

**FISK UNIVERSITY**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2016**

# FISS UNIVERSITY

## Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT .....	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position .....	3
Statement of Activities .....	4 - 5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 27
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards .....	28 - 31
Notes to Schedule of Expenditures of Federal Awards .....	32
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	33 - 34
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .....	35 - 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	38 - 53
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .....	54 - 61



## 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, 2016, 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, 2016, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), 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 2015 financial statements, and our report dated March 10, 2016, 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, 2015, 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 March 6, 2017, 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, PLLC*

Nashville, Tennessee  
March 6, 2017

FISK UNIVERSITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016  
(with comparative totals for 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 824,971	\$ 977,879
Restricted cash	1,310,541	1,208,542
Accounts and grants receivable, net of allowance for doubtful accounts	5,406,710	3,147,800
Contributions receivable, net	2,832,216	2,422,155
Notes receivable, less allowance for doubtful accounts	1,100,673	152,309
Prepaid expenses and other assets	1,204,718	1,330,530
Inventory	50,917	-
Investments in marketable securities	14,725,246	14,931,201
Investments in art collections	15,191,450	15,192,350
Investment in affiliate	49,330,163	49,302,663
Real estate held for investment	593,550	593,550
Beneficial interests in trusts and endowments	5,243,807	6,221,168
Property and equipment, at cost, net of accumulated depreciation	<u>23,736,875</u>	<u>24,609,221</u>
Total assets	<u>\$121,551,837</u>	<u>\$120,089,368</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 1,685,072	\$ 2,247,281
Deposits	83,507	84,416
Deferred revenue	1,277,297	1,317,940
Notes payable	5,487,199	4,200,416
Bonds payable	6,285,000	6,685,000
Capital lease obligation	159,357	311,474
Advances from Federal government for Perkins loan programs	<u>289,312</u>	<u>378,407</u>
Total liabilities	<u>15,266,744</u>	<u>15,224,934</u>

NET ASSETS

Unrestricted	83,947,829	83,003,305
Temporarily restricted	3,360,147	3,283,866
Permanently restricted	<u>18,977,117</u>	<u>18,577,263</u>
Total net assets	<u>106,285,093</u>	<u>104,864,434</u>
Total liabilities and net assets	<u>\$121,551,837</u>	<u>\$120,089,368</u>

See accompanying notes to financial statements.

FISK UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016  
(with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Operating activities:			
Revenue and other support:			
Tuition and fees	\$ 17,948,504	\$ -	\$ -
Less scholarships and fellowships	<u>(12,337,630)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	5,610,874	-	-
Governmental grants and contracts	7,978,996	-	-
Private gifts and grants	3,622,570	2,018,178	-
Endowment spending payout	963,705	-	-
Sales and services of auxiliary enterprises, net	7,055,330	-	-
Other sources	297,020	-	-
Net assets released from restrictions	<u>873,284</u>	<u>( 873,284)</u>	<u>-</u>
Total revenue and other support	<u>26,401,779</u>	<u>1,144,894</u>	<u>-</u>
Expenses:			
Instruction	6,367,032	-	-
Research	3,664,669	-	-
Academic support	3,145,439	-	-
Student services	3,895,710	-	-
Institutional support	5,361,471	-	-
Auxiliary enterprises	<u>5,296,774</u>	<u>-</u>	<u>-</u>
Total expenses	<u>27,731,095</u>	<u>-</u>	<u>-</u>
Net (decrease) increase in net assets from operating activities	( 1,329,316)	1,144,894	-
Non-operating activities:			
Private gifts and grants	-	-	399,854
Net gain (loss) in endowment and other investments, net of amount appropriated for endowment spending payout	<u>( 31,410)</u>	<u>(1,068,613)</u>	<u>-</u>
Gain on sale of property	<u>2,305,250</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in net assets from non-operating activities	<u>2,273,840</u>	<u>(1,068,613)</u>	<u>399,854</u>
Net increase (decrease) in net assets	944,524	76,281	399,854
Net assets at beginning of year	<u>83,003,305</u>	<u>3,283,866</u>	<u>18,577,263</u>
Net assets at end of year	<u>\$ 83,947,829</u>	<u>\$ 3,360,147</u>	<u>\$18,977,117</u>

Total	
<u>2016</u>	<u>2015</u>
\$ 17,948,504	\$ 15,414,880
<u>(12,337,630)</u>	<u>(11,456,302)</u>
5,610,874	3,958,578
7,978,996	7,901,370
5,640,748	4,141,614
963,705	981,677
7,055,330	6,274,642
297,020	753,022
-	-
<u>27,546,673</u>	<u>24,010,903</u>
6,367,032	5,792,621
3,664,669	4,144,308
3,145,439	3,197,963
3,895,710	3,856,129
5,361,471	6,376,172
<u>5,296,774</u>	<u>5,744,682</u>
<u>27,731,095</u>	<u>29,111,875</u>
( 184,422)	( 5,100,972)
399,854	650,024
( 1,100,023)	6,809,539
<u>2,305,250</u>	<u>-</u>
<u>1,605,081</u>	<u>7,459,563</u>
1,420,659	2,358,591
<u>104,864,434</u>	<u>102,505,843</u>
<u>\$ 106,285,093</u>	<u>\$ 104,864,434</u>

See accompanying notes to financial statements.

FISK UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net increase in net assets	\$ 1,420,659	\$ 2,358,591
Adjustments to reconcile net increase in net assets to net cash used in operating activities:		
Depreciation expense	1,577,331	1,874,717
Amortization expense	18,692	18,692
Loss (gain) on investments and beneficial interests in trust	737,893	(7,791,216)
Gain on sale of property	(2,305,250)	-
Change in allowance for doubtful accounts	388,531	281,206
Endowed gifts reclassified to financing activities	( 399,854)	( 650,024)
Increase in accounts, grants and contributions receivable	(3,057,502)	( 240,010)
Decrease (increase) in inventory, prepaid expenses and other assets	56,203	( 87,780)
(Increase) decrease in accounts payable, accrued expenses and deferred revenue	( 602,852)	1,605,154
(Decrease) increase in deposits	<u>( 909)</u>	<u>7,881</u>
Net cash used in operating activities	<u>( 2,167,058)</u>	<u>(2,622,789)</u>
Cash flows from investing activities:		
Increase in restricted cash	( 101,999)	( 14,124)
Net decrease in investments and beneficial interests	418,823	1,262,658
Purchase of property and equipment	(1,399,735)	(2,514,448)
Proceeds from the sale of property	2,000,000	-
Decrease in notes receivable	51,636	75,131
Decrease in advances from Federal government	<u>( 89,095)</u>	<u>( 17,194)</u>
Net cash provided by (used in) investing activities	<u>879,630</u>	<u>(1,207,977)</u>
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	399,854	650,024
Proceeds from the issuance of notes payable	1,952,693	2,844,084
Principal repayment of capital lease obligations	( 152,117)	( 145,222)
Principal repayment of bonds and notes payable	<u>(1,065,910)</u>	<u>(1,003,436)</u>
Net cash provided by financing activities	<u>1,134,520</u>	<u>2,345,450</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	( 152,908)	(1,485,316)
CASH AND CASH EQUIVALENTS beginning of year	<u>977,879</u>	<u>2,463,195</u>
CASH AND CASH EQUIVALENTS end of year	<u>\$ 824,971</u>	<u>\$ 977,879</u>
<i>Supplemental disclosure and non-cash investing and financing activities:</i>		
Cash paid for interest	<u>\$ 322,684</u>	<u>\$ 323,884</u>

See accompanying notes to financial statements.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

A. DESCRIPTION OF THE ORGANIZATION

Fisk University (the "University") is a private, not-for-profit, liberal arts institution of higher education. 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, 2016

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 year 2015 in the accompanying statement of financial position, statements of activities and cash flows is included to provide a basis for comparison with fiscal year 2016. Certain reclassifications have been made to fiscal year 2015 amounts to conform to the fiscal year 2016 presentation.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Bond reserves held by trustee - restricted cash	\$1,055,252	\$ 961,853
Cash from Federal Perkins loan program	188,637	215,286
Other restricted cash	<u>66,652</u>	<u>31,403</u>
Total restricted cash	<u>\$1,310,541</u>	<u>\$1,208,542</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 E). 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 P.

Inventory

Inventory is valued at the lower of cost or market, on the first-in, first-out basis. Inventory consists mainly of books and other items sold in the University bookstore.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 E.

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 \$1,500. Library holdings have been recorded at actual cost by the University.

During fiscal 2016, management assessed its estimates of the useful lives of the University's buildings and improvements. Management revised the original estimates for buildings from 50 year useful lives to 60 years and for improvements from 25 years to 40 years. The effect of this change in accounting estimate on the fiscal 2016 financial statements is an increase in net assets of \$335,800.

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

Buildings	60 years
Improvements	40 years
Library holdings	10 years
Equipment and furniture	3 - 10 years

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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, 2016 and 2015.

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>2016</u>	<u>2015</u>
Student accounts and grant receivables	\$5,267,258	\$4,764,930
Federal Perkins and institutional		
notes receivable	\$1,363,680	\$1,363,680
Contributions receivable	\$ 100,000	\$ 100,000

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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 \$59,734 and \$78,426 at June 30, 2016 and 2015, 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, 2016 and 2015.

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.

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 statement 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.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 567,247	\$ 745,832
One year to five years	890,309	679,342
More than five years	<u>1,958,405</u>	<u>1,636,363</u>
	3,415,961	3,061,537
Less allowance for uncollectible pledges and unamortized discount	<u>( 583,745)</u>	<u>( 639,382)</u>
	<u>\$ 2,832,216</u>	<u>\$ 2,422,155</u>

D. NOTES RECEIVABLE

Notes receivable from students at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Notes receivable - students	\$ 1,464,353	\$ 1,515,989
Less allowance for doubtful notes	<u>(1,363,680)</u>	<u>(1,363,680)</u>
	<u>\$ 100,673</u>	<u>\$ 152,309</u>

Also June 30, 2016, the University had a note receivable from a company totaling \$1,000,000. The note is secured by certain real property. \$875,000 of the outstanding balance was received in December 2016 with the remaining \$125,000 due to the University on or before June 30, 2017.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

E. INVESTMENTS

At June 30, 2016 and 2015, investments, stated at market value, are comprised of the following significant classifications:

	<u>2016</u>	<u>2015</u>
Certificates of deposit and money		
market funds	\$ 5,769,499	\$ 533,709
Mutual bond and stock funds:		
Equities	4,225,103	8,476,025
Fixed income	3,227,847	4,265,151
Complementary strategies	702,289	758,924
Mutual funds	800,208	-
Real assets	<u>-</u>	<u>897,392</u>
	<u>\$14,725,246</u>	<u>\$14,931,201</u>

The return (investment income, gains and losses) on investments in marketable securities was .3% and 4.3% based on the average market value of such investments for fiscal years 2016 and 2015, respectively.

The University's collections of art held for investment are stated at the most recently available independently appraised values. These art collections were appraised during fiscal year 2015, resulting in an unrealized gain of \$7,143,855. Investments in art collections totaled \$15,191,450 and \$15,192,350 at June 30, 2016 and 2015, respectively. 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.

The University has a 50% membership interest in the Stieglitz Art Collection LLC (LLC), whose sole asset is the Alfred Stieglitz art collection. The operating agreement of the LLC provides for periodic rotation and display of the art collection between the University and the other 50% member, Crystal Bridges Museum of American Art. 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 net equity of the LLC totaled \$98,660,326 and \$98,605,325 at June 30, 2016 and 2015, respectively.

The University also has a beneficial interest in a permanent endowment fund with a not-for-profit foundation established to benefit the display and care for the collection at the University's gallery (Note F).

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

F. BENEFICIAL INTERESTS IN TRUSTS AND ENDOWMENTS

During 2016 and 2015, the University received interest and dividends of \$70,429 and \$110,491, respectively, on funds held in a trust and in an endowment fund (Note D). These funds total \$5,243,807 and \$6,221,168 at June 30, 2016 and 2015, respectively. These funds are held by a financial institution and a foundation for the benefit of the University for various purposes and have been recorded in the University's financial statements as beneficial interests in trusts and endowments.

G. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property and equipment at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 314,438	\$ 1,009,188
Buildings and equipment	55,944,958	54,989,548
Equipment and furniture	28,447,704	28,005,324
Library books	<u>1,986,605</u>	<u>1,984,660</u>
	86,693,705	85,988,720
Less: Accumulated depreciation	<u>(62,956,830)</u>	<u>(61,379,499)</u>
Property and equipment, net	<u>\$ 23,736,875</u>	<u>\$ 24,609,221</u>

Depreciation expense totaled \$1,577,331 and \$1,874,717 for the years ended June 30, 2016 and 2015, respectively (See Note M).

H. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE

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 \$1,291,297 and \$1,488,776 at June 30, 2016 and 2015, respectively.

The University also has three notes payable to various financial institutions due in aggregate monthly principal and interest payments of \$37,602 through February 2017. The notes bear interest at rates ranging from 4.69% to 7.24%. The aggregate outstanding balances were \$207,824 and \$211,640 at June 30, 2016 and 2015, respectively.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

H. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE - Continued

During fiscal year 2015, the University entered into a revolving line-of-credit with a bank which has a maximum available borrowing limit of \$8,730,000. Interest at LIBOR plus 1.25% (2.5% at June 30, 2016) on the outstanding balance is paid monthly. The line-of-credit does not provide for a maturity date and repayment of the outstanding balance is at the discretion of the University. The outstanding balance was \$3,988,078 and \$2,500,000 at June 30, 2016 and 2015, respectively, and is collateralized by the investments of the University.

The maturities of notes payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 422,104
2018	230,846
2019	248,693
2020	267,920
2021	288,633
Thereafter	<u>4,029,002</u>
	<u>\$5,487,199</u>

Capital lease obligation

The University leases certain computer software with a cost of \$456,696 from a company. This lease has been recorded in the accounts of the University as a capital lease. Under the terms of the agreement, the obligation is due in monthly payments of principal and interest of \$13,560 which includes interest at a rate of 9.92%. The monthly payments are due starting July 2014 through the lease agreement expiration in July 2017.

Minimum lease commitments at June 30, 2016 under the above mentioned capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 162,717
2018	<u>452</u>
	163,169
Less: amounts representing interest	<u>( 3,812)</u>
Present value of net minimum lease commitments	<u>\$ 159,357</u>

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

I. BONDS PAYABLE

Bonds payable at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</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 2019.	\$1,350,000	\$1,750,000
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 2021.	<u>4,935,000</u>	<u>4,935,000</u>
	<u>\$6,285,000</u>	<u>\$6,685,000</u>

The maturities of bonds payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 425,000
2018	450,000
2019	475,000
2020	-
2021	<u>4,935,000</u>
	<u>\$6,285,000</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, 2016 and 2015, \$970,530 and \$957,553, 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 not in compliance with certain covenants as of June 30, 2016, however the University has obtained appropriate waiver from the bond trustee.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

I. BONDS PAYABLE - Continued

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, 2016 and 2015, the trustee held \$84,722 and \$4,300, 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 not in compliance with certain covenants as of June 30, 2016, however the University has obtained appropriate waiver from the bond trustee.

J. 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 \$171,508 and \$134,459 in contributions to the plan during the years ended June 30, 2016 and 2015, respectively.

K. 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.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

K. COMMITMENTS AND CONTINGENCIES - Continued

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 \$289,312 and \$378,407 as of June 30, 2016 and 2015, respectively.

Collective Bargaining Agreement

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

L. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of \$3,360,147 and \$3,283,866 at June 30, 2016 and 2015, respectively, were available for instruction, research, institutional support and scholarships. Permanently restricted net assets of \$18,977,117 and \$18,577,263 at June 30, 2016 and 2015, 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, 2016 and 2015, net assets of \$873,284 and \$1,270,168, 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 2016 and 2015 were for operations, scholarships and grant activities.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

M. FUNCTIONAL ALLOCATION OF EXPENSES

During the years ended June 30, 2016 and 2015, the University allocated the cost of certain professional fees and the operation and maintenance of physical plant, including depreciation expense of \$1,577,331 and \$1,874,717, respectively, over the cost of providing instruction, research, academic support, institutional support and auxiliary enterprises as follows:

	<u>2016</u>	<u>2015</u>
Instruction	\$1,129,022	\$1,340,134
Research	733,131	870,217
Academic support	1,048,378	1,244,410
Student services	755,125	896,323
Institutional support	1,026,384	1,218,304
Auxiliary enterprises	<u>2,639,272</u>	<u>3,132,780</u>
Total operation and maintenance of physical plant	<u>\$7,331,312</u>	<u>\$8,702,168</u>

Interest expense totaling \$322,684 and \$311,908 during fiscal years 2016 and 2015, respectively, has been included and allocated in the above amounts.

N. FUNDRAISING AND ADVERTISING EXPENSES

During the years ended June 30, 2016 and 2015, the University incurred fundraising expenses by its development and alumni offices of \$1,871,021 and \$1,518,881, respectively.

The University also incurred advertising costs in the amounts of \$239,966 and \$253,687 for the years ended June 30, 2016 and 2015, respectively.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

O. OPERATING 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 \$60,817 and \$56,099 for the years ended June 30, 2016 and 2015, 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, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$30,572
2018	23,083
2019	<u>7,500</u>
	<u>\$61,155</u>

P. 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

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

P. ENDOWMENT - Continued

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

Changes in Endowment Net Assets

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 1,350,828	\$17,927,239	\$ 19,278,067
Investment return:			
Investment income	295,457	-	295,457
Net appreciation (realized and unrealized)	<u>202,937</u>	<u>-</u>	<u>202,937</u>
Total investment return	<u>498,394</u>	<u>-</u>	<u>498,394</u>
Contributions	<u>-</u>	<u>650,024</u>	<u>650,024</u>
Appropriation of endowment assets for expenditure	<u>( 981,677)</u>	<u>-</u>	<u>( 981,677)</u>
Endowment net assets, June 30, 2015	867,545	18,577,263	19,444,808
Investment return:			
Investment income	422,012	-	422,012
Net depreciation (realized and unrealized)	<u>( 526,920)</u>	<u>-</u>	<u>( 526,920)</u>
Total investment return	<u>( 104,908)</u>	<u>-</u>	<u>( 104,908)</u>
Contributions	<u>-</u>	<u>399,854</u>	<u>399,854</u>
Appropriation of endowment assets for expenditure	<u>( 963,705)</u>	<u>-</u>	<u>( 963,705)</u>
Other releases from restriction and reclassifications	<u>406,016</u>	<u>-</u>	<u>406,016</u>
Endowment net assets, June 30, 2016	<u>\$ 204,948</u>	<u>\$18,977,117</u>	<u>\$ 19,182,065</u>

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

P. 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, 2016 and 2015, 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, 2016

Q. 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, 2016 and 2015:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
2016:						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 5,769,499	\$ 5,769,499	\$ 5,769,499	\$ 5,769,499	\$ -	\$ -
Mutual bond and stock funds:						
Equities	4,225,103	4,225,103	4,225,103	4,225,103	-	-
Fixed income	3,227,847	3,227,847	3,227,847	3,227,847	-	-
Complementary strategies	702,289	702,289	702,289	702,289	-	-
Mutual funds	800,508	800,508	800,508	800,508	-	-
	14,725,246	14,725,246	14,725,246	14,725,246	-	-
Investments in art collections	15,191,450	15,191,450	15,191,450	-	-	15,191,450
Real estate held for investment	593,550	593,550	593,550	-	-	593,550
Beneficial interests in trusts and endowments	5,243,807	5,243,807	5,243,807	-	5,243,807	-
Liabilities:						
Notes payable	5,487,199	5,595,303	-	-	-	-
Bonds payable	6,285,000	6,356,424	-	-	-	-
Capital lease obligation	159,357	159,357	-	-	-	-

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Q. 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)
2015:						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 533,709	\$ 533,709	\$ 533,709	\$ 533,709	\$ -	\$ -
Mutual bond and stock funds:						
Equities	8,476,025	8,476,025	8,476,025	8,476,025	-	-
Fixed income	4,265,151	4,265,151	4,265,151	4,265,151	-	-
Complementary strategies	758,924	758,924	758,924	758,924	-	-
Real assets	897,392	897,392	897,392	897,392	-	-
	14,931,201	14,931,201	14,931,201	14,931,201	-	-
Investments in art collections	15,192,350	15,192,350	15,192,350	-	-	15,192,350
Real estate held for investment	593,550	593,550	593,550	-	-	593,550
Beneficial interests in trusts and endowments	6,221,168	6,221,168	6,221,168	-	6,221,168	-
Liabilities:						
Notes payable	4,200,416	4,539,608	-	-	-	-
Bonds payable	6,685,000	6,800,617	-	-	-	-
Capital lease obligation	311,474	311,474	-	-	-	-

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Q. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Changes in Level 3 assets for the year ended June 30, 2016 and 2015, 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, 2014	\$593,550	\$ 8,048,495
Unrealized gains	<u>-</u>	<u>7,143,855</u>
Balance as of June 30, 2015	593,550	15,192,350
Unrealized loss	<u>-</u>	<u>( 900)</u>
Balance as of June 30, 2016	<u>\$593,550</u>	<u>\$ 15,191,450</u>

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 E and F, respectively.

Bank lines-of-credit, notes 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.

FISK UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

R. 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, 2016 and 2015, 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.

S. SCHOLARSHIPS AND FELLOWSHIPS

Scholarships and fellowships provided for tuition and fees for the year ended June 30, 2016 and 2015 consisted of scholarships from institutional sources and funded sources from grants, endowments, and other sources as follows:

	<u>2016</u>	<u>2015</u>
Institutional Sources	\$ 9,618,197	\$ 7,932,175
Funded Sources	<u>2,719,433</u>	<u>3,524,127</u>
Total	<u>\$12,337,630</u>	<u>\$11,456,302</u>

T. SUBSEQUENT EVENTS

The University has evaluated subsequent events through March 6, 2017, the issuance date of the University's financial statements, and have determined there are no subsequent events that require disclosure.

## **SUPPLEMENTAL INFORMATION**

FISK UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>*Research and Development Cluster</b>		
<u>U.S. Department of Defense</u>		
U.S. Army- Exploring Extremes of Mechanical/Therm	12.630	\$ 156,297
U.S. Army-Development of Optical Crystals	12.630	10,042
U.S. Army-Acquisition of a Crystal Post-Growth	12.630	23,916
U.S. Army-Interfacial Polarization	12.630	159,719
Multifunctional Materials for Air and Liquid Protection	12.630	17,684
Modeling Organophosphate Toxicity in C. Elegans	12.630	<u>45,042</u>
Total U.S. Department of Defense		<u>412,700</u>
<u>National Aeronautics and Space Administration</u>		
AirForce Clarkson - Sensors research	43.001	23,206
Vanderbilt subcontract space grant-college and fellowship	43.001	64,490
Instrument for Multiple Radiation Detection	43.001	29,185
Fisk-Vanderbilt Masters to PhD Bridge	43.011	<u>11,725</u>
Total National Aeronautics and Space Administration		<u>128,606</u>
<u>National Science Foundation</u>		
Collaborative Research: Polymer Nanofibers	47.041	10,675
Collaborative Research: ARI-MA	47.041	<u>1,424</u>
		<u>12,099</u>
Case Western University	47.049	257,790
GO-FARR	47.049	( 3,912)
SusChEM	47.049	<u>126,806</u>
		<u>380,684</u>
IRCN - ProNet: Americas Light Paths	47.070	<u>27,170</u>

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>National Science Foundation - Continued</u>		
TLSAMP - TN State University	47.076	18,194
CREST - Crystal Growth Energy	47.076	( 8,004)
CREST - 2016-2021	47.076	1,590
U-CPS	47.076	372,687
HBCU — UP TIP	47.076	147,257
HBCU - UP	47.076	52,632
Research Initiation Award Grant	47.076	69,285
TIPS: Transform Computer Science Education	47.076	93,587
Implementation Award	47.076	263,497
Control of Dopamine Signaling	47.076	100,373
TIPS 2013: Biomath	47.076	105,896
HBCU - UP: RIA/Solution and ID Novel	47.076	5,765
		<u>1,222,759</u>
University of Tennessee - SCORE	47.081	52,776
Graduate Opportunities	47.049	<u>441,579</u>
Total National Science Foundation		<u>2,137,067</u>
<u>U.S. Department of Energy</u>		
BWXT - Y-12 - Cryogenic Neutron	81.113	69,276
Lawrence Livermore New Materials	81.113	148,777
Nuclear Science and Security Consortium	81.113	70,156
Illinois Institute of Technology; Purification and Growth	81.113	28,263
Consolidated Nuclear Security	81.113	22,118
Chemistry	81.113	224
		<u>338,814</u>
Florida A&M University Project C-4289	81.123	136,449
Massie - Chair of Excellence Professorship	81.123	7,782
		<u>144,231</u>
Total U.S. Department of Energy		<u>483,045</u>
<u>U.S. Department of Health and Human Services</u>		
Vanderbilt-High Light Output Scintillator Camera	93.113	44,283
University of Cincinnati - UT/PBT Chemicals		
Community Awareness	93.114	<u>15,961</u>
Total U.S. Department of Health and Human Services		<u>60,244</u>

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>National Institute of Health</u>		
UIUC Know ENG BD2K Center	93.310	101,457
Boston College: Vanderbilt NRMN Link Award	93.310	<u>113,528</u>
		214,985
MARC UG Student Training	93.859	199,078
Vanderbilt Biomedical Bridge	93.859	<u>260,701</u>
		459,779
Total National Institute of Health		<u>674,764</u>
<u>U.S. Department of Homeland Security</u>		
Co-op Agreement, Low Cost and High	97.077	533,758
Collaborative Research	97.077	126,971
RMD: Semiconductor Neutron Detector	97.077	<u>24,966</u>
Total U.S. Department of Homeland Security		<u>685,695</u>
Total Research and Development Cluster		<u>4,582,121</u>
<b>*Student Financial Aid Cluster</b>		
<u>U.S. Department of Education</u>		
Federal Supplemental Education Opportunity Grants	84.007	267,472
Federal Direct Loans	84.268	6,439,811
Federal Perkins Loans	84.038	1,452,953
Federal Work Study	84.033	217,141
Federal Pell Grants	84.063	<u>2,059,859</u>
Total U.S. Department of Education		<u>10,437,236</u>
Total Student Financial Aid Cluster		<u>10,437,236</u>

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Other Federal Programs		
<u>U.S. Department of Education</u>		
Special Education (IDEA) - State of Tennessee	84.027A	17,215
Title III Strengthening Historically Black Colleges and Universities Program (HBCU)	84.031B	2,004,045
Student Support Services (TRIO)	84.042A	214,086
HBCU Graduate	84.382G	<u>483,002</u>
Total U.S. Department of Education		<u>2,718,348</u>
<u>Department of Veterans Affairs</u>		
Post 9/11 GI Bill Chapter 33	64.027	<u>147,059</u>
Total Expenditures of Federal Awards		<u>\$17,884,764</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, 2016

A. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), on the accrual basis of accounting.

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2016, was:

	<u>CFDA Number</u>	<u>Outstanding Balance</u>
Federal Perkins Loans	84.038	\$1,452,953

C. FEDERAL DIRECT LOANS (CFDA NO. 84.268)

During the fiscal year ending June 30, 2016, 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 and Graduate Students):

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Direct Loans	84.268	\$6,439,811

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, 2016 totaled \$28,420.



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, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

**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.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (2016-001).



## **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*.

## **The University's Response to Findings**

The University's response to the finding 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, PLLC*

Nashville, Tennessee  
March 6, 2017



Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 Student Financial Aid Cluster as described in finding numbers 2016-002 through 2016-008 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 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 Student Financial Aid Cluster for the year ended June 30, 2016.

***Unmodified Opinion on Compliance for 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 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, 2016.

***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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

***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 the Uniform Guidance, 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.



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 2016-002, 2016-004, and 2016-005 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-003 to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
March 6, 2017

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

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 2CFR 200.516(a) of the Uniform Guidance?   X   Yes    No

Major Programs

CFDA Number	Grantor	Name of Federal Program	Amount Expended
SFA Cluster:			
84.063	Department of Education	Pell Grants	\$2,059,859
84.038		Perkins Loans	1,452,953
84.033		Work Study	217,141
84.007		Supplemental Educational Opportunity Grants	267,472
84.268		Direct Student Loans	6,439,811
Research and Development Cluster	Various	Various	\$4,582,121

Dollar threshold used to distinguish between type A and type B program                      \$750,000

Auditee qualified as low-risk auditee    Yes   X   No

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS

***ITEM # 2016-001***

**ACCOUNTING SYSTEM AND CONDITION OF FINANCIAL RECORDS**

Criteria, Condition, Context, Cause and Effect

In general, an accounting and information system should provide management with accurate and timely financial information to enable well-informed business decisions to be made. In March of 2016, the University implemented a new Great Plains accounting system to replace Banner as its general ledger system. The University encountered significant difficulties in the implementation, causing delays in the system performing at full capacity and resulting in delayed financial reporting. Certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of various major asset and liability accounts, were not timely and consistently performed during the year due to these delays, weakening internal controls and making financial information unavailable or possibly inaccurate. We also noted instances where accounting tasks such as monthly reconciliations of certain accounts and subsidiary ledgers to the general ledger, preparation of journal entries, period end closings, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim financial statements were not performed in a timely manner. Critical areas such as financial analysis, budgetary control, and cash flow can all be impacted. Government funding, the obtaining of grants, contributions and banking relationships can also be jeopardized by the lack of timely and accurate financial information.

Recommendation and Benefit

We recommend that the University continue to monitor and improve the accounting and information systems and implement proper accounting procedures that will facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations.

The following are recommendations, which if implemented, can help move the University toward these goals:

- Continuing training of accounting staff in the use of the various accounting software functions (Great Plains, CAMS, and AmpliFund).
- Continue to improve communication and exchange of financial and student information between departments in a timely manner.
- Assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS - Continued

***ITEM #IC 2016-001- Continued***

**Management's Response**

Anytime an organization converts from one accounting and information system to another, it is very critical that an inclusive methodology be utilized recognizing that challenges will be encountered. These challenges must be mitigated by having a strong team leader with a supportive staff that involved various levels of participation. Unfortunately, the team faced challenges with two uncontrollable, tragic happenings within months of each other that contributed to a void in the organization. The University recovered as quickly as possible by hiring two experienced leaders, Director of Financial Aid and Interim Vice President of Finance and Accounting, as well as two short term consultants.

The institution challenges were further magnified when the actual solutions provided by the new system was not configured to accomplish all the tasks needed to have an automated system; this caused long hours of manual intervention. The in-house conversion leader made a lot of decisions to strengthen our process which resulted in manual intervention. This resulted in not being able to streamline the workflow to accomplish timely reporting and reconciliation. The institutional leadership recognized the shortfall and has since strengthened the accounting infrastructure by developing processes to strengthen the total infrastructure. The institution recognized the need to assess what caused the delay and reconciled the facts that we had to strengthen our data capture and reporting tools. We have since had to reconfigure our accounting system and train our team members. We recognize the timing for implementing our system may have been a little aggressive. The first nine months of the fiscal year were spent implementing the software, which did not allow for us to bring our accounting firm in to review our processes. We have since taken a closer look at our system and feel that with the additional configuration and added software we have tools to effectively record and report to management in a timely manner.

The challenges associated with these software conversions did have an impact on the timely performance of certain accounting tasks and on the preparation of financial statements. However, the accounting team was able to work through the many challenges to ensure necessary financial information was provided. Although not easy to prepare,

- Cash reports were generated on a weekly basis,
- Budget to actual expense reports were produced each month, and
- Income statements were created intermittently throughout the year.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS - Continued

**ITEM #IC 2016-001- Continued**

**Management's Response - Continued**

Aware that the financial accounting and reporting functions of the University can and must be improved, Fisk fully accepts the auditor's recommendations:

- To continue training of our accounting staff. Financial aid staff has already attended training this fiscal year, and key accounting personnel have received Great Plains training in their respective modules and are also scheduled to receive further training. In addition, the institutions is ensuring that adequate training resources are included with the implementation of new software modules and packages and that end-users input is included in the implementation. Concurrently, the accounting staff has been raised to a higher level of accountability. New processes and procedures have been implemented to bring about greater efficiencies and effectiveness in accounting and reporting with a focus on compliance.
- To improve communication and exchange of information between departments. Because Financial Aid now reports to the VP of Finance and Administration, the communications with the accounting staff have greatly improved. With the implementation of "Workflow", purchasing and other accounting functions between the University's various departments and the accounting staff will be more timely and efficient.
- To ensure that staffing levels are appropriate, the President has authorized the Vice President (VP) of Finance and Administration to enhance staffing levels if deemed appropriate. The VP of Finance and Administration is actively reviewing the staffing needs of accounting, financial aid, information technology and other areas under her leadership.
- The Business and Finance team is very in tune to "Cost Reduction Through Accountability" and understands the areas that have to be improved and have made significant stride over the past six months.

In addition, the University has enhanced the monthly closing process whereby the Controller and Assistant Controller monitor and/or perform the reconciliation of all major general ledger accounts. This has contributed to preparing timely and accurate financial reports and other fiscal information as well as ensuring federal and state compliance.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

***ITEM # 2016-002***

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 Direct loans to the Department of Education within 15 days of disbursement.

Condition and Context

The University did not properly report the amount of Direct loans awarded within the 15 day requirement for fourteen out of thirty-seven 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 Direct loans. The University did not properly report Direct loans awarded to students within the applicable time limits.

Effect

The University is not in compliance with reporting Direct loans 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 Direct loan awards are timely reported to the Department of Education.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

***ITEM # 2016-002***

**Management's Response**

Fisk University experienced two uncontrollable events regarding Financial Aid and Business Office personnel that resulted in delays in reporting of the loans to student accounts. In April 2016 Fisk University hired an experience Director of Financial Aid to provide oversight to the financial aid department along with two financial aid consultants to ensure compliance with the Direct Loan regulations. Unfortunately, financial aid data is very time sensitive; therefore, the implemented procedures to enhance and to monitor transactions that leads to disbursements could not correct past failure. Fisk University, now, utilizes a disbursement schedule that corresponds with Business Office Student Accounts and CAMS to effectively manage the reporting processes by scheduling disbursements. Current assessment reveals no delays in reporting due to the disbursement monitoring procedures.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-003***

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 grants awarded within the 15 day requirement for five out of twenty-six 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.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-003***

**Management's Response**

In addition to strengthening the internal leadership, Fisk University has worked with 3D Technologies, an Information Technology support firm that has assisted with configuring CAMS to receive response files within CAMS which will automatically update the student's account once funds are disbursed. The configuration allows to provide reports regarding accepted disbursements and rejected disbursements to ensure that funds are posted within the 15 day requirement. Fisk University is currently using customized reports that will check for eligibility through transmittal rules prior to exporting the record to COD. Once the record is received by COD and the response file is imported into CAMS, the records post automatically. This process ensures Title IV funds received are posted on the same day and, therefore, ensures compliance with federal guidelines. The University is in constant communication with 3D Technologies which has proven to be quite successful in meeting our established deadlines.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-004***

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 reconcile Direct Loans disbursements per their accounting records to amounts reported to the Department of Education on a monthly basis.

Condition and Context

Although reconciliations are being performed by the University, we discovered for two of the three months selected for testing there were significant unreconciled transactions between the University's accounting records and the Department of Education.

Questioned Cost

None.

Cause

Administrative oversight due to turnover in the Financial Aid department. The University neglected to satisfactorily perform the required monthly reconciliations for the Direct Loan Program.

Effect

The University was not in compliance with Direct Loans reconciliation requirements.

Recommendation

We recommend the University adopt a system to properly review and reconcile Direct Loans awarded to students per the University's accounting system to COD to ensure accurate reporting of disbursements of Direct Loans.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-004***

**Management's Response**

Fisk University acknowledges that the reconciliations were not performed in a timely manner. Once again system implementation was a critical factor in this failure. Steps have been implemented to resolve the concern. The unresolved exception stems from an employee error which reflected disbursed aid to students that was not accounted for in CAMS. Due to awareness of the system issues surrounding CAMS, the institution did not drawdown those funds until the disbursement could be confirmed. At 06/30/2016, General Ledger and G5 were reconciled. Fisk University has taken steps to resolve reconciliation concerns by creating a process that captures reconciliation information on a monthly basis. This process will tie disbursement requests made by the financial aid office in COD, to the funds released on the student ledger, to the actual drawdowns made by the University in G-5. Discrepancies will be resolved to ensure that aid is applied in a timely manner. Secondly, Fisk University has created an automated process for disbursing funds based on the COD responses received and imported through CAMS. This process will prevent employee errors from occurring; which means, in order to disburse funds, Fisk University must receive a COD response file which triggers a disbursement through the student ledger. Personnel understand how critical it is for the internal offices to work together to ensure successful reconciliations take place continually.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-005***

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

Four of the eight students tested that had credit balances did not receive their refunds within the required 14 day time frame.

Questioned Cost

None

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, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-005***

**Management's Response**

Fisk University has resolved the system issues that contributed to having credit balances not released within the allotted 14 day timeframe. Fisk University has implemented a weekly process that allows Student Accounts the opportunity to review student ledgers on a weekly basis and issue credit balances. Fisk University has, also, implemented a disbursement schedule to ensure that funds are managed according to the date of receipt and will be issued to students to remain compliant with Title IV regulations.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-006***

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

Criteria

For students receiving Pell grants, the University should disburse the entire amount of each student's award.

Condition and Context

For two out of twenty-seven students tested, the University did not disburse the full amounts of the Pell grant awards.

Questioned Cost

None.

Cause

The University had a lack of oversight over the disbursement of Pell grant funds.

Effect

The University did not disburse the full amount of the Pell awards to these students.

Recommendation

We recommend the University implement a system to ensure that the full amount of each student's Pell awards is disbursed to the student.

**Management's Response**

Fisk University has taken steps to ensure that Pell awards are accurate and reflect the student's enrollment. Fisk University is utilizing an auto-packaging feature in CAMS to ensure that students are awarded based on their eligibility. This process allows for uniformity in awarding. In addition, after the census date, Financial Aid repackages students based on their enrollment levels to ensure that students are paid correctly. This is also an automated processes which is configured to make adjustments based on the census information.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-007***

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

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 worked and were paid Work Study funds for more hours than were awarded to the student.

Questioned Cost

Known questioned cost totaled \$510.

Cause

The above finding resulted primarily from personnel not properly reviewing the hours worked and amounts paid against the student's award amount.

Effect

The student was paid more than awarded under the Work Study program for the semester.

Recommendation

We recommend the University establish procedures to ensure that students in the Work Study program are not paid more than the amounts they are awarded under the program.

**Management's Response**

In order to avoid overpayments to students, Financial Aid is reviewing all worked hours monthly and notifying students and supervisors whose earnings are within \$100.00 of the full award. In addition, any overages are paid through institutional work study. The University has refunded the \$510 to the Federal Work Study program.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-008***

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 certify and report changes in student enrollment data to the National Student Loan Data System (NSLDS) within 30 days of its occurrence.

Condition and Context

The University did not properly report enrollment status changes to the NSLDS for two out of thirteen students tested.

Questioned Cost

None.

Cause

Administrative oversight. The University did not properly report enrollment status changes to the NSLDS for two students.

Effect

The NSLDS, and therefore the Department of Education, are not properly informed of these students' current enrollment status.

Recommendation

We recommend the University implement policies and procedures to assure that information regarding enrollment status and changes in enrollment status for students who have received Federal Aid are properly revised, approved and submitted to the NSLDS on a timely basis.

FISK UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
YEAR ENDED JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

***ITEM # 2016-008***

**Management's Response**

Fisk University recognizes that the NSLDS date did not agree with Fisk date. However, NSLDS maintains the flexibility for institutions to correct dates. Therefore, Fisk made the corrections and now the dates agree for both students. Copies of the corrections are on file in Financial Aid. Fisk has system processes and administrative procedures to ensure checks and balances are in place for accuracy and compliance in reporting. Currently, there are updated verification reports in CAMS and verification comparisons processes to prevent this from occurring in the future. Also, Fisk have created a new email address, [registrar@fisk.edu](mailto:registrar@fisk.edu). At the beginning of the semester, the faculty are instructed to email the name of the "No Show" student to that email address. The Office of the Registrar will administratively withdraw the student from the course. Additionally, Financial Aids collaborates with the Registrar's Office for consensus and verification of information.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

***ITEM # CF 15-1***

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 must use at least 7% of its Federal Work Study program funds to compensate students employed in community service jobs.

Condition and Context

The University paid only 3% of the Federal Work Study compensation to students employed in community service jobs for the year ended June 30, 2015.

Questioned Cost

None

Cause

The above finding resulted from the student financial aid office not properly monitoring the amount of Federal Work Study funds paid for community service jobs.

Effect

The University did not meet the compliance requirement of the Federal Work Study program to compensate students employed in community service jobs.

Recommendation

We recommend the student financial aid office actively monitor throughout the year the percentage of Federal Work Study funds awarded and paid to students employed in community service jobs to ensure the University meets the federal requirement of 7%.

**Status**

This was not a finding for the year ending June 30, 2016.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-2***

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 grants awarded within the 15 day requirement for six out of thirty-two 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.

**Status**

This finding has been repeated in fiscal year 2016 as Item # 2016-003.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-3***

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

Criteria

The University is required to report amounts awarded and disbursed to students for Direct loans to the Department of Education within 30 days of disbursement.

Condition and Context

The University did not properly report the amount of Direct loans awarded within the 30 day requirement for one out of thirty-seven 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 Direct loans. The University did not properly report Direct loans awarded to students within the applicable time limits.

Effect

The University is not in compliance with reporting Direct loans 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 Direct loan awards are timely reported to the Department of Education.

**Status**

This finding has been repeated in fiscal year 2016 as Item # 2016-002.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

***ITEM # CF 15-4***

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

Two of the six students tested that had credit balances did not receive their refunds within the required 14 day time frame. One student received their refund but after the 14 day time frame and one did not receive their full entitled refund for the Fall 2014 term. No waiver of this requirement was signed by the students.

Questioned Cost

\$2,276

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.

**Status**

This finding has been repeated in fiscal year 2016 as Item # 2016-005.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-5***

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 the following sections of the fiscal 2015 FISAP:

Perkins Loan program

Work-Study program

Administrative cost allowance worksheet

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 2015 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.

**Status**

This was not a finding for the year ending June 30, 2016.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-6***

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

Criteria

A student enrolled less than half time is not eligible to receive Federal Direct loans.

Condition and Context

One of thirty-seven students selected for testing received Federal Direct Loans when they were not eligible to receive such loans since they were enrolled less than half time.

Questioned Cost

Known questioned cost totaled \$13,744.

Cause

The above finding resulted primarily due to the student financial aid office not properly reviewing the enrollment status of the student before the award was made by the University.

Effect

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

Recommendation

We recommend the University establish procedures to ensure information regarding students' enrollment status is reviewed prior to awarding loans. These steps should help to ensure the loan awards are not made by the University to ineligible students.

**Status**

This was not a finding for the year ending June 30, 2016.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-7***

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

Criteria

For students receiving Pell grants, the University should disburse the entire amount of each student's award.

Condition and Context

For two out of thirty-two students tested, the University did not disburse the full amounts of the Pell grant awards.

Questioned Cost

None.

Cause

The University had a lack of oversight over the disbursement of Pell grant funds.

Effect

The University did not disburse the full amount of the Pell awards to these students.

Recommendation

We recommend the University implement a system to ensure that the full amount of each student's Pell awards is disbursed to the student.

**Status**

This finding has been repeated in fiscal year 2016 as Item # 2016-006.

FISK UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

***ITEM # CF 15-8***

Federal Student Aid Cluster  
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.379  
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

Three of twelve students selected for testing worked and were paid Work Study funds for more hours than were awarded to the students.

Questioned Cost

Known questioned cost totaled \$1,242.

Cause

The above finding resulted primarily from personnel not properly reviewing the hours worked and amounts paid against the student's award amount.

Effect

The students were paid more than awarded under the Work Study program for the semester.

Recommendation

We recommend the University establish procedures to ensure that students in the Work Study program are not paid more than the amounts they are awarded under the program.

**Status**

This was not a finding for the year ending June 30, 2016.