

FISK UNIVERSITY
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2014

FISK UNIVERSITY

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Independent Auditor's Report

Members of the Audit Committee
Board of Trustees
Fisk University
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Fisk University (the "University"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year 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 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 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.



Members of the Audit Committee
Board of Trustees
Fisk University

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fisk University as of June 30, 2014, and the changes in its net assets and its cash flows for the year 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 as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 the 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.

Report on Summarized Comparative Information

We have previously audited the University's 2013 financial statements, and our report dated September 4, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the University'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 University's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
November 17, 2014

FISK UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(with comparative totals for 2013)

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 2,463,195	\$ 3,918,364
Restricted cash	1,194,418	1,285,310
Accounts and grants receivable, net of allowance for doubtful accounts	3,797,473	4,168,856
Contributions receivable, net	1,813,678	2,188,644
Notes receivable, less allowance for doubtful accounts	227,440	313,288
Prepaid expenses and other assets	1,261,442	1,300,776
Investments in marketable securities	15,322,553	14,588,274
Investments in art collections	8,048,495	7,901,495
Investment in affiliate	49,302,663	30,000,000
Real estate held for investment	593,550	560,550
Beneficial interests in trusts and endowments	6,445,113	5,319,604
Property and equipment, at cost, net of accumulated depreciation	<u>23,512,793</u>	<u>23,074,541</u>
Total assets	<u>\$113,982,813</u>	<u>\$ 94,619,702</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 1,254,492	\$ 1,062,139
Deposits	76,535	73,064
Deferred revenue	705,575	1,465,325
Notes payable	1,979,767	2,163,772
Bonds payable	7,065,000	7,420,000
Advances from Federal government for Perkins loan programs	<u>395,601</u>	<u>392,252</u>
Total liabilities	<u>11,476,970</u>	<u>12,576,552</u>

NET ASSETS

Unrestricted	81,110,343	60,595,604
Temporarily restricted	3,468,261	3,911,681
Permanently restricted	<u>17,927,239</u>	<u>17,535,865</u>
Total net assets	<u>102,505,843</u>	<u>82,043,150</u>
Total liabilities and net assets	<u>\$113,982,813</u>	<u>\$94,619,702</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(with comparative totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Operating activities:			
Revenue and other support:			
Tuition and fees	\$ 12,993,403	\$ -	\$ -
Less scholarships and fellowships	<u>(6,096,271)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	6,897,132	-	-
Governmental grants and contracts	10,188,493	-	-
Private gifts and grants	3,593,385	1,355,395	-
Endowment spending payout	556,792	-	-
Sales and services of auxiliary enterprises, net	2,464,926	-	-
Other sources	590,151	-	-
Net assets released from restrictions	<u>2,154,900</u>	<u>(2,154,900)</u>	<u>-</u>
Total revenue and other support	<u>26,445,779</u>	<u>(799,505)</u>	<u>-</u>
Expenses:			
Instruction	5,224,664	-	-
Research	4,609,158	-	-
Academic support	2,792,528	-	-
Student services	3,317,669	-	-
Institutional support	5,013,679	-	-
Auxiliary enterprises	<u>4,859,439</u>	<u>-</u>	<u>-</u>
Total expenses	<u>25,817,137</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in net assets from operating activities	628,642	(799,505)	-
Non-operating activities:			
Private gifts and grants	-	-	391,374
Net gain on endowment and other investments, net of amount appropriated for endowment spending payout	<u>19,886,097</u>	<u>356,085</u>	<u>-</u>
Net increase in net assets from non-operating activities	<u>19,886,097</u>	<u>356,085</u>	<u>391,374</u>
Net increase (decrease) in net assets	20,514,739	(443,420)	391,374
Net assets at beginning of year	<u>60,595,604</u>	<u>3,911,681</u>	<u>17,535,865</u>
Net assets at end of year	<u>\$ 81,110,343</u>	<u>\$ 3,468,261</u>	<u>\$17,927,239</u>

Total	
2014	2013
\$ 12,993,403	\$ 12,373,196
<u>(6,096,271)</u>	<u>(5,927,025)</u>
6,897,132	6,446,171
10,188,493	8,136,335
4,948,780	5,801,455
556,792	268,764
2,464,926	3,017,845
590,151	576,374
-	-
<u>25,646,274</u>	<u>24,246,944</u>
5,224,664	5,396,204
4,609,158	3,709,695
2,792,528	2,553,015
3,317,669	3,023,555
5,013,679	5,802,906
<u>4,859,439</u>	<u>4,081,729</u>
<u>25,817,137</u>	<u>24,567,104</u>
(170,863)	(320,160)
391,374	303,040
<u>20,242,182</u>	<u>351,078</u>
<u>20,633,556</u>	<u>654,118</u>
20,462,693	333,958
<u>82,043,150</u>	<u>81,709,192</u>
<u>\$ 102,505,843</u>	<u>\$ 82,043,150</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net increase in net assets	\$ 20,462,693	\$ 333,958
Adjustments to reconcile net increase in net assets to net cash used in operating activities:		
Depreciation expense	1,742,449	1,518,583
Amortization expense	18,692	18,692
Gain on investments and beneficial interests in trust	(20,647,370)	(619,842)
In-kind gift of real estate held for sale	(33,000)	(437,200)
In-kind gift of art held for investment	(147,000)	-
Bad debt expense	156,926	1,050,000
Endowed gifts reclassified to financing activities	(391,374)	(303,040)
Decrease (increase) in accounts, grants and contributions receivable	589,423	(3,713,635)
Decrease in notes receivable	85,848	26,504
Decrease (increase) in prepaid expenses and other assets	20,642	(524,244)
Decrease in accounts payable, accrued expenses and deferred revenue	(567,397)	(3,672,342)
Increase in deposits	<u>3,471</u>	<u>11,151</u>
Net cash provided by (used in) operating activities	<u>1,294,003</u>	<u>(6,311,415)</u>
Cash flows from investing activities:		
Decrease in restricted cash	90,892	3,856,534
Net increase in investments and beneficial interests	(515,081)	(3,832,868)
Purchase of property and equipment	(2,180,701)	(1,399,603)
Increase in advances from Federal government	<u>3,349</u>	<u>35,674</u>
Net cash used in investing activities	<u>(2,601,541)</u>	<u>(1,340,263)</u>
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	391,374	303,040
Proceeds from the issuance of notes payable	319,717	164,732
Principal repayment of capital lease obligations	-	(21,748)
Principal repayment of bonds and notes payable	<u>(858,722)</u>	<u>(1,060,791)</u>
Net cash used in financing activities	<u>(147,631)</u>	<u>(614,767)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,455,169)	(8,266,445)
CASH AND CASH EQUIVALENTS beginning of year	<u>3,918,364</u>	<u>12,184,809</u>
CASH AND CASH EQUIVALENTS end of year	<u>\$ 2,463,195</u>	<u>\$ 3,918,364</u>
<i>Supplemental disclosure and non-cash investing and financing activities:</i>		
Cash paid for interest	<u>\$ 337,318</u>	<u>\$ 417,669</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

A. DESCRIPTION OF THE ORGANIZATION

Fisk University (the "University") is a private, not-for-profit, liberal arts institution of higher education affiliated with the United Church of Christ through the American Missionary Association. Founded in 1866, the University offers undergraduate and graduate degrees.

The University is accredited by the Southern Association of Colleges and Schools and is a member of the United Negro College Fund.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The financial statements of the University have been prepared using the accrual basis of accounting.

Basis of Presentation

The University classifies its revenues, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the University and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the University maintain them permanently. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND OTHER MATTERS - Continued

Contributions

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long the long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In the event a donor makes changes to the nature of a restricted gift, which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Comparative Financial Statements

The summarized financial information shown for fiscal 2013 in the accompanying statement of financial position, statement of activities and cash flows is included to provide a basis for comparison with fiscal year 2014.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND OTHER MATTERS - Continued

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the recovery period for buildings and equipment, the allocation of certain operating and maintenance expenses to functional categories, the collection of contributions receivable, and the allowance for doubtful receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the University's cash and cash equivalents include interest-bearing money market accounts and all highly liquid debt instruments with a maturity of less than three months at the date of purchase. Restricted cash balances at June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Bond reserves held by trustee - restricted cash	\$ 958,423	\$ 938,955
Cash from Federal Perkins loan program	212,319	263,446
Other restricted cash	<u>23,676</u>	<u>82,909</u>
Total restricted cash	<u>\$1,194,418</u>	<u>\$1,285,310</u>

The University maintains cash balances in financial institutions that it considers to be high quality financial institutions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in art are stated at the most recently available independently appraised values or fair value based upon an agreement to sell certain art (Note D). All gains and losses arising from the sale, collection or other disposition of investments and ordinary income derived from investments are accounted for in the net assets group owning such assets, except for income derived from investments of permanently restricted endowment and similar funds which is accounted for as discussed in Note O.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND OTHER MATTERS - Continued

Investment in Affiliate

The University and its joint venture partner formed the Stieglitz Art Collection LLC, a limited liability company during June 2012. The University owns 50% of its membership interest, and accounts for the investment using the equity method of accounting. See Note D.

Beneficial Interest in Trusts and Endowments

Beneficial interest in trusts and endowments represent arrangements in which a donor or the University establishes and funds a trust or endowment administered by an individual or organization other than the University. Beneficial interests are recorded at their fair value.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost in the accompanying balance sheet or if contributed, at estimated fair value at the time of contribution. It is the University's policy to capitalize expenditures for these items in excess of \$5,000. Library holdings have been recorded at actual cost by the University.

Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	50 years
Improvements	25 years
Library holdings	10 years
Equipment and furniture	3 - 10 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. The University did not have any impairment of long-lived assets for the years ended June 30, 2014 and 2013.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND OTHER MATTERS - Continued

Allowance for Doubtful Accounts

Accounts, contributions, and notes receivable are reported net of allowances for doubtful accounts and include receivables from students for tuition and fees and loans extended under the Federal Perkins Loan Program. Perkins funds are disbursed based upon the demonstration of financial need presented by the student. Upon graduation, the students have a nine month grace period on the Perkins loan, at which time the loan will also begin accruing interest. Perkins loan amounts are then repaid through a third party billing service. Student loans are considered past due when payment has not been received in over 30 days. The determination of the allowances for doubtful accounts is based upon an analysis of the receivables and reflects amounts, which in management's judgment, are adequate to provide for potential uncollectible accounts or losses after giving consideration to the growth and composition of the receivable balances, past collection and loss experience and current economic conditions which could influence the ability of loan recipients to repay the amounts per the loan terms. The following allowances are recorded in the accompanying balance sheets:

	<u>2014</u>	<u>2013</u>
Student accounts and grant receivables	\$4,483,724	\$4,443,300
Federal Perkins and institutional notes receivable	\$1,363,680	\$1,363,680
Contributions receivable	\$ 100,000	\$ 100,000

Bond Issuance Costs

The University amortizes deferred bond issuance costs of \$376,371 over the twenty-year life of the related bonds using the interest method. The unamortized balances were \$97,116 and \$115,808 at June 30, 2014 and 2013, respectively, which are included in prepaid expenses and other assets. The total amortization expense was \$18,692 for each of the years ended June 30, 2014 and 2013.

Deferred Revenue

Deferred revenue consists of cash receipts collected or billed prior to year-end, for services rendered after year-end. These receipts primarily pertain to upcoming semester fees and unearned grant revenue.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND OTHER MATTERS - Continued

Income Taxes

The University is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. The University is not classified as a private foundation.

The University accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the University include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value (Note P). Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the University's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 476,953	\$ 971,927
One year to five years	1,981,596	519,396
More than five years	<u>-</u>	<u>1,319,946</u>
	2,458,549	2,811,269
Less allowance for uncollectible pledges and unamortized discount	<u>(644,871)</u>	<u>(622,625)</u>
	<u>\$ 1,813,678</u>	<u>\$ 2,188,644</u>

D. INVESTMENTS

At June 30, 2014 and 2013, investments, stated at market value, are comprised of the following significant classifications:

	<u>2014</u>	<u>2013</u>
Certificates of deposit and money market funds	\$ 3,705,388	\$11,141,073
Equities	4,987,100	-
Fixed income	4,650,557	-
Complementary strategies	740,875	-
Real assets	371,643	-
Mutual bond and stock funds	<u>866,990</u>	<u>3,447,201</u>
	<u>\$15,322,553</u>	<u>\$14,588,274</u>

The return (investment income, gains and losses) on investments in marketable securities was 6.5% and 3.2% based on the average market value of such investments for fiscal years 2014 and 2013, respectively.

The University's collections of art held for investment are stated at the most recently available independently appraised values. Investments in art collections totaled \$8,048,495 and \$7,901,495 at June 30, 2014 and 2013. The market for art is volatile and it is possible that appraised values could change materially. The collections consists of paintings, photographs, sculptures and various other pieces.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. INVESTMENTS - Continued

In June 2012, as approved by the Chancery Court for Davidson County, Tennessee, the University sold to the Crystal Bridges Museum of American Art (Crystal Bridges), a 50% interest in the Alfred Stieglitz art collection for \$30 million. The carrying value of this interest was \$30 million and therefore no gain was recognized on the sale by the University. In accordance with the court order, \$4 million of the proceeds from the sale were to be used to establish a fund in perpetuity to benefit the display and care of the collection at the University's gallery. In October 2012, the University established a permanent endowment fund with a not-for-profit foundation and transferred the funds from escrow to the foundation. The University maintains a beneficial interest in the endowment fund (Note E).

Also, in accordance with the court order, the University's remaining 50% interest and Crystal Bridges' 50% interest in the Alfred Stieglitz art collection were transferred to the Stieglitz Art Collection LLC (LLC), with each organization owning a 50% membership interest in the LLC. The operating agreement of the LLC provides for periodic rotation and display of the art collection between the University and Crystal Bridges. The University's investment in the LLC is accounted for using the equity method of accounting, whereby the University's share of the operations of the LLC are recorded in the statements of activities. The art collection was appraised during 2014, resulting in a gain to the LLC of \$38,605,325, and the net equity of the LLC totaled \$98,605,325 and \$60 million at June 30, 2014 and 2013, respectively.

E. BENEFICIAL INTERESTS IN TRUSTS AND ENDOWMENTS

During 2014 and 2013, the University received interest and dividends of \$119,264 and \$40,104, respectively, on funds held in a trust and in an endowment amounting to \$6,445,113 and \$5,319,604, respectively. These funds are held by a financial institution and foundation (Note D) for the benefit of the University and have been recorded in the University's financial statements as beneficial interests in trusts and endowments.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

F. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property and equipment at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 1,009,188	\$ 1,009,188
Buildings and equipment	53,082,421	51,349,276
Equipment and furniture	26,912,518	25,954,859
Library books	1,969,178	1,968,656
Construction in progress	<u>44,270</u>	<u>554,896</u>
	83,017,575	80,836,875
Less: Accumulated depreciation	<u>(59,504,782)</u>	<u>(57,762,334)</u>
Property and equipment, net	<u>\$ 23,512,793</u>	<u>\$ 23,074,541</u>

Depreciation expense totaled \$1,742,449 and \$1,518,583 for the years ended June 30, 2014 and 2013, respectively (See Note S).

The estimated cost to complete construction in progress at June 30, 2014 was approximately \$1,000,000 which relates primarily to the renovation of various campus buildings.

G. NOTES PAYABLE

The University has a note payable with a financial institution due in monthly payments of principal and interest of \$25,168 through August 2021. The note payable bears interest at 7.47% and is collateralized by real estate. The outstanding balance was \$1,657,324 and \$1,842,237 at June 30, 2014 and 2013, respectively.

The University entered into a note payable with a financial institution during June 2012. The note payable is due in quarterly payments of principal and interest of \$29,429 through June 2015. The note bears interest at 2% and is collateralized by certain software. The outstanding balance was \$116,260 and \$230,222 at June 30, 2014 and 2013, respectively.

The University has two notes payable to a financial institution due in aggregate monthly principal and interest payments of \$14,489 through December 2013. The notes bore interest at 6.95%. The aggregate outstanding balances were \$91,313 at June 30, 2013. The notes payable were paid in full during fiscal 2014.

The University also has two notes payable to a financial institution due in aggregate monthly principal and interest payments of \$13,161 through December 2014. The notes bear interest at 4.69%. The aggregate outstanding balances were \$206,183 at June 30, 2014.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

G. NOTES PAYABLE - Continued

The maturities of notes payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 507,071
2016	198,903
2017	214,280
2018	230,846
2019	248,693
Thereafter	<u>579,974</u>
	<u>\$1,979,767</u>

H. BONDS PAYABLE

Bonds payable at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Revenue bonds, Series 1998, bearing interest at a rate of 5.99%, paying interest semi-annually and maturing in varying annual principal installments through 2018.	\$2,130,000	\$2,485,000
Revenue bonds, Series 2000, bearing a variable interest rate, initially at 6% and currently at 3.25% and paying interest semi-annually and maturing in varying annual principal installments through 2020.	<u>4,935,000</u>	<u>4,935,000</u>
	<u>\$7,065,000</u>	<u>\$7,420,000</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

H. BONDS PAYABLE - Continued

The maturities of bonds payable are as follows:

<u>Year Ending, June 30</u>	<u>Amount</u>
2015	\$ 380,000
2016	400,000
2017	425,000
2018	450,000
2019	475,000
Thereafter	<u>4,935,000</u>
	<u>\$7,065,000</u>

1998 Bond Issue

The Series 1998 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. Certain revenues, equipment, land, buildings and improvements of the University collateralize the 1998 bonds. The University is required to make monthly principal and interest payments to the trustee equal to one-sixth of the next semi-annual principal and interest payment. At June 30, 2014 and 2013, \$948,927 and \$934,487, respectively, were held by the bond trustee for the aforementioned payment, and were classified as restricted cash in the accompanying statement of financial position. The loan agreement contains various covenants. The University was in compliance with the covenants or has obtained appropriate waiver related to the 1998 bond issue.

2000 Bond Issue

The Series 2000 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. The 2000 bonds are collateralized by a pledge of the University's revenues and certain land, buildings and improvements of the University. Monthly principal and interest payments are to be made to the bond trustee. At June 30, 2014 and 2013, the trustee held \$9,496 and \$4,468, respectively, as repayment for the bond obligations. The above funds are classified as restricted cash in the accompanying statement of financial position. The loan agreement contains various covenants. The University was in compliance with the covenants or has obtained appropriate waiver related to the 2000 bond issue.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. RETIREMENT PLAN

The University sponsors a defined contribution retirement plan covering employees who meet certain eligibility requirements. The University's contributions to the plan are discretionary. The University made \$142,725 and \$46,871 in contributions to the plan during the years ended June 30, 2014 and June 30, 2013.

J. COMMITMENTS AND CONTINGENCIES

The University is subject to various claims and legal actions, which arise, in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the University's financial position or results of operations.

Federal and State Funds

All Federal and State funds received by the University are subject to audit by the applicable governmental agencies and they can assess liabilities against the University, limit, suspend or terminate the University's participation in the various programs. Audits of certain major Federal programs have indicated that the University may not have fully complied with certain regulations governing the administration of certain programs. The ultimate outcome of these matters is not known at this time. However, the University is in the process of responding to the Federal government and believes that the resultant liability or loss of funding, if any, would not be material to its ongoing operations.

Federal Perkins Loan Program

Funds provided by the United States government under the Federal Perkins loan program are loaned to qualified students based on financial need and may be re-loaned after collection. If the program had been liquidated, the potential liability under this program to the Federal government would be \$395,601 and \$392,252 as of June 30, 2014 and 2013, respectively.

Collective Bargaining Agreement

The University has a collective bargaining agreement covering certain of its full-time, regular clerical and technical employees.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

K. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of \$3,468,261 and \$3,911,681 at June 30, 2014 and 2013, respectively, were available for instruction, research, institutional support and scholarships. Permanently restricted net assets of \$17,927,239 and \$17,535,865 at June 30, 2014 and 2013, respectively, consist of endowment funds whose income is to be used to fund scholarships, general educational support and the preservation of University art and its art gallery.

During the years ended June 30, 2014 and 2013, net assets of \$2,154,900 and \$2,028,845, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Substantially all temporarily restricted net assets released from restrictions in 2014 and 2013 were for operations, scholarships and grant activities.

L. FUNCTIONAL ALLOCATION OF EXPENSES

During the years ended June 30, 2014 and 2013, the University allocated the cost of certain professional fees and the operation and maintenance of physical plant, including depreciation expense of \$1,742,449 and \$1,518,583, respectively, over the cost of providing instruction, research, academic support, institutional support and auxiliary enterprises as follows:

	<u>2014</u>	<u>2013</u>
Instruction	\$ 1,203,040	\$ 751,546
Research	781,195	488,016
Academic support	1,117,109	697,864
Student services	804,631	502,657
Institutional support	1,093,673	683,223
Auxiliary enterprises	<u>2,812,302</u>	<u>1,756,860</u>
Total operation and maintenance of physical plant	<u>\$7,811,950</u>	<u>\$4,880,166</u>

Interest expense totaling \$325,486 and \$406,736 during fiscal years 2014 and 2013, respectively, has been included and allocated in the above amounts.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

M. FUNDRAISING AND ADVERTISING EXPENSES

During the years ended June 30, 2014 and 2013, the University incurred fundraising expenses by its development and alumni offices, of \$1,376,269 and \$1,067,475, respectively.

The University also incurred advertising costs in the amounts of \$214,361 and \$33,997 for the years ended June 30, 2014 and 2013, respectively.

N. LEASES

The University leases certain equipment under non-cancelable operating leases which expire at various dates through December 2018. Rent expense under these lease arrangements amounted to \$43,889 and \$35,914 for the years ended June 30, 2014 and 2013, respectively.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 35,424
2016	30,572
2017	30,572
2018	22,501
2019	<u>7,500</u>
	<u>\$126,569</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

O. ENDOWMENT

The University's endowment consists of individual donor-restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the applicable state laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by applicable state laws. In accordance with applicable state laws, the University, considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

O. ENDOWMENT- Continued

Changes in Endowment Net Assets

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 788,817	\$17,232,825	\$ 18,530,608
Investment return:			
Investment income	73,706	-	73,706
Net appreciation (realized and unrealized)	400,984	-	400,984
Total investment return	<u>474,690</u>	<u>-</u>	<u>474,690</u>
Contributions	<u>-</u>	<u>303,040</u>	<u>303,040</u>
Appropriation of endowment assets for expenditure (scholarships and fellowships)	<u>(268,764)</u>	<u>-</u>	<u>(268,764)</u>
Endowment net assets, June 30, 2013	994,743	17,535,865	18,530,608
Investment return:			
Investment income	114,538	-	114,538
Net appreciation (realized and unrealized)	798,339	-	798,339
Total investment return	<u>912,877</u>	<u>-</u>	<u>912,877</u>
Contributions	<u>-</u>	<u>391,374</u>	<u>391,374</u>
Appropriation of endowment assets for expenditure (scholarships and fellowships)	<u>(556,792)</u>	<u>-</u>	<u>(556,792)</u>
Endowment net assets, June 30, 2014	<u>\$ 1,350,828</u>	<u>\$17,927,239</u>	<u>\$ 19,278,067</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

O. ENDOWMENT- Continued

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the objective of outperforming the S&P 500 by 50 basis points per annum, net of fees, with comparable or lower risks. The University expects its endowment funds, over time, to provide an average rate of return of at least 4% above inflation. Actual returns in any given year may vary from this amount. At June 30, 2014 and 2013, endowment assets consist of investments in marketable securities and beneficial interests in trusts and endowments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's current policy of appropriating for distribution annually from its endowment funds is at the discretion of the Board of Trustees, based on each year's institutional objectives, not to exceed 6% of the previous 12-calendar quarter's average market values. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate of 1% to 3% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

P. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the University's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2014 and 2013:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>2014:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 3,705,388	\$ 3,705,388	\$ 3,705,388	\$ 3,705,388	\$ -	\$ -
Equities	4,987,100	4,987,100	4,987,100	4,987,100	-	-
Fixed income	4,650,557	4,650,557	4,650,557	4,650,557	-	-
Complementary Strategies	740,875	740,875	740,875	740,875	-	-
Real assets	371,643	371,643	371,643	371,643	-	-
Mutual bond and stock funds	<u>866,990</u>	<u>866,990</u>	<u>866,990</u>	<u>866,990</u>	<u>-</u>	<u>-</u>
	15,322,553	15,322,553	15,322,553	15,322,553	-	-
Investments in art collections	8,048,495	8,048,495	8,048,495	-	-	8,048,495
Real estate held for investment	593,550	593,550	593,550	-	-	593,550
Beneficial interests in trusts and endowments	6,445,113	6,445,113	6,445,113	-	6,445,113	-
Liabilities:						
Notes payable	1,979,767	2,244,582	-	-	-	-
Bonds payable	7,065,000	7,233,503	-	-	-	-

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>2013:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$11,141,073	\$11,141,073	\$11,141,073	\$11,140,073	\$ -	\$ -
Mutual bond and stock funds	<u>3,447,201</u>	<u>3,447,201</u>	<u>3,447,201</u>	<u>3,447,201</u>	<u>-</u>	<u>-</u>
	14,588,274	14,588,274	14,588,274	14,588,274	-	-
Investments in art collections	7,901,495	7,901,495	7,901,495	-	-	7,901,495
Real estate held for investment	560,550	560,550	560,550	-	-	560,550
Beneficial interests in trusts and endowments	5,319,604	5,319,604	5,319,604	-	5,319,604	-
Liabilities:						
Notes payable	2,163,772	2,479,057	-	-	-	-
Bonds payable	7,420,000	7,649,100	-	-	-	-

Changes in Level 3 assets for the year ended June 30, 2014 and 2013, are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>Real Estate Held for Investments</u>	<u>Investment in Art Collections</u>
Balance as of June 30, 2012	\$123,350	\$7,901,495
Donor contributions	<u>437,200</u>	<u>-</u>
Balance as of June 30, 2013	560,550	7,901,495
Donor contributions	<u>33,000</u>	<u>147,000</u>
Balance as of June 30, 2014	<u>\$593,550</u>	<u>\$8,048,495</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents and restricted cash, receivables, accounts payable
and accrued expenses, deferred revenue and advances from the Federal government

The carrying values of these items approximate their fair values due to the short maturities of these instruments.

Investments in marketable securities, art collections and real estate and beneficial
interests in trusts and endowments

Fair values are based on quoted market prices, where available, and on certain Level 2 and 3 inputs. The carrying amounts and the fair values of the University's investments and beneficial interests in trusts and endowments are presented in Notes D and E, respectively.

Bank lines-of-credit, note payable and bonds payable

For debt instruments with variable interest rates, the fair value approximates the carrying value. For fixed rate debt, fair value was estimated using discounted cash flow analyses based on the University's current incremental borrowing rates for similar types of borrowing arrangements.

Q. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and investments held by the University. Cash at June 30, 2014 and 2013, includes demand deposits at high quality financial institutions. The deposits possess credit risk to the extent they exceed federally insured limits; however, the University does not anticipate nonperformance by the various financial institutions and investees. The exposure to concentrations of credit risk relative to securities is dependent on the University's investment objectives and policies. An accounting risk also extends to receivables, net of allowances, which are uncollateralized.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

R. SCHOLARSHIPS AND FELLOWSHIPS

Scholarships and fellowships provided for tuition and fees consist of \$3,571,105 and \$4,081,873 provided from institutional sources, and \$2,525,166 and \$1,845,151 provided from grants, endowments and other sources for the fiscal years 2014 and 2013, respectively.

Scholarships and fellowships provided for room and board consist of \$1,550,629 and \$720,311 provided from institutional sources, and \$511,614 and \$325,606 provided from grants, endowments and other sources for the fiscal years 2014 and 2013, respectively.

S. CHANGE IN ACCOUNTING ESTIMATE

Effective July 1, 2012, the estimated useful service lives of the University's buildings and building improvements were extended from forty to fifty years, and fifteen to twenty-five years, respectively, in recognition of the current estimated useful service lives of such assets. These changes are in accordance with the provisions of Accounting Standards Codification (ASC) 958-360, *Not-for-Profit Entities - Property, Plant and Equipment* and ASC 250, *Accounting Changes*. The effect of these changes was to increase net assets for fiscal 2013 by \$1,283,540.

T. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 17, 2014, the issuance date of the University's financial statements, and have determined the following are subsequent events that require disclosure:

In July 2014, the University entered into a capital lease agreement for academic and accounting software. Minimum monthly payments on the lease are \$13,560 for 36 months.

In September 2014, the University entered into a \$1,000,000 line of credit agreement with a bank which expires August 31, 2015. The line requires monthly interest payments of LIBOR plus 1.25%. The line of credit is secured by the investments the University holds with the bank, and requires a minimum student enrollment. There are no outstanding draws on the line as of the date of the University's financial statements.

SUPPLEMENTAL INFORMATION

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Research and Development Cluster		
<u>U.S. Department of Defense</u>		
U.S. Army-Development of Optical Crystals	12.630	\$ 95,215
U.S. Army-Multifunctional ZnO Nano Materials	12.630	119,045
U.S. Army-Interfacial Polarization	12.630	<u>245,695</u>
Total U.S. Department of Defense		<u>459,955</u>
<u>National Aeronautics and Space Administration</u>		
AFOSR - Making Zero - Energy Logic Practical	43.001	(19,792)
AirForce Clarkson - Sensors research	43.001	45,311
Vanderbilt subcontract space grant-college and fellowship	43.001	<u>8,268</u>
Total National Aeronautics and Space Administration		<u>33,787</u>
<u>National Science Foundation</u>		
Collaborative Research: ARI-MA	47.041	57,921
I ³	47.041	<u>123,000</u>
		<u>180,921</u>
Career Grant - Improving Critical Pipelines	47.049	9,999
Case Western University	47.049	306,577
GO-FARR	47.049	<u>142,683</u>
		<u>459,259</u>
TLSAMP - TN State University	47.076	5,727
CREST - Crystal Growth Energy	47.076	1,046,959
U-CPS	47.076	261,970
HBCU - UP Planning Grant	47.076	87,945
Research Initiation Award Grant	47.076	82,803
TIPS: Transform Computer Science Education	47.076	55,867
Implementation Award	47.076	<u>100,616</u>
		<u>1,641,887</u>
University of Tennessee - SCORE	47.081	<u>37,448</u>

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>National Science Foundation - Continued</u>		
Career Grant ARRA (American Recovery and Reinvestment Act)	47.082	\$(24,827)
AppliFlex	47.082	<u>59,733</u>
		<u>34,906</u>
Total National Science Foundation		<u>2,354,421</u>
<u>U.S. Department of Energy</u>		
LLNL - Investigation of Europium Doping in Srl2	81.113	50,049
BWXT - Y-12 - Cryogenic Neutron	81.113	169,400
Lawrence Livermore New Materials	81.113	118,033
IIT - Purification and Growth of Heavy Metal	81.113	10,696
Nuclear Science and Security Consortium	81.113	92,639
NNSA - Wake Forest - Quantifying Reconciliation		
Dynamics in SRI2:EU2	81.113	<u>257,155</u>
		<u>697,972</u>
Radiation Detection Lab	81.123	2,500
Formation of University Laboratory	81.123	50,485
Massie - Chair of Excellence Professorship	81.123	<u>242,165</u>
		<u>295,150</u>
Total U.S. Department of Energy		<u>993,122</u>
<u>U.S. Department of Health and Human Services</u>		
University of Cincinnati - UT/PBT Chemicals		
Community Awareness	93.114	<u>33,127</u>
<u>National Institute of Health</u>		
Integrated STEM Undergrad	93.310	<u>163,528</u>
MARC UG Student Training	93.859	152,237
Vanderbilt Biomedical Bridge	93.859	<u>193,142</u>
		<u>345,379</u>
Total National Institute of Health		<u>508,907</u>

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
System Approach to Cd ZnTe Material and Detector Development	97.077	310,339
Washington University in St. Louis	97.077	<u>398,464</u>
Total U.S. Department of Homeland Security		<u>708,803</u>
Total Research and Development Cluster		<u>5,092,122</u>
*Student Financial Aid Cluster		
<u>U.S. Department of Education</u>		
Federal Supplemental Education Opportunity Grants	84.007	193,703
Federal Direct Loans	84.268	4,961,626
Federal Perkins Loans	84.038	1,503,319
Federal Work Study	84.033	206,036
Federal Pell Grants	84.063	1,728,545
TEACH Grants	84.379	<u>3,760</u>
Total U.S. Department of Education		<u>8,596,989</u>
Total Student Financial Aid Cluster		<u>8,596,989</u>
Other Federal Programs		
<u>U.S. Department of Education</u>		
Special Education (IDEA) - State of Tennessee	84.027A	155,272
*Title III Strengthening Historically Black Colleges and Universities Program (HBCU)	84.031B	3,600,692
Student Support Services (TRIO)	84.042A	171,355
HBCU Graduate	84.382G	409,986
TSU Sites - M	84.395A	<u>170,896</u>
Total U.S. Department of Education		<u>4,508,201</u>

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Health and Human Services</u>		
Peers Establishing and Empowering Relationships - Morehouse	93.243	<u>5,850</u>
Total Expenditures of Federal Awards		<u>\$18,203,162</u>

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

A. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

B. PERKINS LOANS (CFDA NO. 84.038)

The University administers the Perkins loan program. This loan program is part of the student financial aid program cluster for reporting purposes and related loan balances are reported in notes receivable, net, in the financial statements. The outstanding balance of Perkins loans at June 30, 2014, was:

	<u>CFDA Number</u>	<u>Outstanding Balance</u>
Federal Perkins Loans	84.038	\$1,503,319

C. FEDERAL DIRECT LOANS (CFDA NO. 84.268)

During the fiscal year ending June 30, 2014, the University processed the following amount of new loans under the Federal Direct Loans program (which includes subsidized and unsubsidized Stafford Loans, and Parents' Loans for Undergraduate Students):

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Direct Loans	84.268	\$4,961,626

D. ADMINISTRATIVE COSTS AND MATCHING

The University has received a waiver from the U.S. Department of Education and is not required to provide an institutional matching for certain Title IV programs.

The University is allowed to take up to 5% of campus-based programs as an administrative allowance. Administrative costs charged to Title IV programs by the University for the year ended June 30, 2014 totaled \$9,224.



Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Members of the Audit Committee
Board of Trustees
Fisk University
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fisk University (the "University"), which comprise the statement of financial position as of June 30, 2014, 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 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item IC-14-1 to be a material weakness.



Members of the Audit Committee
Board of Trustees
Fisk University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

Fisk University's Response to Findings

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
November 17, 2014



Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133

Members of the Audit Committee
Board of Trustees
Fisk University
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Fisk University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



Basis for Qualified Opinion on the Federal Student Financial Aid (SFA) Cluster

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the SFA cluster as described in finding numbers CF-14-1 through CF-14-6 for eligibility, cash management, reporting, and special provisions. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

Qualified Opinion on the Federal Student Financial Aid (SFA) Cluster

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SFA cluster for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The University’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over compliance.



Members of the Audit Committee
Board of Trustees
Fisk University

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC-14-1 and CF-14-2 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item CF-14-1, CF-14-3, and CF-14-4 to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
November 17, 2014

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Major Programs

CFDA Number	Grantor	Name of Federal Program	Amount Expended
84.031B	Department of Education	Title III Strengthening Historically Black Colleges and Universities Program (HBCU)	\$3,600,692
Various	Department of Education	Student Financial Aid Cluster	8,596,989

Dollar threshold used to distinguish between type A and type B program \$546,095

Auditee qualified as low-risk auditee Yes X No

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

II. FINANCIAL STATEMENT FINDINGS

ITEM # IC 14-1

GRANT AND CONTRACT ACCOUNTING

Criteria, Condition, Context, Cause and Effect

During our audit procedures, we encountered certain errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of consistent reconciliation and review of grant data input into Banner with the grant agreements and underlying reports supporting actual grant transaction activity and terms of grants (grant expenditures and billings). We also discovered several grants had not been submitted for reimbursement, resulting in large receivable balances at year-end. Contributing to this deficiency was turnover in the grants coordinator position during the year. The errors were ultimately resolved and corrected by the University during the audit process.

Recommendation and Benefit

We recommend that the University continue to evaluate and improve the accounting processes for reconciliation and review of grant activity and the underlying support, and assure personnel have adequate training on Banner to ensure grant activity is monitored and accurately recorded and reported. We also recommend reimbursements are requested on a timely basis, i.e. monthly or quarterly. Procedures should also be in place for the evaluation by management of the collectability and validity of grants receivables and deferred amounts on a periodic basis (ie: monthly or quarterly).

Management's Response

Even though turnover in the grant position has been a problem for the past two years, Fisk University has made great strides toward improving its accounting and other processes related to the grants that it receives from both Federal and non-Federal sources. However, we agree that additional improvements are required. Currently, we employ a full-time grant accountant as well as a part-time grant accountant. We will continue to evaluate and improve the processes related to grant set-up, the recording of transactions, the review and reconciliation of grant activity, the billing and collection of receivables, and the reporting requirements of our funding agencies. Fisk is in the process of converting to a new ERP system, which it should complete by May of 2015. This new software will enable us to perform better in all of these areas.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

ITEM # CF 14-1

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.379
U.S. Department of Education

Criteria

A student receiving a Federal Direct loan who is classified as a dependent undergraduate student has an annual loan limit for unsubsidized loans of \$2,000.

Condition and Context

One of thirty-six students selected for testing received Federal Direct Loans in excess of federal annual limits.

Questioned Cost

Known questioned cost totaled \$3,200.

Cause

The above finding resulted primarily due to the student financial aid office not properly reviewing annual award amounts.

Effect

The University was not in compliance with Federal Direct Loan program award limits.

Recommendation

We recommend the University establish procedures to ensure information regarding students' annual loan amounts is reviewed prior to awarding loans. These steps should help to ensure the loan award limits are not exceeded by the University.

Management's Response

The University returned the outstanding direct unsubsidized loan funds to the lender. There has already been staff training regarding over-awards and review of packaged aid of any student receiving Direct Plus loans to ensure this oversight does not happen again. The University will provide staff training on this topic twice each term to ensure compliance.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-2

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379
U.S. Department of Education

Criteria

The University is required to report amounts awarded and disbursed to students for Pell grants to the Department of Education within 15 days of disbursement.

Condition and Context

The University did not properly report the amount of Pell awarded within the 15 day requirement to seventeen out of twenty three students tested to the Department of Education through the Common Origination and Disbursement (COD) records.

Questioned Cost

None.

Cause

The University had a lack of oversight over reporting of Pell grants. The University did not properly report Pell grants awarded to students within the applicable time limits.

Effect

The University is not in compliance with reporting Pell grants awarded to students through the COD System on a timely basis.

Recommendation

We recommend the University implement a system to ensure amounts disbursed to students for Pell awards are timely reported to the Department of Education.

Management's Response

The Office of Student Financial Aid, along with the IT Department, has set up a mandatory schedule to address this issue. At the beginning of each term, as soon as the aid disbursement process ends, the IT Department will export Pell grant response files every two days to the Department of Education through COD. This procedure will ensure that the University complies with the reporting requirements for Pell grant disbursements.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-3

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379
U.S. Department of Education

Criteria

A student's total aid cannot exceed their estimated need. Need is calculated as a student's cost of attendance less their estimated family contribution less other aid.

Condition and Context

For one of forty students tested, the amount of financial assistance received exceeded their financial need resulting in an over award.

Questioned Cost

\$885

Cause

The University did not properly review federal financial assistance for over awards.

Effect

One student received federal aid in excess of their need.

Recommendation

We recommend the University implement review procedures and adhere to those procedures to ensure students do not receive financial assistance in excess of their need. If an over award is detected, federal assistance should be adjusted to reduce aid below or equal to a student's calculated need.

Management's Response

The University already has procedures in place to ensure that students do not receive financial assistance in excess of their need. This finding was related to a student who attended the Fall 2013 and the Spring 2014 semesters. In addition to receiving financial assistance during these semesters, the student worked during the Summer of 2013. Federal regulations allow a school to provide Federal Work Study funds for students during the summer. Because of this summer activity, we may have calculated the cost of attendance improperly. Going forward, we want to research this issue further. We do agree to review, and as needed, strengthen our procedures.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-4

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379
U.S. Department of Education

Criteria

If a Federal Student Aid (FSA) disbursement creates a credit balance in a student's account, the University is required to pay the credit balance to the student or parent as soon as possible, but no later than 14 days from the date of the FSA disbursement, unless the student has signed a waiver of the 14 day requirement.

Condition and Context

One of the twenty four students tested did not receive their refunds within the required 14 day time frame. The student did not receive their refund for the Spring 2014 term and did not receive their full entitled refund for the Fall 2013 term. No waiver of this requirement was signed by the students.

Questioned Cost

\$2,950

Cause

The University did not issue the student refunds within the 14 day requirement.

Effect

The students did not receive their refund within the required time limits.

Recommendation

We recommended the University implement policies and procedures to identify student credit balances created by FSA disbursements and assure students receive the related refunds within the 14 day requirement or have a waiver signed by the student allowing the balance to remain on the account.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-4

Management's Response

Although the University has procedures in place to ensure students receive their refunds within the 14-day window, lack of proper documentation and system application caused delays in this student's refunds. The University is implementing a new ERP system that will automate the refund function for the 2015-2016 Academic Year.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-5

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379
U.S. Department of Education

Criteria

The University is required to properly complete and submit on a timely basis, the Fiscal Operations Report and Application to Participants (FISAP) which provides the U.S. Department of Education (DOE) with certain information regarding Title IV program funds.

Condition and Context

The University incorrectly reported certain information relating to tuition and fees and eligible aid statistics in the fiscal 2013 FISAP.

Questioned Cost

None.

Cause

The above finding resulted from the University not properly understanding, compiling and reporting certain requested information in the FISAP.

Effect

The University incorrectly reported certain information in the fiscal 2013 FISAP.

Recommendation

We recommend the University implement policies and procedures related to the proper completion, review, approval, and submission of the FISAP in order to assure proper information is reported to the DOE.

Management's Response

The Office of Student Financial Aid has already implemented a process to obtain accurate information regarding tuition and fees as well as eligible-aid statistics. In addition, there will be two separate reviews of the completed FISAP report and the supporting data. Once the FISAP is completed, the Director of Student Financial Aid will conduct a preliminary review. There will be a secondary and final review made by the Chief Financial Officer. The University will only submit the FISAP to the Department of Education after these reviews occur.

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 14-6

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379
U.S. Department of Education

Criteria

When a student's Institutional Student Information Record (ISIR) is selected for verification, the University is required to obtain evidence of and maintain support for a student's information reported in their ISIR.

Condition and Context

The University did not retain verification information for one of twenty eight students tested.

Questioned Cost

None.

Cause

The above finding resulted from the University not properly retaining verification information.

Effect

The University was not able to provide documentation for a student requiring verification.

Recommendation

We recommend the University implement policies and procedures related to the proper retention of records for students selected for verification.

Management's Response

The Office of Student Financial Aid has implemented a new filing system that categorizes and organizes all documents properly, assuring correct filing. At the conclusion of each term, the University will produce a report that lists those students selected for verification. Then, the Office of Student Financial Aid will secure all the pertinent information, match it with the correct student, and file it appropriately.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

ITEM # IC 13-1

GRANT AND CONTRACT ACCOUNTING

Criteria, Condition, Context, Cause and Effect

Although significant improvements to the grant and contract accounting process were made during fiscal 2013, we encountered certain errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of consistent reconciliation and review of grant data input into Banner with the grant agreements and underlying reports supporting actual grant transaction activity (grant expenditures and billings). Contributing to this deficiency was turnover in the grants coordinator position during the year. The errors were ultimately resolved and corrected by the University during the audit process.

Recommendation and Benefit

We recommend that the University continue to evaluate and improve the accounting processes for reconciliation and review of grant activity and the underlying support, and assure personnel have adequate training on Banner to ensure grant activity is monitored and accurately recorded and reported. Procedures should also be in place for the evaluation by management of the collectability and validity of grants receivables and deferred amounts on a periodic basis (ie: monthly or quarterly).

Status

This finding has been repeated in fiscal 2014 as Item # IC 14-1.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 13-2

ACCOUNTING SYSTEM SOFTWARE

Criteria, Condition, Context, Cause and Effect

During the audit we noted University accounting personnel have encountered certain recurring issues and inconsistencies in operation and functionality of Banner (the University' primary accounting system) and in the financial data provided by the system. Problems include random postings to the general ledger and lost or suspended feeds of data in the system. These issues have to be researched and corrected by management which is time consuming and inefficient. It also increases the risk of error and misstated financial information.

Recommendation and Benefit

We recommend management evaluate the current status of the Banner system and implement a plan to improve the functionality and accuracy of the system and the data it provides. This most likely will be accomplished through additional training of University personnel in the use of the system and possibly the reinstallation and/or redesign of certain aspects of the system.

Status

Improvements have been made to the Banner system in fiscal 2014. This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 13-3

PERKINS LOAN RECONCILIATION

Criteria, Condition, Context, Cause and Effect

Many aspects of administrative and financial maintenance and collection of loans under the Perkins loan program are administered by a third-party. Certain adjustments were required to be made during the audit process to reconcile to the reports provided by the third-party servicer to the general ledger. Also, we noted that data for new loans made under the Perkins program for fiscal 2013 was not been submitted by the University to the third-party servicer until after year end.

Recommendation and Benefit

Although accounting management attempts to reconcile the third-party servicer reports to the general ledger on a monthly basis, the process is ineffective due to the untimely submission of loan data by another University department to the third-party servicer. We recommend that data for new loans be submitted to the third-party servicer on a monthly basis. This will help to insure that the reconciliation process is effective and the general ledger accounts for the Perkins loan program are properly stated throughout the year.

Status

This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 13-4

PROPERTY AND EQUIPMENT

Criteria, Condition, Context, Cause and Effect

The University expensed certain fixed assets purchased during the year and made adjustments during the audit process to capitalize these fixed assets. The University has an established capitalization policy, however, interpretation of the policy is varied and the policy does not appear to be consistently applied. Not properly capitalizing fixed asset additions as they are acquired understates assets and depreciation expense, and distorts interim financial data. It also provides for the possibility that all capital assets will not be properly identified and capitalized at year-end.

Recommendation and Benefit

The University should consider revising the policy to provide additional direction for properly evaluating and capitalizing all fixed assets as they are acquired throughout the year, adhere to the policy and calculate depreciation accordingly.

Status

This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-1

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268
U.S. Department of Education

Criteria

A student receiving a Federal Direct loan who is classified as a dependent undergraduate student has an aggregate loan limit for subsidized loans of \$23,000.

Condition and Context

One of thirty-three students selected for testing received Federal Direct Loans in excess of federal aggregate limits.

Questioned Cost

Known questioned cost totaled \$7,000.

Cause

The above finding resulted primarily due to the student financial aid office not properly reviewing aggregate award amounts.

Effect

The University was not in compliance with Federal Direct Loan program award limits.

Recommendation

We recommend the University establish procedures to ensure information regarding students' aggregate loan amounts is reviewed prior to awarding loans. These steps should help to ensure the loan award limits are not exceeded by the University.

Status

Although we did not identify any students during our testing who had exceeded aggregate borrowing limits over Federal Direct Loans, we did identify one student who had exceeded annual borrowing limits over Direct Loans in fiscal 2014. See Item # CF 14-1.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-2

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268
U.S. Department of Education

Criteria

Each student in the Federal Work Study program is required to be informed of terms of employment detailing the purpose of the student's job duties and responsibilities, job qualifications, job wage rate, term of employment, supervisor at time of employment and name of employer.

Condition and Context

The University could not provide documentation for eleven of eleven students tested that the required terms of employment detailing the purpose of the student's job, duties and responsibilities, job qualifications, job wage rate, term of employment, supervisor at time of employment, and name of employer were provided to the student.

Questioned Cost

None

Cause

The above finding resulted from the student financial aid office not consistently retaining documentation that each Work Study student was provided with terms of employment.

Effect

The University could not provide documentation of compliance with the requirements for providing information regarding the terms of employment to these students receiving Work Study awards.

Recommendation

We recommend the University consistently follow its policy of retaining documentation that establishes terms of employment have been provided to each Federal Work Study student.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-2

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268
U.S. Department of Education

Status

The University has implemented changes in response to the recommendations. This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-3

Federal Student Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268
U.S. Department of Education

Criteria

Adequate timesheets or records of hours worked must be maintained for Federal Work Study students. These timesheets must show the hours a student worked, and the total hours worked during the job's payment cycle, and be certified by the student's supervisor. These amounts and hours recorded must match the hours for which the student is paid.

Condition and Context

One of eleven students selected for testing was paid for 90 hours of work study when the student's time card indicated 9 hours had been worked.

Questioned Cost

Known questioned cost totaled \$587.

Cause

The above finding resulted primarily from payroll personnel not properly reviewing the hours entered into the payroll system against the student's time card.

Effect

The student was overpaid for the time period.

Recommendation

We recommend the University establish procedures to ensure hours worked for work study are paid accurately as reported on each student's time cards.

Status

The University has implemented changes in response to the recommendations. This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-4

Research and Development Cluster

CFDA No. 12.630

U.S. Department of Defense - U.S. Army - Development of Optical Crystals

Criteria

Financial reports are required to be prepared and submitted timely to granting agencies in accordance with respective grant agreements.

Condition and Context

For one of twenty-two grants tested for reporting in the research and development cluster, the University did not complete and submit required federal financial reports for the two of four quarters during the 2013 fiscal year.

Questioned Cost

None.

Cause

The above finding resulted primarily from the University not properly preparing federal financial reports and submitting them to the granting agency on a timely basis.

Effect

Funding can be affected by failure to submit financial reports on a timely basis.

Recommendation

We recommend the University consistently follow its policy and procedures to ensure financial reports are properly completed and submitted to granting agencies on a timely basis.

Status

The University has implemented changes in response to the recommendations. This is not a finding for the year ended June 30, 2014.

FISK UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 13-5

Research and Development Cluster
HBCU UP Planning Grant
CFDA No. 47.076
National Science Foundation

Criteria

Program disbursements for payroll should be made in accordance with amounts established under the program. Payroll under the program is documented in personnel action forms (PAF) and submitted to the University's human resources department to indicate the amount of the payment each participating employee is to be allocated under the program.

Condition and Context

For one of sixty program expenditures selected for testing the participating employee was not allocated the amount that was indicated in the personnel action forms as submitted to the human resources department for the program.

Questioned Cost

Known questioned costs totaled \$3,750.

Cause

The above finding resulted primarily from the human resources office not properly reviewing amounts allocated to employees under the program.

Effect

The grant was overcharged \$3,750 for the participation of this employee in this program.

Recommendation

We recommend the University establish procedures to ensure employees participating in a grant program are allocated the appropriate amounts per their approved personnel action form.

Status

The University has implemented changes in response to the recommendations. This is not a finding for the year ended June 30, 2014.