

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

STATEMENTS OF NET POSITION

As of June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 16,908,712	\$ 6,383,747
Investments	2,614,302	1,711,961
Accounts receivable	104,724	76,489
Prepaid expenses	1,736,305	268,673
Total current assets	21,364,043	8,440,870
Noncurrent assets		
Restricted assets		
Pledges receivable, net	2,456,283	1,529,307
Investments, net of current portion	141,363,036	153,745,792
Property held for sale	168,400	228,400
Cash surrender value of life insurance	57,539	4,763
Lease Right of use asset, net	4,115	-
Capital Assets		
Nondepreciable assets, primarily land	27,000	27,000
Depreciable property and equipment, net	136,404	143,934
Total noncurrent assets	144,212,777	155,679,196
Total assets	165,576,820	164,120,066
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	289,459	291,152
Scholarships payable	-	454,721
Salaries payable	177,155	254,062
Total current liabilities	466,614	999,935
Noncurrent liabilities		
Scholarships payable, net of current portion	-	2,764,058
Lease liability	4,429	-
Deposits	4,687	5,687
Total noncurrent liabilities	9,116	2,769,745
Total liabilities	475,730	3,769,680
Net Position		
Net investment in capital assets	163,404	170,934
Restricted		
Expendable	65,671,025	67,397,887
Nonexpendable endowments	95,961,451	90,504,767
Unrestricted net assets	3,305,210	2,276,798
Total net position	\$ 165,101,090	\$ 160,350,386

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, 2022 and 2021

	2022	2021
Operating revenues		
Contributions, net	\$ 22,178,162	\$ 11,663,278
Net realized and unrealized gain (loss)	(11,653,768)	32,852,644
Interest and dividends	597,053	454,273
Miscellaneous income	1,836,637	1,102,507
Membership dues	-	150
Total operating revenues	12,958,084	46,072,852
Operating expenses		
University support expenditures	8,566,430	4,514,892
Scholarships and grants	2,419,617	1,794,400
Fundraising	1,267,728	810,686
Management and general	1,410,289	1,347,409
Total operating expenses	13,664,064	8,467,387
Operating income/(loss)	(705,980)	37,605,465
Income (loss) before changes in nonexpendable	(705,980)	37,605,465
Changes in nonexpendable	5,456,684	2,395,030
Change in net position	4,750,704	40,000,495
Net position, beginning of year	160,350,386	120,349,891
Net position, end of year	\$ 165,101,090	\$ 160,350,386

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Receipts from contributions	\$ 21,067,248	\$ 9,974,658
Receipts from other operating activities	1,832,637	1,102,075
Receipts from customers	-	150
Payments for University support	(8,558,911)	(4,355,101)
Payments for scholarships and grants	(6,987,681)	(1,882,547)
Payments for fundraising activities	(1,261,202)	(474,298)
Payments for management and general activities	(1,619,846)	(879,817)
Net cash from operating activities	4,472,245	3,485,120
 Cash flows from investing activities		
Net Proceeds from sales and maturities of investments	9,437	81,566
Interest and dividends received	597,053	454,273
Net cash from investing activities	606,490	535,839
 Cash flows from capital and related financing activities		
Purchase of capital assets	(10,454)	(3,518)
Net cash from capital and related financing activities	(10,454)	(3,518)
 Cash flows from noncapital financing activities		
Contributions for long-term endowments	5,456,684	2,288,467
Net cash from noncapital financing activities	5,456,684	2,288,467
 Net change in cash	10,524,965	6,305,908
 Cash and cash equivalents, beginning of year	6,383,747	77,839
 Cash and cash equivalents, end of year	\$ 16,908,712	\$ 6,383,747

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income/(loss)	\$ (705,665)	\$ 37,605,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	17,984	17,869
Donated securities	(183,932)	(7,084)
Interest and dividend income, net of fees	(595,911)	(97,242)
Net realized and unrealized gain (loss) on investments	11,653,768	(32,852,644)
Change in assets and liabilities (increase)/decrease:		
Pledge receivables	(926,976)	(1,346,065)
Cash surrender value of life insurance	(52,776)	(3,472)
Prepaid expenses	(1,467,632)	(85,870)
Property held for resale	60,000	-
Other receivables	(28,235)	(10,800)
Accounts payables and accrued expenses	(1,694)	99,480
Scholarships payable	(3,218,779)	(88,147)
Salaries payable	(76,907)	254,062
Other liabilities	(1,000)	(432)
Net cash from operating activities	<u>\$ 4,472,245</u>	<u>\$ 3,485,120</u>

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.
(Agency Fund)**

STATEMENTS OF FIDUCIARY NET POSITION

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Restricted cash and cash equivalents	\$ 668,203	\$ 612,434
Restricted investments	2,761,925	2,848,386
Pledges receivable, net	<u>2,150</u>	<u>3,477</u>
Total restricted assets	<u>3,432,278</u>	<u>3,464,297</u>
Net position restricted for Agency funds	 <u>\$ 3,432,278</u>	 <u>\$ 3,464,297</u>

See accompanying notes to the financial statements.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERISTY
FOUNDATION, INC.
(Agency Fund)**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended June 30, 2022 and 2021

	2022	2021
Additions		
Contributions, net	\$ 1,019,414	\$ 711,770
Realized and unrealized gain (loss)	(227,675)	614,930
Interest and dividends	9,661	6,703
Miscellaneous income/(loss)	23,844	(7,997)
Dues and subscriptions	168,118	131,403
Total additions	993,362	1,456,809
Deductions		
University support expenditures	194,527	144,157
Scholarships and grants	508,739	397,504
Fundraising	237,710	85,931
Management and general	84,405	43,928
Total deductions	1,025,381	671,520
Change in net position	(32,019)	785,289
Net position restricted for agency funds		
Beginning of year	3,464,297	2,679,008
End of year	\$ 3,432,278	\$ 3,464,297

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, 2021 and 2020, the Foundation, under the matching program sponsored by the D.C.U. did not recognize any state matching revenues.

Financial Statements – As a discrete component unit of the University, the Foundation prepares its financial statements according to the provisions of 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 for 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, basic financial statements, notes to the financial statements, and required supplementary information other than MS&A.

**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)

Measurement focus and basis of accounting – The financial statements of the Foundation have been prepared following the financial reporting requirements of GASB Statement No. 35, which use the economic resources measurement focus and the accrual basis of accounting. One exception is the fiduciary fund type, as an agency fund it cannot be said to have a measurement focus since it does not report equity. 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.

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

**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)

(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.

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 have been recorded as of June 30, 2022 and June 30, 2021.

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:

**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)

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

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

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. There was no real property donated during the year ended 2022 and 2021. Total tangible property donations received in fiscal years 2022 and 2021 were approximately \$8,592 and \$304,558, 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, 2022 and 2021.

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.

**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)

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.

**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)

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. Expendable represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs include student scholarships, faculty and staff support, research funding, funding for facilities and general college support. Nonexpendable represents the nonexpendable portion (corpus) of endowment funds that are subject to donor, grantor or other outside party restrictions for the benefit of various programs at the University. These programs include student scholarships, faculty and staff support, research funding, funding for facilities and general college support. The corpus of the permanent endowments is retained and reported in nonexpendable, while the net earnings or losses on endowment funds are included in the expendable funds.

- (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;

Management has adopted GASB Statement No. 87, Leases issued June 2017 and effective for the periods beginning after December 15, 2019. This is determined not to be material.

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

NOTES TO FINANCIAL STATEMENTS

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. Pledges receivable include Fiduciary Funds of \$3,335 at June 30, 2022 and \$3,477 at June 30, 2021.

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 2022 and 2021 were discounted at a rate of 2%. 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:

		2022	2021
Pledges receivable	\$	2,544,551	1,571,605
Less: unamortized discount		50,891	35,567
Subtotal		2,493,660	1,536,038
Less: allowance for uncollectibles		35,227	6,731
Net unconditional promises to give	\$	2,458,433	1,529,307
Amount due in:			
Less than one (1) year	\$	1,034,076	71,173
One to five (5) years		1,405,746	1,011,152
More than five (5) years		104,729	489,280
Total	\$	2,544,551	1,571,605

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.

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

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application* 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, 2022 and 2021.

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.

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

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, 2022 and 2021, This table includes Agency Funds of \$2,761,923 and \$2,848,386 respectively:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2022				
Common Stocks	\$ 22,503,137	\$ -	\$ -	\$ 22,503,137
Commingled Funds	-	7,804,628	-	7,804,628
Corporate Bonds U.S. Government Securities	2,956,174 6,264,001	- 1,585,656	- -	2,956,174 7,849,657
Real Estate Property	-	1,452,998	-	1,452,998
Hedge Funds	-	5,627,466	-	5,627,466
Cash / Money Market Funds	63,715,925	-	-	63,715,925
Accrued Interest / Unsettled Transactions	391,440	-	-	391,440
Total assets in the fair value hierarchy	95,830,677	16,470,748	-	112,301,425
Investments measured at net asset value	-	-	34,437,838	34,437,838
Total Investments at fair value	\$ 95,830,677	\$ 16,470,748	\$ 34,437,838	\$ 146,739,263

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

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, 2021				
Common Stocks	\$ 28,193,917	\$ -	\$ -	\$ 28,193,917
Commingled Funds	-	85,491,963	-	85,491,963
Corporate Bonds	2,485,971	-	-	2,485,971
U.S. Government Securities	4,991,740	3,097,661	-	8,089,401
Hedge Funds	-	5,701,836	-	5,701,836
Real Estate Property	-	1,393,762	-	1,393,762
Cash / Money Market Funds	1,520,453	-	-	1,520,453
Accrued Interest / Unsettled Transactions	88,514	-	-	88,514
Total assets in the fair value hierarchy	37,280,595	95,685,222	-	132,965,817
Investments measured at net asset value	-	-	25,340,322	25,340,322
Total Investments at fair value	\$ 37,280,595	\$ 95,685,222	\$ 25,340,322	\$ 158,306,139

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.

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

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

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, 2022 and 2021.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Commingled funds</u>				
Credit	\$ -		Monthly	90 days
Diversified strategy	8,216,282		Quarterly, up to 25%	65 days
<u>Limited partnerships</u>				
Venture capital	6,532,744	\$ 1,800,000	Duration of Partnership	N/A
Private equity	6,973,511	4,253,778	Duration of Partnership	N/A
Private credit	4,954,420	3,902,170	Duration of Partnership	N/A
<u>Real assets</u>				
Real Estate Fund	6,819,448		Quarterly	45 – 90 days
Real Estate Fund	941,433		Duration of Partnership	N/A
Total investments at June 30, 2022	\$ 34,437,838	\$ 9,955,948		
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Commingled funds</u>				
Diversified strategy	8,220,098		Quarterly, up to 25%	65 days
<u>Limited partnerships</u>				
Venture capital	3,721,947	\$ 2,050,000	Duration of Partnership	N/A
Private equity	4,349,390	6,270,005	Duration of Partnership	N/A
Private credit	3,626,695	1,187,056	Duration of Partnership	N/A
<u>Real assets</u>				
Real Estate Fund	5,251,549		Quarterly	45 – 90 days
Real Estate Fund	170,643		Duration of Partnership	N/A
Total investments at June 30, 2021	\$ 25,340,322	\$ 9,507,061		

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

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, 2022 and 2021:

	<u>Commingled Funds and Limited Partnerships</u>	<u>Real Estate and Real Estate Fund</u>	<u>Total</u>
Balance June 30, 2020	\$ 18,699,026	\$ 5,060,999	\$ 23,760,025
Sales	(591,116)	(112,765)	(703,881)
Purchases	4,801,238	283,408	5,084,646
Net realized and unrealized gains (losses)	3,721,469	190,549	3,912,018
Transfers out to level 2	(6,712,486)		(6,712,486)
	<hr/>	<hr/>	<hr/>
Balance June 30, 2021	19,918,131	5,422,191	25,340,322
Sales	(493,557)	(357,439)	(850,996)
Purchases	4,528,956	989,304	5,518,260
Net realized and unrealized gains (losses)	2,723,428	1,706,824	4,430,252
	<hr/>	<hr/>	<hr/>
Balance June 30, 2022	\$ 26,676,958	\$ 7,760,880	\$ 34,437,838

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.

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

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

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

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Govt Money Market	\$ 10,063,353	AAA	N/A
Domestic Fixed Income	6,711,157	AA+	Greater than five years
Domestic Fixed Income	1,138,500	AA+	One to five years
Domestic Fixed Income	1,727,327	A-	Greater than five years
Domestic Fixed Income	130,636	A-	One to five years
Domestic Fixed Income	1,098,210	BBB+	Greater than five years
Multi-manager Fixed Income	7,804,628	BBB	1.65 yrs
Total	\$ 28,673,811		

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Govt Money Market	\$ 5,669,009	AAA	N/A
Domestic Fixed Income	4,259,174	AA+	Greater than five years
Domestic Fixed Income	732,566	AA+	One to five years
Multi-manager Fixed Income	4,507,266	AA-	6.58 yrs
Domestic Fixed Income	856,041	AA	6.59 yrs
Domestic Fixed Income	726,343	A-	Greater than five years
Domestic Fixed Income	224,561	A-	One to five years
Domestic Fixed Income	1,403,803	BBB+	Greater than five years
Domestic Fixed Income	131,263	BBB+	One to five years
Multi-manager Fixed Income	8,697,682	BBB	1.65 yrs
Mortgage-Backed Securities	3,097,661		Greater than five years
Total	\$ 30,305,369		

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

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

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

Alternative Investments*

	2022	2021
	<u>Fair Value</u>	<u>Fair Value</u>
Domestic Fixed Income	\$ 1,964,038	\$ 1,183,006
International Fixed Income	1,285,899	863,452
Hedge Funds	7,331,950	7,282,073
Private debit	7,760,881	5,422,191
Total	<u>\$ 18,342,768</u>	<u>\$ 14,750,722</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 and are measured at NAV per share using the practical expedient or its equivalent.

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. On June 30, 2022 and 2021, the Foundation has accounts in financial institutions with balances of \$17,326,915 and \$6,746,181 in excess of the Federal Deposit Insurance Corporation's insurance coverage of \$250,000, respectively. Included in these amounts are Agency funds of \$668,203 on June 30, 2022 and \$612,434 on June 30, 2021. In addition, the Foundation had balances of \$144,786,265 and \$156,412,377 respectively, on June 30, 2022 and 2021 in excess of the Securities Investor's Protection Corporation ("SIPC") insurance coverage of \$500,000. Included in these amounts are Agency funds of \$2,761,925 on June 30, 2022 and \$2,848,836 on June 30, 2021. 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, and real estate
Balance at 6/30/2022	\$ 17,576,915	\$ 145,286,265
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured and uncollateralized	<u>\$ 17,326,915</u>	<u>\$ 144,786,265</u>
Balance at 6/30/21	\$ 6,996,181	\$ 156,912,377
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured and uncollateralized	<u>\$ 6,746,181</u>	<u>\$ 156,412,377</u>

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

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

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 \$33,808,972 for the year ended June 30, 2022, is 23.3% of investments. Operating pool investments consisted of \$37,915,191 for the year ended June 30, 2021, is 23.9% of investments.

Endowment pool investments consisted of \$111,477,293 for the year ended June 30, 2022, is 76.7% of investments. Agency fund endowments totaling \$2,761,925 are included in this amount. Endowment pool investments consisted of \$118,997,186 for the year ended June 30, 2021, is 75.2% of investments. Agency fund endowments totaling \$2,848,386 are included in this amount.

Real estate property consisted of \$1,393,762, for the year ended June 30, 2022, is 0.9% of investments. Real estate property consisted of \$1,393,762, for the year ended June 30, 2021, is 0.9% of investments.

The following schedule summarizes the investment activity for the year ended June 30, 2022 and 2021.

	2022	2021
Investment returns, net of fees		
Interest and dividend income	\$ 605,942	\$ 460,955
Net realized gain/(loss)	13,782,742	5,908,976
Change in net unrealized (loss)	(25,664,185)	27,558,598
Consulting fees	(653,855)	(512,287)
Total investment returns, net	(11,929,356)	33,416,242
Other investment activities		
Incoming gifts	183,932	113,646
Cash deposits	-	2,500,000
Cash withdrawals	-	(2,800,000)
Real estate improvements	59,236	-
Total investment activity	\$ (11,686,188)	\$ 33,229,888

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

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (Continued)

The fiduciary fund actively invests cash inconformity with the Foundation's Investment Policy. These funds are pooled with other investments.

The fiduciary fund has unrealized gains/losses on investments of \$(500,812) and \$507,524, realized gains of \$273,137 and \$170,406 interest and dividend income of \$9,661 and \$6,703, as well as investment fees of \$12,260 and \$8,176 as of June 30, 2022 and 2021, respectively. These funds are included in the table above.

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 during the period ending June 30, 2012. 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.

	June 30, 2021	Additions	Disposals	June 30, 2022
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	69,240	10,454	-	79,694
Equipment	168,363	-	-	168,363
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	<u>340,178</u>	<u>10,454</u>	<u>-</u>	<u>350,632</u>
Accumulated depreciation	<u>(196,244)</u>	<u>(17,984)</u>	<u>-</u>	<u>(214,228)</u>
Net depreciable assets	<u>143,934</u>	<u>(7,530)</u>	<u>-</u>	<u>136,404</u>
Total Capital assets	<u>\$ 170,934</u>	<u>\$ (7,530)</u>	<u>\$ -</u>	<u>\$ 163,404</u>

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

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued)

	June 30, 2020	Additions	Disposals	June 30, 2021
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	69,240	-	-	69,240
Equipment	164,845	3,518	-	168,363
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	<u>336,660</u>	<u>3,518</u>	<u>-</u>	<u>340,178</u>
Accumulated depreciation	<u>(178,375)</u>	<u>(17,869)</u>	<u>-</u>	<u>(196,244)</u>
Net depreciable assets	<u>158,285</u>	<u>(14,351)</u>	<u>-</u>	<u>143,934</u>
Total Capital assets	<u>\$ 185,285</u>	<u>\$ (14,351)</u>	<u>\$ -</u>	<u>\$ 170,934</u>

Total depreciation expense was \$17,984 and \$17,869 in 2022 and 2021, respectively. Total accumulated depreciation on June 30, 2022 and 2021 was \$214,228 and \$196,244, respectively.

6. ENDOWMENTS

The Foundation's endowment consists of approximately 590 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 \$687,539 and \$695,536 for the years ended June 30, 2022 and 2021, respectively.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficiencies can result from unfavorable market fluctuations and continued appropriation by the Foundation. We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$5,890,617, fair values of \$5,493,984 and deficiencies of \$396,633 were reported in net position with donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

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.

The following table presents the Foundation’s **endowments** composition, changes, and net position classifications for year ended June 30, 2022.

	<u>Restricted Expendable</u>	<u>Permanently Restricted Nonexpendable</u>	<u>Total</u>
Endowment net assets (deficit), beginning of year	\$ 26,252,658	\$ 92,744,529	\$ 118,997,187
Investment return:			
Investment income	464,750	-	464,750
Net realized and unrealized gains	<u>(9,679,974)</u>	<u>-</u>	<u>(9,679,974)</u>
Total investment return	<u>(9,215,224)</u>	<u>-</u>	<u>(9,215,224)</u>
Contributions	-	5,642,514	5,642,514
Appropriation of endowment assets for expenditure	<u>(3,947,184)</u>	<u>-</u>	<u>(3,947,184)</u>
Endowment net assets, end of year	<u>\$ 13,090,250</u>	<u>\$ 98,387,043</u>	<u>\$ 111,477,293</u>

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

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (Continued)

The Endowment net assets end of year balance on this schedule does not tie to the 2022 nonexpendable endowments net position because the National Alumni Assoc. and Rattler Boosters (Fiduciary funds) endowment balances of \$2.5 million are reflected in the net position restricted for Agency Funds on the Statements of Fiduciary Net Position. Also, the net receivables/payables for investments is reflected in nonexpendable endowments net position.

This schedule includes Agency Fund endowment contributions of \$242,659, investment returns of \$(230,274), and an appropriation of \$98,846 and is reported on the Statements of Changes in Fiduciary Net Position.

The following table presents the Foundation's endowments composition, changes, and net position classifications for year ended June 30, 2021.

	Restricted Expendable	Permanently Restricted Nonexpendable	Total
Endowment net assets (deficit), beginning of year	\$ 5,705,087	\$ 89,929,618	\$ 95,634,705
Investment return:			
Investment income	9,906	-	9,906
Net realized and unrealized gains	25,082,242	-	25,082,242
Total investment return	30,797,235	-	120,726,853
Contributions	-	2,814,911	2,814,911
Appropriation of endowment assets for expenditure	(4,544,577)	-	(4,544,577)
Endowment net assets, end of year	\$ 26,252,658	\$ 92,744,529	\$ 118,997,187

The Endowment net assets beginning of year balance on schedule does not tie to the 2021 nonexpendable endowments net position because the National Alumni Assoc. and Rattler Boosters (Fiduciary funds) endowment balances of \$2.2 million are reflected in the net position restricted for Agency Funds on the Statements of Fiduciary Net Position. Also, the net receivables/payables for investments is reflected in nonexpendable endowments net position.

This schedule includes Agency Fund endowment contributions of \$235,481, investment returns of \$621,633, and an appropriation of \$94,556 and is reported on the Statements of Changes in Fiduciary Net Position.

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

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.

	2022	2021
Real estate held for sale, beginning of year	\$ 228,400	\$ 228,400
Donations	-	-
Disposals	60,000	-
Real estate held for sale, end of year	\$ 168,400	\$ 228,400

9. LONG-TERM LIABILITIES

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

	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022	Due in one year
Scholarships Payable	\$ 2,764,058	\$ -	\$ 2,764,058	\$ -	\$ -
Deposits	5,687	-	1,000	4,687	-

	Balance as of July 1, 2020	Additions	Reductions	Balance as of June 30, 2021	Due in one year
Scholarships Payable	\$ 1,736,167	\$ 1,027,891	\$ -	\$ 2,764,058	\$454,721
Deposits	6,119	-	432	5,687	-

The Foundation received a \$4.5M grant from the University for reimbursement of scholarships. The grant was used to reduce long-term scholarships payables.

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.

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

NOTES TO FINANCIAL STATEMENTS

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, the Foundation assessed the following fees:

	2022	2021
Fees assessed on pooled investments	\$ 1,148,679	\$ 1,184,895
Gift fees	750,851	369,115
Non-gift fees	117,244	40,985
Total fees	<u>\$ 2,016,774</u>	<u>\$ 1,594,995</u>

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 January 1, 2023. 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 \$1,550 to the Foundation through January 1, 2023. The Foundation received \$49,125 and \$48,000 in lease payments from the University during the year ended June 30, 2022 and 2021, respectively. These amounts are included in miscellaneous income in the accompanying statement of activities.

12. SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 27, 2022, the date which the financial statements were available to be issued. During the period from June 30, 2022 to September 27, 2022, the Foundation did not have any material recognizable subsequent events.

Supplemental Schedules

MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
For Fiscal Year- 2021-2022
[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 7/1/2021	Corpus Contributed During FY 21-22	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2022
Sec Cen Camp 1, 4 & 5	\$ 450,000	\$ 835,529	\$ -	\$ 20,777	\$ 13,500	\$ 6,928	\$ 450,000	\$ 835,878
Sec Cen Camp 2 & 3	300,000	437,535	-	\$ 39,521		\$ 13,232	300,000	463,824
Sec Cen Camp 14	150,000	195,810	-	\$ 29,586		\$ 9,862	150,000	215,534
Sec Cent Camp 24	150,000	154,024	-	\$ 11,027		\$ 3,676	150,000	161,375
Sec Cen Camp 25	150,000	155,893	-	\$ 108,681		\$ 36,227	150,000	228,347
Sec Cen Camp 26	150,000	239,259	-	\$ 13,942	2,500	\$ 4,706	150,000	245,994
Sec Cen Camp 27	150,000	324,450	-	\$ 10,388	21,150	\$ 3,463	150,000	310,225
Sec Cen Camp 28	150,000	154,055	-				150,000	154,055
Sec Cen Camp 33	300,000	336,112	-	\$ 13,977		\$ 4,659	300,000	345,430
Sec Cen Camp 34	150,000	152,978	-				150,000	152,978
Sec Cen Camp 35	150,000	263,350	-	\$ 17,383	7,600	\$ 5,794	150,000	267,339
Sec Cen Camp 38-40	450,000	761,777	-	\$ 20,777		\$ 6,926	450,000	775,628
Sec Cen Camp 41-43	450,000	543,887	-	\$ 10,458		\$ 3,486	450,000	550,859
Sec Cen Camp 44-48	750,000	1,049,546	-	\$ 30,081		\$ 10,027	750,000	1,069,600
Sec Cen Camp 49-51	450,000	596,826	-	\$ 23,906		\$ 7,969	450,000	612,764
Sec Cen Camp 52-53	300,000	498,504	-	\$ 16,621		\$ 5,540	300,000	509,585
Sec Cen Camp 57	1,164,977	1,384,962	-	\$ 108,763	19,000	\$ 36,421	1,164,977	1,438,304
Sec Cen Camp 58	315,898	394,926	-	\$ 17,267		\$ 5,756	315,898	406,438
Sec Cen Camp 61	247,500	436,671	-				247,500	436,671
Sec Cen Camp 62	300,000	472,366	-	\$ 16,621	2,414	\$ 5,560	300,000	481,013
Sec Cen Camp 64	375,000	479,633	-	\$ 18,519	12,000	\$ 6,173	375,000	479,979
Sec Cen Camp 65	150,000	306,086	-	\$ 6,926		\$ 2,309	150,000	310,703
Sec Cen Camp 66	172,500	303,430	-	\$ 43,037		\$ 14,346	172,500	332,121
Sec Cen Camp 67	300,000	326,706	-	\$ 13,851		\$ 4,617	300,000	335,940
Sec Cen Camp 68	210,000	247,177	-	\$ 4,040		\$ 1,347	210,000	249,870
Sec Cen Camp 69	172,500	182,998	-	\$ 8,311		\$ 2,770	172,500	188,538
Sec Cen Camp 70	360,283	519,669	-	\$ 25,064	3,000	\$ 8,383	360,283	533,350
Sec Cen Camp 71	300,000	537,164	-	\$ 8,311	24,548	\$ 2,790	300,000	518,136
Sec Cen Camp 72	217,500	301,697	-	\$ 3,463		\$ 1,154	217,500	304,006
Sec Cen Camp 74	574,380	773,047	-	\$ 13,849		\$ 4,616	574,380	782,280
Sec Cen Camp 75	396,000	596,165	-	\$ 29,544	23,513	\$ 11,185	396,000	591,010
Balance Forward	\$ 9,906,538	\$ 13,962,232	\$ -	\$ 684,690	\$ 129,225	\$ 229,922	\$ 9,906,538	\$ 14,287,775

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2021	Corpus Contributed During FY 21-22	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2022
Balance Forward	\$ 9,906,538	\$ 13,962,232	\$ -	\$ 684,690	\$ 129,225	\$ 229,922	\$ 9,906,538	\$ 14,287,775
Sec Cen Camp 77	1,190,000	1,314,210	-	\$ 11,027			1,190,000	1,325,237
Sec Cen Camp 79	1,219,451	1,654,641	-	\$ 60,342	5,498	\$ 14,427	1,219,451	1,695,058
Sec Cen Camp 80	150,000	202,161	-				150,000	202,161
Sec Cen Camp 85	229,082	297,366	-	\$ 12,767	1,000	\$ 4,256	229,082	304,877
Sec Cen Camp 86	750,000	759,891	-				750,000	759,891
Sec Cen Camp 87	225,000	297,757	-	\$ 10,388		\$ 3,463	225,000	304,683
FAMU Endowment #1	411,200	536,689	-	\$ 30,629	33,443	\$ 10,350	411,200	523,526
FAMU Endowment #2	402,000	418,876	-	\$ 25,567		\$ 8,522	402,000	435,921
FAMU Endowment #3	320,997	439,991	-	\$ 16,596	3,000	\$ 5,532	320,997	448,055
FAMU Endowment #4	351,023	485,436	-	\$ 833	1,000	\$ 278	351,023	484,991
FAMU Endowment #5	187,500	262,424	-	\$ 6,953		\$ 2,318	187,500	267,059
Walt Disney World Family Law	225,000	491,114	-	\$ 15,005		\$ 5,002	225,000	501,118
FAMU Endowment #6	343,812	386,874	-	\$ 36,004		\$ 12,001	343,812	410,877
FAMU Endowment #7	358,495	384,555	-	\$ 62,029	8,500	\$ 21,224	358,495	416,859
Moot Court & Law Review Endt	1,275,000	1,329,459	-	\$ 58,918	31,545	\$ 19,744	1,275,000	1,337,087
FAMU Endowment #8	184,881	249,878	-				184,881	249,878
FAMU Endowment #9	183,393	244,623	-	\$ 9,899	1,720	\$ 3,300	183,393	249,502
FAMU Endowment #10	183,917	188,056	-	\$ 10,885		\$ 3,628	183,917	195,312
National Alumni Association	150,000	164,787	-				150,000	164,787
Walt Disney World Family Law	100,000	204,296	-	\$ 5,540			100,000	209,836
FAMU Endowment #11	640,919	645,964	-	\$ 28,385	42,321	\$ 9,602	640,919	622,426
Scholarship Endowment I	150,000	267,823	-	\$ 3,220		\$ 1,073	150,000	269,970
Scholarship Endowment 2 & 3	-	-	-				-	-
Scholarship Endowment 4 & 5	300,000	513,414	-	\$ 8,715	3,250	\$ 4,071	300,000	514,808
Scholarship Endowment 6 & 7	300,000	381,552	-	\$ 2,521	1,000	\$ 840	300,000	382,233
Corporate Banquet	150,000	179,932	-				150,000	179,932
Honeywell, Inc. Endowment	150,000	156,759	-				150,000	156,759
Arts Scholarship Endowment	300,000	406,874	-	\$ 13,851	8,000	\$ 4,617	300,000	408,108
Faculty & Staff Endowment	300,000	301,592	-				300,000	301,592
Journalism	450,000	513,413	-	\$ 25,795		\$ 8,598	450,000	530,609
Centennial I, II, III	450,000	510,839	-				450,000	510,839
SBI Endowments (Various)	13,781,873	18,282,358	-	\$ 522,688	87,500	\$ 174,229	13,781,873	18,543,317
TOTAL	\$ 35,320,081	\$ 46,435,836	\$ -	\$ 1,663,248	\$ 357,003	\$ 546,997	\$ 35,320,081	\$ 47,195,084

* SCCE - Second Century Campaign Endowment

Florida A&M University Foundation, Inc.
 EMINENT SCHOLARS CHAIRS
 SCHEDULE OF RECEIPTS, EXPENDITURES, AND ENDOWMENT BALANCES
 For Fiscal Year- 2021-2022

[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 7/1/2021	Corpus Contributed During FY 21-22	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2022
Warner Lambert Chair	\$ 1,000,000	\$ 1,883,833	\$ -	\$ 46,171		\$ 15,390	\$ 1,000,000	\$ 1,914,614
Centennial Business Chair	1,000,000	1,457,021	-	46,171	27,000	15,393	1,000,000	1,460,799
Anheuser Busch Chair	1,000,000	1,168,754	-	46,171		15,390	1,000,000	1,199,535
Knight Chair for Student Achievement	1,762,440	1,999,837	-	106,463		23,659	1,762,440	2,082,641
Garth Reeves Chair	1,000,000	1,063,901	-	46,194		15,398	1,000,000	1,094,697
Foster-Edmond Chair	1,020,000	1,461,253	-				1,020,000	1,461,253
SBI Financial Services Chair	1,020,000	1,757,704	-	47,094		15,698	1,020,000	1,789,100
Carrie Meek Chair	1,020,000	2,026,768	-	47,094		15,698	1,020,000	2,058,164
Shirley A. Cunningham Jr. Endowed Chair	1,750,001	1,876,981	-	80,799	105,050	27,003	1,750,001	1,825,727
Sybil C. Mobley Endowed Chair	2,523,798	3,158,341	-	116,826	88,955	38,952	2,523,798	3,147,259
TOTAL CHAIRS	\$ 13,096,239	\$ 17,854,393	\$ -	\$ 582,983	\$ 221,006	\$ 182,581	\$ 13,096,239	\$ 18,033,789

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	June 30, 2022					June 30, 2021				
	Program Services		Fundraising	Management &		Program Services		Fundraising	Management &	
	University Support	Scholarships and Grants		General	Total	University Support	Scholarships and Grants		General	Total
Scholarships and grants	\$ -	\$ 2,419,617	\$ -	\$ -	\$ 2,419,617	\$ -	\$ 1,794,400	\$ -	\$ -	\$ 1,794,400
Salaries and fringe benefits	2,156,902	-	-	761,745	2,918,647	1,075,880	-	-	813,778	1,889,658
Contract services	1,777,566	-	-	52,080	1,829,646	917,812	-	-	31,038	948,850
Equipment purchases	320,872	-	137,516	117,977	576,365	372,209	-	135,175	137,052	644,436
Travel and meetings	420,582	-	167,184	55,130	642,896	13,509	-	4,936	(628)	17,817
Materials and supplies	717,048	-	281,316	23,542	1,021,906	228,023	-	91,900	13,114	333,037
Professional fees	551,786	-	194,831	121,258	867,875	437,395	-	151,103	159,633	748,131
Entertainment and dinners	741,511	-	280,041	66,571	1,088,123	185,567	-	34,407	6,590	226,564
Repairs and maintenance	179,512	-	71,047	66,649	317,208	66,940	-	23,544	54,996	145,480
Postage	2,201	-	943	7	3,151	3,049	-	1,301	312	4,662
Dues and subscriptions	98,745	-	-	-	98,745	259,473	-	-	(652)	258,821
Insurance	40,439	-	-	16,202	56,641	42,746	-	-	25,159	67,905
Equipment rental	91,313	-	-	2,081	93,394	2,424	-	-	2,459	4,883
Printing and advertising	152,611	-	43,799	785	197,195	48,686	-	10,504	2,417	61,607
Telephone	-	-	-	9,400	9,400	0	-	-	4,999	4,999
Rent	55,124	-	-	-	55,124	29,809	-	-	135	29,944
Depreciation	-	-	-	19,747	19,747	-	-	-	17,869	17,869
Utilities	0	-	-	47,781	47,781	7,771	-	-	46,444	54,215
Training and seminars	106,227	-	33,540	17,004	156,771	49,521	-	17,975	15,066	82,562
Taxes and licenses	16,400	-	7,028	19,301	42,729	12,496	-	5,355	9,762	27,613
Bank charges	66,075	-	-	12,652	78,727	51,426	-	-	7,866	59,292
Contributions	52,951	-	22,694	-	75,645	31,529	-	13,512	-	45,041
Donated In-Kind Donations	8,592	-	-	-	8,592	304,558.00	-	-	-	304,558
Other university support	960,358	-	-	-	960,358	374,594	-	-	-	374,594
Provision for uncollectible pledges	-	-	6,525	-	6,525	-	-	321,199	-	321,199
Interest expense	-	-	-	377.00	377	-	-	-	-	-
Miscellaneous	49,615	-	21,264	-	70,879	(525)	-	(225)	-	(750)
Total	\$ 8,566,430	\$ 2,419,617	\$ 1,267,728	\$ 1,410,289	\$ 13,664,064	\$ 4,514,892	\$ 1,794,400	\$ 810,686	\$ 1,347,409	\$ 8,467,387

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors
Florida Agriculture & Mechanical University Foundation, Inc.
Tallahassee, Florida

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 Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statements of Net Position - Fiduciary Funds, and Statement of Changes in Net Position - Fiduciary Funds of the Florida Agricultural & Mechanical University Foundation (The Foundation), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Foundation's basic financial statements, and have issued our report thereon dated October 3, 2022.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Miami, Florida
October 3, 2022

Florida A&M University Foundation, Inc.
Schedule of Findings and Responses
June 30, 2022

There are no items related to State financial assistance required to be reported in the management letter.

Current Year Findings

None.

Prior Year Findings

None.