

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT
THEREON FOR THE YEARS ENDED JUNE 30, 2016 AND 2015,
AND AUDITOR'S REPORT ON INTERNAL
CONTROL AND COMPLIANCE
FOR THE YEARS ENDED JUNE 30, 2016**

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS
And
Advisors**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)**

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Independent Auditor's Report

To the Board of Directors of
Florida Agricultural and Mechanical University Foundation, Inc.
(A Non-profit Organization)
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agriculture and Mechanical University Foundation, Inc. (the "Foundation"), a non-profit organization, which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the statement of activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Foundation taken as a whole. The supplemental schedule of functional expenses on page 23 and the supplementary information on pages 24 through 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Tallahassee, Florida
November 2, 2016

BCA Watson Rice LLP

Florida Agricultural and Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
For the Years Ended June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 3,547,570	\$ 1,296,699
Investments, at market	114,438,323	123,566,227
Prepaid expenses	483,372	58,919
Loans and advances receivable	19,269	19,269
Other receivables	51,386	48,828
Unconditional promises to give, net	3,032,305	4,160,064
Fixed assets, net	247,271	200,815
TOTAL ASSETS	\$ 121,819,496	\$ 129,350,821
 LIABILITIES AND NET ASSETS		
Liabilities		
Account payable and accrued expenses	\$ 133,304	\$ 129,677
Scholarships payable	2,790,323	1,385,746
Other payables	-	79,646
Deferred revenue	-	12,000
Agency liability	1,753,176	1,643,161
Other liabilities	-	3,570
Total liabilities	4,676,803	3,253,800
Net Assets		
Unrestricted net assets	1,794,559	1,432,974
Temporarily restricted net assets	31,094,045	42,557,131
Permanently restricted net assets	84,254,089	82,106,916
Total net assets	117,142,693	126,097,021
TOTAL LIABILITIES AND NET ASSETS	\$ 121,819,496	\$ 129,350,821

See Notes to Financial Statements

Florida Agricultural and Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Support and revenues		
Administrative fees	\$ 1,337,159	\$ 1,667,121
Gifts and grants and scholarships	58,500	-
Interest Income	200,031	200,292
Other income	33,470	6,632
Total unrestricted support revenues	1,629,160	1,874,045
Net assets from restrictions		
Restrictions satisfied by payments	12,534,284	13,686,867
Total unrestricted support, revenues, and reclassifications	14,163,444	15,560,912
Expenses:		
Program services		
University support	4,038,140	3,782,057
Scholarships and grants	6,243,892	7,281,118
Fundraising	914,779	956,572
Management and general	2,605,048	3,638,291
Total unrestricted expenses	13,801,859	15,658,038
Increase/(decrease) in unrestricted net assets	361,585	(97,126)
TEMPORARILY RESTRICTED NET ASSETS		
Support and revenues		
Gifts and grants and scholarships	3,234,477	5,382,616
Miscellaneous income	650,044	613,321
Investment income	1,980,898	2,384,136
Dues and subscriptions	85,996	87,147
Net realized and unrealized gain/(loss)	(5,028,980)	174,644
Other income	148,763	270,996
Restrictions satisfied by payments	(12,534,284)	(13,686,867)
Decrease in temporarily restricted net assets	(11,463,086)	(4,774,007)
PERMANENTLY RESTRICTED NET ASSETS		
Support:		
Contributions	2,063,693	1,320,539
Dues and subscriptions	83,480	86,120
Other income	-	54
Increase in permanently restricted net assets	2,147,173	1,406,713
Decrease in net assets	(8,954,328)	(3,464,420)
Net Assets:		
Beginning net assets	126,097,021	126,718,483
Prior period adjustment	-	2,842,958
Beginning net assets as adjusted	126,097,021	129,561,441
Ending net assets	\$ 117,142,693	\$ 126,097,021

See Notes to Financial Statements

Florida Agricultural & Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:	\$ (8,954,328)	\$ (3,464,420)
Increase (decrease) in net assets		
Adjustments to reconcile increase in net asset to net cash provided by operating activities:		
Noncash gifts	(58,500)	-
Unrealized loss on investments	4,071,495	1,671,315
Depreciation	12,044	25,764
Endowment gifts, grants, scholarships, and contributions	(2,063,693)	(1,320,539)
Decrease in discount on unconditional promises to give	(57,009)	(47,629)
Increase in allowance for unconditional promises	44,590	76,744
(Increase)/decrease in:		
Pledge receivables	1,140,177	952,585
Prepaid Expenses	(424,455)	44,729
Other receivable	(2,558)	40,129
Increase/(decrease) in:		
Account payable and accrued expenses	3,311	74,346
Scholarships payable	1,404,578	1,290,846
Agency liability	110,016	85,591
Deferred revenue	(12,000)	12,000
Other liabilities	(3,570)	3,570
Other payable	(79,646)	24,971
	(4,869,548)	(529,998)
Cash flows from investing activities:		
Acquisition of fixed assets	(9,616)	(24,029)
Purchase of investments	(36,768,053)	(39,242,370)
Proceeds from sale of investments	41,834,395	39,223,030
Net cash provided by /(used in) investing activities	5,056,726	(43,369)
Cash flows from financing activities:		
Contributions for long-term endowments	2,063,693	1,320,539
Net cash used in financing activities	2,063,693	1,320,539
Net increase in cash and cash equivalents	2,250,871	747,172
Cash and cash equivalents:		
Beginning of the year	1,296,699	549,527
End of the year	\$ 3,547,570	\$ 1,296,699
Non-cash investing activity:		
Donated facilities and services	\$ -	\$ -

See Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

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.").

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, 2016 and 2015, the Foundation, under the matching program sponsored by the D.C.U. did not recognize any state matching revenues.

B. Financial Statement Presentation

The Foundation prepares its financial statements in accordance with Statement of Financial Accounting Standards Codification (ASC) Topic 958-205 of the Financial Accounting Standards Board (FASB), "Not-For-Profit Entities Presentation of Financial Statements". Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

The three (3) classes of net assets are presented below:

- **Unrestricted Net Assets** - represents resources which are not covered by donor-imposed restrictions; which have met all applicable restrictions and/or resources generated through sources other than receipts from donors.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Temporarily Restricted Net Assets** - represents resources recognized as restricted support until such a time when all associated restrictions have been met.
- **Permanently Restricted Net Assets** - represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

C. Contributions

In accordance with FASB ASC Topic 958, "Not-For Profit Entities," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

D. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

E. 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 financial 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 investments are stated primarily at current appraised values. Unrealized gains and losses are included in the changes in net assets.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Contributed Facilities and Services

There were no contributed facilities and services during the year ended June 30, 2016 and 2015.

G. Donated Property

Donations of property are recorded as support at their estimated fair value. 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, at which time the Foundation reclassifies temporarily restricted net assets to unrestricted net assets. The Foundation makes no provision for depreciation of such real property. There was one donated property during the year ended June 30, 2016 and no donated property during the year ended June 30, 2015. The donated real property is located at 533 Kissimmee Street, Tallahassee, FL, it is valued at \$58,500.

H. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers uninvested cash in bank and certificates of deposits with maturities of three months or less to be cash and cash equivalents.

I. 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.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. Income Taxes

The Foundation is a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any 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 its tax status and related filings and determined that there are no uncertain tax positions for which an obligation needs to be recorded pursuant to the Income Taxes Topic (ASC 740).

K. 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 related to costs incurred other than those classified under program activities. Expenses incurred for program activities and supporting services are reported in the statement of activities.

The Foundation has the following functional expense categories:

- 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.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

L. 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.

M. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one 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. The discount rate is five percent (5%) for the years ended June 30, 2016 and 2015. Amortization of discounts is included as contribution revenue.

An allowance percentage is applied on all current pledges that are not past due. On an annual basis, management will review the percentage used for the allowance for doubtful accounts calculation and determine if an adjustment is required. For any pledge that is past due and greater than 180 days delinquent, an allowance for the full remaining balance will be taken.

NOTE 2. UNCONDITIONAL PROMISES TO GIVE (continued)

Unconditional promises to give consist of the following:

		2016	2015
Pledges receivable	\$	3,445,933	4,586,111
Less: unamortized discount		172,297	229,306
Subtotal		3,273,636	4,356,805
Less: allowance for uncollectibles		241,331	196,741
Net unconditional promises to give	\$	3,032,305	\$ 4,160,064
Amount due in:			
Less than one (1) year	\$	1,290,977	\$ 1,293,185
One to five (5) years		1,635,594	2,711,521
More than five (5) years		519,362	581,404
Total	\$	3,445,933	\$ 4,586,111

Amounts reflected for the 2015 fiscal year have been adjusted to reflect changes described at Note 10.

NOTE 3. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (ASC 820) (formerly referred to as FASB Statement of Financial Accounting Standards [SFAS] 157, Fair Value Measurements) is the authoritative U.S. GAAP guidance on how entities should measure and disclose fair value in their financial statements. Fair value is defined in ASC 820 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.”

ASC 820 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. Level 2 inputs 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.

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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. 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, 2016 and 2015.

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 the net asset value of shares held by the Foundation at yearend.

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.

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

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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, 2016 and 2015:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2016				
Mutual Funds	\$ -	\$ 38,557,017	\$ -	\$ 38,557,017
Common Stocks	24,707,082	-	-	24,707,082
Corporate Bonds	-	1,852,869	-	1,852,869
U.S. Government Securities	-	11,541,931	-	11,541,931
Hedge Funds	-	10,769,661	15,850,364	26,620,025
Real Estate Fund	-	-	5,885,461	5,885,461
Real Estate Property	-	820,839	500,000	1,320,839
Cash / Money Market Funds	4,013,208	-	-	4,013,207
Accrued Interest / Unsettled Transactions	(60,109)	-	-	(60,109)
Total Investments	<u>\$ 28,660,181</u>	<u>\$ 63,542,317</u>	<u>\$ 22,235,825</u>	<u>\$ 114,438,323</u>
June 30, 2015				
Mutual Funds	\$ -	\$ 42,392,230	\$ -	\$ 42,392,230
Common Stocks	28,403,606	-	-	28,403,606
Corporate Bonds	-	2,003,823	-	2,003,823
U.S. Government Securities	-	10,556,321	-	10,556,321
Hedge Funds	-	14,858,824	13,235,000	28,093,824
Real Estate Fund	-	-	6,633,961	6,633,961
Real Estate Property	-	820,839	500,000	1,320,839
Cash / Money Market Funds	3,873,245	-	-	3,873,245
Accrued Interest / Unsettled Transactions	288,378	-	-	288,378
Total Investments	<u>\$ 32,565,229</u>	<u>\$ 70,632,037</u>	<u>\$ 20,368,961</u>	<u>\$ 123,566,227</u>

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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 Fund of 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.

NOTE 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, 2016 and 2015:

	<u>Hedge Funds and Corporate Bonds</u>	<u>Real Estate and Real Estate Fund</u>
Balance June 30, 2014	\$ 22,757,753	\$ 6,457,234
Sales	(9,655,199)	-
Investment income	9,535	235,433
Net realized and unrealized gains	<u>122,911</u>	<u>441,294</u>
Balance June 30, 2015	<u>13,235,000</u>	<u>7,133,961</u>
Sales	(1,000,000)	(1,250,000)
Purchases	4,000,000	-
Investment income	-	199,392
Net realized and unrealized gains (losses)	<u>(384,636)</u>	<u>302,108</u>
Balance June 30, 2016	<u>\$ 15,850,364</u>	<u>\$ 6,385,461</u>

NOTE 4. 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.

NOTE 4. INVESTMENTS (continued)

The following schedule summarizes the investment activity for the year ended June 30, 2016 and 2015.

	2016	2015
Investment returns, net of fees		
Interest and dividend income	\$ 1,980,898	\$ 2,384,136
Net realized gain/(loss)	(957,486)	1,845,959
Change in net unrealized (loss)	(4,071,495)	(1,671,315)
Consulting fees	(425,947)	(487,154)
Total investment returns, net	(3,474,030)	2,071,626
Other investment activities		
Incoming Gifts	2,016,261	-
Cash withdrawals	(8,058,587)	(7,041,000)
Total investment activity	\$ (9,516,356)	\$ (4,969,374)

NOTE 5. FIXED 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 investment portion is stated at fair value based on the market value as determined by the Leon County Property Appraiser. The Foundation depreciates fixed assets used by the Foundation on a straight-line basis over the estimated useful life ranging from five 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 activities and changes in net assets.

NOTE 5. FIXED ASSETS (continued)

	June 30, 2015	Additions	Disposals	June 30, 2016
Non Depreciable assets				
Land	\$ 27,000	\$ 26,325	\$ -	\$ 53,325
Total non-depreciable assets	27,000	26,325	-	53,325
Depreciable assets				
Building	78,000	32,175	-	110,175
Capital Improvements	51,901	4,471	-	56,372
Equipment	102,230	5,100	-	107,330
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	256,706	41,746	-	298,452
Accumulated depreciation	(82,891)	(21,615)	-	(104,506)
Net depreciable assets	173,815	20,131	-	193,946
Total Fixed assets	\$ 200,815	\$ 46,456	\$ -	\$ 247,271
	June 30, 2014	Additions	Disposals	June 30, 2015
Non Depreciable assets				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Total non-depreciable assets	27,000	-	-	27,000
Depreciable assets				
Building	78,000	-	-	78,000
Capital Improvements	47,108	4,793	-	51,901
Equipment	82,994	19,236	-	102,230
Furniture and fixtures	24,575	-	-	24,575
Total depreciable assets	232,677	24,029	-	256,706
Accumulated depreciation	(61,177)	(21,714)	-	(82,891)
Net depreciable assets	171,500	2,315	-	173,815
Total Fixed assets	\$ 198,500	\$ 2,315	\$ -	\$ 200,815

Total depreciation expense for fixed assets was \$21,615 and \$21,714 in 2016 and 2015, respectively. Total accumulated depreciation at June 30, 2016 and 2015 was \$104,506 and \$82,891, respectively.

NOTE 6. CONCENTRATION OF CREDIT RISK

At June 30, 2016 and 2015, the Foundation has accounts in financial institutions with balances of \$3,297,570 and \$1,046,199 in excess of the Federal Deposit Insurance Corporation's insurance coverage of \$250,000, respectively. In addition, the Foundation had balances of \$113,996,823 and \$123,066,227 respectively, at June 30, 2016 and 2015 in excess of the Securities Investor's Protection Corporation

NOTE 6. CONCENTRATION OF CREDIT RISK (continued)

(“SIPC”) insurance coverage of \$500,000. Invested securities and cash are also covered by the brokerage custodian and its parent company for amounts in excess of the SIPC limit. Management believes no material risk of loss will be sustained from holding these assets with these institutions.

	Cash	Investments
Balance at 6/30/2016	\$ 3,547,570	\$ 114,438,323
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured	<u>\$ 3,297,570</u>	<u>\$ 113,938,323</u>
Balance at 6/30/2015	\$ 1,296,199	\$ 123,566,227
Insured Coverage	<u>250,000</u>	<u>500,000</u>
Amount Uninsured	<u>\$ 1,046,199</u>	<u>\$ 123,066,227</u>

NOTE 7. AGENCY LIABILITY

The Foundation holds pooled assets, reported as investments and agency liability on behalf of the FAMU National Alumni Association (the “Alumni”), in the amount of \$1,753,176 and \$1,643,161 as of June 30, 2016 and 2015. Figures exclude the NAA Million Dollar Endowment. The Alumni is another Direct Support Organization (“DSO”) of the University.

NOTE 8. NET ASSETS

The restrictions of net assets by purchase at June 30, 2016 are as follows:

Description	Net Assets			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operations	\$ 1,794,559	\$ 9,195,619	\$14,296,504	\$ 25,286,682
Professorships	-	900,868	2,275,500	3,176,368
Endowed Chairs	-	6,527,091	18,439,044	24,966,135
Scholarships	-	14,470,467	49,243,041	63,713,508
	<u>\$ 1,794,559</u>	<u>\$31,094,045</u>	<u>\$84,254,089</u>	<u>\$117,142,693</u>

NOTE 8. NET ASSETS (continued)

The restrictions of net assets by purchase at June 30, 2015 are as follows:

Description	Unrestricted	Net Assets Temporarily Restricted	Permanently Restricted	Total Net Assets
Operations	\$ 1,432,974	\$ 9,391,953	\$13,331,435	\$ 24,156,362
Professorships	-	1,091,722	1,975,000	3,066,722
Endowed Chairs	-	9,006,384	17,439,544	26,445,928
Scholarships	-	23,067,072	49,360,937	72,428,009
	<u>\$ 1,432,974</u>	<u>\$42,557,131</u>	<u>\$82,106,916</u>	<u>\$126,097,021</u>

NOTE 9. ENDOWMENTS

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

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 purpose of the institution;
2. The intent of the donors of the endowment fund;
3. The terms of the applicable instrument;
4. The long-term and short-term needs of the institution in carrying out its purposes;
5. The general economic conditions;

NOTE 9. ENDOWMENTS (continued)

1. The possible effect of inflation or deflation;
2. The other resources of the institution; and
3. Perpetuation of the endowment.

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 not classified as permanently net assets is classified as temporarily restricted net assets 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 Board of Directors is responsible for investing the Foundation's endowment funds. The committee, with the help of an independent investment advisor, develops proper investment policies and employs professional investment managers to execute those policies.

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

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

Asset Class	Minimum	Maximum	Target
US Equity	30%	55%	35%
Non-US Equity	5%	25%	15%
US Core Fixed Income	10%	50%	10%
Global Fixed Income	5%	25%	10%
Other Assets	0%	50%	30%
Cash and Equivalents	0%	15%	0%

NOTE 9. ENDOWMENTS (continued)

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

Investment goals include the following:

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

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

1. The rate of 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 8.5%.
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 4.0% and the administrative fee rate at 1.75% for a total of 5.75% annual spending. Spending is distributed at the end of each calendar year (December 31st).

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.

NOTE 9. ENDOWMENTS (continued)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets (deficit), beginning of year	\$38,634,948	\$82,106,915	\$120,741,863
Investment return:			
Investment income	1,368,357	-	1,368,357
Net realized and unrealized gains	<u>(4,425,503)</u>	<u>-</u>	<u>(4,425,503)</u>
Total investment return	(3,057,146)	-	(3,057,146)
Contributions	-	2,147,173	2,147,173
Appropriation of endowment assets for expenditure	(3,956,639)	-	(3,956,639)
Reclassification of Discretionary & Pass Through account activity from prior periods	<u>(15,611,504)</u>	<u>-</u>	<u>(15,611,504)</u>
Endowment net assets (deficit), end of year	<u>\$16,009,659</u>	<u>\$84,254,088</u>	<u>\$100,263,747</u>

A reclassification of discretionary funds has been made this fiscal year to reflect only the endowment portion of temporarily restricted funds.

NOTE 10. PRIOR-PERIOD ADJUSTMENT

For fiscal year 2015, a prior period adjustment of \$2,842,958 was recorded as a correction to Unconditional Promises to Give. An increase of \$2,992,588 was recorded to pledge receivables and an additional discount of (\$149,630) was applied.

NOTE 11. SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition and disclosure in the financial statements through November 2, 2016. No subsequent event exists.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	June 30, 2016					June 30, 2015					
	Program Services		Fundraising	Management & General		Total	Program Services		Fundraising	Management & General	
University Support	Scholarships and Grants	University Support		Scholarships and Grants	Total		University Support	Scholarships and Grants		Total	University Support
Scholarships and grants	\$ -	\$ 6,243,892	\$ -	\$ -	\$ 6,243,892	\$ -	\$ 7,281,118	\$ -	\$ -	\$ 7,281,118	
Salaries and fringe benefits	1,142,169	-	-	820,285	1,962,454	192,994	-	-	1,155,748	1,348,742	
Contract services	546,815	-	-	39,841	586,656	608,605	-	-	116,313	724,918	
Reimbursement for grant costs	-	-	-	-	-	720,503	-	-	-	720,503	
Administrative charges	-	-	-	1,337,159	1,337,159	-	-	-	1,667,121	1,667,121	
Equipment purchases	184,529	-	79,084	427	264,040	135,438	-	58,045	59,922	253,405	
Travel and meetings	352,035	-	150,872	90,634	593,541	299,489	-	128,352	77,650	505,491	
Materials and supplies	289,287	-	123,980	16,583	429,851	275,985	-	118,279	61,116	455,380	
Professional fees	425,175	-	182,218	95,375	702,767	366,373	-	157,017	155,693	679,083	
Entertainment and dinners	557,397	-	238,884	19,747	816,028	574,578	-	246,248	40,355	861,181	
Repairs and maintenance	72,879	-	31,234	50,985	155,098	62,659	-	26,854	133,378	222,891	
Postage	16,152	-	6,922	406	23,480	16,717	-	7,164	987	24,868	
Dues and subscriptions	65,863	-	-	200	66,063	29,562	-	12,670	4,175	46,407	
Insurance	9,367	-	-	11,234	20,601	6,558	-	-	29,998	36,556	
Equipment rental	33,414	-	-	1,993	35,406	99,416	-	-	4,382	103,798	
Printing and advertising	76,564	-	32,813	1,147	110,524	115,469	-	49,487	12,062	177,018	
Interest	56	-	-	14	70	-	-	-	-	-	
Telephone	170	-	170	135	474	170	-	73	2,639	2,882	
Rent	40,111	-	-	13	40,124	60,744	-	-	806	61,550	
Depreciation	-	-	-	12,044	12,044	-	-	-	25,764	25,764	
Utilities	6,102	-	-	43,260	49,362	10,854	-	-	45,843	56,697	
Training and seminars	59,186	-	25,365	12,054	96,605	14,922	-	6,395	11,653	32,970	
Taxes and licenses	21,854	-	9,366	131	31,351	19,889	-	8,524	645	29,058	
Bank charges	59,985	-	-	2,635	62,620	50,093	-	-	2,294	52,387	
Contributions	57,033	-	24,443	12,781	94,257	34,440	-	14,760	23,813	73,013	
Other agency support	-	-	-	-	-	-	-	85,590	-	85,590	
Miscellaneous	21,999	-	9,428	35,966	67,393	30,847	-	13,220	412	44,479	
Total	\$ 4,038,140	\$ 6,243,892	\$ 914,779	\$ 2,605,048	\$ 13,801,859	\$ 3,726,305	\$ 7,281,118	\$ 932,678	\$ 3,632,769	\$ 15,572,870	

Florida A&M University Foundation, Inc.
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES
For Fiscal Year 2015-2016
(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 07/01/2015	Corpus		Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2016
			Contributed During the FY 2015-2016						
SCCE 1, 4 & 5	\$ 450,000	\$ 828,531	\$ -	\$ 25,875	\$ 27,005	\$ 7,875	\$ 450,000	\$ 819,526	
SCCE 2 & 3	300,000	428,000	-	17,250	8,600	12,000	300,000	424,650	
SCCE 14	150,000	218,501	-	8,625	500	2,625	150,000	224,001	
SCCE 24	150,000	150,000	-	8,625	-	2,625	150,000	156,000	
SCCE 25	150,000	157,531	-	8,625	4,219	2,625	150,000	159,312	
SCCE 26	150,000	228,809	-	8,625	5,250	2,695	150,000	229,489	
SCCE 27	150,000	289,037	-	8,625	-	2,625	150,000	295,037	
SCCE 28	150,000	160,312	-	8,625	13,428	2,625	150,000	152,884	
SCCE 33	300,000	356,731	-	17,250	-	5,250	300,000	368,731	
SCCE 34	150,000	150,000	-	8,625	5,625	2,625	150,000	150,375	
SCCE 35	150,000	241,758	-	8,625	1,500	2,625	150,000	246,258	
SCCE 38-40	450,000	749,000	-	25,875	9,488	7,875	450,000	757,512	
SCCE 41-43	450,000	503,466	-	25,875	16,875	7,875	450,000	504,591	
SCCE 44-48	750,000	966,212	-	43,125	-	13,125	750,000	996,212	
SCCE 49-51	450,000	643,288	-	25,875	113,608	7,875	450,000	547,680	
SCCE 52-53	300,000	435,138	-	17,250	3,400	5,250	300,000	443,738	
SCCE 57	1,164,977	1,394,401	-	66,986	6,063	20,387	1,164,977	1,434,937	
SCCE 58	315,898	392,957	-	18,164	10,236	5,528	315,898	395,357	
SCCE 61	247,500	392,170	-	14,231	6,000	4,331	247,500	396,070	
SCCE 62	300,000	439,849	-	17,250	6,645	5,250	300,000	445,204	
SCCE 64	375,000	459,037	-	21,563	9,000	6,563	375,000	465,037	
SCCE 65	150,000	272,249	-	8,625	-	2,625	150,000	278,249	
SCCE 66	172,500	311,132	-	9,919	-	3,019	172,500	318,032	
SCCE 67	300,000	326,179	-	17,250	4,070	5,250	300,000	334,109	
SCCE 68	210,000	323,235	-	12,075	3,531	3,675	210,000	328,104	
SCCE 69	172,500	180,788	-	9,919	-	3,019	172,500	187,688	
Balance Forward	8,058,375	10,998,311	-	463,357	255,043	147,842	8,058,375	11,058,783	

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 07/01/2015	Corpus Contributed During the FY 2015-2016	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2016
Balance Forward	8,058,375	10,998,311	-	463,357	255,043	147,842	8,058,375	11,058,783
SCCE 70	360,283	517,207	-	20,716	44,134	6,305	360,283	487,484
SCCE 71	300,000	505,144	-	17,250	4,125	5,250	300,000	513,019
SCCE 72	217,500	307,977	-	12,506	10,769	3,806	217,500	305,908
SCCE 74	574,380	754,084	-	33,027	30,856	10,052	574,380	746,203
SCCE 75	396,000	577,402	-	22,770	22,042	6,930	396,000	571,200
SCCE 77	1,190,000	1,316,731	-	68,425	-	20,825	1,190,000	1,364,331
SCCE 79	1,219,451	1,472,272	-	70,118	99,719	21,340	1,219,451	1,421,331
SCCE 80	150,000	203,583	-	8,625	5,025	2,625	150,000	204,558
SCCE 85	229,082	287,692	-	13,172	16,669	4,009	229,082	280,186
SCCE 86	750,000	750,000	-	43,125	28,125	13,125	750,000	751,875
SCCE 87	225,000	311,000	-	12,938	49,500	3,938	225,000	270,500
FAMU Endowment #1	411,200	527,019	-	23,644	43,050	7,196	411,200	500,417
FAMU Endowment #2	402,000	418,706	-	23,115	1,000	7,035	402,000	433,786
FAMU Endowment #3	320,997	417,077	-	18,457	8,500	5,617	320,997	421,417
FAMU Endowment #4	351,023	467,907	-	20,184	1,500	6,143	351,023	480,448
FAMU Endowment #5	187,500	262,192	-	10,781	6,200	3,281	187,500	263,492
Walt Disney World Family Law	225,000	308,281	-	12,938	-	3,938	225,000	317,281
FAMU Endowment #6	343,812	381,532	-	19,769	25,800	6,017	343,812	369,484
FAMU Endowment #7	358,433	389,952	-	20,610	3,500	6,273	358,433	400,789
Moot Court & Law Review Endt	1,275,000	1,398,008	-	73,313	46,467	22,313	1,275,000	1,402,541
FAMU Endowment #8	184,881	248,896	-	10,631	-	3,235	184,881	256,291
FAMU Endowment #9	183,393	241,392	-	10,545	3,811	3,209	183,393	244,917
FAMU Endowment #10	183,917	187,598	-	10,575	-	3,219	183,917	194,955
National Alumni Association Endowed Schp	150,000	199,500	-	8,625	27,253	2,625	150,000	178,247
Walt Disney World Family Law	100,000	123,000	-	5,750	-	1,750	100,000	127,000
FAMU Endowment #11	640,919	659,680	-	36,853	26,085	11,216	640,919	659,232
Scholarship Endowment I	150,000	244,118	-	8,625	-	2,625	150,000	250,118
Balance Forward	19,138,146	24,476,261	-	1,100,444	759,173	341,738	19,138,146	24,475,794

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 07/01/2015	Corpus Contributed During the FY 2015-2016	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2016
Balance Forward	19,138,146	24,476,261	-	1,100,444	759,173	341,738	19,138,146	24,475,794
Scholarship Endowment 2 & 3	-	-	-	-	-	-	-	-
Scholarship Endowment 4 & 5	300,000	488,838	-	17,250	2,000	5,250	300,000	498,838
Scholarship Endowment 6 & 7	300,000	387,688	-	17,250	2,500	5,250	300,000	397,188
Corporate Banquet	150,000	178,501	-	8,625	-	2,625	150,000	184,501
Honeywell, Inc. Endowment	150,000	150,000	-	8,625	-	2,625	150,000	156,000
Bill & Camille Cosby Endowment	300,000	462,864	-	17,250	14,375	5,250	300,000	460,489
Faculty & Staff Endowment	300,000	300,000	-	17,250	-	5,250	300,000	312,000
Journalism	450,000	482,295	-	25,875	-	7,875	450,000	500,295
Centennial I, II, III	450,000	469,270	-	25,875	-	7,875	450,000	487,270
SBI Endowments (Various)	13,582,256	18,574,347	-	780,980	54,125	1,460,190	13,582,256	17,841,012
TOTAL	\$ 35,120,402	\$ 45,970,064	\$ -	\$ 2,019,424	\$ 832,173	\$ 1,843,928	\$ 35,120,402	\$ 45,313,387

* SCCE - Second Century Campaign Endowment.

Florida A&M University Foundation, Inc.
(A Nonprofit Organization)
EMINENT SCHOLARS CHAIRS
SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES
For Fiscal Year 2015-2016
(Endowments submitted under the D.C.U. State Matching Program in accordance with F.S. 1011.94)

Name of Eminent Scholars Chair	Corpus							Ending Corpus Balance	Ending Net Balance 06/30/2016
	Beginning Corpus Balance	Beginning Net Balance 07/01/2015	Contributed During the FY 2014-2015	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance		
Warner Lambert Chair	\$ 1,000,000	\$ 1,660,077	\$ -	\$ 57,500	\$ 32,510	\$ 17,500	\$ 1,000,000	\$ 1,667,567	
Centennial Business Chair	1,000,000	1,437,699	-	57,500	50,748	17,500	1,000,000	1,426,951	
Anheuser Busch Chair	1,000,000	1,423,891	-	57,500	112,197	17,500	1,000,000	1,351,694	
Knight-Ridder Chair	1,762,440	1,897,166	-	101,340	56,016	33,527	1,762,440	1,908,963	
Garth Reeves Chair	1,000,000	1,176,311	-	57,500	15,839	20,365	1,000,000	1,197,607	
Foster-Edmond Chair	1,020,000	1,680,392	-	58,650	-	17,850	1,020,000	1,721,192	
SBI Financial Services Chair	1,020,000	1,553,583	-	58,650	-	17,850	1,020,000	1,594,383	
Carrie Meek Chair	1,020,000	1,803,437	-	58,650	-	17,850	1,020,000	1,844,237	
Shirley A. Cunningham Jr. Endowed Chair	1,750,001	2,549,688	-	100,625	258,550	30,625	1,750,001	2,361,138	
Sybil C. Mobley Endowed Chair	2,523,798	3,434,819	-	145,118	169,436	44,166	2,523,798	3,366,335	
TOTAL CHAIRS	\$ 13,096,239	\$ 18,617,063	\$ -	\$ 753,034	\$ 695,296	\$ 234,733	\$ 13,096,239	\$ 18,440,067	



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 Agricultural and Mechanical University Foundation, Inc.,
Tallahassee, Florida

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Florida Agricultural and Mechanical University Foundation, Inc. (the “Foundation”), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

Tallahassee, Florida
November 2, 2016

BCA Watson Rice LLP

I. CURRENT YEAR'S CONDITIONS

None.

II. PRIOR YEAR'S CONDITIONS

2013-MW-1

Condition

During the tests of controls, we noted that during the fiscal year, the Foundation lacks proper segregation of duties over the authorization, custody, reviewing and recording of transactions.

- a. The individual responsible for picking up mail and making bank deposits is also involved in the reconciliation of that deposit to the financial accounting system.
- b. General journal entries are initiated and entered by management and posted without supervisory level control.
- c. Preparation of financial statement schedules are not reviewed by an appropriate level of authority.
- d. Authorization for investment transactions are transmitted by the same individual who records the transaction after it is processed. Recorded investment activity is not reviewed by a subsequent level of authority

Current Year's Status

Condition corrected in current year.

2013-SD-2

Condition

During the course of the audit, we found that the Foundation had significant accounts that had not been reconciled timely. It does not appear that the account reconciliations are performed on a consistent basis nor are they performed in a timely manner.

Current Year Status

Condition corrected in current year.



MANAGEMENT LETTER

To the Board of Directors of the
Florida Agricultural and Mechanical University Foundation, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the financial statements of the Florida Agricultural and Mechanical University Foundation, Inc. (the “Foundation”), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 2, 2016.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.650, Rules of the Florida Auditor General and the *Schedule of Findings and Responses*. Disclosures in those reports and schedule, which are dated November 2, 2016 should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Tallahassee, Florida
November 2, 2016

BCA Watson Rice LLP