land (See Note 8). Lease expense totaled $569,993 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental payments required under the existing operating lease are anticipated to be $427,491 for the fiscal year ending June 30, 2018.

The new office building currently has one tenant occupying the space. Rental income of $132,952 will be received through December 31, 2017, at which time the tenant will vacate the space and the Foundation will renovate and occupy the space.

17. COMMITMENTS AND CONTINGENCIES

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 FSU. Interest will be paid monthly based on the amount of principal outstanding and principal borrowings will be repaid upon the sale of property purchased with the line of credit. As of June 30, 2017, the Real Estate Foundation has not drawn any advances nor accrued any receivable for this line of credit.

18. FIRST GENERATION MATCHING GRANT PROGRAM

The Foundation solicits contributions in support of the State of Florida's First Generation Matching Grant Program. This program matches private donations with state funds to provide scholarships to students who are the first in their families to attend college. During the years ended June 30, 2017 and 2016, private donations including allocations from the FSU Collegiate License Plate Program were $1,858,518 and $538,694, respectively. Of the private donations received for the 2016-17 First Generation Matching Grant Program, $22,139 remains unmatched as of June 30, 2017. The Foundation has retained the required documentation for the matching donations and has certified the eligibility of the matching funds to the State University System Board of Governors.

19. RELATED PARTY TRANSACTIONS

The Foundation recognized support from the University of $7,832,639 and $7,273,256 for the years ended June 30, 2017 and 2016, respectively. These monies support fundraising salaries and provide other support.

In October of 2011, the Foundation entered into a contract with the University to conduct a comprehensive fundraising campaign to raise philanthropic funds for FSU priorities. The initial term of the agreement was through June 30, 2012. As the campaign is expected to last approximately eight years, and continued support from FSU may be required to conduct the campaign, the agreement is renewable on a year-to-year basis. Such renewal and the renewal amount will be documented annually by an amendment to the original agreement. The contract was extended for fiscal year 2018, and a payment of $5.3 million was received in June 2017. This payment is reflected in the accompanying statement of financial position as deferred revenue which will be recognized as services are performed during fiscal year 2018. Payments of $6.1 million were received in June 2016 in relation to the agreement for fiscal year 2017.

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. Since July 1, 2007, the University has provided funding for the accounting staff salaries which are included in administrative expenses in the accompanying statement of activities.

20. FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

The Real Estate Foundation was approved as a Direct Support Organization of FSU in June 2011. The Real Estate Foundation operates exclusively to receive, hold, invest, and administer property for the benefit of FSU. The Real Estate Foundation receives contributions of real estate, to hold, manage, lease, mortgage, develop, administer or sell in order to contribute or distribute all or a portion of the net proceeds from such activity to FSU, the Foundation, or such other entity as the Real Estate Foundation Board may determine appropriate.

The Foundation received proceeds from the Real Estate Foundation related to rental activity and the sale of property of $1,901 and $212,501 during the years ended June 30, 2017 and 2016, respectively.

The Foundation provided support to the Real Estate Foundation for administrative expenses of $100,000 and $75,000 for the years ended June 30, 2017 and 2016. The Foundation has extended a line of credit to the Real Estate Foundation for the purchase of properties as detailed in Note 17.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Florida State University Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
September 29, 2017