

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

FINANCIAL STATEMENTS

JUNE 30, 2020

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
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JUNE 30, 2020**

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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, 2020, 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.

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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, 2020, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Program had a substantial deficit in net position as a result of numerous years of operating losses. In accordance with State Statute, athletic auxiliary services should be self-supporting entities. Our opinion is not modified with respect to this deficit.

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 July 30, 2021, 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.

James Moore & Co., P.L.

Tallahassee, Florida
July 30, 2021

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

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,**

	<u>2020</u>	<u>2019</u>
Total assets	\$ 479,817	\$ 1,019,130
Total liabilities	\$ 9,925,246	\$ 11,566,313
Total net position	\$ (9,445,429)	\$ (10,547,183)

Total fund net position increased to (\$9,445,429) from (\$10,547,183) representing an increase of \$(951,888) or approximately 8 percent from the prior year. This increase is attributed to several factors including about a 5 percent decrease in operating expenses and a 7% increase in operating and nonoperating revenues.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Continued)**

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

	2020	2019
Operating Revenues:		
Student athletic fees	\$ 4,017,247	\$ 4,166,818
Ticket revenues	2,228,689	1,772,503
Game guarantees	1,195,500	1,084,000
Out-of-state waivers	682,725	695,588
Conference and NCAA distributions	415,907	683,378
Sponsorship revenues	850,992	326,633
Contributions	828,485	1,441,496
Other operating revenues	494,938	568,418
Total Operating Revenues	10,714,483	10,738,834
Expenses:		
Salaries, wages and other personnel services	4,167,047	4,677,696
Scholarships	2,531,441	2,422,662
Travel	938,978	1,316,437
Out-of-state waivers	890,426	926,440
Contracted services	443,673	176,175
Other	2,257,846	2,366,445
Total Expenses	11,229,411	11,885,855
Operating loss	(514,928)	(1,147,021)
Nonoperating revenues	1,466,816	656,664
Increase (decrease) in net position	951,888	(490,357)
Net position, beginning of year, as restated	(10,397,317)	(10,056,826)
Net position, end of year	\$ (9,445,429)	\$(10,547,183)

For fiscal year 2020, expenses totaled approximately \$11.23 million, representing a decrease of about \$660,000 from the 2019 fiscal year. The decrease is attributed primarily to a decrease in salaries, wages and travel.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(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, 2020**

ASSETS

Current Assets

Cash and cash equivalents	\$	152,682
Accounts receivable, net		327,135
Total current assets		\$ 479,817

LIABILITIES

Current liabilities

Due to other auxiliary funds, current portion	\$	384,594
Accounts payable		517,996
Compensated absences, current portion		29,644
Unearned revenue		96,945
Due to NCAA, current portion		75,000
Total current liabilities		1,104,179

Noncurrent liabilities

Due to other auxiliary funds, noncurrent portion		8,206,532
Compensated absences, less current portion		373,129
Due to NCAA, noncurrent portion		241,406
Total noncurrent liabilities		8,821,067

Total liabilities	\$	9,925,246
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NET POSITION

Net position

Unrestricted	\$	(9,445,429)
Total net position		\$ (9,445,429)

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, 2020**

Operating revenues	
Student athletic fees	\$ 4,017,247
Ticket revenue	2,228,689
Contributions	828,485
Out-of-state fee waivers	682,725
Game guarantee revenue	1,195,500
Sponsorship revenue	850,992
Conference and NCAA distributions	415,907
Other operating revenues	494,938
Total operating revenues	<u>10,714,483</u>
Operating expenses	
Salaries and wages	3,449,127
Other personnel services	717,920
Scholarships	2,531,441
Out-of-state fee waivers	890,426
Travel	938,978
Player supplies	225,946
Telephone	52,205
Utilities	184,374
Repairs and maintenance	587,289
Medical	78,849
Printing	32,456
Insurance	254,706
Athletic training table and meals	137,978
Game guarantee expense	51,000
Contracted services	443,673
Buildings and grounds	169,576
Other operating expenses	483,467
Total operating expenses	<u>11,229,411</u>
Operating loss	<u>(514,928)</u>
Nonoperating revenues	
Direct institutional support - Title IX	1,466,816
Change in net position	<u>951,888</u>
Net position , beginning of year, as restated	(10,397,317)
Net position , end of year	<u><u>\$ (9,445,429)</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, 2020**

Cash flows from operating activities	
Receipts from student athletic fees	\$ 4,019,653
Receipts from ticket sales	2,374,006
Receipts from game guarantees	1,195,500
Receipts from sponsors, donors, conference and others	3,162,929
Payments to suppliers and others	(5,047,944)
Payments to employees	(4,279,136)
Payments for scholarships	(2,739,142)
Net cash used in operating activities	<u>(1,314,134)</u>
 Cash flows from noncapital financing activities	
Direct institutional support	<u>1,466,816</u>
 Net change in cash and cash equivalents	 152,682
 Cash and cash equivalents, beginning of year	 -
 Cash and cash equivalents, end of year	 <u><u>\$ 152,682</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (514,928)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in accounts receivable	691,995
Increase in accounts payable and accrued expenses	95,559
Decrease in compensated absences liability	(112,089)
Decrease in due to other funds	(1,503,006)
Increase in unearned revenue	28,335
Total adjustments	<u>(799,206)</u>
 Net cash used in operating activities	 <u><u>\$ (1,314,134)</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, 2020

(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.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

(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.

(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 July 30, 2021, the date the financial statements were available to be issued.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(2) **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, 2020**

(2) **Retirement Programs:** (Continued)

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2019 - 2020 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer
Regular	3.00%	8.47%
Senior Management	3.00%	25.41%
Deferred Retirement Option Program	0.00%	14.60%

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, 2020, 2019, and 2018, total contributions were approximately \$148,000, \$151,000, and \$139,000, 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, 2020, the employing university contributed, on behalf of the participant, 8.47 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, 2020, 2019, and 2018, were approximately \$95,000, \$93,000, and \$134,000, respectively.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

(3) **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, 2020, were as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 514,862	\$ 214,991	\$ (327,080)	\$ 402,773	\$ 29,644

(4) **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, 2020 were \$828,485, 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.

(5) **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 in March 2020. The final amount due to the NCAA is \$316,406 and is included in the Statement of Net Position as of June 30, 2020.

(6) **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, 2020**

(6) 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.

(7) 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, 2020:

Student Fees	\$	535,973
Due from FAMU Foundation		129,462
Total		665,435
Less: Allowance for doubtful accounts		(338,300)
Accounts receivable, net	\$	327,135

(8) Deficit Net Position/Long Term Liabilities:

As of June 30, 2020, the Program had a deficit in net position of \$9,445,429. 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, 2020**

(8) 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 25 years. 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>
2021	\$ 269,594	\$ 115,000	\$ 384,594
2022	269,594	115,000	384,594
2023	269,594	125,000	394,594
2024	269,594	125,000	394,594
2025	269,594	125,000	394,594
2026	269,594	125,000	394,594
2027	269,594	125,000	394,594
2028	269,590	250,000	519,590
2029	-	250,000	250,000
2030	-	250,000	250,000
2031	-	250,000	250,000
2032	-	250,000	250,000
2033	-	300,000	300,000
2034	-	300,000	300,000
2035	-	300,000	300,000
2036	-	300,000	300,000
2037	-	300,000	300,000
2038	-	350,000	350,000
2039	-	350,000	350,000
2040	-	350,000	350,000
2041	-	350,000	350,000
2042	-	350,000	350,000
2043	-	350,000	350,000
2044	-	350,000	350,000
2045	-	379,378	379,378
Total	\$ 2,156,748	\$ 6,434,378	\$ 8,591,126

The table below summarizes long term liabilities for the years ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Due to Auxiliary	\$ 8,946,899	\$ -	\$ (355,773)	\$ 8,591,126	\$ 384,594
Due to NCAA	316,406	-	-	316,406	75,000
Compensated Absences	514,862	214,991	(327,080)	402,773	29,644
	\$ 9,778,167	\$ 214,991	\$ (682,853)	\$ 9,310,305	\$ 489,238

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

(9) **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>
2021	\$ 400,000
2022	300,000
2023	100,000
	<u>\$ 800,000</u>

(10) **Risks and Uncertainties:**

During the year ending June 30, 2020, 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 Program as of July 30, 2021, management believes that a material impact on the Program's financial position and results of future operations is reasonably possible.

(11) **Restatement of Beginning Net Position:**

Subsequent to issuance of the June 30, 2019, financial statements, management became aware of the following errors: understatement of net position due to an overstatement of accounts payable in prior years due to travel expenses accrued that did not represent true accounts payable. The net effect of this adjustment on beginning net position was as follows:

	<u>Net Position</u>
Net position – June 30, 2019, originally reported	\$ (10,547,183)
Overstated accounts payable	149,866
Net position – June 30, 2020, as restated	<u>\$ (10,397,317)</u>

**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, 2020, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated July 30, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described below.

Finding 2020-001: 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. While the Program generated positive net income for the year ending June 30, 2020, the Program still retained a large deficit in net position. 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.

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.

James Moore & Co., P.L.

Tallahassee, Florida
July 30, 2021



Florida Agricultural and Mechanical University

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DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Finding 2020-001: Financial Viability

July 30, 2021

James Moore & Co - CPA Tax Accountants
5931 NW 1st Place
Gainesville, FL 32607

RE: 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 took further action 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), and an entire athletics administration: which includes an Deputy AD, Senior Associate AD for Business & Finance, Associate AD for Administration and Operations, and the Associate AD for Compliance.

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.

Sincerely,

Kortne Gosha
Vice President and Director of Athletics
Florida A&M University