

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.**

**YEARS ENDED JUNE 30, 2020 AND 2019
WITH REPORT OF INDEPENDENT AUDITORS**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

The Board of Directors
Florida Agricultural & Mechanical University Foundation, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural & Mechanical University Foundation, Inc. ("The Foundation"), a component unit of the Florida Agricultural & Mechanical University, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The accompanying supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *accompanying supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *accompanying supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Tallahassee, Florida
October 19, 2020

BCA Watson Rice LLP

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

The management's discussion & analysis (MD&A) provides an overview of the financial position and activities of the Florida Agricultural and Mechanical University Foundation Inc. (the Foundation) for the years ended June 30, 2020 and 2019. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion & Analysis – For Public Colleges & Universities*. It should be read in conjunction with the financial statements and supporting notes thereto.

The Foundation is presented as a discrete component unit of the Florida Agricultural and Mechanical University (the University) and is certified as a direct support organization. The Foundation's purpose is to receive, hold, invest and administer charitable contributions for the University.

OVERVIEW OF FINANCIAL STATEMENTS

In accordance with GASB 35 Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities, the Foundation's financial report contains: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and other required supplemental information. The financial statements focus on the financial condition of the Foundation, the results of operations, and cash flows of the Foundation as a whole. The accrual basis of accounting is used for presentation which is similar to most private-sector companies.

STATEMENT OF NET POSITION

The statement of net position reflects the assets and deferred outflows and liabilities and deferred inflows of the Foundation, using the accrual basis of accounting, and presents the financial position of the Foundation as of June 30, 2020 and 2019. The difference between total assets and total liabilities, net position, is one significant indicator of the Foundation's current financial condition. The changes in net position that occur over time indicate enhancement or deterioration in the Foundation's financial condition. Restricted net position is comprised of expendable and nonexpendable and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislature. Nonexpendable assets represent endowment assets whose principal cannot be spent and are required by the donor to be held in perpetuity. Unrestricted net position consists of net assets that do not meet the definition of restricted or net investment in capital assets.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

The following schedule summarizes the Foundation's assets, liabilities, and net position at June 30, 2020 and the preceding fiscal year:

	2020	2019	2018
Assets			
Current assets	\$ 4,778,399	\$ 5,216,724	\$ 5,211,914
Noncurrent assets	121,755,217	124,528,911	126,860,935
Total assets	<u>126,533,616</u>	<u>129,745,635</u>	<u>132,072,849</u>
Liabilities			
Current liabilities	4,390,455	4,805,720	5,427,966
Noncurrent liabilities	1,742,286	1,784,573	1,783,573
Total liabilities	<u>6,132,741</u>	<u>6,590,293</u>	<u>7,211,539</u>
Net position			
Net investments in capital assets	185,286	195,229	154,911
Restricted			
Expendable	30,830,024	35,176,576	37,171,860
Non-expendable	88,109,737	86,382,110	86,892,541
Unrestricted	<u>1,275,828</u>	<u>1,401,427</u>	<u>641,998</u>
Total net position	<u>\$ 120,400,875</u>	<u>\$ 123,155,342</u>	<u>\$ 124,861,310</u>

The Foundation's assets totaled \$126.5 million as of June 30, 2020. This balance reflects a decrease of \$3.2 million or 2.5%, compared to June 30, 2019. Current assets contribute \$4.8 million to total assets and consist primarily of funds available to meet current obligations. Noncurrent assets contribute \$121.7 million to the Foundation's total assets and consist primarily of restricted pledges receivable, property and equipment, net of accumulated depreciation, along with investments expected to be held beyond the next fiscal year. The total decrease in assets of \$2.7 million is primarily due to a decrease in return on investments held longer than 12 months.

The Foundation's liabilities totaled \$6.1 million as of June 30, 2020. This balance reflects a decrease of \$458 thousand, or 6.9%, as compared to June 30, 2019. Total liabilities include current obligations of \$4.4 million and \$1.7 million in noncurrent liabilities.

Restricted – expendable net position was \$30.8 million as of June 30, 2020, which reflects a decrease of \$4.3 million, or 12.4% as compared to June 30, 2019, due to a reduction of value in pledges receivable coupled with a decrease in return on investments.

Unrestricted – net position was \$1.3 million, which reflects an increase of \$125.6 thousand, or 9.0% as compared to June 30, 2019, due to a reduction in liabilities.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position depicts the Foundation's revenue and expense activity. GASB Statement No. 35 categorizes revenue and expenses as either operating or nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Foundation's activity for the year ended June 30, 2020, and the preceding fiscal year:

Condensed Statements of Revenues, Expenses and Changes in Net Position
(For the Fiscal Years Ending June 30)

	2020	2019	2018
Operating revenues	\$ 6,854,787	\$ 12,132,362	\$ 17,177,725
Less operating expenses	<u>11,336,881</u>	<u>15,057,543</u>	<u>13,247,110</u>
Operating income/(loss)	(4,482,094)	(2,925,181)	3,930,615
Contributions to permanent endowments	<u>1,727,627</u>	<u>1,219,213</u>	<u>1,288,409</u>
Net change in net position	(2,754,467)	(1,705,968)	5,219,024
Net position, beginning of year	<u>123,155,342</u>	<u>124,861,310</u>	<u>119,642,286</u>
Net position, end of year	<u><u>\$ 120,400,875</u></u>	<u><u>\$ 123,155,342</u></u>	<u><u>\$ 124,861,310</u></u>

The following summarizes the operating revenues by source that were used to fund operating activities for the year ended June 30, 2020, and the preceding fiscal year:

Operating Revenues
(For the Fiscal Years Ending June 30)

	2020	2019	2018
Contributions	\$ 5,071,998	\$ 4,276,807	\$ 7,103,458
Investment income (loss)	(14,057)	6,074,343	8,423,376
Other operating revenues	<u>1,796,846</u>	<u>1,781,212</u>	<u>1,650,891</u>
Total operating revenues	<u><u>\$ 6,854,787</u></u>	<u><u>\$ 12,132,362</u></u>	<u><u>\$ 17,177,725</u></u>

Total operating revenues of \$6.9 million includes contributions, investment earnings, and other operating revenues, including rental activity and miscellaneous operating activity. Contributions were \$5.1 million and represent 74.0% of total operating revenues; this reflects an increase of \$795 thousand over 2019, due primarily to an increase in giving. Investment loss was \$(14) thousand representing -0.2% of total operating income; this reflects a decrease of \$6.1 million over 2019, due primarily to under performance of all classes due to the Covid 19 pandemic during 2020 as compared to 2019.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

Expenses are categorized as operating or non-operating. The majority of the Foundation's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Foundation has chosen to report the expenses by their functional classifications on the statement of revenues, expenses, and changes in net position.

Operating Expenses
(For the Fiscal Years Ending June 30)

	2020	2019	2018
University support	\$ 5,974,931	\$ 9,106,237	\$ 5,895,915
Scholarships and grants	2,332,967	2,559,029	4,379,127
Fundraising	1,283,405	1,887,836	1,559,110
Management and general	<u>1,745,578</u>	<u>1,504,441</u>	<u>1,412,958</u>
Total operating expenses	<u><u>\$ 11,336,881</u></u>	<u><u>\$ 15,057,543</u></u>	<u><u>\$ 13,247,110</u></u>

Total operating expenses of \$11.3 million for fiscal year 2020 include general support to the University, scholarship costs, fundraising, and management and general expenses related to support of the Foundation's mission. This balance reflects a decrease of \$3.7 million, or 24.7% over the same period ended June 30, 2019, due primarily to decreased University support of \$3.1 million and decreased fundraising costs of \$605 thousand.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the Foundation's financial results by reporting the major sources and uses of cash. This statement assists in evaluating the Foundation's ability to generate net cash flows, its ability to meet its obligations when they come due and its need for external financing. The statement of cash flows reconciles the Foundation's cash transactions. Cash flows from operating activities show the net cash used by ongoing operating activities of the Foundation. Cash flows from capital and related financing activities include changes associated with the long-term debt activities of the Foundation. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and earnings income on those investments. For purposes of cash flow, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

The following summarizes the major sources and uses of cash for the fiscal year ended June 30, 2020, and the preceding fiscal year:

Condensed Statements of Cash Flows
(For the Fiscal Years Ending June 30)

	2020	2019	2018
Cash flows provided by (used in)			
Operating activities	\$ (4,208,153)	\$ (3,723,180)	\$ (8,943,477)
Investing activities	1,951,023	2,226,056	7,900,000
Capital and related financing activities	(8,643)	(23,617)	(5,000)
Non-capital financing activities	1,566,258	1,219,213	1,142,525
Change in cash and cash equivalents	(699,515)	(301,528)	94,048
Cash and cash equivalents, beginning of year	1,455,463	1,756,991	1,662,943
Cash and cash equivalents, end of year	\$ 755,948	\$ 1,455,463	\$ 1,756,991

Cash and cash equivalents decreased by \$700 thousand during fiscal year 2020. Net cash flows used in operating activities increased by \$485 thousand, mainly attributed to a decrease in payments for university support and a decrease in cash collected from contributions as compared to fiscal year 2019. Net cash flows provided by investing activities reflects a decrease of \$275 thousand primarily resulting from an increase in proceeds from sales of investments coupled with a decrease in investment income. Cash flows used in capital and related financing activities decreased by \$15 thousand due to decreased purchases of capital assets. Cash flows provided by noncapital financing activities increased by \$347 thousand, due to increased endowment giving.

CAPITAL ASSETS

The Foundation has \$185 thousand and \$195 thousand of capital assets, included in noncurrent assets on the accompanying statement of net position, as of June 30, 2020 and 2019, respectively. These balances are net of accumulated depreciation of \$178 thousand and \$160 thousand, respectively. The following table summarizes capital assets as of June 30, 2020 and the preceding fiscal year:

	2020	2019	2018
Depreciable property and equipment, net	\$ 158,285	\$ 168,228	\$ 127,911
Nondepreciable assets, primarily land	27,000	27,000	27,000
Total capital assets	\$ 185,285	\$ 195,228	\$ 154,911

The balance on June 30, 2020 is comprised of 14.6% land totaling \$27 thousand, 40% buildings and associated improvements totaling \$147 thousand, and the remaining 52% of other property and equipment. During fiscal year 2020, significant changes in capital assets related primarily to capital additions of \$8.6 thousand, offset by depreciation expense of \$18.6 thousand.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY FOUNDATION, INC.
(A Discrete Component Unit of Florida Agricultural and Mechanical University)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 and 2019

The balance on June 30, 2019 is comprised of 13.8% land totaling \$27 thousand, 71% buildings and associated improvements totaling \$139 thousand, and the remaining 15% of other property and equipment. During fiscal year 2019, changes in capital assets related primarily to capital additions of \$57 thousand, offset by depreciation expense of \$16 thousand.

ECONOMIC CONDITIONS AND OUTLOOK

The economic outlook of the Foundation is affected by several factors, including the state of the overall economy, charitable contributions, return on investments and various other economic related factors.

Annual contributions and endowments have a direct impact on enhancing University programs. In 2021, the Foundation anticipates minimal growth in the endowment from new gifts and investment returns, and a lower rate of incoming expendable gifts.

There has been many business and market disruptions related to the COVID-19 pandemic, including a decline in select areas of giving due to financial uncertainty as well as value fluctuations in the FAMU Foundation's investment and endowment portfolios. While most Foundation expenditures have remained relatively flat, University travel has decreased significantly. The Foundation's Investment Committee and Board continue to monitor business and market disruptions quarterly at a minimum.

REQUEST FOR INFORMATION

Questions concerning information provided in the MD&A or elsewhere in the June 30, 2020 financial statements and supporting notes thereto should be addressed to Florida Agricultural and Mechanical University Foundation Inc., 625 E. Tennessee Street, Suite 100, Tallahassee, Florida 32308.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

STATEMENTS OF NET POSITION

For the Years Ended June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 755,948	\$ 1,455,463
Investments	1,810,248	1,905,790
Accounts receivable	65,689	76,645
Prepaid expenses	182,803	216,115
Total current assets	2,814,688	3,654,013
Noncurrent assets		
Restricted assets		
Pledges receivable, net	183,242	748,875
Investments, net of current portion	123,120,710	125,147,519
Property held for sale	228,400	-
Cash surrender value of life insurance	1,291	-
Capital Assets		
Nondepreciable assets, primarily land	27,000	27,000
Depreciable property and equipment, net	158,285	168,228
Total noncurrent assets	123,718,928	126,091,622
Total assets	126,533,616	129,745,635
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	191,672	704,495
Scholarships payable	1,570,759	1,542,828
Salaries payable	-	1,262
Agency funds	2,628,024	2,557,135
Total current liabilities	4,390,455	4,805,720
Noncurrent liabilities		
Scholarships payable, net of current portion	1,736,167	1,780,573
Deposits	6,119	4,000
Total noncurrent liabilities	1,742,286	1,784,573
Total liabilities	6,132,741	6,590,293
Net Position		
Net investment in capital assets	185,286	195,229
Restricted		
Expendable	30,830,024	35,176,576
Nonexpendable endowments	88,109,737	86,382,110
Unrestricted net assets	1,275,828	1,401,427
Total net position	\$ 120,400,875	\$ 123,155,342

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

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

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Contributions, net	\$ 5,071,998	\$ 4,276,807
Net realized and unrealized gain (loss)	(756,858)	4,737,786
Interest and dividends	742,801	1,336,557
Miscellaneous income	1,693,154	1,693,983
Membership dues	103,692	87,229
Total operating revenues	<u>6,854,787</u>	<u>12,132,362</u>
Operating expenses		
University support expenditures	5,974,931	9,106,237
Scholarships and grants	2,332,967	2,559,029
Fundraising	1,283,405	1,887,836
Management and general	1,745,578	1,504,441
Total operating expenses	<u>11,336,881</u>	<u>15,057,543</u>
Operating income/(loss)	<u>(4,482,094)</u>	<u>(2,925,181)</u>
Income (loss) before other revenues	<u>(4,482,094)</u>	<u>(2,925,181)</u>
Contributions to permanent endowments	<u>1,727,627</u>	<u>1,219,213</u>
Change in net position	<u>(2,754,467)</u>	<u>(1,705,968)</u>
Net position, beginning of year	<u>123,155,342</u>	<u>124,861,310</u>
Net position, end of year	<u>\$ 120,400,875</u>	<u>\$ 123,155,342</u>

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Receipts from contributions	\$ 5,217,527	\$ 8,701,114
Receipts from other operating activities	1,695,273	1,625,896
Receipts from customers	103,692	87,229
Receipts for agency funds	707,586	784,735
Payments for University support	(6,405,187)	(9,587,831)
Payments for scholarships and grants	(2,349,442)	(2,316,142)
Payments for fundraising activities	(869,451)	(1,074,540)
Payments for management and general activities	(1,533,926)	(1,292,280)
Payments for agency funds	(774,225)	(651,361)
Net cash (used in) operating activities	(4,208,153)	(3,723,180)
Cash flows from investing activities		
Purchase for building improvements	(48,977)	(23,944)
Net Proceeds from sales and maturities of investments	1,257,199	913,443
Interest and dividends received	742,801	1,336,557
Net cash provided by investing activities	1,951,023	2,226,056
Cash flows from capital and related financing activities		
Purchase of capital assets	(8,643)	(23,617)
Net cash (used in) capital and related financing activities	(8,643)	(23,617)
Cash flows from noncapital financing activities		
Contributions for long-term endowments	1,566,258	1,219,213
Net cash provided by noncapital financing activities	1,566,258	1,219,213
Net change in cash	(699,515)	(301,528)
Cash and cash equivalents, beginning of year	1,455,463	1,756,991
Cash and cash equivalents, end of year	\$ 755,948	\$ 1,455,463

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (4,482,094)	\$ (2,925,181)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	18,586	16,423
Donated securities	(54,763)	(2,933)
Interest and dividend income, net of fees	(460,270)	(1,018,139)
Net realized and unrealized gain (loss) on investments	756,858	(4,737,786)
Change in assets and liabilities:		
Pledge receivables	565,633	5,246,345
Cash surrender value of life insurance	(1,291)	-
Prepaid expenses	33,312	293,611
Other receivables	10,956	58,849
Accounts payables and accrued expenses	(514,085)	(1,031,253)
Scholarships payable	(16,475)	242,887
Agency liability	(66,639)	133,374
Other liabilities	2,119	623
Net cash used in operating activities	\$ (4,208,153)	\$ (3,723,180)

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of Florida Agricultural and Mechanical University Foundation, Inc. (Foundation), which affect significant elements of the accompanying financial statements.

Reporting entity – The Foundation is a direct support organization of Florida Agricultural and Mechanical University (University) pursuant to Section 1004.28, Florida Statutes and regulations thereunder at 6C-9.011 of the Florida Administrative Code. The Foundation is a non-profit Florida Corporation exempt from tax under Code Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is organized and operated exclusively to receive, hold, invest, and administer property for the benefit of the Florida Agricultural and Mechanical University. The Florida Agricultural and Mechanical University Foundation, Inc. (the “Foundation”) is supported primarily through donor contributions, grants, and the State of Florida Department of Education’s Division of Colleges and Universities (“D.C.U.”).

The Foundation is considered a discrete component unit of the University due to the University’s budgetary oversight responsibility and due to the Foundation’s significant operational and financial relationships with the University.

In accordance with Florida Statute Chapter 1011.94, *University Major Gifts Program*, endowment contributions of \$100,000 or more, made after July 1, 1985, with income to be used to “support libraries and instruction and research programs”, are eligible for state match. The State of Florida has “temporarily suspended” funding for this program and did not appropriate any funds; therefore, no receivable has been recorded in the accompanying financial statements. The State is, however, still accepting matching requests.

During the years ended June 30, 2020 and 2019, the Foundation, under the matching program sponsored by the D.C.U. did not recognize any state matching revenues.

Measurement focus and basis of accounting – The financial statements of the Foundation have been prepared following the financial reporting requirements for enterprise funds, which use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and nonoperating activities - Operating revenues and expenses are those that represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the operations of the University. Operating activities relate to the Foundation's principal function, which is to receive, hold, invest, and administer property for the benefit of the University. Operating revenues also include rental revenue from leasing of Foundation owned facilities. Nonoperating activities include certain revenue sources that provide additional funding not included in operating revenues and include endowment contributions.

Fundraising - Costs associated with fundraising activities are reported as fundraising expenses in the accompanying statements of revenues, expenses and changes in net position. Included are all direct costs associated with fundraising activities and allocable costs of activities that include both fundraising and program or management and general functions.

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include uninvested cash in bank and certificates of deposits with maturities of three months or less to be cash and cash equivalents.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of net position. Non-traditional and alternative investments without readily determinable fair values are valued at the net asset value of shares or units held by the Foundation at year end based on their trade dates. Real estate fund investments are stated primarily at current appraised values. Unrealized gains and losses are included in the changes in net assets.

The Foundation has two pools of investments, an Operating Pool and an Endowment Pool. The Operating and Endowment Pools are commingled and invested as per asset allocation guidelines in the Foundation's Investment Policy. The Foundation's Investment Policy is discussed more in Note 7.

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 the participating funds for the twelve (12) preceding quarters as authorized by the Foundation's Board to fund operations. The FAMU Foundation sets annual spending at a rate of 4.5%.

Fair Values of Financial Instruments- The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term investments, and promises to give due in less than one year, other accounts receivable, and accounts payable: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Fair values of long-term investments are discussed at Note 3

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition – In accordance with Governmental Accounting Standards Board (GASB) statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the Foundation recognizes revenue when all applicable eligibility requirements, including time requirements, are met, provided that the promise is verifiable and the resources are measurable and probable of collection. Contributions to Permanent Endowments are recognized as revenue when the eligibility criteria for a contribution to an endowment are met, when the Foundation receives the contribution. Therefore, no revenue or receivable is recognized prior to receipt. Resources transmitted before the eligibility requirements are met are reported as deferred inflows.

Accounts Receivable – Accounts receivable from operations are stated at their net realizable value. Management considers all accounts receivable balances to be fully collectable. As such, no allowance for uncollectable amounts has been recorded as of June 30, 2020. A bad debt expense of \$133,848 was recorded for receivables identified as uncollectable at June 30, 2019.

Pledges Receivable– In accordance with GASB Statement No 33, *Accounting and Financial Reporting for Nonexchange Transactions*, pledges receivable are only recorded when all applicable eligibility requirements, including time requirements, are met, provided that the promise is verifiable, measurable, and probable. If subsequent to initial recognition, changes in the estimated collectability of pledges occurs, an allowance for doubtful accounts is recorded. Additional accounting policies are disclosed in Note 2.

Prepaid Expenses– Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Foundation’s Financial Statements.

Property Held for Resale – The Foundation receives contributions in the form of real estate with donor intentions that the properties are to be sold and proceeds from the sale are to benefit the Foundation or the University. Real estate held for sale are recorded at fair value less estimated costs to sell.

Capital Assets – Capital assets include, property, plant, and equipment. The Foundation’s threshold for capitalizing property, plant, and equipment is \$1,000. Capital assets are recorded at cost or estimated historical cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of useful lives are as follows:

Assets	Years
Buildings and improvements	5 - 30
Equipment and furniture	3 - 10

Other property consists principally of land and is not subject to depreciation.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property - Donations of property are recorded as support at their acquisition value upon receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation makes no provision for depreciation of such real property. These amounts are also reflected within program service expenses on the statement of revenues, expenses, and changes in net position for the transfer of the in-kind contributions to the University or maintained on the statement of net position as property held for resale when appropriate. Total real property donated during the year ended 2020 and 2019 were \$228,400 and \$0, respectively. Total tangible property donations received in fiscal years 2020 and 2019 were approximately \$89,724 and \$21,920, respectively.

Impairment - Property, plant and equipment are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2020 and 2019.

Income taxes – The Foundation is exempt from Federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). However, the Foundation is subject to income tax on 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 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 (ASC 740) and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

Expenses incurred for program activities and supporting services are reported in the statement of revenues, expenses and changes in net position.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses- The Foundation, being a Direct Support Organization (“DSO”) for the Florida Agricultural and Mechanical University (the “University”), was established to aid in the advancement of the University’s objectives and purposes. Part of the Foundation’s commitment to the University is to provide assistance in the various activities or programs of the University.

The Foundation reports expenses by functional classification, whereby expenses are categorized by program activities and supporting services. Program activities include direct and indirect costs associated with activities carried out for the fulfillment of the objectives of the Foundation. Supporting services relate to costs incurred other than those classified under program activities. The Foundation has the following functional expense categories, of which, the first two are program services:

University support - charges include expenses incurred for scholarship administration, seminars, and marketing, on behalf of the University.

Scholarships and grants - charges include payment of tuition, fees, room and board, books and stipends for students in various academic disciplines.

Fundraising - charges include expenses incurred for travel, events and other operating costs to support fundraising efforts.

Management and general - charges represent operating expenses including salaries, materials and supplies for programs supported through the Foundation.

Compensated absences, other postemployment benefits and pension liability – Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. Employees also accrue retirement benefits for pension and other post-employment benefits over the time of employment at the University. Since all the employees who work for the Foundation are considered employees of the University, this compensated absences liability, along with liabilities for pensions and other postemployment benefits, is reported by the University and therefore is not reflected on the Foundation’s financial statements.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosures of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates include the probability of collection for unconditional promises to give, and the valuation of securities.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position – Net position is the difference between assets and deferred outflows less liabilities and deferred inflows of the Foundation. Net position is classified and displayed in three components:

- (i) Net investments in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt resulting from the acquisition, construction, or improvement of the assets.
- (ii) Restricted – consists of net position that has constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. Restricted assets are displayed in two components – expendable and nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.
- (iii) Unrestricted – consists of net position that does not meet the definition of “restricted” or “Net investment in capital assets.”

When both restricted and unrestricted net position is available for use, it is the Foundation’s policy to use the restricted resources first, then unrestricted resources as they are needed.

Recent accounting pronouncements – Management is currently evaluating the impact of the GASB issued statements below and does not believe such impact will be material to the Foundation’s financial statements:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, issued May 2020 and effective for fiscal year beginning June 15, 2022;

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, issued June 2020 and effective for fiscal year beginning December 15, 2019;

GASB Statement No. 87, Leases issued June 2017 and effective for the periods beginning after December 15, 2019.

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2. PLEDGES RECEIVABLE

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Pledges recorded during fiscal years 2020 and 2019 were discounted at a rate of 2%. In 2019, the discount rate was changed from 5%. Amortization of discounts is included as contribution revenue.

Pledges receivable are only recorded for pledges which the collection is probable. If subsequent to initial recognition, changes in the estimated collectability of pledges occurs, an allowance for doubtful accounts is recorded.

Unconditional promises to give consist of the following:

		2020	2019
Pledges receivable	\$	428,971	2,000,302
Less: unamortized discount		8,579	40,006
Subtotal		420,392	1,960,296
Less: allowance for uncollectibles		237,150	1,211,421
Net unconditional promises to give	\$	183,242	748,875
Amount due in:			
Less than one (1) year	\$	46,009	679,314
One to five (5) years		368,795	802,393
More than five (5) years		14,167	518,595
Total	\$	428,971	2,000,302

3. FAIR VALUE MEASUREMENTS

The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market and income approaches. Based on these approaches, the Foundation often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborates, or generally unobservable inputs.

The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

GASB Statement No. 72 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation methodology for an asset or liability as of the measurement date. The valuation hierarchy assigns highest priority to Level 1 measurements, and lowest priority to Level 3 measurements. The three levels are defined as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Instruments in this category include money market funds and common stocks traded on exchanges such as the New York Stock Exchange.

Level 2 Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets. In addition, they may include quoted prices for identical or similar assets or liabilities in markets that are not active. Instruments in this category include some corporate and municipal bonds that may not be traded frequently and real estate property.

Level 3 Financial assets and liabilities whose values are based on unobservable inputs for the asset or liability. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value using the best information available under the circumstances. Instruments in this category include investments in hedge funds and real estate funds.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at June 30, 2020 and 2019.

Corporate stocks and Commingled funds (equities and fixed income) – Valued at quoted market prices, which for commingled funds represents the net asset value of shares held by the Foundation at year end.

Mutual Funds/Short-term investments – Valued at quoted market prices, which for commingled funds represents the net asset value of shares held by the Foundation at year end.

Corporate bonds and government issues (domestic and foreign) – Investments classified as Level 1 are based on quoted market prices from independent pricing vendors.

Investments classified as Level 2 are based upon independent pricing models or other model-based valuation techniques, such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors. Other factors may include items, such as credit loss assumptions.

Hedge Funds and Real Estate Funds – Valued at the net asset value of the units held by the Foundation at year end, as reported by the investment manager.

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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

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.

Real Estate Property – The Foundation administrative building is valued at cost plus improvements and allocated 15% to fixed assets and 85% to investments. The Foundation’s risk with respect to this property is mitigated by the Foundation’s general liability insurance, and property and casualty insurance, as well as the insurance provided by tenants pursuant to lease agreements. Donated real property provides net operating income that is sufficient to cover the cost of preventive maintenance, capital improvements, operating reserves, and the educational activities that the donor specified when the property was donated. The Foundation holds donated property valued at the fair market value as of the date of the contribution.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Foundation's financial statements at fair value as of June 30, 2020 and 2019:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2020				
Real Estate Funds	\$ -	\$ -	\$ -	\$ -
Common Stocks	19,903,517	-	-	19,903,517
Commingled Funds	-	65,205,595	-	65,205,595
Corporate Bonds	-	4,567,263	-	4,567,263
U.S. Government Securities	-	3,242,723	-	3,242,723
Real Estate Property	-	1,393,762	-	1,393,762
Hedge Funds	-	4,778,322	-	4,778,322
Cash / Money Market Funds	2,036,925	-	-	2,036,925
Accrued Interest / Unsettled Transactions	42,826	-	-	42,826
Total assets in the fair value hierarchy	21,983,268	79,187,665	-	101,170,933
Investments measured at net asset value	-	-	23,760,025	23,760,025
Total Investments at fair value	\$ 21,983,268	\$ 79,187,665	\$ 23,760,025	\$ 124,930,958

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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2019				
Mutual Funds	\$ -	\$ 6,624,785	\$ -	\$ 6,624,785
Common Stocks	6,023,324	-	-	6,023,324
Commingled Funds	-	73,744,360	-	73,744,360
Corporate Bonds	-	8,047,109	-	8,047,109
U.S. Government Securities	-	6,983,209	-	6,983,209
Hedge Funds	-	4,971,756	-	4,971,756
Real Estate Property	-	1,344,785	-	1,344,785
Cash / Money Market Funds	2,019,992	-	-	2,019,992
Accrued Interest / Unsettled Transactions	43,262	-	-	43,262
Total assets in the fair value hierarchy	8,086,578	96,428,501	-	104,515,079
Investments measured at net asset value	-	-	22,538,230	22,538,230
Total Investments at fair value	\$ 8,086,578	\$ 96,428,501	\$ 22,538,230	\$ 127,053,309

The following is a description of the significant investment strategies of each major category of investments that calculate net asset value per share and are not in an active market (Level 3 measurements):

Hedge Funds, Fund of Funds and Limited Partnership Funds- To provide capital appreciation and generate high returns at reduced risk through aggressively managed portfolio of investments using advanced investment strategies.

Real Estate Funds – To provide capital appreciation and generate high returns through a professionally managed private Real Estate Investment Trust portfolio that approximates the investment risks and returns for private commercial real estate.

Real Estate Property – To provide net operating income that is sufficient to cover the cost of preventive maintenance, capital improvements, operating reserves, and the educational activities that the donor specified when the property was donated. The Foundation’s risk with respect to this property is mitigated by the Foundation’s general liability insurance, and property and casualty insurance, as well as the insurance provided by tenants pursuant to lease agreements.

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. The financial statements of the investees are audited annually by independent auditors.

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3. FAIR VALUE MEASUREMENTS (Continued)

The following table discloses all investments whose value is calculated using Net Asset Value (NAV) (or its equivalent), as a practical expedient for funds held at June 30, 2020 and 2019.

As of June 30, 2020	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Commingled funds</u>				
Credit	\$ 6,712,487		Monthly	90 days
Diversified strategy	6,837,179		Quarterly, up to 25%	65 days
<u>Limited partnerships</u>				
Venture capital	979,304	\$ 3,530,000	Duration of Partnership	N/A
Private equity	1,350,808	5,520,005	Duration of Partnership	N/A
Private credit	2,819,248	1,395,794	Duration of Partnership	N/A
<u>Real assets</u>				
Strategic solutions core real estate fund	5,060,999		Quarterly	45 – 90 days
Total investments at June 30, 2020	\$ 23,760,025	\$ 10,445,799		
As of June 30, 2019	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Commingled funds</u>				
Credit	\$ 7,686,918		Monthly	90 days
Diversified strategy	7,936,647		Quarterly, up to 25%	65 days
<u>Limited partnerships</u>				
Venture capital	353,693	\$ 1,640,000	Duration of Partnership	N/A
Private equity	802,167	1,975,005	Duration of Partnership	N/A
Private credit	998,336	2,285,128	Duration of Partnership	N/A
<u>Real assets</u>				
Strategic solutions core real estate fund	4,760,469		Quarterly	45 – 90 days
Total investments at June 30, 2019	\$ 22,538,230	\$ 5,900,133		

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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the fiscal years ended June 30, 2020 and 2019:

	<u>Commingled Funds and Limited Partnerships</u>	<u>Real Estate and Real Estate Fund</u>	<u>Total</u>
Balance June 30, 2018	\$ 5,505,156	\$ 4,926,179	\$ 10,431,335
Sales	(2,489,496)	-	(2,489,496)
Purchases	9,583,564	-	9,583,564
Net realized and unrealized gains (losses)	1,031,602	334,290	1,365,892
Transfers in	8,932,978	-	8,932,978
Transfers out to level 2	(4,786,043)	(500,000)	(5,286,043)
Balance June 30, 2019	<u>17,777,761</u>	<u>4,760,469</u>	<u>22,538,230</u>
Sales	(2,459,043)	-	(2,459,043)
Purchases	3,425,290	-	3,425,290
Net realized and unrealized gains (losses)	(44,982)	300,530	255,548
Balance June 30, 2020	<u>\$ 18,699,026</u>	<u>\$ 5,060,999</u>	<u>\$ 23,760,025</u>

4. CASH AND INVESTMENTS

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Duration uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. As further described in Note 7, The Foundation's investment policy provides a structure for the portfolio that is designed to minimize credit risk.

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NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

As of June 30, 2020, the value of the Foundation's deposits and investments, with their respective credit ratings and effective durations, is as follows:

<u>Debt Security Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Govt Money Market	\$ 535,070	AAA	N/A
Domestic Fixed Income	652,367	AA+	Greater than five years
Domestic Fixed Income	2,174,079	AA+	One to five years
Domestic Fixed Income	137,841	A+	Greater than five years
Multi-manager Fixed Income	6,961,683	AA-	5.59 yrs
Domestic Fixed Income	446,394	A	Greater than five years
Domestic Fixed Income	100,422	A	One to five years
Domestic Fixed Income	2,436,845	A-	Greater than five years
Domestic Fixed Income	365,295	A-	One to five years
Domestic Fixed Income	1,161,149	BBB+	Greater than five years
Domestic Fixed Income	335,603	BBB+	One to five years
Multi-manager Fixed Income	6,712,486	BBB-	2.73 yrs
Total	<u>\$ 22,019,234</u>		

The following investments are held through alternative investments in funds and are not directly subject to credit risk:

Alternative Investments*

	<u>Fair Value</u>
Domestic Fixed Income	\$ 1,094,000
International Fixed Income	754,559
Hedge Funds	5,749,011
Private debit	5,061,000
Total	<u>\$ 12,658,570</u>

***Alternative investments** consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the credit risk related to debt-type securities that are directly held by the Foundation.

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NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial Credit Risk is the risk that in the event of a bank failure or the failure of the counterparty, the Foundation's deposits may not be returned to it, or it may not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2020 and 2019, the Foundation has accounts in financial institutions with balances of \$505,948 and \$1,205,463 in excess of the Federal Deposit Insurance Corporation's insurance coverage of \$250,000, respectively. In addition, the Foundation had balances of \$123,037,196 and \$125,208,524 respectively, at June 30, 2020 and 2019 in excess of the Securities Investor's Protection Corporation ("SIPC") insurance coverage of \$500,000. Invested securities and cash are also covered by the brokerage custodian and its parent company for amounts in excess of the SIPC limit. Management believes no material risk of loss will be sustained from holding these assets with these institutions.

	Cash	Investments, of real estate
Balance at 6/30/2020	\$ 755,948	\$ 123,537,196
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured and uncollateralized	<u>\$ 505,948</u>	<u>\$ 123,037,196</u>
Balance at 6/30/2019	\$ 1,455,463	\$ 125,708,524
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured and uncollateralized	<u>\$ 1,205,463</u>	<u>\$ 125,208,524</u>

Investments - The Foundation maintains master investment accounts for primarily all of its investments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual net asset accounts based on the relationship of the market value of each net asset account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The Foundation invests the majority of its excess operating cash. Operating pool investments consisted of \$27,902,490 for the year ended June 30, 2020, is 22.3% of investments.

Endowment pool investments consisted of \$95,634,705 for the year ended June 30, 2020, is 76.5% of investments.

Real estate property consisted of \$1,393,762, for the year ended June 30, 2020, is 1.2% of investments.

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NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

The following schedule summarizes the investment activity for the year ended June 30, 2020 and 2019.

	2020	2019
Investment returns, net of fees		
Interest and dividend income	\$ 742,801	\$ 1,336,454
Net realized gain/(loss)	315,011	514,085
Change in net unrealized (loss)	(1,071,869)	4,223,701
Consulting fees	(282,531)	(318,315)
Total investment returns, net	(296,588)	5,755,925
Other investment activities		
Incoming gifts	125,260	2,933
Cash deposits	-	3,500,000
Cash withdrawals	(2,000,000)	(5,750,000)
Real estate improvements	48,977	23,944
Total investment activity	\$ (2,122,351)	\$ 3,532,802

5. CAPITAL ASSETS

Land, buildings, and equipment used by the Foundation are stated at cost, if purchased. The Foundation purchased a building at a cost of \$700K. The cost was allocated as follows: land at a price of \$180K and the building at \$520K. The Foundation uses approximately 15% of the building for its administrative offices and the remainder is used for investment purposes. The Foundation depreciates fixed assets used by the Foundation on a straight-line basis over the estimated useful life ranging from three to thirty years. Upon retirement or disposition, the asset's carrying value and related accumulated depreciation are relieved and the resulting gain or loss is included in the statements of revenues, expenses and changes in net position.

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NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued)

	June 30, 2019	Additions	Disposals	June 30, 2020
Non-depreciable assets				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Total non-depreciable assets	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>
Depreciable assets				
Building	78,000	-	-	78,000
Capital Improvements	60,597	8,643	-	69,240
Equipment	164,845	-	-	164,845
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	<u>328,017</u>	<u>8,643</u>	<u>-</u>	<u>336,660</u>
Accumulated depreciation	<u>(159,789)</u>	<u>(18,586)</u>	<u>-</u>	<u>(178,375)</u>
Net depreciable assets	<u>168,228</u>	<u>(9,943)</u>	<u>-</u>	<u>158,285</u>
Total Capital assets	<u>\$ 195,228</u>	<u>\$ (9,943)</u>	<u>\$ -</u>	<u>\$ 185,285</u>

	June 30, 2018	Additions	Disposals	June 30, 2019
Non-depreciable assets				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Total non-depreciable assets	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>
Depreciable assets				
Building	78,000	-	-	78,000
Capital Improvements	56,372	4,225	-	60,597
Equipment	112,330	52,515	-	164,845
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	<u>271,277</u>	<u>56,740</u>	<u>-</u>	<u>328,017</u>
Accumulated depreciation	<u>(143,366)</u>	<u>(16,423)</u>	<u>-</u>	<u>(159,789)</u>
Net depreciable assets	<u>127,911</u>	<u>40,317</u>	<u>-</u>	<u>168,228</u>
Total Capital assets	<u>\$ 154,911</u>	<u>\$ 40,317</u>	<u>\$ -</u>	<u>\$ 195,228</u>

Total depreciation expense was \$18,586 and \$16,423 in 2020 and 2019, respectively. Total accumulated depreciation at June 30, 2020 and 2019 was \$178,375 and \$159,789, respectively.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.**
(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

6. AGENCY LIABILITY

The Foundation holds pooled assets, reported as investments and agency liability on behalf of the FAMU National Alumni Association (the “Alumni”) and Rattler Boosters, Inc. The Alumni and Rattler Boosters are other Direct Support Organization (“DSO”) of the University.

	2020	2019
FAMU National Alumni Assoc.	\$ 2,515,829	\$ 2,468,287
Rattler Boosters	112,195	88,848
	\$ 2,628,024	\$ 2,557,135

7. ENDOWMENTS

The Foundation’s endowment consists of approximately 440 funds (projects) established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net position associated with endowment funds are classified and reported based on donor-imposed restrictions.

Certain endowments that have been pledged but not yet received are not recognizable. The amounts of endowments that have been pledged but not yet received and excluded from recognition totals \$622,637 and \$1,065,639 for the years ended June 30, 2020 and 2019, respectively.

Interpretation of Relevant Law

The Foundation’s Board of Directors has interpreted the laws of the Statute of the State of Florida Section 617.2104 – Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA). Based on such laws, the governing board may expend so much of an endowment fund as the governing board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

In making its determination the governing board used reasonable care, skill, and caution in considering the following:

1. The duration and preservation of endowed funds;
2. The purposes of the Foundation and endowed funds;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policy of the Foundation.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

Expenditures made are considered prudent as the amount expended is consistent with the goal of preserving the purchasing power of the endowment fund.

As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the original value of other corpus additions including state match provided to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is nonexpendable Restricted Net Position is classified as Expendable restricted net position until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by Florida UPMIFA.

Investment Policy & Supervision

The Investment Committee of the Foundation's Board of Directors is responsible for investing the Foundation's endowment funds. The committee, with the help of an independent investment advisor, develops proper investment policies and employs professional investment managers to execute those policies.

All the endowment funds of the Foundation are combined for the purposes of investment. The chief objective of the investment pool is to grow the corpus in excess of inflation and to meet both current and future obligations as dictated by the spending policy, net of operation costs.

Investment management of the assets of the Foundation shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum
US Equity	30%	55%
Non-US Equity	5%	25%
US Core Fixed Income	5%	50%
Global Fixed Income	0%	25%
Other Assets*	0%	30%
Cash and Equivalents	0%	10%

*Other assets refer to investments made in hedge funds, private equity, real assets and commodity related investments.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

In order to meet its needs, the investment strategy of the Foundation is to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income.

Investment goals include the following:

- Preservation of Purchasing Power – After giving consideration to minimum annual gifts/contributions, to achieve annual total returns in excess of the rate of inflation (CPI +1%) plus spending over the investment horizon in order to preserve purchasing power of Fund assets.
- Long-Term Growth of Capital -To emphasize long-term growth of principal while controlling excessive risk. Short-term (one year or less) volatility of Total Fund values will be tolerated in as much as it is consistent with the volatility of a comparable market index.
- Liquidity - To ensure the ability of the Fund to meet all expected or unexpected annual cash flow needs by investing a minimum of 80% of all Foundation assets in securities which can be sold readily and efficiently.

It is the goal of the Foundation to grow total assets at a rate that will equal or exceed annually:

1. The rate of annual Foundation spending, plus the rate of inflation as measured by the Consumer Price Index (CPI) + 1%, after giving consideration to minimum annual gifts/contributions.
2. An absolute rate of return of 7%.
3. The return of a custom blended composite market index.

Spending Policy

The FAMU Foundation endowment spending policy is designed to provide a steady income flow to the foundation stakeholders for their current and future needs while maintaining the purchasing power of the endowed assets.

The FAMU Foundation sets annual spending at a rate of 3.0% and the administrative fee rate at 1.5% for a total of 4.5% annual spending. Spending is distributed at the start of each fiscal year (July 1st).

In the annual distribution method, there is a tendency to pay out the “excess” earnings during periods of over-performance, while maintaining a certain absolute dollar floor of spending during periods of under-performance.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

The following table presents the Foundation's endowments composition, changes, and net position classifications for year ended June 30, 2020.

	Restricted Expendable	Permanently Restricted Nonexpendable	Total
Endowment net assets (deficit), beginning of year	\$ 10,341,918	\$ 87,871,171	\$ 98,213,089
Investment return:			
Investment income	302,478	-	302,478
Net realized and unrealized gains	(539,883)	-	(539,883)
Total investment return	10,104,513	-	97,975,684
Contributions	-	2,058,447*	2,058,447
Appropriation of endowment assets for expenditure	(4,399,426)	-	(4,399,426)
Reclassification of Operating Spend account activity from prior year periods	-	-	-
Endowment net assets , end of year	\$ 5,705,087	\$ 89,929,618	\$ 95,634,705

The Endowment net assets beginning of year balance on schedule does not tie to the 2019 nonexpendable endowments net position because the National Alumni Assoc. and Rattler Boosters (Agency funds) endowment balances are reflected in the agency liability, also the net receivables/payables for investments is reflected in nonexpendable endowments net position. This is the same reason for the difference in 2020 ending net assets on schedule and the net position.

The contributions amount of \$2M on schedule includes the contributions to endowment agency funds, but the Statement of Revenues, Expenses and Changes in Net Position does not include the revenue for agency funds, as this is reflected in the liability.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS

8. REAL ESTATE HELD FOR SALE

Contributions of real estate held for sale are generally recorded at their appraised value at the date of gift. Real estate held for sale is actively marketed with relators and is expected to be sold at a reasonable price.

The table below sets forth a summary of changes in real estate held for sale for the fiscal year ended June 30, 2020.

Real estate held for sale, beginning of year	\$ -
Donations	228,400
Disposals	-
Real estate held for sale, end of year	\$ 228,400

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2019	Due in one year
Scholarships Payable	3,080,514	-	1,344,347	1,736,167	121,881
Deposits	4,000	2,119	-	6,119	-

Long-term scholarships payables represent a portion of scholarships that will be paid to the University over a period of approximately 15 to 20 years, as earnings allows. No interest is to be paid.

Deposits represent tenant security payments made by occupants of the Small Business Development Center and the FAMU Medical Marijuana Education Initiative for Minority Communities. Deposits become current in the year that the lease terminates.

10. ADMINISTRATIVE FEES

The Foundation funds its operations and advancements programs through a series of fees. The fees are part of the Foundation's operating budget.

During the fiscal year ended June 30, 2020, the Foundation assessed the following fees:

Fees assessed on pooled investments	\$ 1,137,700
Gift fees	264,235
Non-gift fees	89,041
Total fees	<u>\$ 1,490,976</u>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS

The Foundation executed a commercial lease with the Small Business Development Center (SBDC), a University office, as a tenant in the Foundation Building. The lease agreement requires SBDC to make monthly lease payments of \$3,000 to the Foundation through May 31, 2021. The Foundation executed a commercial lease with the FAMU Medical Marijuana Education Initiative for Minority Communities (FMMI), a University office, as a tenant in the Foundation Building. The lease agreement requires FMMI to make monthly lease payments of \$1,000 to the Foundation through September 30, 2019. The lease has been extended on a month to month basis. The Foundation received \$48,000 and \$45,000 in lease payments from the University during the year ended June 30, 2020 and 2019, respectively. These amounts are included in miscellaneous income in the accompanying statement of activities.

Minimum future rentals to be collected under non-cancelable operating lease agreements as of June 30, 2020, are as follows:

Year ending June 30, 2020	SBDC	FMMI
2021	\$ 33,000	\$ -
	\$ 33,000	\$ -

12. RECLASSIFICATION OF FUNDS

An adjustment was made to reclassify several board designated projects in the amount of \$1,562,711 previously classified as expendable to unrestricted in the statement of net position. Furthermore, another \$217,657 adjustment was made to more fairly reflect the ending balances for expendable and non-expendable net assets.

	Expendable	Non-expendable	Unrestricted	Total
As Previously Reported	\$33,831,522	\$86,164,453	\$2,964,138	\$122,960,113
Adjustment	1,345,054	217,657	(1,562,711)	-
As Adjusted	\$35,176,576	\$86,382,110	\$1,401,427	\$122,960,113

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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(A Discrete Component Unit of Florida Agricultural and Mechanical University)

NOTES TO FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 19, 2020, the date which the financial statements were available to be issued. During the period from June 30, 2020 to October 19, 2020, the Foundation did not have any material recognizable subsequent events.

There has been many business and market disruptions related to the COVID-19 pandemic, including a decline in select areas of giving due to financial uncertainty as well as value fluctuations in the FAMU Foundation's investment and endowment portfolios. While most Foundation expenditures have remained relatively flat, University travel has decreased significantly. The Foundation's Investment Committee and Board continue to monitor business and market disruptions quarterly at a minimum.

Supplemental Schedules

Florida A&M Univeristy Foundation, Inc.
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
For Fiscal Year 2019-2020
[Endowments submitted under the D.C.U. State Matching Program in accordance with F.S. 1011.94]

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2019	Corpus Contributed During FY 19-20	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2020
Sec Cen Camp 1, 4 & 5	\$ 450,000	\$ 833,625	\$ -	\$ 21,468	\$ 13,500	\$ 7,159	\$ 450,000	\$ 834,434
Sec Cen Camp 2 & 3	300,000	429,759	-	14,362	271	4,789	300,000	439,061
Sec Cen Camp 14	150,000	225,403	-	6,785	-	2,262	150,000	229,926
Sec Cen Camp 24	150,000	155,278	-	5,694	-	1,898	150,000	159,074
Sec Cen Camp 25	150,000	167,333	-	7,156	1,456	2,385	150,000	170,648
Sec Cen Camp 26	150,000	234,138	-	7,190	2,281	2,412	150,000	236,635
Sec Cen Camp 27	150,000	314,826	-	7,156	-	2,385	150,000	319,597
Sec Cen Camp 28	150,000	156,296	-	7,118	2,684	2,399	150,000	158,331
Sec Cen Camp 33	300,000	404,455	-	14,312	-	4,771	300,000	413,996
Sec Cen Camp 34	150,000	155,001	-	7,156	1,941	2,385	150,000	157,831
Sec Cen Camp 35	150,000	255,921	-	6,733	645	2,247	150,000	259,762
Sec Cen Camp 38-40	450,000	779,618	-	21,468	46,750	7,156	450,000	747,180
Sec Cen Camp 41-43	450,000	522,333	-	21,611	-	7,204	450,000	536,740
Sec Cen Camp 44-48	750,000	1,003,614	-	31,082	-	10,361	750,000	1,024,335
Sec Cen Camp 49-51	450,000	569,655	-	21,468	1,738	7,156	450,000	582,229
Sec Cen Camp 52-53	300,000	475,377	-	17,174	-	5,725	300,000	486,826
Sec Cen Camp 57	1,164,977	1,426,884	-	53,918	1,760	18,000	1,164,977	1,461,042
Sec Cen Camp 58	315,898	425,860	-	15,047	477	5,020	315,898	435,410
Sec Cen Camp 61	247,500	426,103	-	11,808	-	3,936	247,500	433,975
Sec Cen Camp 62	300,000	464,050	-	17,174	12,116	5,792	300,000	463,316
Sec Cen Camp 64	375,000	455,542	-	17,890	-	5,963	375,000	467,469
Sec Cen Camp 65	150,000	296,450	-	7,156	-	2,385	150,000	301,221
Sec Cen Camp 66	172,500	311,282	-	7,165	-	2,388	172,500	316,059
Sec Cen Camp 67	300,000	321,906	-	14,312	14,465	4,778	300,000	316,975
Sec Cen Camp 68	210,000	340,877	-	10,018	1,456	3,339	210,000	346,100
Sec Cen Camp 69	172,500	182,060	-	7,853	-	2,617	172,500	187,296
Balance Forward	\$ 8,058,375	\$ 11,333,646	\$ -	\$ 380,274	\$ 101,540	\$ 126,912	\$ 8,058,375	\$ 11,485,468

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2019	Corpus Contributed During FY 19-20	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2020
Balance Forward	\$ 8,058,375	\$ 11,333,646	\$ -	\$ 380,274	\$ 101,540	\$ 126,912	\$ 8,058,375	\$ 11,485,468
Sec Cen Camp 70	360,283	503,421	-	16,926	2,864	5,642	360,283	511,841
Sec Cen Camp 71	300,000	532,203	-	8,587	-	2,862	300,000	537,928
Sec Cen Camp 72	217,500	300,219	-	10,376	1,456	3,459	217,500	305,680
Sec Cen Camp 74	574,380	769,986	-	27,258	4,882	9,088	574,380	783,274
Sec Cen Camp 75	396,000	592,114	-	18,861	2,883	6,354	396,000	601,738
Sec Cen Camp 77	1,190,000	1,324,348	-	51,636	-	17,234	1,190,000	1,358,750
Sec Cen Camp 79	1,219,451	1,577,033	-	71,082	14,208	17,756	1,219,451	1,616,151
Sec Cen Camp 80	150,000	209,184	-	7,156	1,941	2,385	150,000	212,014
Sec Cen Camp 85	229,082	290,385	-	10,860	6,105	3,755	229,082	291,385
Sec Cen Camp 86	750,000	775,006	-	35,781	9,705	11,927	750,000	789,155
Sec Cen Camp 87	225,000	283,302	-	10,734	-	3,578	225,000	290,458
FAMU Endowment #1	411,200	518,529	-	19,573	4,703	6,590	411,200	526,809
FAMU Endowment #2	402,000	449,260	-	19,058	-	6,361	402,000	461,957
FAMU Endowment #3	320,997	441,359	-	15,294	12,000	5,105	320,997	439,548
FAMU Endowment #4	351,023	471,992	-	16,751	4,874	5,584	351,023	478,285
FAMU Endowment #5	187,500	270,340	-	8,973	10,000	2,991	187,500	266,322
Walt Disney World Family Law	225,000	476,659	-	10,734	-	3,578	225,000	483,815
FAMU Endowment #6	343,812	374,931	-	16,368	10,208	5,530	343,812	375,561
FAMU Endowment #7	358,433	397,686	-	16,933	1,365	5,746	358,433	407,508
Moot Court & Law Review Endt	1,275,000	1,277,553	-	60,878	17,856	20,378	1,275,000	1,300,197
FAMU Endowment #8	184,881	249,625	-	8,773	-	2,933	184,881	255,465
FAMU Endowment #9	183,393	242,825	-	9,202	8,021	3,114	183,393	240,892
FAMU Endowment #10	183,917	203,228	-	8,774	-	2,925	183,917	209,077
National Alumni Association	150,000	154,988	-	7,150	-	2,384	150,000	159,754
Walt Disney World Family Law	100,000	197,871	-	4,771	-	1,590	100,000	201,052
FAMU Endowment #11	640,919	640,956	-	28,602	5,560	9,718	640,919	654,280
Scholarship Endowment I	150,000	258,412	-	7,007	-	2,336	150,000	263,083
Balance Forward	\$ 19,138,146	\$ 25,117,061	\$ -	\$ 908,372	\$ 220,171	\$ 297,815	\$ 19,138,146	\$ 25,507,447

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2019	Corpus Contributed During FY 19-20	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2020
Balance Forward	\$ 19,138,146	\$ 25,117,061	\$ -	\$ 908,372	\$ 220,171	\$ 297,815	\$ 19,138,146	\$ 25,507,447
Scholarship Endowment 4 & 5	300,000	508,747	-	14,244	4,216	4,842	300,000	513,933
Scholarship Endowment 6 & 7	300,000	373,350	-	14,181	2,505	4,734	300,000	380,292
Corporate Banquet	150,000	191,604	-	7,156	-	2,386	150,000	196,374
Honeywell, Inc. Endowment	150,000	153,086	-	6,441	1,842	2,147	150,000	155,538
Arts Scholarship Endowment	300,000	407,602	-	14,312	10,000	4,771	300,000	407,143
Faculty & Staff Endowment	300,000	301,182	-	14,236	-	4,759	300,000	310,659
Journalism	450,000	493,131	-	21,468	26,983	7,156	450,000	480,460
Centennial I, II, III	450,000	482,215	-	21,468	-	7,156	450,000	496,527
SBI Endowments (Various)	13,781,873	18,324,711	-	802,908	529,677	272,444	13,781,873	18,325,498
TOTAL	\$ 35,320,019	\$ 46,352,689	\$ -	\$ 1,824,786	\$ 795,394	\$ 608,210	\$ 35,320,019	\$ 46,773,871

* SCCE - Second Century Campaign Endowment

Florida A&M Univeristy Foundation, Inc.
 EMINENT SCHOLARS CHAIRS
 SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
 For Fiscal Year 2019-2020
 [Endowments submitted under the D.C.U. State Matching Program in accordance with F.S. 1011.94]

Name of Gift	Beginning Corpus Balance	Beginning Net Balance 7/1/2019	Corpus Contributed During FY 19-20	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2020
Warner Lambert Chair	\$ 1,000,000	\$ 1,819,589	\$ -	\$ 47,707	\$ -	\$ 15,902	\$ 1,000,000	\$ 1,851,394
Centennial Business Chair	1,000,000	1,470,145	-	47,707	41,702	15,920	1,000,000	1,460,230
Anheuser Busch Chair	1,000,000	1,104,510	-	47,707	-	15,902	1,000,000	1,136,315
Knight Chair for Student Achievement*	1,762,440	1,921,334	-	110,006	100,498	24,506	1,762,440	1,906,336
Garth Reeves Chair	1,000,000	1,025,557	-	47,731	25,839	16,003	1,000,000	1,031,446
Foster-Edmond Chair	1,020,000	1,411,938	-	24,342	-	8,114	1,020,000	1,428,166
SBI Financial Services Chair	1,020,000	1,692,176	-	48,661	-	16,220	1,020,000	1,724,617
Carrie Meek Chair	1,020,000	1,961,240	-	48,661	-	16,220	1,020,000	1,993,681
Shirley A. Cunningham Jr. Endowed Chair	1,750,001	2,047,292	-	83,487	250,034	28,012	1,750,001	1,852,733
Sybil C. Mobley Endowed Chair	2,523,798	3,142,625	-	120,713	70,452	40,253	2,523,798	3,152,633
TOTAL CHAIRS	\$ 13,096,239	\$ 17,596,406	\$ -	\$ 626,722	\$ 488,525	\$ 197,052	\$ 13,096,239	\$ 17,537,551

*Formerly titled Knight-Ridder Chair

Florida Agricultural and Mechanical University Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

	June 30, 2020					June 30, 2019				
	Program Services			Management &		Program Services			Management &	
	University Support	Scholarships and Grants	Fundraising	General	Total	University Support	Scholarships and Grants	Fundraising	General	Total
Scholarships and grants	\$ -	\$ 2,332,967	\$ -	\$ -	\$ 2,332,967	\$ -	\$ 2,559,029	\$ -	\$ -	\$ 2,559,029
Salaries and fringe benefits	1,161,557	-	-	828,164	1,989,721	1,052,429	-	-	918,239	1,970,668
Contract services	490,801	-	-	43,216	534,017	1,593,476	-	-	59,158	1,652,634
Equipment purchases	247,809	-	106,204	141,718	495,731	266,063	-	114,027	32,188	412,278
Travel and meetings	270,408	-	115,889	44,095	430,392	440,256	-	188,681	61,438	690,375
Materials and supplies	357,609	-	153,261	25,977	536,847	322,482	-	138,207	16,463	477,152
Bad Debt Expense	-	-	-	-	-	133,848.00	-	-	-	133,848
Professional fees	290,682	-	124,578	373,530	788,790	418,982	-	179,564	140,500	739,046
Entertainment and dinners	481,370	-	206,301	75,191	762,862	720,481	-	308,777	61,473	1,090,731
Repairs and maintenance	119,934	-	51,400	80,850	252,184	5,441	-	2,332	86,969	94,742
Postage	5,213	-	2,234	135	7,582	8,056	-	3,453	689	12,198
Dues and subscriptions	73,401	-	-	298	73,699	122,070	-	-	460	122,530
Insurance	25,819	-	-	17,793	43,612	9,693	-	-	17,080	26,773
Equipment rental	130,799	-	-	3,122	133,921	181,650	-	-	2,851	184,501
Printing and advertising	51,102	-	21,901	1,526	74,529	62,716	-	26,878	1,103	90,697
Interest	658	-	-	-	658	1,213	-	-	-	1,213
Telephone	201	-	201	1,161	1,563	48	-	48	576	672
Rent	34,925	-	-	-	34,925	120,301	-	-	6	120,307
Depreciation	-	-	-	18,586	18,586	-	-	-	16,423	16,423
Utilities	5,810	-	-	42,772	48,582	6,129	-	-	41,014	47,143
Training and seminars	87,446	-	37,477	16,524	141,447	113,364	-	48,584	27,537	189,485
Taxes and licenses	21,354	-	9,152	1,985	32,491	14,035	-	6,015	1,247	21,297
Bank charges	45,179	-	-	9,729	54,908	36,423	-	-	2,950	39,373
Contributions	165,354	-	70,867	19,206	255,427	131,087	-	56,180	16,077	203,344
Donated In-Kind Donations	89,724	-	-	-	89,724	-	-	-	-	-
Other university support	1,796,930	-	-	-	1,796,930	3,341,809	-	-	-	3,341,809
Provision for uncollectible pledges	-	-	375,006	-	375,006	-	-	813,296	-	813,296
Miscellaneous	20,846	-	8,934	-	29,780	4,185	-	1,794	-	5,979
Total	\$ 5,974,931	\$ 2,332,967	\$ 1,283,405	\$ 1,745,578	\$ 11,336,881	\$ 9,106,237	\$ 2,559,029	\$ 1,887,836	\$ 1,504,441	\$ 15,057,543

**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 Directors
Florida Agricultural & Mechanical 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 financial statements of the Florida Agricultural & Mechanical University Foundation, Inc. (The "Foundation") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 19, 2020.

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 opinions 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 that we consider to be significant deficiencies.

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 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.

Tallahassee, Florida
October 19, 2020

BCA Watson Rice LLP

Florida A&M University Foundation, Inc.
Schedule of Findings and Responses
June 30, 2020

2020-001: Classification of Funds

Criteria:

Funds must be reported in the statement of financial position based on the existence or lack of donor-imposed restrictions. A donor-restricted fund results from a gift with a stipulation that those resources be invested either for a specified period of time or in perpetuity. Funds with donor restrictions are referred to as donor-restricted funds and will be reported on the statement of net assets within the restricted expendable or non expendable.

Those without donor restrictions are referred to as board-designated or unrestricted funds. A board-designated fund is created when a governing board designates or earmarks a portion of its net assets without donor restrictions to be invested for period of time. Board-designated funds will be reported on the statement of financial position within unrestricted net assets.

Condition:

Donor funds are held in three categories, board designated or unrestricted, expendable restricted, and non-expendable restricted. It was noted that spending activity for several board designated funds were included as expendable restricted funds. As such, a reclass has been made to reclassify the activity to the appropriate net asset type.

Cause:

Several board designated projects were set up and held as restricted expendable. Funds contributed to those projects should be classified as undesignated unrestricted.

Effect:

Expenditures were classified as restricted expendable dollars and as such reduced the restricted expendable balance when funds were spent. Although there was zero effect on the statement of activities and the total fund balance did not change, this resulted in an overstatement of unrestricted board designated and an understatement of restricted expendable funds. Therefore, the classifications within the fund balance needed to be restated.

Recommendation

We recommend management classify all donor activity in the same net asset class for which the related project is approved.

Management's Response:

All donor activities have been and will continue to be reclassified into the same net asset fund for which the related project is approved.