

**THE FLORIDA STATE UNIVERSITY
INTERNATIONAL PROGRAMS
ASSOCIATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
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SEPTEMBER 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Florida State University International Programs Association, Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Florida State University International Programs Association, Inc. (the Association), a component unit of Florida State University, as of and for the years ended September 30, 2020 and 2019, and the related notes to the consolidated financial statements, which collectively comprise the Association's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

The Association's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of The Florida State University International Programs Association UK, Fundación Florida State University – Panama, or Fundación Comunidad Valenciana FSU Programs Internacionales (collectively, the Foreign Entities) which represent approximately 48% and 58% combined of the assets and revenue, respectively, for the year ended September 30, 2020 and 49% and 25% combined of the assets and revenue, respectively, for the year ended September 30, 2019. Those financial statements, which were prepared in accordance with other financial reporting standards, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the consolidated financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the foreign operations, is based solely on the reports of the other auditors. 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. The financial statements of the Foreign Entities were not audited in accordance with *Government Auditing Standards*.

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121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Association'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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association and affiliates as of September 30, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

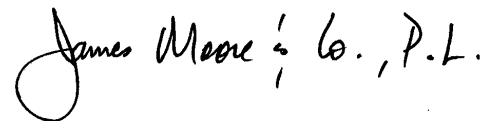
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial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

Emphasis of Matter – COVID-19

As discussed in Note 11, the COVID-19 pandemic is creating substantial negative impacts to the Association's operations and financial position. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while the Association cannot reasonably estimate the length or severity of this pandemic, management believes that a material impact on the Association's future financial position and results of future operations is likely. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021 on our consideration of the Association'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 Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Tallahassee, Florida
February 11, 2021

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

This discussion and analysis of the financial performance of The Florida State University International Programs Association, Inc. (Association) provides an overview of the Association's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Association's consolidated financial statements, which follow this section.

The following are various financial highlights for fiscal year 2020:

- The Association's net position decreased by \$4,807,320 for fiscal year 2020.
- Total ending net position was \$40,168,273, a decrease over the previous year of approximately 10.7%.
- The Association had total operating expenses for the year of \$13.0 million, compared to operating revenues of \$8.5 million, resulting in an operating loss of \$4.5 million. Comparative figures for fiscal year 2019 were operating expenses of \$18.9 million, versus revenues of \$23.2 million, resulting in an operating gain of \$4.3 million.
- Non-operating revenues, net of non-operating expenses, for the 12-month period ended September 30, 2020 resulted in a gain of \$12,331. Non-operating revenues, net of non-operating expenses, for the previous fiscal year resulted in a gain of \$34,371.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Association's consolidated financial report includes three primary financial statements: The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The first financial statement is the Statement of Net Position. This statement includes all of the Association's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Net position—the difference between assets and liabilities—may be used to measure the Association's financial health, or financial position.

The second financial statement is the Statement of Revenues, Expenses, and Changes in Net Position. This statement also uses the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Association's financial health is improving or deteriorating. However, other non-financial factors, such as world events and the national and international economy must also be considered when assessing the overall health of the Association.

The third statement is the Statement of Cash Flows. This statement presents the cash receipts and cash payments of the Association and the net cash resulting from its operating, financing and investing activities.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019
(Continued)**

CONDENSED FINANCIAL INFORMATION

CONDENSED STATEMENTS OF NET POSITION

	2020	2019	2018
Assets			
Current assets	\$ 10,669,726	\$ 20,055,838	\$ 23,577,680
Noncurrent assets	395,561	353,587	354,206
Capital assets, net	33,660,509	27,799,620	19,312,589
Total assets	<u>44,725,796</u>	<u>48,209,045</u>	<u>43,244,475</u>
Liabilities			
Current liabilities	4,123,744	2,905,636	2,596,421
Long-term liabilities	433,779	327,816	317,817
Total liabilities	<u>4,557,523</u>	<u>3,233,452</u>	<u>2,914,238</u>
Net position			
Net Investment in Capital Assets	33,660,509	27,799,620	19,312,589
Unrestricted	4,367,491	14,742,053	18,873,934
Adjustment from Foreign Currency Translation	2,140,273	2,433,920	2,143,714
Total net position	<u>40,168,273</u>	<u>44,975,593</u>	<u>40,330,237</u>
Total liabilities and net position	<u>\$ 44,725,796</u>	<u>\$ 48,209,045</u>	<u>\$ 43,244,475</u>

For more detailed information, see the accompanying Statements of Net Position.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

	2020	2019	2018
Operating revenues	\$ 8,490,995	\$ 23,217,097	\$ 21,081,280
Operating expenses	(13,016,999)	(18,896,318)	(16,613,393)
Net operating revenues	<u>(4,526,004)</u>	<u>4,320,779</u>	<u>4,467,887</u>
Non-operating revenues	52,134	34,371	50,721
Non-operating expenses	(39,803)	-	(6,262)
Net non-operating revenues (expenses)	<u>12,331</u>	<u>34,371</u>	<u>44,459</u>
Increase in net position	(4,513,673)	4,355,150	4,512,346
Foreign currency translation	(293,647)	290,206	13,667
Net position, beginning	<u>44,975,593</u>	<u>40,330,237</u>	<u>35,804,224</u>
Net position, ending	<u>\$ 40,168,273</u>	<u>\$ 44,975,593</u>	<u>\$ 40,330,237</u>

For more detailed information, see the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019
(Continued)**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Like the majority of other organizations and individuals around the world, the Association was significantly affected by the outbreak and continuing presence of the COVID-19 virus. As the dangers from the virus became increasingly clear in March 2020, the Association switched from face-to-face teaching and students abroad to online delivery of distance learning for the remainder of the year. The Association's financial position remains strong despite the challenges provided during the 2020 fiscal year due to the COVID-19 pandemic. Operating revenues for 2020 were \$8,490,995 compared to \$13,016,999 in expenses. In 2019, operating revenues were \$23,217,097 compared to \$18,896,318 in operating expenses. For fiscal year 2020, non-operating revenues were \$52,134 compared to \$39,803 in non-operating expenses, for a net gain on non-operating revenues of \$12,331. For fiscal year 2019, non-operating revenues were \$34,371 and there were no nonoperating expenses. Overall, this resulted in a decrease in net position for the current fiscal year, before foreign currency translation, of \$4,807,320.

The \$14.7 million or 63.4% decrease in operating revenues was largely due to the cessation of face-to-face programs abroad in March 2020 as explained above. Operating expenses, likewise, decreased due to the cessation of face-to-face programs by \$5.8 million or 30.9%.

AN ANALYSIS OF THE ASSOCIATION'S NET POSITION

Total net position decreased by \$4,807,320 from \$44,975,593 to \$40,168,273, which includes the decrease in net position of \$4,513,673 as well as a foreign currency translation adjustment of \$(293,647). Non-monetary assets, such as Property, Plant and Equipment, purchased in a foreign country are converted to a dollar value at the time of purchase and carried at historical value. Monetary assets are converted to a dollar value based on the foreign exchange rate at the end of the fiscal year. The foreign currency translation adjustment is impacted by the strengthening or weakening of the dollar against the functional currency. This adjustment has no bearing on the economic value of monetary or non-monetary assets within their respective countries.

BUDGETARY HIGHLIGHTS

Actual revenues reported by the Association for the 12-month period of \$8.4 million, are 11.6 million less than the budgeted amount of \$20.0 million, a negative variance of 58% because of the effect of the COVID-19 pandemic on operations.

Similarly, actual expenses for the 12-month period of \$13.0 million are \$5.7 million or 30.5% less than the budgeted amount of \$18.7 million, because of the effect of the COVID-19 pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In February 2019, the Association completed the purchase of a property in Florence, Italy to provide a permanent study center that will offer more space and provide housing for approximately 25 students. Renovations began in May 2019 and were completed in September 2020.

Taking advantage of the extended length of time that no students were abroad from March to September 2020, the Association completed extensive cleaning and repairs as needed in each of its study centers.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019
(Continued)**

Debt Administration

All current capital asset purchases and renovations are being self-funded.

To provide assistance with cash flow, the Association utilized a COVID-19 government loan program in the United Kingdom that allowed for an interest free loan of 50,000 pounds sterling (\$61,135) if the loan is repaid within one year. The Association intends to repay this loan before June 2021.

ECONOMIC OUTLOOK AND FUTURE PLANS

Economic Outlook and Impact on Future Enrollments

Although the Association was able to start sending students abroad in January 2021, given the impacts of the COVID-19 virus on the economy, health and global travel restrictions, it is expected that enrollment numbers will be down as compared to pre-COVID-19 levels for at least the next year.

Requests for Information

Questions concerning the financial information included in this report or requests for additional information should be addressed to Florida State University International Programs Association, Inc., A-5500 University Center, Tallahassee, Florida 32306-2420.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
CONSOLIDATED STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash	\$ 9,198,781	\$ 14,923,913
Accounts receivable	818,913	4,337,851
Accrued rent receivable	-	75,432
Prepaid program expense	479,103	539,621
Inventory	166,722	169,638
Other	6,207	9,383
Total current assets	10,669,726	20,055,838
Noncurrent assets		
Severance indemnity fund	340,430	298,456
Deposits	55,131	55,131
Total noncurrent assets	395,561	353,587
Capital assets, net	33,660,509	27,799,620
Total assets	\$ 44,725,796	\$ 48,209,045
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 2,483,239	\$ 574,354
Deferred revenue	897,398	1,421,763
Accrued expenses	743,107	909,519
Total current liabilities	4,123,744	2,905,636
Noncurrent liabilities		
Provision for seniority premium	366,645	327,816
Other long term liabilities	5,999	-
Long term debt	61,135	-
Total long term liabilities	433,779	327,816
Total liabilities	\$ 4,557,523	\$ 3,233,452
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	\$ 33,660,509	\$ 27,799,620
Unrestricted	4,367,491	14,742,053
Adjustment from foreign currency translation- unrestricted	2,140,273	2,433,920
Total net position	\$ 40,168,273	\$ 44,975,593

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.**
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues		
Program income- Florence and Summer Only Programs	\$ 751,981	\$ 5,001,137
Program income- London, Spain, and Panama	2,649,078	12,192,821
Rent and fees collected outside of U.S.A.	4,841,495	5,761,951
Emergency fees	-	57,200
Third party revenues	135,227	111,740
Miscellaneous income	<u>113,214</u>	<u>92,248</u>
Total operating revenues	<u>8,490,995</u>	<u>23,217,097</u>
Operating expenses		
Program expense	11,194,378	16,405,181
Depreciation	1,117,370	1,294,447
Professional fees and other	632,307	909,411
Scholarships	15,931	207,326
Bank and trustee charges	<u>57,013</u>	<u>79,953</u>
Total operating expenses	<u>13,016,999</u>	<u>18,896,318</u>
Operating income (loss)	<u>(4,526,004)</u>	<u>4,320,779</u>
Nonoperating revenues (expenses)		
Interest and dividend income	52,134	34,371
Loss on disposal of equipment	<u>(39,803)</u>	<u>-</u>
Total nonoperating revenues	<u>12,331</u>	<u>34,371</u>
Change in net position before foreign currency translation	(4,513,673)	4,355,150
Foreign currency translation	<u>(293,647)</u>	<u>290,206</u>
Change in net position	(4,807,320)	4,645,356
Net position, beginning of year	44,975,593	40,330,237
Net position, end of year	<u>\$ 40,168,273</u>	<u>\$ 44,975,593</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Amounts received from fees	\$ 9,859,976	\$ 20,377,551
Amounts received from other	1,704,200	1,800,184
Cash paid to vendors and others	<u>(10,384,515)</u>	<u>(17,199,039)</u>
Net cash provided by operating activities	<u>1,179,661</u>	<u>4,978,696</u>
 Cash flows from capital and related financing activities		
Purchases of land, building, equipment, and leasehold improvements	(7,018,062)	(9,781,478)
Proceeds from note payable	<u>61,135</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(6,956,927)</u>	<u>(9,781,478)</u>
 Cash flows from investing activities		
Interest and dividends received	<u>52,134</u>	<u>34,371</u>
 Net decrease in cash	(5,725,132)	(4,768,411)
 Cash, beginning of year	14,923,913	19,692,324
 Cash, end of year	<u>\$ 9,198,781</u>	<u>\$ 14,923,913</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (4,526,004)	\$ 4,320,779
Effect of exchange rate changes of cash	(293,647)	290,206
Depreciation	1,117,370	1,294,447
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	3,518,938	(1,176,185)
Inventory	2,916	1,826
Prepaid program expenses	60,518	(45,039)
Accrued rent receivable	75,432	(17,788)
Other assets	3,176	(9,383)
Severance indemnity fund	(41,974)	619
Increase (decrease) in:		
Accounts payable and accrued expenses	1,748,472	145,221
Deferred revenue	(524,365)	163,994
Provision for seniority premium	<u>38,829</u>	<u>9,999</u>
Net cash provided by operating activities	<u>\$ 1,179,661</u>	<u>\$ 4,978,696</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(1) **Nature of Organization:**

The Florida State University International Programs Association, Inc. (the Association), is a nonprofit corporation whose function is to provide and facilitate educational opportunities for students and faculty to study, teach, and conduct research abroad through support of The Florida State University's (the University) international study abroad program. The University conducts year-round programs in London, England, Florence, Italy, Valencia, Spain, and Panama City, Panama and summer-only programs in many other locations. The Association incorporated on July 8, 1992, and is organized as a direct-support organization of the University within the meaning of Section 1004.28, Florida Statutes. As such, the Association is treated as a component unit of the University.

(2) **Summary of Significant Accounting Policies:**

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Association are described below.

(a) **Measurement Focus, Basis of Accounting, and Basis of Presentation**—The Association is a component unit of the University presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 reporting period. Actual results could differ from those estimates.

(b) **Principles of Consolidation**—The financial statements include the accounts of the Florida State University International Programs Association, Inc. - United States, the Florida State University International Programs Association UK, Fundación Florida State University - Panama, Fundación Comunidad Valenciana FSU Programas Internacionales, and Florida State University International Programs Association Italy. All significant intercompany accounts and transactions have been eliminated in consolidation. Consolidation is required as the United States entity maintains a controlling financial interest in these entities. The term "Association" refers to The Florida State University International Programs Association, Inc. and its combined affiliates. The auxiliary accounts of the University's International Programs, which are held at the Florida State University, are not included in these financial statements.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(2) **Summary of Significant Accounting Policies:** (Continued)

(c) **Net Position**—GASB Statement No. 34 requires the classification of net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows:

- **Net Investment in Capital Assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The Association had no outstanding debt related to capital assets at September 30, 2020.
- **Restricted**—This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by laws through constitutional provision or enabling legislation. The Association had no restrictions on net position at September 30, 2020.
- **Unrestricted**—This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”. The adjustment from foreign currency translation, as described below, is considered unrestricted.

(d) **Income Tax**— The Association is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Association files income tax returns in the U.S. Federal jurisdiction. The Association’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Association has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(e) **Deposits**—For purposes of the statements of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

(f) **Capital Assets**—Capital assets (\$1,000 and over) are recorded at cost less accumulated depreciation, computed using the straight-line method. Assets are depreciated over their useful lives of 5 to 40 years.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
PROGRAMS ASSOCIATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(2) **Summary of Significant Accounting Policies:** (Continued)

(g) **Deferred Revenue**—Deferred revenue consists of program income received prior to September 30, for subsequent periods.

(h) **Inventory**—Inventories consist of educational supplies and are stated at the lower of cost or market as determined by the first in, first out (FIFO) method.

(i) **Contributed Facilities, Services, and Materials**—The Association is provided the use of office space and utilities by the University. The cost of equipment, supplies, telephone, postage, the majority of personnel and other operating costs are paid from the fees collected by the University's auxiliary fund. The fair value of the contributed facilities, services, and materials has not been included in the financial statements because such values are not reasonably determinable.

(j) **Revenues and Expenses**—The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Association's principal ongoing operations and rental income from the usage of the Association's facilities. The principal operating revenues of the Association are fees from students enrolled in the Association's programs. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(k) **Receivables**—Receivables are shown at anticipated realizable value. At year-end, receivables consist primarily of amounts due from the University's auxiliary fund. Based on historical information, management does not consider any portion of this receivable uncollectible. Therefore, no allowance for doubtful accounts has been established.

(l) **Translation of Foreign Currency and Operations**—The financial statements of The Florida State University International Programs Association UK, and Fundación Comunidad Valenciana FSU Programas Internacionales were recorded using the exchange rates at September 30, 2020 and 2019, for asset and liability accounts and the average exchange rates for income statement accounts. Translation gains and losses are included as a separate component of net position. Additions to property and equipment were recorded at the exchange rate on the date of the transaction.

(m) **Pronouncements Issued**—GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

The Association is currently evaluating the effects that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**THE FLORIDA STATE UNIVERSITY INTERNATIONAL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(3) **Unrestricted Cash:**

The carrying amount of unrestricted cash accounts for September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
London – Accounts *	\$ 447,816	\$ 1,316,301
US – TIAA Sterling Account *	631,405	884,414
US – TIAA Checking Account	1,129,409	626,867
US – TIAA Euro *	1,726,302	6,367,112
US – TIAA Emergency Fund Checking	97,235	407,491
US – TIAA Emergency Fund FX *	321,430	307,100
US – SunTrust Checking Account	6,779	18,894
Panamanian Accounts	4,063,637	4,019,888
Spanish Accounts *	522,386	404,933
Italian Accounts *	252,382	570,913
Total Unrestricted Cash	<u>\$ 9,198,781</u>	<u>\$ 14,923,913</u>

* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the deposit. These amounts represent the amounts exposed to foreign currency risk. Foreign currency funds were translated at the exchange rate at September 30, 2020 and 2019.

(4) **Credit Risk:**

Custodial Credit Risk—While Note 3 references the reconciled bank balances, custodial credit risk is the risk that in the event of bank failure, the Association’s deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. The Association has not experienced any losses in such accounts.

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(5) **Capital Assets, Net:**

Capital asset activity for the years ended September 30, 2020 and 2019, is as follows:

	Balance September 30, 2019	Additions	Deletions	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 4,646,940	\$ -	\$ -	\$ 4,646,940
Building – work in process	9,336,141	5,382,081	(14,718,222)	-
Total capital assets not being depreciated	<u>13,983,081</u>	<u>5,382,081</u>	<u>(14,718,222)</u>	<u>4,646,940</u>
Capital assets being depreciated:				
Building and improvements	27,841,427	15,568,877	(52,224)	43,358,080
Furniture and equipment	5,152,293	785,326	(4,166)	5,933,453
Total capital assets being depreciated	<u>32,993,720</u>	<u>16,354,203</u>	<u>(56,390)</u>	<u>49,291,533</u>
Less Accumulated Depreciation:				
Buildings	(14,983,209)	(720,316)	14,921	(15,688,604)
Furniture and equipment	(4,193,972)	(397,054)	1,666	(4,589,360)
Total accumulated depreciation	<u>(19,177,181)</u>	<u>(1,117,370)</u>	<u>16,587</u>	<u>(20,277,964)</u>
Total capital assets, net	<u>\$ 27,799,620</u>	<u>\$ 20,618,914</u>	<u>\$ (14,758,025)</u>	<u>\$ 33,660,509</u>

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 4,646,940	\$ -	\$ -	\$ 4,646,940
Building – work in process	109,563	9,226,578	-	9,336,141
Total capital assets not being depreciated	<u>4,756,503</u>	<u>9,226,578</u>	<u>-</u>	<u>13,983,081</u>
Capital assets being depreciated:				
Building and improvements	27,489,093	352,334	-	27,841,427
Furniture and equipment	4,949,727	202,566	-	5,152,293
Total capital assets being depreciated	<u>32,438,820</u>	<u>554,900</u>	<u>-</u>	<u>32,993,720</u>
Less Accumulated Depreciation:				
Buildings	(14,088,072)	(895,137)	-	(14,983,209)
Furniture and equipment	(3,794,662)	(399,310)	-	(4,193,972)
Total accumulated depreciation	<u>(17,882,734)</u>	<u>(1,294,447)</u>	<u>-</u>	<u>(19,177,181)</u>
Total capital assets, net	<u>\$ 19,312,589</u>	<u>\$ 8,487,031</u>	<u>\$ -</u>	<u>\$ 27,799,620</u>

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(6) Severance Indemnity Fund and Provision for Seniority Premium:

The Panamanian labor laws require employers in Panama to establish a Severance Indemnity Fund to pay workers at termination of all indefinite contracts a Seniority Premium and an indemnity in case of unjustified dismissal or justified resignation. The employer contributes to this severance fund 2.25% of total salaries paid. The severance fund is held in a private trust and is managed by an independent entity. The balance in the fund as of September 30, 2020 and 2019, was \$340,430 and \$298,456, respectively. This amount is included in noncurrent assets in the accompanying financial statements.

The Panamanian Labor Code also establishes an obligation for employers to recognize a seniority premium. The seniority premium is calculated on the basis of accrual of one week of salary for every year worked by an employee, which is equal to 1.92% of the total salaries paid in a year. As of September 30, 2020 and 2019, the balance in the Provision for Seniority Premium totaled \$366,645 and \$327,816, respectively and is included in long-term liabilities.

(7) Operating Leases:

The Association has a lease for student housing in Florence, Italy through August 31, 2022. The lease includes a right to terminate with six months written notice. Rent expense for the years ended September 30, 2020 and 2019 was \$246,403 and \$236,863, respectively.

Fundacion Florida State University - Panama entered into a lease agreement for an existing facility in the City of Knowledge, located in the Republic of Panama. The lease agreement was extended for 10 years, commencing January 1, 2018 through December 31, 2027. Rent expense for the years ended September 30, 2020 and 2019, was \$408,718 and \$367,417, respectively.

The payments under these leases will be reimbursed through student fees.

The minimum future rental payments under these leases described above are as follows:

Years Ending September 30:	Amount
2021	\$ 643,052
2022	637,898
2023	428,039
2024	444,671
2025	461,949
Thereafter	1,550,345
Total	\$ 4,165,954

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(8) **Long-term Debt:**

Note payable

Note payable at September 30, 2020 and 2019, consists of the following:

	2020	2019
<p>Note payable to United Kingdom (UK) government as a part of the UK government's response to Covid-19 under the Bounce Back Scheme for £50,000 (\$61,135 as of September 30, 2020). The loan is interest free if repaid within one year from the date the loan was drawn. The loan is due on June 16, 2026 if not repaid early. Interest is accrued at 2.5% per year after the first year. If the loan is not repaid in full within the first year, 60 monthly payments of £887.37 (\$1,112) are required.</p>	\$ 61,135	\$ -
Total	61,135	-
Less current portion	-	-
Long-term portion	\$ 61,135	\$ -

The aggregate annual maturities of notes payable at September 30, 2020 and 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	11,993	3,288	15,281
2023	12,296	1,053	13,349
2024	12,607	742	13,349
2025	12,926	423	13,349
2026	11,313	103	11,416
	\$ 61,135	\$ 5,609	\$ 66,744

A summary of the changes in long-term debt for the year ended September 30, 2020 is as follows:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020	Due within one year
Note payable to UK Government	\$ -	\$ 61,135	\$ -	\$ 61,135	\$ -

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(9) Related Party Transactions:

Student enrollment fees are collected by the Florida State University into auxiliary accounts maintained by the University. The Association bills the auxiliary on a periodic basis based upon anticipated program costs. Billings by the Association to the auxiliary for the years ended September 30, 2020 and 2019, totaled \$3,401,059 and \$17,193,958, respectively.

(10) Risk Management:

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Association carries commercial insurance.

(11) Risks and Uncertainties:

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. The travel and higher education industries are experiencing unprecedented disruption to operations from the associated impact of travel restrictions and reduced consumer spending and income. As a result, in March 2020, the Association discontinued all face-to-face study abroad programs and switched to on-line distance learning options only for the remainder of the year. The financial impacts from that date through September 30, 2020, have been reflected in the September 30, 2020 financial statements of the Association.

While a limited number of the Association's programs began sending students abroad in January 2021, following recommended practices for mask wearing, social distancing and cleaning procedures, there continues to be uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while the Association cannot reasonably estimate the length or severity of this pandemic, management believes that a material impact on the Association's future financial position and results of future operations is reasonably possible.

(12) Subsequent Events:

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 11, 2021, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
The Florida State University International Programs Association, Inc.
Tallahassee, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of The Florida State University International Programs Association, Inc. (the Association) and affiliates, as of and for the year ended September 30, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Association's basic consolidated financial statements, and have issued our report thereon dated February 11, 2021. Our report includes a reference to other auditors who audited the financial statements of The Florida State University International Programs Association UK, Fundación Florida State University – Panama, and Fundación Comunidad Valenciana FSU Programs Internacionales as described in our report on the Association's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of The Florida State University International Programs Association UK, Fundación Florida State University – Panama, and Fundación Comunidad Valenciana FSU Programs Internacionales were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

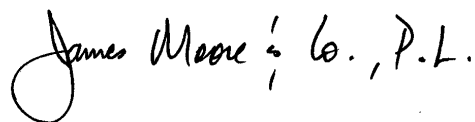
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Association's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida
February 11, 2021