



**FLORIDA A&M UNIVERSITY
NATIONAL ALUMNI ASSOCIATION
Tallahassee, Florida**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2021 AND JUNE 30, 2020**

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION
FOR THE YEARS ENDED
JUNE 30, 2021 AND JUNE 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management Discussion and Analysis	3-6
Financial Statements	
Statement of Net Position.....	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements.....	10-21
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.....	22-23

Independent Auditor's Report

To the Board of Directors
Florida A&M University National Alumni Association

Report on Financial Statements

We have audited the accompanying financial statements of the Florida A&M University National Alumni Association (a nonprofit organization), which comprise the statement of net position as of June 30, 2021, and June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Florida A&M University National Alumni Association as of June 30, 2021, and June 30, 2020, and in its revenues, expenses, and changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021, on our consideration of the Florida A&M University National Alumni Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Florida A&M University National Alumni Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida A&M University National Alumni Association's internal control over financial reporting and compliance.

Grayson Accounting & Consulting, P.A.

Tallahassee, Florida
October 8, 2021



Florida Agricultural and Mechanical University National Alumni Association, Inc.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC

Management's Discussion and Analysis

For the Years Ended June 30, 2021 and 2020

The Florida Agricultural and Mechanical University National Alumni Association Inc.'s (the "Association") Management's Discussion and Analysis provides an overview of the Association's financial activities for the fiscal year ended June 30, 2021. Since this information is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the 2021 Financial Statements.

REPORTING ENTITY

The Florida A&M University National Alumni Association, Inc. (the "Association") is a volunteer-led, 501(c)(3) organization whose mission is to inform, involve, and serve members of the Florida A&M University (the "University") family throughout their lifelong relationship with the University through the promotion of goodwill and recognition of students and alumni. The Association was established as a means of allowing continuing involvement of graduates and former students in the development of their University. The organization sponsors special events for alumni; assists with homecoming, reunions and similar activities; facilitates communication between alumni and the University; assists in maintaining alumni records; and has other initiatives that contribute to the welfare of the University.), as defined by the Governmental Accounting Standards Board Statement No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Association is included in the University's financial statements as a discrete component unit. Transactions with the University relate primarily to fostering loyalty and fellowship among the alumni of the University and provide a medium through which the alumni can contribute to the welfare of the University.



Florida Agricultural and Mechanical University *National Alumni Association, Inc.*

COL Gregory L. Clark, President

FINANCIAL HIGHLIGHTS

The assets for the Association totaled \$2,655,732 on June 30, 2021, which reflects an increase of \$279,841 or 12 percent, from the 2019-20 fiscal year. This increase can be attributed to an increase of donations for scholarships and life memberships in the Association. Total ending net position decreased to \$119,100 or 7 percent, for a year-end balance of \$2,467,234

The Association operating revenues totaled \$446,617 for the 2020-21 fiscal year, reflecting an increase of 4 percent from 2019-20. This increase can primarily be attributed to an increase in membership dues income from the previous year. Operating expenses totaled \$178,584 for the 2020-21 fiscal year resulting in a 26% percent decrease over 2019-20. Operating expenses decreased primarily to decrease in insurance and professional expenses.

BUDGETARY HIGHLIGHTS

The Association's budgeted amount of total revenues for the fiscal year 2020-21 was \$824,463. The actual amount of revenues was \$866,632 which represents a favorable variance of \$42,169 or 5 percent compared to projected revenues for the fiscal year. The favorable variance is primarily attributed to increases in memberships.

The Association's budgeted amount of expenses for fiscal year 2020-21 was \$824,463. The actual amount of expenses was \$747,531, which represents a favorable variance of \$76,932 or 9 percent compared to projected expenses for the fiscal year. The favorable variance was the result of the declaration of the COVID-19 virus as a pandemic and the cancellation of the in-person annual meeting.

ECONOMIC CONDITIONS AND OUTLOOKS

The Alumni Association's operations are funded primarily through earnings generated from endowment accounts and revenue from the organization's membership program. While no new significant sources of revenue are expected during fiscal year 2021, it is anticipated that there will be a slight decrease for the next fiscal year due to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association's operations cannot be estimated reliably at this time.



Florida Agricultural and Mechanical University
National Alumni Association, Inc.

COL Gregory L. Clark, President

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position June 30:

	2021	2020
<u>ASSETS</u>		
Current Assets	713,167	153,192
Noncurrent Assets	1,942,095	2,222,698
Total Assets	2,655,732	2,375,891
<u>LIABILITIES</u>		
Current Liabilities	188,498	27,756
Noncurrent liabilities	-	-
Total Liabilities	188,498	27,756
<u>NET POSITION</u>		
Total net position	2,467,234	2,348,134

Condensed Statement of Revenue, Expenses and Changes in Net Position – June 30:

	2021	2020
Total operating revenues	466,617	429,450
Total operating expense	178,585	225,804
Operating income	268,032	203,645
Total non-operating revenues (expenses)	(148,932)	(41,611)
Changes in Net Position	119,100	162,034
Net position, beginning of year	2,348,134	2,186,100
Net position, end of year	2,467,234	2,348,134



***Florida Agricultural and Mechanical University
National Alumni Association, Inc.***

COL Gregory L. Clark, President

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Association's finances. If you have questions about this report or need additional financial information, please feel free to contact:

Lanette R. Jones
Treasurer
PO Box 7351
Tallahassee, FL 32314

treasurer@famunaa.org
(850) 599-3861

Sincerely,

Gregory L. Clark

COL Gregory L. Clark, President
Florida A&M University National Alumni Association

FAMU Today, FAMU Yesterday, FAMU Forever!

FLORIDA A&M NATIONAL ALUMNI ASSOCIATION, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 75,690	\$ 65,039
Other Receivables	92,396	46,029
Investments	525,205	32,941
Life memberships pledges receivable, current portion, net	20,346	9,525
Total Current Assets	713,637	153,083
Noncurrent Assets		
Investments, non current portion	1,931,725	2,209,807
Life memberships pledges receivable, less noncurrent portion, net	10,370	13,000
Capital assets, net	-	-
Total Noncurrent Assets	1,942,095	2,222,807
TOTAL ASSETS	2,655,732	2,375,890
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	188,498	27,756
TOTAL LIABILITIES	188,498	27,756
<u>NET POSITION</u>		
Net investment in capital assets	-	-
Restricted for permanent endowments - nonexpendable	1,956,482	1,711,232
Restricted	96,330	167,926
Unrestricted	414,422	468,976
Total net position	2,467,234	2,348,134
TOTAL NET POSITION & LIABILITIES	2,655,732	2,375,891

FLORIDA A&M NATIONAL ALUMNI ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Dues and life memberships	329,840	240,430
Contributions	81,245	105,650
Miscellaneous	26,392	58,200
Conferences and seminars	9,140	25,170
Total operating revenues	<u>446,617</u>	<u>429,450</u>
Operating Expense		
Professional Services	39,522	78,536
Travel and Meetings	35,104	53,573
Miscellaneous Expense	25,642	28,682
Bad Debt Expense	23,164	6,529
Materials and Supplies	29,380	19,928
Insurance	-	19,327
Bank Charges	19,136	10,816
Postage, Mailing Service	6,316	5,388
Printing	321	3,025
Total operating expense	<u>178,585</u>	<u>225,804</u>
Operating income	<u>268,032</u>	<u>203,645</u>
Non-Operating Revenues (Expenses)		
Contributions from Alumni and Alumni Chapters	339,903	333,619
Allocation of earnings from Life Membership Endowment	80,112	73,379
Scholarships and Grants	(512,365)	(300,352)
Contributions to the University	(56,582)	(148,257)
Total non-operating revenues (expenses)	<u>(148,932)</u>	<u>(41,611)</u>
Changes in Net Position	<u>119,100</u>	<u>162,034</u>
Net position, beginning of year	<u>2,348,134</u>	<u>2,186,100</u>
Net position, end of year	<u><u>2,467,234</u></u>	<u><u>2,348,134</u></u>

FLORIDA A&M NATIONAL ALUMNI ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Cash received from members and contributors	812,072	375,266
Payments for services and to vendors	(437,857)	(204,577)
Net cash provided by operating activities	374,215	170,688
Cash flows from investing activities		
Allocation of earnings from life membership endowment	80,112	73,379
Investment of funds held and invested by the FAMU Foundation on behalf of the National Alumni Association	(214,632)	(94,391)
Net cash provided by investing activities	(134,520)	(21,012)
Cash flows from capital and related financing activities	-	-
Cash flows from noncapital financing activities		
Contribution from donors	339,902	333,619
Contributions to the University for Scholarships and Grants	(512,365)	(300,352)
Contributions to the University	(56,582)	(148,257)
Net cash provided by noncapital financing activities	(229,045)	(114,990)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,650	34,686
CASH AND CASH EQUIVALENTS, beginning of the year	65,039	30,353
CASH AND CASH EQUIVALENTS, end of the year	75,689	65,039
Reconciliation of operating income to net cash provided / (used) by		
Operating income	119,100	203,645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities		
(Increase) / Decrease in Pledges Receivable	(8,191)	(6,753)
(Increase) / Decrease in Other Receivables	(46,368)	(46,029)
(Increase) / Decrease in Investments	148,932	-
Increase / (Decrease) Accounts Payable	160,742	19,824
Net cash provided by operating activities	374,215	170,688

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

NOTE 1. NATURE OF THE ORGANIZATION

The Florida A&M University National Alumni Association, Inc. (the “National Alumni Association”) is a non-profit organization whose function is to provide a link between the National Alumni Association and the Florida A&M University. Certain employees, including the Executive Director, of the University’s Office of Alumni Affairs, spend a portion of their time providing general management and administrative services to the National Alumni Association. The State of Florida provides the funding for the Office of Alumni Affairs, which is part of the University, and the results of its operations are not included in this report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As a component unit of the University, the National Alumni Association prepares its financial statements according to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*. These standards require public institutions to present management’s discussion and analysis (MD&A), basic financial statements, and notes to the financial statements, and required supplementary information other than MD&A.

The standards require the classification of net position into three components defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component represents the net position of the National Alumni Association which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws and

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

regulations. The National Alumni Association had restricted net position of \$2,052,512 and \$1,879,158 as of June 30, 2021 and 2020, respectively.

- Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Reporting Entity

In defining the National Alumni Association for financial reporting purposes, management has applied the requirements of *Governmental Accounting Standards Board Statement (GASB) No. 14, the Financial Reporting Entity and GASB No. 61, the Financial Reporting Entity, Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. The National Alumni Association would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit’s board. The National Alumni Association is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

The Florida legislature passed and the governor signed into law Chapter 2020-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses university direct support organizations. With this change, the University Board of Trustees will have to approve all DSO board members, and the University will now have control of the board of the DSO. Management has evaluated this change and is reporting the financial statements of the National Alumni Association under the GASB model.

Measurement Focus and Basis of Accounting

The National Alumni Association is presented as a component unit of the University. The financial statements are reported using the economic resources measurement

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows. Revenues, expenses, income, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Budget

As set forth in the bylaws of the articles of organization, the National Alumni Association adopts an annual budget for all revenues and expenses which the Board of Directors approves. This budget must then be approved by the President of the University and sent to the University Board of Trustees for review and final approval.

Revenue Recognition

Life memberships are recognized as revenue committed and unpaid memberships are recorded as life memberships receivable net of an allowance for doubtful accounts. Annual memberships are recognized as revenue when received.

Investments

The National Alumni Association' long-term investments are reported at fair value using quoted market prices of other fair value techniques, including net asset value, as required by GASB Statement No. 72, *Fair Value Measurement and Valuation*.

The following are required risk disclosures applicable to the National Alumni Association' investments:

Credit Risk — Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The National Alumni Association investments are held by the Florida A&M University Foundation, Inc. (the "Foundation") and follows the policies of the Foundation with regards to credit risk.

Concentration of Credit Risk – The National Alumni Association maintains a cash account with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. A qualified public depository has a branch office(s) authorized to receive deposits in Florida, maintains FDIC deposit insurance, meets

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the specific statutory requirements of Section 280.17, Florida Statutes, and has been approved by the Florida Treasury's Bureau of Collateral Management to accept public funds for deposit. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are satisfied first through any applicable deposit insurance, and then through the sale of collateral pledged or deposited by the defaulting depository.

When necessary, assessments may also be made against other qualified public depositories of the same type as the depository in default.

Custodial Credit Risk — Custodial credit risk exists when, in the event of a bank failure, the National Alumni Association's deposits may not be returned to it. The National Alumni Association's policy regarding custodial credit risk is to maintain deposits in qualified public depositories pursuant to Chapter 280, Florida Statutes, and, accordingly, are entirely insured by federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act. The National Alumni Association's investments are held by the Foundation and follow the policies of the Foundation in regards to custodial credit risk.

Interest Rate Risk — Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The National Alumni Association's investments are held by the Foundation and follows the policies of the Foundation with regards to interest rate risk.

Income Taxes

The National Alumni Association is a nonprofit corporation which is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Activities which constitute a trade or business, that are regularly carried on and not substantially related to the National Alumni Association exempt purpose, may be considered unrelated business income activities under Section 511(a) of the Internal Revenue Code and subject to income tax. The National Alumni Association had no unrelated business income tax expense for the years ended June 30, 2021 and June 30, 2020, respectively.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as dues and memberships, result from exchange transactions associated with the principal activities of the National Alumni Association.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The GASB has issued new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The National Alumni Association has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the National Alumni Association' reported financial position or activities in the near term.

On September 17, 2020, ASU 2020-07 on Topic 958, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets was issued. The ASU requires nonprofits to change their financial presentation and disclosure of contributed nonfinancial assets, or gifts in-kind. This ASU was issued to improve transparency in reporting nonprofit gifts in-kind. This amendment should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is evaluating the impact of this standard on the entity's financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified in order to conform with the 2021 presentation. These reclassifications had no impact on total assets, total liabilities, total net position, or change in net position previously reported.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange transactions are those in which each party to the transaction receives or gives up essentially equal values. In-kind contributions from the University are considered operating revenues as they directly offset certain operating expenses. Operating expenses include the cost of membership services and administration. Non-operating revenues arise from exchange transactions not associated with the National Alumni Association principal activities, such as contributions and investment income.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The National Alumni Association maintains its cash accounts with the Foundation. There were no uninsured amounts as of June 30, 2021 and 2020, respectively. Cash balances were \$75,090 and \$65,039 as of June 30, 2021 and 2020, respectively.

NOTE 4. LIFE MEMBERSHIP ENDOWMENT HELD BY FAMU FOUNDATION

The National Alumni Association established the Life Membership Endowment to provide support for general operations and financial stability of the organization. The endowment is administered and invested by the Foundation. As of June 30, 2021 and 2020, endowment balances totaled \$1,956,482 and \$1,711,232, respectively.

NOTE 5. PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give 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. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

5. PROMISES TO GIVE (Continued)

Unconditional promises to give as of June 30, 2021, consist of:

Subscribing Life Memberships	76,405
Less: Unamortized discount	0
<hr/>	
Subtotal	76,405
Less: Allowance for uncollectibles	45,689
<hr/>	
Net Conditional promises to give	30,716
<hr/>	

Amount due in:	
Less than one (1) year	30,585
<u>One to three (3) years</u>	<u>45,820</u>
<u>Total</u>	<u>76,405</u>
<hr/>	

Discount rate is two percent (2.0%), while the allowance for doubtful accounts approximates seventy-five percent (75%) of receivable accounts as of June 30, 2021.

Unconditional promises to give are a result of installment payments on life memberships.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The National Alumni Association, through an agreement with the Foundation, invests its surplus funds in the long-term investment portfolio of the Foundation with the intent of achieving the highest possible return. The Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Foundation's Investment Committee, which has oversight responsibility for the Foundation's investment program. The Foundation's Investment Committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed.

The National Alumni Association prepares its financial statements according to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining the fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The National Alumni Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are disclosed in one of the following three categories:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the asset;
- Level 3 inputs are significant unobservable inputs. The National Alumni Association has no investments valued using level 3 inputs.

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

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

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

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 – Valued at cost plus improvements and allocated 15% to fixed assets and 85% to investments. 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.

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.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The National Alumni Association's proportionate share of the Foundation's investments by level, within the fair value hierarchy as of June 30, 2021, is summarized as follows:

Description	Quoted Prices on Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Real Estate Funds	-	-	-	-
Common Stocks	437,573	-	-	437,573
Commingled Funds	-	1,326,845	-	1,326,845
Corporate Bonds	38,583	-	-	38,583
U.S. Government Securities	77,472	48,076	-	125,548
Real Estate Property	-	21,631	-	21,631
Hedge Funds	-	88,493	-	88,493
Cash/Money Market Funds	23,598	-	-	23,598
Accrued Interest/Unsettled Transactions	1,374	-	-	1,374
Total assets in the fair value hierarchy	578,599	1,485,046	-	2,063,645
Investments measured at net asset value	-	-	393,285	393,285
Total Investments at fair value	578,599	1,485,046	393,285	2,456,930

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.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

The following table discloses all investments whose value is calculated using NAV (or its equivalent), as a practical expedient for funds held at June 30, 2021.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Commingled Funds</u>				
Credit	100,495		Monthly	90 days
Diversified strategy	94,977		Quarterly	60 days
<u>Limited partnerships</u>				
Venture capital	43,004	23,686	Duration of Partnership	N/A
Private equity	50,254	72,445	Duration of Partnership	N/A
Private credit	41,904	13,716	Duration of Partnership	N/A
<u>Real assets</u>				
Real Estate Fund	60,678		Quarterly	45 - 90 days
Real Estate Fund	1,972		Duration of Partnership	N/A
Total investments	<u>393,285</u>	<u>109,847</u>		

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

NOTE 7. SUPPORT TO THE UNIVERSITY

During the fiscal year ended June 30, 2021, and 2020, the National Alumni Association provided direct support of \$56,582 and \$148,257, respectively. The support included amounts paid to or on behalf of the University. The Association also provided student scholarships and grants to the university in the amount of \$512,365 and \$300,352 for June 30, 2021, and June 30, 2020, respectively.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. We have evaluated subsequent events through the issuance date of the audit report, October 8, 2021, and there were no subsequent events to be disclosed.

NOTE 9. COVID-19 PANDEMIC

The COVID-19 pandemic has caused global business disruptions and economic uncertainties. Management believes the National Alumni Association is taking appropriate actions to mitigate the negative impact. However, the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated as these events are still developing.

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 of
Florida A&M University National Alumni Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida A&M University National Alumni Association, (a nonprofit organization), which comprise the statement of net position as of June 30, 2021 and June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grayson Accounting & Consulting, P.A.

Tallahassee, Florida
October 8, 2021