Audited Financial Statements

For the Year Ended June 30, 2015

THE FLORIDA STATE UNIVERSITY
FOUNDATION

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Financial Statements and Reports
For the Year Ended June 30, 2015
With Summarized Financial Information for the Year Ended June 30, 2014

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McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The 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, 2015, 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Florida State University Foundation, Inc. as of June 30, 2015, 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 The Florida State University Foundation, Inc.'s June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 October 1, 2015 on our consideration of The 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 The Florida State University Foundation, Inc.'s internal control over financial reporting and compliance.

McGladrey LLP

Orlando, Florida
October 1, 2015

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Financial Position
June 30, 2015
With Summarized Financial Information for June 30, 2014

	2015	2014
Assets		
Cash and cash equivalents	$18,349,544	$16,249,653
Operating pool investments	36,680,000	26,052,014
Accounts receivable - net	3,432,962	4,453,258
Contributions receivable - net	20,389,016	16,066,613
Investments	506,203,386	529,215,940
Remainder interest trusts	9,840,501	11,101,046
Funds held in trust by others - net	10,062,335	10,278,751
Other assets	1,772,069	2,152,235
Total assets	**$606,729,813**	**$615,569,510**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$3,750,423	$1,713,465
Deferred revenue	5,500,000	4,000,000
Compensated absence liability	840,978	802,670
Agency liability	1,161,800	417,132
Annuity obligations	6,010,022	7,424,048
Total liabilities	17,263,223	14,357,315
Commitments and contingencies (Note 16)		
Net assets		
Unrestricted	705,486	7,992,824
Temporarily restricted	170,785,202	184,576,879
Permanently restricted	417,975,902	408,642,492
Total net assets	589,466,590	601,212,195
Total liabilities and net assets	**$606,729,813**	**$615,569,510**

See Notes to Financial Statements.

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2015
With Summarized Financial Information for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenues					
Contributions	$125	$27,343,340	$8,233,385	$35,576,850	$26,329,238
University support	6,886,778	-	-	6,886,778	4,174,490
Other support	-	14,854,169	52,793	14,906,962	13,117,954
Interest and dividends	349	4,175,596	77,472	4,253,417	5,239,392
Net realized and unrealized (losses) gains	-	(9,539,125)	(207,825)	(9,746,950)	73,651,391
losses in excess of historic cost of endowments (Note 12)	(7,530,603)	7,530,603	-	-	-
Other revenue	730,319	2,668,426	-	3,398,745	3,116,225
Net assets released from restrictions:					
Program and facilities support	48,419,328	(48,954,904)	535,576	-	-
Administrative support	11,238,369	(11,238,369)	-	-	-
Total revenues	59,744,665	(13,160,264)	8,691,401	55,275,802	125,628,690
Expenses					
Program	48,636,328	-	-	48,636,328	44,250,142
FSU facilities construction	770,000	-	-	770,000	647,076
Administrative	6,516,117	-	-	6,516,117	6,367,038
Fundraising	11,109,558	-	-	11,109,558	9,777,152
Total expenses	67,032,003	-	-	67,032,003	61,041,408
Excess of revenues over expenses	(7,287,338)	(13,160,264)	8,691,401	(11,756,201)	64,587,282
Other changes					
Change in value of split-interest agreements	-	-	713,548	713,548	(1,747,868)
Provision for uncollectible pledges	-	(631,413)	(71,539)	(702,952)	(1,148,593)
Change in net assets	**(7,287,338)**	**(13,791,677)**	**9,333,410**	**(11,745,605)**	**61,690,821**
Net assets at beginning of year	7,992,824	184,576,879	408,642,492	601,212,195	539,521,374
Net assets at end of year	**$705,486**	**$170,785,202**	**$417,975,902**	**$589,466,590**	**$601,212,195**

See Notes to Financial Statements.

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2015
With Summarized Financial Information for June 30, 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	($11,745,605)	$61,690,821
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions for long-term endowments	(8,562,407)	(4,464,344)
Noncash items:		
Noncash gifts	(1,142,081)	(1,001,121)
Net realized and unrealized losses and (gains)	9,746,950	(73,651,391)
Change in value of split-interest agreements	(713,548)	1,747,868
Depreciation and amortization	59,946	53,807
Other adjustments	1,636	(569)
Provision for uncollectible pledges	1,275,252	1,148,593
Changes in assets and liabilities:		
Accounts receivable	1,020,296	(1,160,848)
Contributions receivable	(5,597,655)	(1,508,809)
Deferred revenue	1,500,000	1,544,457
Accounts payable	2,036,958	245,643
Compensated absence liability	38,308	111,665
Net cash used in operating activities	**(12,081,950)**	**(15,244,228)**
Cash flows from investing activities		
Proceeds from sale of investments	133,130,382	259,281,081
Proceeds from sale of real estate held for resale	449,650	-
Payments on notes	41,396	3,953
Purchase of investments	(127,379,266)	(259,593,088)
Purchase of property and equipment	(95,815)	(65,854)
Net cash provided by (used in) investing activities	**6,146,347**	**(373,908)**
Cash flows from financing activities		
Contributions for long-term endowments	8,562,407	4,464,344
Changes to funds held in trust by others	344,758	-
Payments of annuity obligations	(871,671)	(996,276)
Net cash provided by financing activities	**8,035,494**	**3,468,068**
Net change in cash and cash equivalents	2,099,891	(12,150,068)
Cash and cash equivalents - beginning of year	16,249,653	28,399,721
Cash and cash equivalents - end of year	**$18,349,544**	**$16,249,653**

See 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 the 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, 2014, 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 and subsequently amortized over the expected payment period, 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 1.41% to 5.00%.

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

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.

Cash and cash equivalents, accounts receivable, other assets, accounts payable and compensated absence liability have a carrying amount that is a reasonable estimate of the fair value because of the short maturity of these instruments. Annuity obligations are presented on a discounted basis that is representative of fair value as these are non-recurring fair value measurements.

The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 6.

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, 2015 and 2014, 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. The assets are recorded at fair value. Funds held in trust by others are valued at their net present value each year. The discount rate used is 6.26%.

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 disbursement, security distributions and significant known valuation changes in market values of securities 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.

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

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 3.66% and 3.58% for the years ended June 30, 2015 and 2014, respectively.

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 which are guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The Foundation has minimal cash deposited that exceeds the federally insured deposit amount. Management 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 53 different funds with over 40 unique managers. Only one investment exceeded 10% of the total portfolio as of June 30, 2015. This investment was in the Public Equity asset class – actively-managed fund (12.5%). 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.

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 approximately $496,225 and $2.04 million for the years ended June 30, 2015 and 2014, respectively.

Agency Transactions – The Foundation serves in an agency capacity for The Florida State University Alumni Association and the Florida Medical Practice Plan. 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 on the accompanying statement of activities.

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

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

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 \$252,490 and \$219,644 for the years ended June 30, 2015 and 2014, respectively, are included in program and administrative expenses in the accompanying statement of activities.

Depreciation – Property and equipment with a cost equal to or greater than \$1,000 are carried at cost or, if donated, at fair value, less accumulated depreciation. Items with a cost less than \$1,000 are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years.

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 2014 financial statements have been reclassified in order to conform with the 2015 presentation. These reclassifications had no impact on total assets, total liabilities, total net assets, or changes in net assets previously reported.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued which is October 1, 2015.

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

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. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. For investments that are redeemable with the investee at a future date, a reporting entity must consider the length of time until those investments become redeemable to determine the classification within the fair value hierarchy. 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. Management is reviewing the requirements of this ASU but believes the only impact on the financial statements will be on disclosure of certain investments recorded at the net asset value practical expedient.

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 as of June 30 consist of the following amounts:

	2015	2014
Fixed income:		
Institutional pooled funds	$36,680,000	$26,052,014

Investment expenses for the years ended June 30, 2015 and 2014 totaled $23,633 and $26,202, respectively.

2. OPERATING POOL INVESTMENTS *(continued)*

Approximately 100% and 99.7% of the Foundation's operating pool investments at June 30, 2015 and 2014, 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.

Approximately 0% and 0.3% of the Foundation's operating pool investments at June 30, 2015 and 2014, respectively, were invested in segregated distressed securities with limited liquidity held by the Florida State Board of Administration (SBA) with the objective of maximizing the present value of distributions as the securities are liquidated.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

Accounts receivable	**2015**	**2014**
Accounts receivable	$3,493,334	$4,591,960
Less: Allowance for uncollectibles	(9,535)	(54,450)
Unamortized discount	(50,837)	(84,252)
Total accounts receivable – net	**$3,432,962**	**$4,453,258**

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:

	2015	2014
In one year or less	$ 6,456,903	$3,326,337
Between one and five years	11,945,500	10,667,233
Greater than five years	6,017,562	6,048,936
Unconditional promises – face value	$24,419,965	$20,042,506
Less: Allowance for uncollectibles	(3,424,687)	(3,386,960)
Unamortized discount	(606,262)	(588,933)
Contributions receivable - net	**$20,389,016**	**$16,066,613**

Approximately 14% and 20% of contributions receivable were attributable to one donor at June 30, 2015 and 2014, 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, 2015 and 2014, the Foundation was the beneficiary of certain conditional promises and other items, such as bequests, that do not meet recognition criteria of approximately $307 million and $304 million, respectively. No receivable was recorded for these bequests and pledges, nor was the future support recognized.

At June 30, 2015 and 2014, 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

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 minimize 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 committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed.

5. INVESTMENTS *(continued)*

In April 2006, the Foundation engaged Cambridge Associates, LLC, an independent consulting firm, to execute the 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.

Investments as of June 30 consist of the following amounts:

	2015	2014
Fixed income:		
Institutional pooled funds	$74,519,149	$77,136,058
Equities:		
Securities held for resale	16,106	5,158
Institutional pooled funds	212,022,440	235,282,155
Hedge funds:		
Long/short equity		
U.S. long/short	15,815,261	14,968,270
Global long/short	45,260,360	32,295,367
Absolute return		
Diversified arbitrage	13,981,073	13,533,372
Event driven/open mandate	37,815,025	37,870,410
Credit strategies/distressed	11,379,595	11,569,190
Global macro	7,856,795	7,639,624
Limited partnerships:		
Venture capital	6,498,526	3,960,812
Private equity	25,345,940	25,851,461
Distressed assets	8,410,316	8,742,756
Real estate	8,560,449	7,832,118
Natural resources	9,372,851	7,325,900
Real assets:		
Mutual funds	21,044,352	45,203,289
Institutional pooled fund	8,305,148	-
Total	**$506,203,386**	**$529,215,940**

Investment expenses, which have been netted against realized and unrealized gains and losses for the years ended June 30, 2015 and 2014 totaled $6,214,390 and $8,686,675, respectively.

5. INVESTMENTS *(continued)*

Approximately 62.4% and 67.6% of the Foundation's investments at June 30, 2015 and 2014, respectively, are invested in institutional mutual funds. Such funds invest in publicly traded securities that are listed on national and secondary exchanges, treasury and agency bonds of the U.S. government, bonds of sovereign foreign governments, investment and non-investment grade corporate bonds and certificates of deposit.

Approximately 26.1% and 22.3% of the Foundation's investments at June 30, 2015 and 2014, respectively, were invested in hedge funds. These investments are not publicly listed or traded, and are not liquid. Each fund's investment manager calculates the fair value of investments on a monthly basis using the valuation guidelines stipulated in the respective investment agreements. Realized gains and losses and increases and decreases in fair value on such investments are reflected in net realized and unrealized (losses) gains in the accompanying statement of activities.

Approximately 11.5% and 10.1% of the Foundation's investments at June 30, 2015 and 2014, respectively, are invested with numerous partnerships, in which the Foundation is a limited partner, that specialize in making venture capital, buyout, distressed debt, special situation and equity-based real estate investments. Such investments, typically investments in private equity or debt securities of companies or properties that are not publicly listed or traded, are not liquid investments. The value of such investments is determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable company trade data, stipulated in the respective limited partnership agreements. 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. Realized gains and losses and increases and decreases in fair value on such investments are reflected in the accompanying statement of activities. All limited partnerships are audited annually by independent certified public accounting firms. As of June 30, 2015, pursuant to its limited partnership agreements, the Foundation is committed to contributing $131.5 million in capital over the next 15 years. As of June 30, 2015, the total unfunded commitment to these partnerships is approximately $67.9 million.

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures Topic* ASC 820 establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of the asset or liability as of the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which are included in Level 1 included listed equity securities and commingled funds traded in active markets with daily pricing.

Level 2 Pricing inputs are observable for the investment, either directly or indirectly, as of the reporting date but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. The types of investments included in this category are all other commingled funds, publicly-traded securities in less active markets or with restrictions on disposition, fixed income securities and management accounts custodied by BNY Mellon. Level 2 investments also include certain hedge funds measured using the practical expedient, that do not have any significant redemption restrictions, lock ups, gates or other characteristics that would cause liquidation and report date NAV to be significantly different.

Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The Foundation uses the net asset value of the hedge funds and limited partnerships as fair value except where certain conditions exist. Those conditions include; changes to key personnel, material amendments to key terms, material pending litigations, imposition of gates, and redemption fees. Investments in limited partnerships and certain hedge funds are included in this category. These investments would have significant redemption and other restrictions that would limit the Foundation's ability to redeem out of the fund at report date NAV.

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.

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
Notes to Financial Statements

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

The following tables present financial instruments that are measured at fair value on a recurring basis as of June 30, 2015 and June 30, 2014:

Fair Value Measurement at June 30, 2015	Total	Level 1	Level 2	Level 3
Investments				
Fixed income:				
Domestic institutional pooled fund	$48,255,468	$ -	$48,255,468	$ -
Global institutional pooled fund	26,263,681	-	26,263,681	-
Equities:				
Securities held for resale	16,106	16,106	-	-
U.S. institutional pooled fund	89,786,579	-	89,786,579	-
Global ex U.S. institutional pooled fund	68,797,202	-	68,797,202	-
Emerging markets institutional pooled fund	53,438,659	-	53,438,659	-
Hedge funds:				
U.S. long/short	15,815,261	-	15,815,261	-
Global long/short	38,988,530	-	38,988,530	-
Diversified arbitrage	13,981,073	-	13,981,073	-
Event driven/open mandate	37,815,025	-	28,736,448	9,078,577
Credit strategies/distressed	11,379,595	-	11,379,595	-
Global macro	7,856,795	-	7,856,795	-
Due from fund manager	6,271,830	-	6,271,830	-
Limited partnerships:				
Venture capital	6,498,526	-	-	6,498,526
Private equity	25,345,940	-	-	25,345,940
Distressed assets	8,410,316	-	-	8,410,316
Real estate	8,560,449	-	-	8,560,449
Natural resources	9,372,851	-	-	9,372,851
Real assets:				
Global REIT mutual fund	8,305,148	-	8,305,148	-
Global natural resources mutual fund	21,044,352	-	21,044,352	-
Total investments	**$506,203,386**	**$16,106**	**$438,920,621**	**$67,266,659**
Remainder interest trusts				
Short-term investment fund	$ 140,952	$ 140,952	$ -	$ -
Fixed income:				
Domestic institutional pooled fund	3,186,104	-	3,186,104	-
Equities:				
U.S. institutional pooled fund	3,287,960	-	3,287,960	-
Global ex U.S. institutional pooled fund	2,329,994	-	2,329,994	-
Real assets:				
Global REIT mutual fund	447,835	-	447,835	-
Commodity index fund	447,656	-	447,656	-
Total remainder interest trusts	**$9,840,501**	**$140,952**	**$9,699,549**	**$ -**
Funds held in trust by others	**$10,062,335**	**$ -**	**$ -**	**$10,062,335**
Total investments & financial instruments	**$526,106,222**	**$157,058**	**$448,620,170**	**$77,328,994**
Operating pool investments	**$36,680,000**	**$36,680,000**	**$ -**	**$ -**

THE FLORIDA STATE UNIVERSITY FOUNDATION, INC.
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6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Measurement at June 30, 2014	Total	Level 1	Level 2	Level 3
Investments				
Fixed income:				
Domestic institutional pooled fund	$48,451,031	$ -	$48,451,031	$ -
Global institutional pooled fund	28,685,027	-	28,685,027	-
Equities:				
Securities held for resale	5,158	5,158	-	-
U.S. institutional pooled fund	100,791,670	-	100,791,670	-
Global ex U.S. institutional pooled fund	76,522,518	-	76,522,518	-
Emerging markets institutional pooled fund	57,967,967	-	57,967,967	-
Hedge funds:				
U.S. long/short	14,968,270	-	14,968,270	-
Global long/short	32,295,367	-	32,295,367	-
Diversified arbitrage	13,533,372	-	13,533,372	-
Event driven/open mandate	37,870,410	-	29,818,092	8,052,318
Credit strategies/distressed	11,569,190	-	11,569,190	-
Global macro	7,639,624	-	7,639,624	-
Limited partnerships:				
Venture capital	3,960,812	-	-	3,960,812
Private equity	25,851,461	-	-	25,851,461
Distressed assets	8,742,756	-	-	8,742,756
Real estate	7,832,118	-	-	7,832,118
Natural resources	7,325,900	-	-	7,325,900
Real assets:				
Global REIT mutual fund	8,711,979	-	8,711,979	-
Global natural resources mutual fund	36,491,310	-	36,491,310	-
Total investments	**$529,215,940**	**$5,158**	**$467,445,417**	**$61,765,365**
Remainder interest trusts				
Short-term investment fund	$ 304,952	$304,952	$ -	$ -
Fixed income:				
Domestic institutional pooled fund	3,532,372	-	3,532,372	-
Equities:				
U.S. institutional pooled fund	3,634,948	-	3,634,948	-
Global ex U.S. institutional pooled fund	2,617,748	-	2,617,748	-
Real assets:				
Global REIT mutual fund	522,945	-	522,945	-
Commodity index fund	488,081	-	488,081	-
Total remainder interest trusts	**$11,101,046**	**$304,952**	**$10,796,094**	**$ -**
Funds held in trust by others	**$10,278,751**	**$ -**	**$ -**	**$10,278,751**
Total investments & financial instruments	**$550,595,737**	**$310,110**	**$478,241,511**	**$72,044,116**
Operating pool investments	**$26,052,014**	**$25,983,606**	**$68,408**	**$ -**

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. There have been no changes to valuation methods and assumptions during the year ended June 30, 2015.

Fixed income – Investments in fixed income vehicles are comprised of domestic and global institutional pooled (commingled) funds which are classified as Level 2, based on multiple sources of information. These sources may include market data for assets from markets that are not active and/or quoted market prices for the same or similar assets in active markets. These investments are valued at net asset value.

Equities – Investments in equity vehicles are comprised of domestic and global institutional pooled (commingled) funds which are classified as Level 2, based on multiple sources of information. These sources may include market data for assets from markets that are not active and/or quoted market prices for the same or similar assets in active markets. These investments are valued at net asset value.

Hedge funds – Investments in an offshore fund (event driven/open mandate) for which there is no readily determinable fair value are classified as Level 3, as the valuation is based on significant unobservable inputs. These unobservable inputs are based upon the best available information in the circumstances and always include the investee's own data. The Foundation uses the net asset value of the hedge funds as fair value except where certain conditions exist. Investments in offshore funds (U.S. and global long/short, diversified arbitrage, event driven/open mandate, credit strategies/distressed and global macro), where the investee provides its investors with a net asset value per share (or its equivalent), are classified as Level 2. The fair value for these assets is estimated by adjusting the NAV provided by the investee for cash receipts, cash disbursements, and significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30, 2015. Due from fund manager represents an investment liquidated prior to year-end but the related proceeds had not been received as of June 30, 2015.

Due from fund manager – The Foundation had an amount due from a fund manager at June 30, 2015 as a result of the liquidation of the Foundation's investment in a global long/short hedge fund at year end.

Limited partnerships – Investments in limited partnerships for which there is no readily determinable fair value are classified as Level 3, as the valuation is based on significant unobservable inputs. To estimate fair value, the Foundation uses the net asset value of the limited partnerships except where certain conditions exist.

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

Real assets – Investments in real asset vehicles are comprised of global natural resources and real estate institutional pooled (commingled) fund, which are classified as Level 2, are based on multiple sources of information and valued at NAV. These sources may include market data for assets from markets that are not active and/or quoted market prices for the same or similar assets in active markets.

Classification within the fair value hierarchy of investments that are measured at NAV including hedge funds, limited partnerships and real assets requires judgment, considering the following:

- If the Foundation has the ability to redeem its investment with the investee at net asset value at the balance sheet (measurement) date, the fair value measurement of the investment is categorized as a Level 2 fair value measurement.
- If the Foundation will never have the ability to redeem its investment with the investee at net asset value, the fair value measurement of the investment is categorized as a Level 3 fair value measurement.
- If the Foundation cannot redeem its investment with the investee at net asset value at the measurement date but the investment may be redeemable with the investee at a future date, the Foundation considers the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment will be categorized as a Level 2 or a Level 3 fair value measurement.

Remainder interest trusts – The Foundation's beneficial interest in funds held in trust administered by a third party are classified as Level 1 and 2. The fair value of the short-term investment fund is classified as Level 1. The Level 2 trust assets are invested in equity, fixed income and real assets vehicles which are comprised of institutional pooled (commingled) funds. To estimate the fair value, the Foundation used an industry standard valuation model which is based on a market approach. 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 estimated using the income approach and are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

Operating pool investments – The Foundation's operating pool investments are classified as Level 1 and 2. The fair value of the investment in the short-term investment grade bond fund with underlying credit quality primarily rated Aaa to Baa is classified as Level 1. The portion invested in the surplus trust fund administered by the State of Florida, which is valued as a fluctuating NAV pool, is classified as Level 2.

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, 2015.

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.

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 year ended June 30, 2015 and 2014, the Foundation had $9,255,036 and $5,734,405 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.

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

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, 2015 and June 30, 2014. 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, 2015 and June 30, 2014:

	Event driven/ open mandate	Venture capital	Private equity	Distressed assets	Real estate	Natural resources	Funds held in trust by others	Total investments and financial instruments
Beginning balances at July 1, 2014	**$8,052,318**	**$3,960,812**	**$25,851,461**	**$8,742,756**	**$7,832,119**	**$7,325,900**	**$10,278,750**	**$72,044,116**
Net realized and unrealized gains (losses) included in change in net assets	26,259	984,342	3,541,883	889,565	1,266,133	(384,627)	(57,775)	6,265,780
Purchases, sales issuances and settlements								
Purchases	1,000,000	2,009,851	299,381	-	1,782,930	2,623,820	175,552	7,891,534
Sales	-	(456,479)	(4,346,785)	(1,222,005)	(2,320,733)	(192,242)	(334,192)	(8,872,436)
Issuances	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Ending balances at June 30, 2015	**$9,078,577**	**$6,498,526**	**$25,345,940**	**$8,410,316**	**$8,560,449**	**$9,372,851**	**$10,062,335**	**$77,328,994**

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

	Event driven/ open mandate	Venture capital	Private equity	Distressed assets	Real estate	Natural resources	Funds held in trust by others	Total investments and financial instruments
Beginning balances at July 1, 2013	**$7,328,638**	**$2,577,768**	**$22,721,186**	**$7,566,940**	**$7,113,582**	**$4,021,157**	**$10,317,470**	**$61,646,741**
Net realized and unrealized gains (losses) included in change in net assets	723,680	687,441	4,214,349	1,568,444	1,598,741	372,969	(53,569)	9,112,055
Purchases, sales issuances and settlements								
Purchases	-	856,012	574,276	-	1,405,968	2,950,524	14,850	5,801,630
Sales	-	(160,409)	(1,658,350)	(392,628)	(2,286,173)	(18,750)	-	(4,516,310)
Issuances	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Ending balances at June 30, 2014	**$8,052,318**	**$3,960,812**	**$25,851,461**	**$8,742,756**	**$7,832,118**	**$7,325,900**	**$10,278,751**	**$72,044,116**

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

The following tables disclose all investments whose value is calculated using NAV.

June 30, 2015	Fair Value	Unfunded Commitments	Exit Frequency	Days Notice
Fixed Income (a)				
Domestic institutional pooled fund	$48,255,468	$ -	Daily	N/A
Global institutional pooled fund	26,263,681	-	Daily	N/A
Equities (b)				
U.S. institutional pooled fund	89,786,579	-	Daily / 1-6 months	2 - 60 days
Global ex U.S. institutional pooled fund	68,797,202	-	1 - 6 months	1 - 15 days
Emerging markets institutional pooled fund	53,438,659	-	Daily / 1-6 months	0 - 30 days
Hedge Funds				
Long/Short Equity (c)				
U.S. long/short	15,815,261	-	Annually	60 days
Global long/short	45,260,360	-	Quarterly / Annually / Every 3 Years	45-65 days
Absolute Return (d)				
Diversified arbitrage	13,981,073	-	Quarterly	45 days
Event driven/open mandate	37,815,025	-	Quarterly / Annually / Every 12 months	30-90 days
Credit strategies/distressed	11,379,595	-	Quarterly / Annually / Every 24 Months	45-90 days
Global macro	7,856,795	-	Monthly	10 days
Limited Partnerships (e)				
Venture capital	6,498,526	31,181,050		
Private equity	25,345,940	3,984,957		
Distressed assets	8,410,316	-		
Real estate	8,560,449	7,465,652		
Natural resources	9,372,851	25,264,858		
Real Assets (f)				
Global REIT mutual fund	8,305,148	-	Daily	N/A
Global natural resources mutual fund	21,044,352	-	Daily	N/A
Remainder interest trusts				
Fixed income (a)				
Domestic institutional pooled fund	3,186,104	-	Daily	N/A
Equities (b)				
U.S. institutional pooled fund	3,287,960	-	Daily / 1-6 months	N/A
Gobal ex U.S. institutional pooled fund	2,329,994	-	1 - 6 months	N/A
Real Assets (f)				
Global REIT mutual fund	447,835	-	Daily	N/A
Commodity index fund	447,656	-	Daily	N/A
Total	**$515,886,829**	**$67,896,517**		

6. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENTS *(continued)*

June 30, 2014	Fair Value	Unfunded Commitments	Exit Frequency	Days Notice
Fixed Income (a)				
Domestic institutional pooled fund	$48,451,031	$ -	Daily	N/A
Global institutional pooled fund	28,685,027	-	Daily	N/A
Equities (b)				
U.S. institutional pooled fund	100,791,670	-	Daily / 1-6 months	2 - 60 days
Global ex U.S. institutional pooled fund	76,522,518	-	1 - 6 months	1 - 15 days
Emerging markets institutional pooled fund	57,967,967	-	Daily / 1-6 months	0 - 30 days
Hedge Funds				
Long/Short Equity (c)				
U.S. long/short	14,968,271	-	Annually	60 days
Global long/short	32,295,367	-	Quarterly / Annually / Every 3 Years	45-65 days
Absolute Return (d)				
Diversified arbitrage	13,533,372	-	Quarterly	45 days
Event driven/open mandate	37,870,410	-	Quarterly / Annually / Every 12 months	30-90 days
Credit strategies/distressed	11,569,190	-	Quarterly / Annually / Every 24 Months	45-90 days
Global macro	7,639,624	-	Monthly	10 days
Limited Partnerships (e)				
Venture capital	3,960,812	13,690,550		
Private equity	25,851,461	5,638,550		
Distressed assets	8,742,756	-		
Real estate	7,832,119	5,359,869		
Natural resources	7,325,900	13,425,729		
Real Assets (f)				
Global REIT mutual fund	8,711,979	-	Daily	N/A
Global natural resources mutual fund	36,491,310	-	Daily	N/A
Remainder interest trusts				
Fixed income (a)				
Domestic institutional pooled fund	3,532,372	-	Daily	N/A
Equities (b)				
U.S. institutional pooled fund	3,634,948	-	Daily / 1-6 months	N/A
Gobal ex U.S. institutional pooled fund	2,617,748	-	1 - 6 months	N/A
Real Assets (f)				
Global REIT mutual fund	522,945	-	Daily	N/A
Commodity index fund	488,081	-	Daily	N/A
Total	**$540,006,878**	**$38,114,698**		

6. FINANCIAL INSTRUMENTS - 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 3-5 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, 2015, all of the investments in this category can be redeemed in less than one year.

(b) Equities - This category includes investments in U.S., global ex. U.S., 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, 2015, 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 net asset value per share of the investments. Investments representing approximately 35.8% 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 64.2% can be redeemed in less than one year at June 30, 2015.

(d) Absolute return - This category includes investments in offshore funds, except for one unit trust fund, 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 net asset value per share of the investments. Investments representing approximately 16.0% 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 84.0% can be redeemed in less than one year at June 30, 2015.

6. FINANCIAL INSTRUMENTS - 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 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, 2015, 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. 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 REIT and a global natural resources 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, 2015, all of the investments in this category can be redeemed in less than one year.

7. 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. See Note 1 for the discount rate used.

For the year ended June 30, 2015, contributions of $375,180 were received. 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 $760,758.

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

	2015	2014
Fair value of securities held	$9,840,501	$11,101,046
Annuity obligations	(6,010,022)	(7,424,048)
Permanently restricted net assets	**$3,830,479**	**$3,676,998**

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. 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.

For the year ended June 30, 2015, contributions of $175,552 were received. 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 $47,210.

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

	2015	2014
Statement value	$16,744,349	$ 16,990,852
Discount to fair value	(6,682,014)	(6,712,101)
Funds held in trust by others - net	**$10,062,335**	**$10,278,751**

9. OTHER ASSETS

Other assets consist of the following at June 30:

	2015	2014
Real estate held for resale	$ -	$ 423,559
Property and equipment - net	194,309	160,076
Note receivable	-	41,396
Cash surrender value of life insurance	1,577,760	1,527,204
Other assets	**$1,772,069**	**$2,152,235**

Effective July 2011, The Florida State University Real Estate Foundation (Real Estate Foundation) was created to receive real estate gifts. Gifts or bequests made prior to the establishment of the Real Estate Foundation which designated the Foundation as beneficiary were received by the Foundation and, if permitted by the terms of the gift agreement, transferred to the Real Estate Foundation. At June 30, 2014, there was one property held for resale located in Tallahassee, FL. This property was sold in August 2014.

9. OTHER ASSETS *(continued)*

Property and equipment consist of the following at June 30:

	2015	2014
Leasehold improvements	$ 516,050	$ 516,050
Furniture, fixtures and equipment	2,656,199	2,599,837
Vehicles	1,124	1,124
Total depreciable assets	3,173,373	3,117,011
Less: Accumulated depreciation and amortization	(2,979,064)	(2,956,935)
Property and equipment – net	**$194,309**	**$160,076**

Total depreciation and amortization expense for the years ended June 30, 2015 and 2014 was $59,945 and $53,807, 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, 2015 and 2014 is approximately $6.5 million and $5.9 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 these 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 Florida State University Alumni Association, Inc. and the Florida Medical Practice Plan. The funds held on their behalf are reported as agency liabilities. The fair value of these investments as of June 30, 2015 and 2014 is $1,161,800 and $417,132, respectively.

11. NET ASSETS

At June 30, net assets included unrestricted funds and funds restricted by donors for the following purposes:

	2015	2014
Unrestricted		
Unrestricted net assets before adjustment for losses	$11,119,687	$10,876,422
Losses in excess of historic cost of endowments	(10,414,201)	(2,883,598)
Total unrestricted net assets	**$705,486**	**$7,992,824**
Temporarily restricted		
Faculty and staff support	$102,692,489	$114,533,909
Student financial aid	40,947,042	45,797,933
Student organizations	1,485,609	1,465,607
University administration	5,507,012	4,559,227
Research	834,063	914,805
Facilities, equipment and other	19,318,987	17,305,398
Total temporarily restricted net assets	**$170,785,202**	**$184,576,879**
Permanently restricted		
Faculty and staff support	$261,425,176	$258,851,366
Student financial aid	137,222,897	132,460,445
Student organizations	484,994	471,852
University administration	86,057	85,974
Research	1,236,574	1,239,871
Facilities and equipment	4,207,001	4,173,233
Remainder interest in trusts	13,313,205	11,359,751
Total permanently restricted net assets	**$417,975,904**	**$408,642,492**
Total net assets	**$589,466,592**	**$601,212,195**

12. 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 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.

12. ENDOWMENT *(continued)*

The Foundation's endowment consists of approximately 1,437 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.

12. 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 2.1% to cover administrative fees. Therefore, the desired minimum real rate of return is equal to CPI-U plus 610 basis points (6.1%) 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.

12. ENDOWMENT *(continued)*

At June 30, 2015, 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	(10,414,201)	65,984,325	393,489,867	449,059,991
Total funds	**($8,373,757)**	**$65,984,325**	**$393,489,867**	**$451,100,435**

Changes in endowment funds for the year ended June 30, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	($843,154)	$88,175,362	$383,988,353	$471,320,561
Investment return:				
Investment income	-	3,125,937	-	3,125,937
Net realized and unrealized gains		(16,938,764)	-	(16,938,764)
Losses in excess of historic cost of endowments	(7,530,603)	7,530,603	-	-
Total investment return	(7,530,603)	(6,282,224)	-	(13,812,827)
Contributions	-	450,914	9,477,075	9,927,989
Appropriation of endowment assets for expenditure	-	(16,335,288)	-	(16,335,288)
Other Changes				
Reclassification of assets	-	(24,439)	24,439	-
Endowment net assets (deficit), end of year	**($8,373,757)**	**$65,984,325**	**$393,489,867**	**$451,100,435**

12. ENDOWMENT *(continued)*

At June 30, 2014, 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	(2,883,598)	88,175,362	383,988,353	469,280,117
Total funds	**($843,154)**	**$88,175,362**	**$383,988,353**	**$471,320,561**

Changes in endowment funds for the year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	($15,113,070)	$52,425,298	$377,995,911	$415,308,139
Investment return:				
Investment income	-	3,860,240	-	3,860,240
Net realized and unrealized gains	-	57,640,500	-	57,640,500
Recovery of previous losses	14,217,953	(14,217,953)	-	-
Total investment return	14,217,953	47,282,787	-	61,500,740
Contributions	-	3,004,934	6,080,806	9,085,740
Appropriation of endowment assets for expenditure	-	(14,574,058)	-	(14,574,058)
Other Changes				
Reclassification of assets	51,963	36,401	(88,364)	-
Endowment net assets (deficit), end of year	**($843,154)**	**$88,175,362**	**$383,988,353**	**$471,320,561**

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, 2015 and 2014 was $10,414,201 and $2,883,598, respectively and is classified as part of unrestricted net assets on the accompanying statement of activities. Losses of $7,530,603 for the year ended June 30, 2015 are reported in the accompanying statement of activities.

13. LONG-TERM INVESTMENT PORTFOLIO

All endowment funds of the Foundation are combined, or pooled, for purposes of investment. Each endowment receives its proportionate share of the investment portfolio's total return. From this, an administrative fee is transferred to the unrestricted fund to support the Foundation's operations, a spending distribution is transferred to the endowment's restricted expendable fund and the remaining gain or loss is added to the endowment.

A portion of restricted, expendable funds is also invested in the long-term investment portfolio. Annually, 4% of these funds are transferred to the unrestricted fund to support the Foundation's operations.

The performance of the Foundation's long-term investment portfolio for the year ended June 30 is summarized below:

	2015	**2014**
Foundation Investment Portfolio Total Return (net of fees)	-1.20%	17.00%
Less: Budgeted Spending Rate and Administrative Fee	-6.10%	-6.20%
Inflation (Consumer Price Index – Urban[CPI-U])	0.57%	-2.07%
Net Real Return	**-6.73%**	**8.73%**

14. PROGRAM EXPENDITURES

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

	2015	**2014**
Salary supplements	$10,335,225	$10,338,901
Scholarships, grants and fellowships	8,471,127	7,143,432
Travel and entertainment	6,870,062	6,469,417
Equipment and supplies	3,287,145	2,906,478
Professional services	2,209,341	2,285,016
Printing and marketing	2,065,734	2,001,435
Rents and leases	476,330	371,380
Utilities and maintenance	314,527	284,380
Taxes and license fees	131,527	139,286
Insurance	13,169	21,816
Other university support	1,056,070	1,165,818
	35,230,257	33,127,359
Athletic development	13,406,071	11,122,783
Total program expenditures	**$48,636,328**	**$44,250,142**

14. PROGRAM EXPENDITURES *(continued)*

Athletic development expenditures included in program support are primarily salary supplements for coaches and staff and expenses related to team travel. These expenditures are offset by monies received from the Seminole Boosters, Inc., a direct support organization of FSU. The monies received are included in other support on the accompanying statement of activities and totaled $13,348,362 and $11,080,165 for the years ended June 30, 2015 and 2014, respectively.

15. OPERATING LEASE

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 non-cancelable term and may be renewed yearly for up to five years through March 31, 2018 with a rental rate increase of 3% per year. In the normal course of business, it is expected that this lease will be renewed or replaced by the purchase or lease of other facilities. Lease expense totaled $569,993 for each of the years ended June 30, 2015 and 2014.

The following is a schedule by years of future minimum rental payments required under the existing operating lease.

Fiscal Year ending June 30:	
2016	$ 574,263
2017	591,491
2018	453,525
Total minimum lease payments required	**$1,619,279**

16. COMMITMENTS AND CONTINGENCIES

In October 2004, the Foundation ceded operational control and ownership of the Appleton Museum of Art and certain collections of art to the Central Florida Community College and Central Florida Community College Foundation. As part of the transfer, the Foundation agreed to guarantee operating funds up to $1.3 million per year for the period of October 2004 through September 2015, payable in the event the State of Florida specifically reduces or eliminates the appropriated recurring operating funds currently included in the legislative budget. As of June 30, 2015, the Foundation has not made any payments as guarantor nor accrued any liability for this guarantee.

16. COMMITMENTS AND CONTINGENCIES *(continued)*

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, 2015, the Foundation has not made any advances nor accrued any receivable for this line of credit.

In July 2013, the Foundation received notification that a donor considered the Foundation in default on the gift agreement, and subsequent amendments, that were executed in relation to their gift. This matter has yet to be resolved, but the Foundation does not consider itself in default. The total amount of payments and pledges made by this donor and recorded on the financial statements of the Foundation that could be subject to the claim is approximately $6.1 million. In addition, the donor's $30 million bequest, as well as another unrecorded commitment totaling $2 million, may be at risk.

17. FSU FOUNDATION 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.

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 $12,144,234, net of unvested forfeitures. Of this total, $1,153,699 and $1,106,287 was contributed during the years ended June 30, 2015 and 2014, respectively. In the event the plan is terminated, vested employees will at that time have a non-forfeitable interest in the annuity contract.

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, 2015 and 2014, private donations including allocations from the FSU Collegiate License Plate Program were $525,293 and $551,897, respectively. 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 $6,886,778 and $4,174,490 for the years ended June 30, 2015 and 2014, respectively. These monies support fundraising activities and salaries.

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. On June 17, 2015, the contract was extended to June 30, 2016. A payment of $5.5 million was received in June 2015. 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 2016. Payments of $5.2 million were received in relation to the agreement for fiscal year 2015.

The employees of the Foundation's Accounting Office are employed by the University and report to the Assistant Vice President and Controller 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. THE FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

The Real Estate Foundation was approved as a Direct Support Organization of FSU in June 2011 and held its inaugural board meeting in July 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 due to the sale of property of $52,793 and $139,985 during the years ended June 30, 2015 and 2014, respectively.

The Foundation provided support to the Real Estate Foundation for administrative expenses of $75,000 and $200,000 for the years ended June 30, 2015 and 2014, respectively. The Foundation has extended a line of credit to the Real Estate Foundation for the purchase of properties as detailed in Note 16.

McGladrey

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
The Florida State University Foundation, Inc.
Tallahassee, Florida

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 The Florida State University Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2015, 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 October 1, 2015.

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.

McGladrey LLP

Orlando, Florida
October 1, 2015