



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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2023 AND JUNE 30, 2022**

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION
FOR THE YEARS ENDED
JUNE 30, 2023, AND JUNE 30, 2022

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Independent Auditor's Report

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

Opinion

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, 2023, and June 30, 2022, 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.

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, 2023, and June 30, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Florida A&M University National Alumni Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Florida A&M University National Alumni Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is

a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Florida A&M University National Alumni Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Florida A&M University National Alumni Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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, is the responsibility of management and, 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 November 15, 2023, 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 the 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 Florida A&M University National Alumni Association's internal control over financial reporting and compliance.

Grayson Accounting & Consulting, P.A.

Tallahassee, Florida
November 15, 2023



Florida Agricultural and Mechanical University National Alumni Association, Inc.

Curtis E. Johnson, President

Management's Discussion and Analysis For the Years Ended June 30, 2023, and 2022

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, 2023. 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 2023 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.

FINANCIAL HIGHLIGHTS

The assets for the Association totaled \$3,667,993 at June 30, 2023, which reflects an increase of \$206,494 or 5.9 percent, from the 2022-22 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 by \$70,595 or 3 percent, for a year-end balance of \$3,004,798.



Florida Agricultural and Mechanical University National Alumni Association, Inc.

Curtis E. Johnson, President

The Association operating revenues totaled \$605,148 for the 2022-23 fiscal year, reflecting a decrease of 24 percent from 2021-22. This decrease can primarily be attributed to a decrease in membership dues income and contribution from the previous year. Operating expenses totaled \$466,762 for the 2022-23 fiscal year resulting in a 10 percent decrease over 2022-22. Operating expenses decreased primarily due to decreases in professional services and materials and supplies purchased during the year.

BUDGETARY HIGHLIGHTS

The Association's budgeted amount of total revenues for the fiscal year 2022-23 was \$1,063,481. The actual amount of revenues was \$1,061,466 which represents an unfavorable variance of \$2,035 or 0.2 percent compared to projected revenues for the fiscal year. The variance is primarily attributed to decreases in contributions.

The Association's budgeted amount of expenses for fiscal year 2022-32 was \$1,063,481. The actual amount of expenses was \$1,132,041, which represents an unfavorable variance of \$68,560 of 6 percent compared to projected expenses for the fiscal year. The unfavorable variance was the result of the increased Scholarships and Grants.

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 2023, it is anticipated that there will be a slight decrease for the next fiscal year due to the impending current economic conditions. 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.

Curtis E. Johnson, President

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position June 30:

	2023	2022
<u>ASSETS</u>		
Current Assets	812,580	866,822
Noncurrent Assets	2,855,413	2,594,677
Total Assets	3,667,993	3,461,499
<u>LIABILITIES</u>		
Current Liabilities	663,195	386,106
Noncurrent Liabilities	-	-
Total Liabilities	663,195	386,106
<u>NET POSITION</u>		
Total net position	3,004,798	3,075,393
TOTAL NET POSITION & LIABILITIES	3,667,993	3,461,499

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

	2023	2022
Total operating revenues	605,148	793,500
Total operating expense	466,762	522,662
Operating income	138,386	270,838
Total non-operating revenues (expenses)	(208,981)	86,429
Changes in Net Position	(70,595)	357,267
Net position, beginning of year	3,075,393	2,718,126
Net position, end of year	3,004,798	3,075,393



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

Curtis E. Johnson, 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:

Angelia Williams, Treasurer
P.O. Box 7351
Tallahassee, FL 32314

treasurer@famunaa.org
(850) 599-3861

Sincerely,

Curtis E. Johnson

Curtis E. Johnson, President

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

	2023	2022
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 712,333	\$ 789,301
Investments	43,719	47,638
Life memberships pledges receivable, current portion, net	26,148	9,600
Other Receivables	30,380	20,283
Total Current Assets	812,580	866,822
Noncurrent Assets		
Investments, non current portion	2,848,126	2,575,928
Life memberships pledges receivable, less noncurrent portion, net	7,287	18,749
Capital assets, net	-	-
Total Noncurrent Assets	2,855,413	2,594,677
TOTAL ASSETS	3,667,993	3,461,499
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	663,195	386,106
TOTAL LIABILITIES	663,195	386,106
<u>NET POSITION</u>		
Net investment in capital assets	-	-
Restricted for permanent endowments - nonexpendable	2,553,983	2,350,033
Restricted	337,862	358,983
Unrestricted	112,953	366,377
Total net position	3,004,798	3,075,393
TOTAL NET POSITION & LIABILITIES	3,667,993	3,461,499

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

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Dues and life memberships	238,355	281,175
Contributions	195,878	317,573
Conferences and Seminars	144,226	129,990
Miscellaneous Income	26,689	64,762
Total operating revenues	<u>605,148</u>	<u>793,500</u>
Operating Expense		
Bad Debt Expense	17,563	25,626
Bank Charges	22,217	21,788
Event Program Expenses	67,106	-
General and Administrative	24,603	-
Insurance	1,704	2,157
Materials and Supplies	43,950	60,172
Miscellaneous Expense	84,028	178,198
Postage, Mailing Service	4,446	8,164
Printing	7,047	6,965
Professional Services	53,525	79,401
Travel and Meetings	140,573	140,190
Total operating expense	<u>466,762</u>	<u>522,662</u>
Operating income	<u>138,386</u>	<u>270,838</u>
Non-Operating Revenues (Expenses)		
Contributions from Alumni and Alumni Chapters	285,725	356,030
Allocation of earnings from Life Membership Endowment	170,573	84,555
Recognition of NAA accounts held by Foundation	-	230,327
Scholarships and Grants	(598,747)	(487,891)
Contributions to the University	(66,532)	(96,592)
Total non-operating revenues (expenses)	<u>(208,981)</u>	<u>86,429</u>
Changes in Net Position	<u>(70,595)</u>	<u>357,267</u>
Net position, beginning of year	<u>3,075,393</u>	<u>2,718,126</u>
Net position, end of year	<u><u>3,004,798</u></u>	<u><u>3,075,393</u></u>

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

	2023	2022
Cash flows from operating activities		
Cash received from members and contributors	605,148	793,500
Payments for services and to vendors	<u>(466,762)</u>	<u>(522,663)</u>
Net cash provided by (used in) operating activities	<u>138,386</u>	<u>270,837</u>
Cash flows from investing activities		
Allocation of earnings from life membership endowment	170,573	84,555
Investment of funds held and invested by the FAMU Foundation on behalf of the National Alumni Association	<u>(6,373)</u>	<u>84,257</u>
Net cash provided by (used in) investing activities	<u>164,200</u>	<u>168,812</u>
Cash flows from capital and related financing activities	-	-
Cash flows from noncapital financing activities		
Contribution from donors	285,725	356,030
Contributions to the University for Scholarships and Grants	(598,747)	(487,891)
Contributions to the University	<u>(66,532)</u>	<u>(96,592)</u>
Net cash provided by (used in) noncapital financing activities	<u>(379,554)</u>	<u>(228,453)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76,968)	211,196
CASH AND CASH EQUIVALENTS, beginning of the year	789,301	75,690
RECLASS INVESTMENTS TO CASH	-	502,415
CASH AND CASH EQUIVALENTS, end of the year	<u>712,333</u>	<u>789,301</u>
 Reconciliation of operating income to net cash provided by /(used in) operating activities		
Operating income	(70,595)	270,838
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in assets and liabilities		
(Increase) / Decrease in Pledges Receivable	(5,087)	2,357
(Increase) / Decrease in Other Receivable	(10,097)	-
(Increase) / Decrease in Other Investments	(69,324)	(199,965)
Increase / (Decrease) Accounts Payable	<u>293,489</u>	<u>197,607</u>
Net cash provided by (used in) operating activities	<u>138,386</u>	<u>270,837</u>

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

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 regulations. The National Alumni Association had restricted net position of \$2,831,038 and \$2,709,016 as of June 30, 2023, and 2022, respectively.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 regard 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 exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that all revenue-producing activities of the Foundation comply with Section 501(c)(3) of the Internal Revenue Code; accordingly, no accrual for income taxes has been made in the accompanying financials statements.

The National Alumni Association applies guidance issued by the Financial Accounting Standards Board (FASB) relating to uncertainty in income taxes. The guidance requires entities to assess their tax positions for the likelihood that they would be overturned upon IRS examination or upon examination by state taxing authorities. In accordance with this guidance, the Foundation has assessed its tax positions and determined that it does not have any positions at December 31, 2023, or December 31, 2022, that it would be unable to substantiate.

Under statute, the National Alumni Association is subject to IRS and state taxing authority review for the years ended June 30, 2020, through June 30, 2022. The National Alumni Association has filed tax returns through June 30, 2022.

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.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard was implemented by the Organization during the year ended December 31, 2021. The National Alumni Association evaluated the effect of implementation of the new standard noting no material effect to the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on principle of whether or not the lease is effectively a financed purchase by the lessee. The ASU is effective for fiscal years beginning after December 15, 2021. The National Alumni Association evaluated the effect of implementation of the new standard noting no material effect to the financial statements.

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. The organization evaluated the effect of the implementation of the standard noting no material effect on the financial statements.

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year ended June 30, 2023, the National Alumni Association adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, issued May 2020 and effective for fiscal year beginning June 15, 2022, which establishes criteria to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The organization evaluated the effect of the implementation of the standard noting no material effect on the financial statements.

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, 2023, and 2022, respectively. Cash balances were \$712,333 and \$789,301 as of June 30, 2023, and 2022, 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, 2023, and 2022, endowment balances totaled \$2,439,867 and \$2,350,033, 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, 2022, and JUNE 30, 2021

NOTE 5. PROMISES TO GIVE (continued)

Unconditional promises to give as of June 30, 2023, consist of:

Subscribing Life Memberships	123,114
Less: Unamortized discount	1,734
Subtotal	121,380
Less: Allowance for uncollectibles	87,945
Net Conditional promises to give	33,435

Amount due in:

Less than one (1) year	34,665
One to five (5) years	88,449
Total	123,114

Discount rate is two percent (2.0%), while the allowance for doubtful accounts approximates seventy-five percent (73%) of receivable accounts as of June 30, 2023.

Unconditional promises to give as of June 30, 2022, consist of:

Subscribing Life Memberships	99,664
Less: Unamortized discount	833
Subtotal	98,831
Less: Allowance for uncollectibles	70,482
Net Conditional promises to give	28,349

Amount due in:

Less than one (1) year	57,146
One to three (3) years	42,518
Total	99,664

Discount rate is two percent (2.0%), while the allowance for doubtful accounts approximates seventy-five percent (72%) of receivable accounts as of June 30, 2022.

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

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
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FOR THE YEAR ENDED JUNE 30, 2022, and JUNE 30, 2021

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.

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;

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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- 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:

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.

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NOTES TO FINANCIAL STATEMENTS
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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

The National Alumni Association’ proportionate share of the Foundation’s investments by level, within the fair value hierarchy as of June 30, 2023, and June 30, 2022, 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
June 30, 2023				
Common Stocks	1,248,823 -	45,333	-	1,294,156
Commingled Funds	65,728 -	150,826	-	216,554
Corporate Bonds	14,743 -	-	-	14,743
U.S. Government Securities	146,399 -	57,030	-	203,429
Real Estate Property	-	26,981	-	26,981
	-	198,151	-	198,151
Cash/Money Market Funds	211,888 -	-	-	211,888
Accrued Interest/Unsettled Transactions	(98,778) -	-	-	(98,778)
Total assets in the fair value hierarchy	1,588,803	478,321	-	2,067,124
Investments measured at net asset value	-	-	824,721	824,721
Total Investments at fair value	1,588,803	478,321	824,721	2,891,845

*In accordance with GASB 72 certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

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NOTES TO FINANCIAL STATEMENTS
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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Description	Quoted Prices on Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	* Significant Unobservable Inputs (Level 3)	Total
June 30, 2022				
Common Stocks	402,336	-	-	402,336
Commingled Funds	-	139,540	-	139,540
Corporate Bonds	52,854	-	-	52,854
U.S. Government Securities	111,995	28,350	-	140,345
Real Estate Property	-	25,978	-	25,978
	-	100,614	-	100,614
Cash/Money Market Funds	1,139,183	-	-	1,139,183
Accrued Interest/Unsettled Transactions	6,999	-	-	6,999
Total assets in the fair value hierarchy	1,713,366	294,482	-	2,007,848
Investments measured at net asset value	-	-	615,718	615,718
Total Investments at fair value	1,713,366	294,482	615,718	2,623,566

*In accordance with GASB 72 certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

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 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.

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NOTES TO FINANCIAL STATEMENTS
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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance in each investment. 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, 2023 and June 30, 2022.

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Stock investments</u>				
Domestic equities	107,793		Quarterly	45 days
International equities	108,252		Monthly	5 days
<u>Limited partnerships</u>				
Venture capital	84,309	15,088	Duration of Partnership	N/A
Private equity	99,115	56,033	Duration of Partnership	N/A
Private credit	50,662	44,259	Duration of Partnership	N/A
Real estate fund	21,734	17,863	Duration of Partnership	N/A
Hedge fund	352,856		Monthly/Quarterly	45 - 90 days
Total investments at June 20, 2023	824,721	133,242		

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>Comingled Funds</u>				
Credit	-		Monthly	90 days
Diversified strategy	146,900		Quarterly	60 days
<u>Limited partnerships</u>				
Venture capital	116,800	21,117	Duration of Partnership	N/A
Private equity	124,680	53,271	Duration of Partnership	N/A
Private credit	88,580	34,718	Duration of Partnership	N/A
<u>Real assets</u>				
Strategic solutions core real estate fund	138,758		Quarterly	45 - 90 days
Total investments at June 20, 2022	615,718	109,106		

FLORIDA A&M UNIVERSITY NATIONAL ALUMNI ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7. SUPPORT TO THE UNIVERSITY

During the fiscal year ended June 30, 2023, and 2021, the National Alumni Association provided direct support of \$66,532 and \$96,592 respectively. The support included amounts paid to or on behalf of the University.

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, November 15, 2023, 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.

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 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, 2023, and June 30, 2022, 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 November 15, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
November 15, 2023