

**FLORIDA AGRICULTURAL AND
MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

FINANCIAL STATEMENTS

JUNE 30, 2019

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
TABLE OF CONTENTS
JUNE 30, 2019**

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 5
Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 – 19
Management's Response	20

INDEPENDENT AUDITORS' REPORT

Board of Trustees,
Florida A&M University:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program'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 Program'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.

- 1 -

121 Executive Circle

Daytona Beach, FL 32114-1180

Telephone: 386-257-4100

133 East Indiana Avenue

DeLand, FL 32724-4329

Telephone: 386-738-3300

5931 NW 1st Place

Gainesville, FL 32607-2063

Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200

Tallahassee, FL 32308-4386

Telephone: 850-386-6184

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

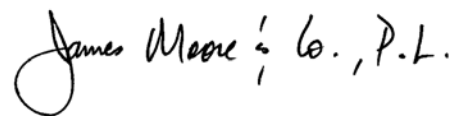
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the Program'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 Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Tallahassee, Florida
October 15, 2020

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
 INTERCOLLEGIATE ATHLETICS DEPARTMENT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2019**

This section of the Florida Agricultural and Mechanical University Intercollegiate Athletics Program's (the Program) Financial Statements presents management's discussion of the Program's financial activity during the fiscal year ended June 30, 2019.

As required by Governmental Accounting Standards, the financial statements include three basic financial statements that provide information on the Program as a whole: the current Statement of Net Position; the current Statement of Revenues, Expenses and Changes in Fund Net Position; and the current Statement of Cash Flows.

OVERALL FINANCIAL HIGHLIGHTS

**Florida Agricultural and Mechanical University
 Intercollegiate Athletics Program
 Statements of Net Position
 June 30,**

	2019	2018
Total assets	\$ 1,019,130	\$ 1,993,021
Total liabilities	\$ 11,566,313	\$ 12,049,847
Total net position	\$ (10,547,183)	\$ (10,056,826)

Total fund net position decreased to (\$10,547,183) from (\$10,056,826) representing a decrease of (\$490,357) or approximately 5 percent from the prior year. This decrease is attributed to several factors including about a 4 percent decrease in operating revenues and a 15% decrease in non-operating revenues.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)**

**Florida Agricultural and Mechanical University
Intercollegiate Athletics Program
Changes in Net Position
June 30,**

	2019	2018
Operating Revenues:		
Student athletic fees	\$ 4,166,818	\$ 4,163,407
Ticket revenues	1,772,503	1,639,760
Game guarantees	1,084,000	1,692,965
Out-of-state waivers	695,588	704,182
Conference and NCAA distributions	683,378	322,321
Sponsorship revenues	326,633	166,311
Contributions	1,441,496	2,075,513
Other operating revenues	568,418	470,803
Total Operating Revenues	10,738,834	11,235,262
Expenses:		
Salaries, wages and other personnel services	4,677,696	4,510,403
Scholarships	2,422,662	2,813,534
Travel	1,316,437	1,709,921
Out-of-state waivers	926,440	921,951
Contracted services	176,175	180,030
Other	2,366,445	2,588,557
Fine and penalties	-	350,000
Total Expenses	11,885,855	13,074,396
Operating loss	(1,147,021)	(1,839,134)
Nonoperating revenues	656,664	769,109
Decrease in net position	(490,357)	(1,070,025)
Net position, beginning of year	(10,056,826)	(8,986,801)
Net position, end of year	\$ (10,547,183)	\$ (10,056,826)

For fiscal year 2019, expenses totaled approximately \$11.89 million, representing a decrease of about \$1.2 million over the 2018 fiscal year. The decrease is attributed primarily to a decrease in fines and penalties, travel and scholarships.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)**

CONCLUSION

The Athletic Program is fully committed to its mission of building champions in the classroom, on the field and in life with academic integrity and excellence. This fiscal year the Department of Athletics experienced an increase in donations, student fees, and football gate receipts. The Department of Athletics strives to decrease expenses, increase revenue, increase efficiency and increase overall productivity which reduces the universities financial support to athletics thereby continuing to minimize athletics risk to the institution as defined in the 2013 Board of Governors audit findings.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Athletics Kortne Gosha, 1500 Wahnish Way, Tallahassee, Florida 32307.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets

Accounts receivable, net	\$ 1,019,130
Total current assets	\$ 1,019,130

LIABILITIES

Current liabilities

Due to other funds - deficit cash balance	\$ 1,147,233
Due to other auxiliary funds, current portion	355,772
Accounts payable	572,303
Compensated absences, current portion	38,357
Unearned revenue	68,610
Due to NCAA, current portion	25,000
Total current liabilities	2,207,275

Noncurrent liabilities

Due to other auxiliary funds, noncurrent portion	8,591,127
Compensated absences, less current portion	476,505
Due to NCAA, noncurrent portion	291,406
Total noncurrent liabilities	9,359,038

Total liabilities	\$ 11,566,313
-------------------	---------------

NET POSITION

Net position

Unrestricted	\$ (10,547,183)
Total net position	\$ (10,547,183)

The accompanying notes to financial statements
are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Operating revenues	
Student athletic fees	\$ 4,166,818
Ticket revenue	1,772,503
Contributions	1,441,496
Out-of-state fee waivers	695,588
Game guarantee revenue	1,084,000
Sponsorship revenue	326,633
Conference and NCAA distributions	683,378
Other operating revenues	568,418
Total operating revenues	<u>10,738,834</u>
Operating expenses	
Salaries and wages	3,991,719
Other personnel services	685,977
Scholarships	2,422,662
Out-of-state fee waivers	926,440
Travel	1,316,437
Player supplies	156,257
Telephone	50,842
Utilities	113,833
Repairs and maintenance	279,452
Medical	43,071
Printing	21,943
Insurance	458,809
Athletic training table and meals	78,527
Game guarantee expense	89,000
Contracted services	176,175
Buildings and grounds	100,462
Other operating expenses	974,249
Total operating expenses	<u>11,885,855</u>
Operating loss	<u>(1,147,021)</u>
Nonoperating revenues	
Direct institutional support	656,664
Change in net position	<u>(490,357)</u>
Net position, beginning of year	(10,056,826)
Net position, end of year	<u><u>\$ (10,547,183)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities	
Receipts from student athletic fees	\$ 4,169,224
Receipts from ticket sales	1,835,085
Receipts from game guarantees	1,084,000
Receipts from sponsors, donors, conference and others	3,874,428
Payments to suppliers and others	(4,454,132)
Payments to employees	(4,511,755)
Payments for scholarships	(2,653,514)
Net cash used in operating activities	<u>(656,664)</u>
Cash flows from noncapital financing activities	
Direct institutional support	<u>656,664</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (1,147,021)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in accounts receivable	973,891
Increase in accounts payable and accrued expenses	352,497
Increase in compensated absences liability	165,941
Decrease in due to other funds	(947,572)
Decrease in unearned revenue	(54,400)
Total adjustments	<u>490,357</u>
Net cash used in operating activities	<u><u>\$ (656,664)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program), which effect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—The Program is an auxiliary enterprise of Florida Agricultural and Mechanical University (the University) located in Tallahassee, Florida and conducts various intercollegiate athletic programs for and on behalf of the University. The University is part of the State University System of Florida and is governed by the University's Board of Trustees subject to the general supervision of the Florida Board of Governors. The President of the University is responsible for its management under the general direction and control of the Board of Trustees, and has ultimate responsibility for administering the policies.

The Program is an agency of the State of Florida and acts for and on behalf of the Florida State University Board of Trustees, a public body corporation of the State of Florida with all the powers to contract business pursuant to Section 1001.72, *Florida Statutes*.

The financial statements of the Program include those economic resources of the University that are used in the operations of the intercollegiate athletic programs. These statements do not purport to present the financial position or results of operations of the University as a whole.

The Program receives significant support from and transacts with certain direct support organizations of the University. These financial statements only recognize the balances or transactions to the extent they occur within the University's auxiliary accounts. See Note 5 for details related to these transactions.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Program have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities.

The Program distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Program are those that result from the operation of the University's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

(c) **Capital assets**—Property, plant and equipment are not capitalized by the Program since they do not represent financial resources available for expenses, but are items for which financial resources have been used. Title to and accountability for capital assets remains with the state of Florida.

(d) **Revenue**—The Program's major sources of revenue include football ticket receipts, institutional support, student athletic fees, contributions and game guarantees.

(e) **Income taxes**—The Program is an auxiliary enterprise of the University, which is a part of the State University System of Florida. Accordingly, substantially all of the income generated by the Program is exempt from federal and state income taxes. In addition, all tax returns are filed at the University level; therefore, no tax liability is reported at the Program level.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

- (f) **Unearned revenue**—Unearned revenue consists of advance sales of athletic event tickets.
- (g) **Cash and cash equivalents**—The Program considers all short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or less at the date of acquisition to be cash equivalents.
- (h) **Athletic fees**—The University charges an athletics fee to students each semester based on credit hours enrolled. Athletic fees for semesters that cross fiscal years are recognized during the year in which the semester is predominantly conducted.
- (i) **Sales tax on athletic event tickets**—In accordance with Chapter 1006, Section 71, *Florida Statutes*, the Program retains an amount equal to the sales taxes collected from ticket sales to athletic events for use in the support of women’s athletic programs.
- (j) **Accounts receivable**—Accounts receivable are stated at their net realizable value. Based on management’s assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year-end will be immaterial.
- (k) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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. Accordingly, actual results could differ from those estimates.
- (l) **Advertising costs**—Advertising costs are recorded as expenses when incurred.
- (m) **Subsequent events**—The Program has evaluated subsequent events through October 15, 2020, the date the financial statements were available to be issued.

(2) **Due From and Due To Other Fund Groups:**

Funds are transferred to the Program by the University's Controller Office for athletic fees collected. These funds provide a source of revenue for expenses of the Program. The due to amount is primarily the result of several years of net losses within the Program. The following is a schedule of amounts due from and due to other University funds at June 30, 2019:

	Due From	Due To
Auxiliary services	\$ -	\$ 8,946,899
Other funds – deficit cash balance	\$ -	\$ 1,147,233

Refer to Note 9 for repayment terms of the auxiliary services debt.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(3) **Retirement Programs:**

(a) **Florida Retirement System**—Substantially all regular employees of the Program are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, *Florida Statutes*; Chapter 112, Part IV, *Florida Statutes*; Chapter 238, *Florida Statutes*; and Florida Retirement System Rules, Chapter 60S, *Florida Administrative Code*; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(3) **Retirement Programs:** (Continued)

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2018 - 2019 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer
Regular	3.00%	8.26%
Senior Management	3.00%	24.06%
Deferred Retirement Option Program	0.00%	14.03%

The Program’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. For the years ended June 30, 2019, 2018, and 2017, total contributions were approximately \$151,000, \$139,000, and \$131,000, respectively, which were equal to the required contributions for the fiscal years.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

(b) **State University System Optional Retirement Program**—Section 121.35, *Florida Statutes*, provides for an Optional Retirement Program (“Program”) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. For the year ended June 30, 2019, the employing university contributed, on behalf of the participant, 8.26 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contributed 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

Required contributions to the Program during the year ended June 30, 2019, 2018, and 2017, were approximately \$93,000, \$134,000, and \$109,000, respectively.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(4) Compensated Absences:

Employees earn the right to be compensated during absences for vacation and illness pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unused leave balance.

Changes in compensated absences for the year ended June 30, 2019, were as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 348,921	\$ 215,502	\$ (49,561)	\$ 514,862	\$ 38,357

(5) FAMU Foundation:

The Florida Agricultural and Mechanical University Foundation (FAMU Foundation) serve as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of Florida Agricultural and Mechanical University. The FAMU Foundation expends resources for, or on behalf of the Florida Agricultural and Mechanical University Intercollegiate Athletics Program. Transfers from the Foundation during the year ended June 30, 2019 were \$656,664, and were included in contributions on the Statement of Revenues, Expenses, and Changes in Net Position. Other expenses for, or on behalf of the Program do not flow through the accounts of the Program and these activities are not included in the records of the Program.

(6) Litigation:

The Program is involved in pending legal action. At this time the FAMU Division of Legal Affairs is unable to provide an evaluation of the likelihood of an unfavorable or favorable outcome, or an estimate of the amount or range of potential loss, if any, to the University. Any settlement or award will be covered at least in part by the State's Risk Management Program. Therefore, no amount has been accrued in the financial statements.

In addition, the Program incurred penalties issued as a result of the NCAA Public Infractions Decision. The appeals process for these penalties was exhausted subsequent to June 30, 2019. The final amount due to the NCAA is \$316,406 and is included in the Statement of Net Position as of June 30, 2019.

(7) Risk Management Programs:

Pursuant to Section 1001.72(2), Florida Statutes, the Program participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2018 fiscal year, after the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$40 million for wind, \$40 million for flood, and \$225 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(7) **Risk Management Programs:** (Continued)

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Department of Management Services, Division of State Group Insurance.

(8) **Concentrations of Credit Risk:**

(a) **Cash and cash equivalents**—Cash held in the agency account of the University is federally insured up to FDIC limits. Any cash held in the agency fund in excess of FDIC limits is secured by collateral, which is pledged to the State of Florida Public Deposits Trust Fund.

(b) **Accounts receivable**—The Program has no policy requiring collateral or other security to support its accounts receivable. Accounts receivable consist of the following at June 30, 2019:

Student Fees	\$	464,006
Due from FAMU Foundation		851,032
Total		1,315,038
Less: Allowance for doubtful accounts		(295,908)
Accounts receivable, net	\$	<u>1,019,130</u>

(9) **Deficit Net Position/Long Term Liabilities:**

As of June 30, 2019, the Program had a deficit in net position of \$10,547,183. The deficit is the result of numerous years of operating expenses exceeding revenues.

In accordance with Section 1011.47(1), Florida Statutes and Regulation 9.013 of the Board of Governors of the State University System of Florida, auxiliary enterprises, including athletics, are considered business activities of a university which require no support from the General Revenue Fund. Each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(9) **Deficit Net Position/Long Term Liabilities:** (Continued)

As a result of the deficit net position, the Program has established an interest-free repayment plan with the University for a term of 12 years (with 10 years of repayment remaining as of June 30, 2019). A portion of the deficit will be paid by other direct support organizations of the University. The remaining payment schedule is as follows:

<u>Periods</u>	<u>University Support from Direct Support Organization</u>	<u>Athletics Direct Repayment</u>	<u>Total</u>
2020	\$ 298,485	\$ 57,287	\$ 355,772
2021	423,683	96,585	520,268
2022	423,683	206,794	630,477
2023	423,683	322,905	746,588
2024	423,683	461,592	885,275
2025	423,683	627,266	1,050,949
2026	423,683	825,213	1,248,896
2027	423,683	1,061,761	1,485,444
2028	423,683	1,145,783	1,569,466
2029	-	453,764	453,764
Total	<u>\$ 4,442,853</u>	<u>\$ 5,258,950</u>	<u>\$ 8,946,899</u>

The table below summarizes long term liabilities for the years ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Due to Auxiliary	\$ 9,245,384	\$ -	\$ (298,485)	\$ 8,946,899	\$ 355,772
Due to NCAA	350,000	-	(33,594)	316,406	25,000
Compensated Absences	348,921	215,502	(49,561)	514,862	38,357
	<u>\$ 9,944,305</u>	<u>\$ 215,502</u>	<u>\$ (381,640)</u>	<u>\$ 9,778,167</u>	<u>\$ 419,129</u>

(10) **Commitments:**

On behalf of the Florida A & M University Board of Trustees, the University entered into employment agreements with its Head Football and Head Men's Basketball coaches. Under the terms of these agreements, the University has agreed to guarantee certain aspects of the compensation packages as follows:

<u>Year Ending June 30,</u>	<u>Guaranteed Amount</u>
2020	\$ 331,250
2021	200,000
2022	100,000
	<u>\$ 631,250</u>

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(11) **Risks and Uncertainties:**

During the year ending June 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of October 15, 2020, management believes that a material impact on the Program's financial position and results of future operations is reasonably possible.

**INDEPENDENT AUDITORS' 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***

Board of Trustees,
Florida A&M University:

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 Florida Agricultural and Mechanical University Intercollegiate Athletics Program (the Program) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be material weaknesses.

Finding 2019-001: NCAA Infractions

During the audit, the NCAA Division I Committee on Infractions released a findings report on May 21, 2019, centered on systemic improper certification violations over a six-year period. Specifically, the Program did not adequately monitor and control the athletics eligibility certification process; did not properly apply academic certification legislation; did not sufficiently involve institutional staff members from departments outside of athletics in the certification process; did not withhold ineligible student-athletes from team travel and competition; and did not promptly detect and report violations to the NCAA. While the controls over certification of student-athlete eligibility are outside of the scope of an audit of the Program's financial statements performed in accordance with *Government Auditing Standards*, the lack of controls mentioned in this paragraph have a material impact on certain revenues and expenditures reported by the Program related to those ineligible student-athletes and have a material impact on the financial viability of the Program. Penalties were incurred as a loss contingency in the June 30, 2018 audited financial statements and have been accrued as a liability owed to the NCAA in the financial statements as of June 30, 2019.

Finding 2019-002: Improper Transfers of Auxiliary Funds

During the audit, Florida Agricultural and Mechanical University (the University) received a Forensic Report on Athletics Use of Auxiliary Funds dated August 5, 2019, centered on existence of transfers of University auxiliary funds to the Program, which are unallowable under Regulation 9.013 of the Board of Governors of the State University System of Florida. While the controls over transfers of auxiliary funds by the University are outside of the scope of an audit of the Program's financial statements performed in accordance with *Government Auditing Standards*, the lack of controls mentioned in this paragraph have a material impact on the net position reported by the Program and have a material impact on the financial viability of the Program. Amounts due to auxiliary funds have been recognized and disclosed in the financial statements as of June 30, 2019.

Finding 2019-003: Financial Viability

In accordance with Section 1011.47(1), Florida Statutes and Regulation 9.013 of the Board of Governors of the State University System of Florida, each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity. Auxiliary services are integral activities of a university that furnish to its faculty, staff and students goods and/or services that are necessary or desirable and support the educational endeavor of the institution and enhance its functioning. As reported in the Program's audited basic financial statements, the Program's operations have historically not produced sufficient positive cash flow, net revenues, and thus net position to be considered self-sustaining. To address this deficit and improve financial viability of the Program, management has presented a deficit reduction plan to the University's Board of Trustees. The plan addresses eliminating the deficit, including specific actions to be taken and a time frame for completing the actions.

Compliance and Other Matters

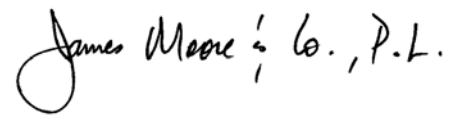
As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described above.

The Program's Response to the Findings

The Program's responses to the findings identified in our audit are included in the body of this report. The Program's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida
October 15, 2020



Florida Agricultural and Mechanical University

TALLAHASSEE, FLORIDA 32307-6100

TELEPHONE: (850) 599-3868
FAX: (850) 599-3810

DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

INTERCOLLEGIATE ATHLETICS DEPARTMENT MANAGEMENT RESPONSE JUNE 30, 2019

Finding 2019-001 NCAA Infractions University Response:

The University established an Athletics Assessment Team comprised of senior managers who worked together to evaluate the structure of the athletics program, develop a program of cost-cutting and revenue generating measures, and identified areas of improvement to athletic program financial processes. Further action was taken by the University to rebuild both our financial and athletics management teams. As of January 2020, this rebuild included hiring a new Vice-President/CFO for Finance and Administration, Controller, and Budget Director. With the retirement of our Athletics Director in December 2019, we have brought on a new Vice President and Athletics Director (AD), a Deputy AD and Chief of Staff, and a Senior Associate AD for Business and Finance. The financial penalty was appealed by the University.

Finding 2019-002: Improper Transfers of Auxiliary Funds University Response:

The University has established an automated process for addressing transfers related to Restricted and Auxiliary funds. All journal transfers are reviewed through the iRattler automated workflow process. This process first requires that the journal transfer be input along with supporting documentation. The journal is input by one individual and then is automatically sent to three separate individuals, any one of whom may approve the journal transfer. The journal transfer must be approved before it is posted to the General Ledger. In the case of transfers from auxiliaries to athletics, the process works the same but requires additional levels of approvers and a final notification to the Chief Audit Executive if the President approves such a transfer. These extra levels of approval and notification were implemented to provide greater assurance that auxiliary funds are not improperly used to fund athletics.

Finding 2019-003: Financial Viability University Response:

The joint efforts of the Board of Governors and FAMU Board of Trustees (BOT), two oversight bodies, continue with the commitment that the President will ensure a balanced athletics budget and repayment of improper auxiliary monies used in support of our athletics program.

To ensure complete transparency of this issue, the results of the August 5, 2019, Carr, Riggs, & Ingram report were briefed to both the FAMU Board of Trustees (August 16, 2019) and the Board of Governors (October 30, 2019). During this time, the University implemented additional controls requiring increased levels of system approvals for auxiliary fund transfers to Athletics. These controls include approvals by a party independent of the financial function, as well as the University President, and notification to our Chief Audit Executive should another similar transfer occur.

Immediately following the release of the report, the University established an Athletics Assessment Team comprised of senior managers who worked together to evaluate the structure of the athletics program, develop a program of cost-cutting and revenue generating measures, and identified areas of improvement to athletic program financial processes. Further action was taken by the University to rebuild both our financial and athletics management teams. As of January 2020, this rebuild included hiring a new Vice-President/CFO for Finance and Administration, Controller, and Budget Director. With the retirement of our Athletics Director in December 2019, we have brought on a new Vice President and Athletics Director (AD), a Deputy AD and Chief of Staff, and a Senior Associate AD for Business and Finance.

These teams are collectively working on this issue and have balanced the Athletic budget for a second year in a row. FAMU also will continue to follow approved plans to pay back auxiliary dollars improperly transferred to athletics.

Kortne Josha | October 15, 2020