FISK UNIVERSITY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

JUNE 30, 2012

FISK UNIVERSITY

Table of Contents

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying balance sheet of Fisk University (the "University") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's fiscal 2011 financial statements and, in our report dated November 7, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2012, 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, 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 the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 for the year ended June 30, 2012, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Crosslin & Associates, P.C.

September 5, 2012
Nashville, Tennessee

FISK UNIVERSITY
BALANCE SHEET
JUNE 30, 2012
(with comparative totals for 2011)

ASSETS

	2012	2011
Cash and cash equivalents	$12,184,809	$ 958,523
Restricted cash	5,141,844	1,251,495
Accounts, grants and contributions receivable, less allowance for doubtful accounts and discount	3,693,865	4,178,944
Notes receivable, less allowance for doubtful accounts	339,792	346,123
Prepaid expenses and other assets	795,224	717,156
Investments in marketable securities	15,455,168	5,689,328
Investments in art collections	7,901,495	67,901,495
Investment in affiliate	30,000,000	-
Real estate held for investment	123,350	123,350
Property and equipment, at cost, net of accumulated depreciation	23,193,521	24,676,800
Total assets	$98,829,068	$105,843,214

LIABILITIES

	2012	2011
Accounts payable and accrued expenses	$ 4,330,129	$ 5,381,063
Deposits	61,913	47,375
Deferred revenue	1,869,677	1,888,809
Capital lease obligations	21,748	82,800
Bank lines-of-credit and notes payable	2,724,831	4,279,212
Bonds payable	7,755,000	8,070,000
Advances from Federal government for Perkins loan programs	356,578	419,595
Total liabilities	17,119,876	20,168,854

NET ASSETS

	2012	2011
Unrestricted	60,512,039	68,447,606
Temporarily restricted	3,964,328	4,701,420
Permanently restricted	17,232,825	12,525,334
Total net assets	81,709,192	85,674,360
	$98,829,068	$105,843,214

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(with comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Operating activities:			
Revenue and other support:			
Tuition and fees	$ 10,031,568	$ -	$ -
Less scholarships and fellowships	(4,603,494)	-	-
Net tuition and fees	5,428,074	-	-
Governmental grants and contracts	8,854,850	-	-
Private gifts and grants	1,736,333	861,586	-
Endowment spending payout	159,717	-	-
Sales and services of auxiliary enterprises	3,131,032	-	-
Other sources	1,305,924	-	-
Net assets released from restrictions	1,473,938	(1,473,938)	-
Total revenue and other support	22,089,868	(612,352)	-
Expenses:			
Instruction	5,338,224	-	-
Research	4,741,464	-	-
Academic support	2,828,368	-	-
Student services	2,890,488	-	-
Institutional support	6,018,257	-	-
Auxiliary enterprises	4,209,147	-	-
Total expenses	26,025,948	-	-
Net decrease in net assets from operating activities	(3,936,080)	(612,352)	-
Non-operating activities:			
Private gifts and grants	-	-	707,491
Net gain (loss) on endowment and other investments, net of amount appropriated for endowment spending payout	513	(124,740)	-
Reclassifications	(4,000,000)	-	4,000,000
Net (decrease) increase in net assets from non-operating activities	(3,999,487)	(124,740)	4,707,491
Net (decrease) increase in net assets	(7,935,567)	(737,092)	4,707,491
Net assets at beginning of year	68,447,606	4,701,420	12,525,334
Net assets at end of year	$ 60,512,039	$ 3,964,328	$17,232,825

Total	
2012	2011
$ 10,031,568	$ 10,592,138
(4,603,494)	(4,594,818)
5,428,074	5,997,320
8,854,850	8,124,801
2,597,919	3,359,585
159,717	96,279
3,131,032	2,821,199
1,305,924	1,038,008
-	-
21,477,516	21,437,192
5,338,224	5,658,927
4,741,464	4,530,090
2,828,368	2,783,792
2,890,488	2,601,324
6,018,257	5,462,960
4,209,147	4,273,221
26,025,948	25,310,314
(4,548,432)	(3,873,122)
707,491	333,711
(124,227)	699,361
-	-
583,264	1,033,072
(3,965,168)	(2,840,050)
85,674,360	88,514,410
$ 81,709,192	$ 85,674,360

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(with comparative totals for 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$(3,965,168)	$(2,840,050)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,936,340	2,683,831
Amortization expense	18,692	18,692
Loss (gain) on investments	49,076	(717,843)
Gain on sale of property and equipment	(912,950)	-
Gain on sale of art	-	(604,002)
Bad debt expense	720,743	484,901
Endowed gifts reclassified to financing activities	(707,491)	(333,711)
(Increase) decrease in accounts, grants and contributions receivable	(235,664)	1,148,476
Decrease in notes receivable	6,331	9,384
Increase in prepaid expenses and other assets	(96,759)	(28,771)
(Decrease) increase in accounts payable, accrued expenses and deferred revenue	(1,070,066)	1,691,836
Increase (decrease) increase in deposits	14,538	(1,625)
Net cash (used in) provided by operating activities	(3,242,378)	1,511,118
Cash flows from investing activities:		
(Increase) decrease in restricted cash	(3,890,349)	53,728
Net (increase) in investments	(9,814,916)	(34,260)
Purchase of property and equipment	(1,528,062)	(2,142,311)
Proceeds from sale of property and equipment	987,950	-
Proceeds from sale of art	30,000,000	904,002
(Decrease) increase in advances from Federal government	(63,017)	24,729
Net cash provided by (used in) investing activities	15,691,606	(1,194,112)
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	707,491	333,711
Proceeds from the issuance of notes payable	516,428	-
Principal repayment of capital lease obligations	(61,052)	(61,231)
Principal repayment of bonds and notes payable	(2,385,809)	(509,995)
Net cash used in financing activities	(1,222,942)	(237,515)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,226,286	79,491
CASH AND CASH EQUIVALENTS beginning of year	958,523	879,032
CASH AND CASH EQUIVALENTS end of year	$ 12,184,809	$ 958,523
Supplemental disclosure and non-cash investing and financing activities:		
Cash paid for interest	$ 511,937	$ 556,547

During fiscal 2012, the University contributed a 50% interest in a certain art collection to a limited liability company (LLC) in exchange for a 50% membership interest in the LLC (See Note D).

See accompanying notes to financial statements.

A. DESCRIPTION OF THE ORGANIZATION

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

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

Basis of Accounting

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

Basis of Presentation

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

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the University maintain them permanently. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

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

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 2011 in the accompanying balance sheet and statement of activities and cash flows is included to provide a basis for comparison with fiscal year 2012.

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, 2012 and 2011, are as follows:

	2012	2011
Bond reserves held by trustee - restricted cash	$ 953,828	$1,000,552
Cash from Federal Perkins loan program	99,609	142,076
Cash held in escrow for display and care of artwork (Note D)	4,000,000	-
Other restricted cash	88,407	108,867
Total restricted cash	$5,141,844	$1,251,495

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

Investments

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

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

Investment in Affiliate

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

Property, Buildings and Equipment

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

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

Buildings	40 years
Improvements	15-25 years
Library holdings	10 years
Equipment	3-10 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. The University did not have any impairment of long-lived assets for the years ended June 30, 2012 and 2011.

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

Allowance for Doubtful Accounts

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

	2012	2011
Student accounts and grant receivables	$3,358,535	$2,902,560
Federal Perkins and institutional notes receivable	$1,363,680	$1,363,680
Contributions receivable	$ 100,000	$ -

Bond Issuance Costs

The University amortizes deferred bond issuance costs of $376,371 over the twenty-year life of the related bonds using the interest method. The unamortized balances were $134,500 and $153,192 at June 30, 2012 and 2011, 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, 2012 and 2011.

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.

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

Income Taxes

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

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

Fair Value Measurements

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

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

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

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

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 and 2011, (included in accounts and contributions receivable) consisted of the following:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 531,040	$ 538,378
One year to five years	610,732	842,690
More than five years	1,289,436	1,205,723
	2,431,208	2,586,791
Less allowance for uncollectible pledges and unamortized discount	(485,529)	(490,496)
	$ 1,945,679	$ 2,096,295

D. INVESTMENTS

At June 30, 2012 and 2011, investments, stated at market value, are comprised of the following significant classifications:

	2012	2011
Certificates of deposit and money market funds	$11,275,996	$1,258,025
Corporate stocks	812,223	866,224
Mutual bond and stock funds	3,366,949	3,565,079
	$15,455,168	$5,689,328

At June 30, 2012 and 2011, the University had funds held in trust amounting to $1,238,940 and $1,268,658, respectively. These funds are held by a financial institution for the benefit of the University and have been included in investments.

The return (investment income, gains and losses) on investments in marketable securities was 0.6% and 14.9% based on the average market value of such investments for fiscal years 2012 and 2011, respectively.

The University's collections of art held for investment are stated at the most recently available independently appraised values or fair value based upon an agreement to sell certain art. Investments in art collections totaled $7,901,495 and $67,901,495 at June 30, 2012 and 2011, 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.

D. INVESTMENTS - Continued

In June 2012, as approved by the Chancery Court for Davidson County, Tennessee, the University sold to the Crystal Bridges Museum of American Art (Crystal Bridges), a 50% interest in the Alfred Stieglitz art collection for $30 million. The carrying value of this interest was $30 million and therefore no gain was recognized on the sale by the University. In accordance with the court order, $4 million of the proceeds from the sale are to be used to establish a fund in perpetuity to benefit the display and care of the collection at the University's gallery. At June 30, 2012, these funds are held in escrow.

Also, in accordance with the court order, the University's remaining 50% interest and Crystal Bridges' 50% interest in the Alfred Stieglitz art collection were transferred to the Stieglitz Art Collection LLC (LLC), with each organization owning a 50% membership interest in the LLC. The operating agreement of the LLC provides for periodic rotation and display of the art collection between the University and Crystal Bridges. The University's investment in the LLC is accounted for using the equity method of accounting, whereby the University's share of the operations of the LLC are recorded in the statements of activities. The LLC had no operations for the year ended June 30, 2012 and the net equity of the LLC totaled $60 million at June 30, 2012.

E. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property and equipment at June 30, 2012 and 2011 are as follows:

	2012	2011
Land and improvements	$ 1,009,188	$ 1,084,190
Buildings	50,259,924	50,146,829
Equipment and furniture	25,176,135	24,071,073
Library books	1,948,189	1,947,126
Construction in progress	1,043,833	984,929
	79,437,269	78,234,147
Less: Accumulated depreciation	(56,243,748)	(53,557,347)
Property and equipment, net	$ 23,193,521	$ 24,676,800

E. PROPERTY, BUILDINGS AND EQUIPMENT - Continued

Depreciation expense totaled $2,936,340 and $2,683,831 for the years ended June 30, 2012 and 2011, respectively.

The estimated cost to complete construction in progress at June 30, 2012 was approximately $250,000 which relates primarily to the renovation of various campus buildings.

F. BANK LINES-OF-CREDIT AND NOTES PAYABLE

The University had a $1,550,000 line-of-credit with a commercial bank, collateralized by real estate and equipment, bearing interest at the prime rate (3.25% at June 30, 2011) payable monthly and maturing December 15, 2012. The line-of-credit was paid in full during fiscal 2012. The outstanding balance was $1,550,000 at June 30, 2011.

The University had a $300,000 line-of-credit with a commercial bank, collateralized by investments, bearing interest at the prime rate, not to be less than 5.5% (5.5% at June 30, 2011), payable monthly and maturing June 20, 2012. The line-of-credit was paid in full during fiscal 2012. The outstanding balance was $299,840 at June 30, 2011.

At June 30, 2012 and 2011, the University has a note payable to an investment manager with an outstanding balance of $302,141 and $291,112 respectively, collateralized by certain investments. The note payable bears interest at .75% over the prime rate (4.0% at June 30, 2012) accruing monthly.

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 $1,987,461 and $2,138,260 at June 30, 2012 and 2011, respectively.

The University entered into a note payable with a financial institution during June 2012. The note payable is due in quarterly payments of principal and interest of $29,429 through June 2015. The note bears interest at 2% and is collateralized by certain software. The outstanding balance was $341,934 at June 30, 2012.

The University has a note payable to a financial institution due in monthly principal and interest payments of $5,042 through March 2013. The note bears interest at 6.65%. The outstanding balance was $43,859 at June 30, 2012.

The University also has a note payable to a financial institution due in monthly principal and interest payments of $8,454 through December 2012. The note bears interest at 5.8%. The outstanding balance was $49,436 at June 30, 2012.

F. BANK LINES-OF-CREDIT AND NOTES PAYABLE - Continued

The maturities of bank lines-of-credit and notes payable are as follows:

Year Ending June 30	Amount
2013	$ 666,227
2014	285,342
2015	300,888
2016	198,903
2017	214,280
Thereafter	1,059,191
	$2,724,831

G. BONDS PAYABLE

Bonds payable at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Revenue bonds, Series 1998, bearing interest at a rate of 5.99%, paying interest semi-annually and maturing in varying annual principal installments through 2018.	$2,820,000	$3,135,000
Revenue bonds, Series 2000, bearing a variable interest rate, initially at 6% and currently at 3.25% and paying interest semi-annually and maturing in varying annual principal installments through 2020.	4,935,000	4,935,000
	$7,755,000	$8,070,000

The maturities of bonds payable are as follows:

Year Ending, June 30	
2013	$ 335,000
2014	355,000
2015	380,000
2016	400,000
2017	425,000
Thereafter	5,860,000
	$7,755,000

G. BONDS PAYABLE - Continued

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, 2012 and 2011, $924,446 and $915,367, respectively, were held by the bond trustee for the aforementioned payment, and were classified as restricted cash in the accompanying balance sheet. The loan agreement contains various covenants. The University was not in compliance with certain covenants and has obtained appropriate waiver related to the 1998 bond issue.

2000 Bond Issue

The Series 2000 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. The 2000 bonds are collateralized by a pledge of the University's revenues and certain land, buildings and improvements of the University. Monthly principal and interest payments are to be made to the bond trustee. At June 30, 2012 and 2011, the trustee held $29,382 and $85,185, respectively, as repayment for the bond obligations. The above funds are classified as restricted cash in the accompanying balance sheet. The loan agreement contains various covenants. The University was not in compliance with certain covenants and has obtained appropriate waiver related to the 2000 bond issue.

H. CAPITAL LEASE OBLIGATIONS

At June 30, 2012 and 2011, the University had capital lease obligations as follows:

	2012	2011
15.01% capital lease obligation for 2 way radio and repeater system, principal and interest due in monthly installments of $535 through April 25, 2012	$ -	$ 4,996
9.22% capital lease obligation for telephone equipment, principal and interest due in monthly installments of $5,501 through August 19, 2012	21,748	77,804
	$21,748	$82,800

I. RETIREMENT PLAN

The University sponsors a defined contribution retirement plan covering employees who meet certain eligibility requirements. The University's contributions to the plan are discretionary. The University made no contribution to the plan during the years ended June 30, 2012 and June 30, 2011.

J. COMMITMENTS AND CONTINGENCIES

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

Federal and State Funds

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

J. 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 $356,578 and $419,595 as of June 30, 2012 and 2011, respectively.

Collective Bargaining Agreement

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

K. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of $3,964,328 and $4,701,420 at June 30, 2012 and 2011, respectively, were available for instruction, research, institutional support and scholarships. Permanently restricted net assets of $17,232,825 and $12,525,334 at June 30, 2012 and 2011, respectively, consist of endowment funds whose income is to be used to fund scholarships and general educational support.

During the years ended June 30, 2012 and 2011, net assets of $1,473,938 and $1,827,481, 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 2012 and 2011 were for operations, scholarships and grant activities.

L. FUNCTIONAL ALLOCATION OF EXPENSES

During the years ended June 30, 2012 and 2011, the University allocated the cost of certain professional fees and the operation and maintenance of physical plant, including depreciation expense of $2,936,340 and $2,683,831, respectively, over the cost of providing instruction, research, academic support, institutional support and auxiliary enterprises as follows:

	2012	2011
Instruction	$1,232,603	$1,299,003
Research	800,391	843,509
Academic support	1,144,560	1,206,218
Student services	824,403	868,814
Institutional support	1,120,548	1,180,912
Auxiliary enterprises	2,881,409	3,036,631
Total operation and maintenance of physical plant	$8,003,914	$8,435,087

Interest expense totaling $506,812 and $547,562 during fiscal years 2012 and 2011, respectively, has been included and allocated in the above amounts.

M. FUNDRAISING AND ADVERTISING EXPENSES

During the years ended June 30, 2012 and 2011, the University incurred fundraising expenses by its development and alumni offices, of $731,396 and $684,109, respectively.

The University also incurred advertising cost in the amounts of $8,382 and $9,956 for the years ended June 30, 2012 and 2011, respectively.

N. LEASES

The University leases certain equipment under non-cancelable operating leases which expire at various dates through November 2014. Rent expense under these lease arrangements amounted to $27,843 for each of the years ended June 30, 2012 and 2011.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2012, are as follows:

Year Ending June 30,	Amount
2013	$27,843
2014	16,766
2015	4,852
	$49,461

O. ENDOWMENT

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

Interpretation of Relevant Law

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

O. 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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2010	$ 419,597	$12,191,623	$ 12,611,220
Investment return:			
Investment income	57,713	-	57,713
Net appreciation (realized and unrealized)	532,526	-	532,526
Total investment return	590,239	-	590,239
Contributions	-	333,711	333,711
Appropriation of endowment assets for expenditure (scholarships and fellowships)	(96,279)	-	(96,279)
Endowment net assets, June 30, 2011	913,557	12,525,334	13,438,891
Investment return:			
Investment income	83,343	-	83,343
Net depreciation (realized and unrealized)	(48,366)	-	(48,366)
Total investment return	34,977	-	34,977
Contributions	-	707,491	707,491
Appropriation of endowment assets for expenditure (scholarships and fellowships)	(159,717)	-	(159,717)
Reclassifications (Note D)	-	4,000,000	4,000,000
Endowment net assets, June 30, 2012	$ 788,817	$17,232,825	$ 18,021,642

O. ENDOWMENT - Continued

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the objective of outperforming the S&P 500 by 50 basis points per annum, net of fees, with comparable or lower risks. The University expects its endowment funds, over time, to provide an average rate of return of at least 4% above inflation. Actual returns in any given year may vary from this amount. At June 30, 2012, endowment assets consist of investments in marketable securities. At June 30, 2011, endowment assets consisted of investments in marketable securities and certain investments in art collections.

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 years' 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.

P. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the University's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2012 and 2011:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
2012:						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	$11,275,996	$11,275,996	$11,275,996	$11,275,996	$ -	$ -
Corporate stocks	812,223	812,223	812,223	812,223	-	-
Mutual bond and stock funds	3,366,949	3,366,949	3,366,949	3,366,949	-	-
	15,455,168	15,455,168	15,455,168	15,455,168	-	-
Investments in art collections	7,901,495	7,901,495	7,901,495	-	-	7,901,495
Real estate held for investment	123,350	123,350	123,350	-	-	123,350
Liabilities:						
Bank lines-of-credit and notes payable	2,724,831	3,122,757	-	-	-	-
Bonds payable	7,755,000	8,051,767	-	-	-	-

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	Carrying Amount	Estimated Fair Value	Measured at Fair Value	Fair Value Measurements at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
2011:						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	$1,258,025	$1,258,025	$1,258,025	$1,258,025	$ -	$ -
Corporate stocks	866,224	866,224	866,224	866,224	-	-
Mutual bond and stock funds	3,565,079	3,565,079	3,565,079	3,565,079	-	-
	5,689,328	5,689,328	5,689,328	5,689,328	-	-
Investments in art collections	67,901,495	67,901,495	67,901,495	-	-	67,901,495
Real estate held for investment	123,350	123,350	123,350	-	-	123,350
Liabilities:						
Bank lines-of-credit and note payable	4,279,212	4,746,928	-	-	-	-
Bonds payable	8,070,000	8,535,140	-	-	-	-

Changes in Level 3 assets for the year ended June 30, 2012 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investments in Art Collection
Balance as of June 30, 2011	$ 67,901,495
Sale (Note D)	(30,000,000)
Transfer to LLC (Note D)	(30,000,000)
Balance as of June 30, 2012	$ 7,901,495

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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

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

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

Investments in marketable securities, art collections and real estate

Fair values are based on quoted market prices, where available, and on Level 3 inputs. The carrying amounts and the fair values of the University's investments are presented in Note D.

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

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

Q. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and investments held by the University. Cash at June 30, 2012, 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.

R. SCHOLARSHIPS AND FELLOWSHIPS

Scholarships and fellowships consist of $3,697,224 and $2,928,481 provided from institutional sources and $906,270 and $1,666,337 were provided from grants, endowments and other sources for the fiscal years 2012 and 2011, respectively.

S. SUBSEQUENT EVENTS

The University has evaluated subsequent events through September 5, 2012, 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, 2012

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
***Research and Development Cluster**		
National Oceanic and Atmospheric Administration (NOAA)		
Educational Partnership Program (NC A&T)	11.481	$ 77,080
U.S. Department of Defense		
U.S. Army-Novel Catalyst Developments	12.431	140,075
U.S. Army-Development of Infrastructure	12.431	100,850
		240,925
U.S. Army-Development of Optical Crystals	12.630	196,096
U.S. Army-Multifunctional ZnO Nano Materials	12.630	211,232
		407,328
Total U.S. Department of Defense		648,253
National Aeronautics and Space Administration		
AFOSR - Making Zero - Energy Logic Practical	43.001	79,727
AirForce Clarkson - Sensors research	43.001	29,151
Vanderbilt subcontract space grant-college and fellowship	43.001	64,908
Total National Aeronautics and Space Administration		173,786

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2012

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
National Science Foundation		
I^3	47.041	$ 92,562
Spectralsight	47.041	60,673
		153,235
Case Western University	47.049	230,638
NSF Computational Study of Reaction Mechanisms	47.049	7,737
GO-FARR	47.049	487,374
		725,749
CREST - Crystal Growth Energy	47.076	951,814
HBCU Target Infusion Project	47.076	6,986
HBCU - UP Planning Grant	47.076	7,817
Research Initiation Award Grant	47.076	46,288
		1,012,905
IRES	47.079	23,756
University of Tennessee - SCORE	47.081	78,340
Career Grant ARRA (American Recovery and Reinvestment Act)	47.082	75,644
Total National Science Foundation		2,069,629
U.S. Department of Energy		
LLNL - Investigation of Europium Doping in Srl2	81.113	43,052
BWXT - Y-12 - Cryogenic Neutron	81.113	42,807
Lawrence Livermore New Materials	81.113	63,995
IIT - Purification and Growth of Heavy Metal	81.113	119,239
Washington Savannah River Co	81.113	15,551
NNSA - Investigation of Purity Crystalline Perfect and Growth Yield of Strontium Iodine Crystals	81.113	52,410
NNSA - Wake Forest - Quantifying Reconciliation Dynamics in SRI2:EU2	81.113	215,148
LLNL - Bandgap Engineering	81.113	74,327
		626,529
Massie - Chair of Excellence Professorship	81.123	251,794
Scholars Program	81.137	51,245
Total U.S. Department of Energy		929,568

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2012

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Health and Human Services		
University of Cincinnati - UT/PBT Chemicals Community Awareness	93.114	$ 14,124
Laboratory Reviewing Research and Training	93.859	5,799
Total U.S. Department of Health and Human Services		19,923
U.S. Department of Homeland Security		
System Approach to Cd ZnTe Material and Detector Development	97.077	411,940
Total Research and Development Cluster		4,330,179
***Student Financial Aid Cluster**		
U.S. Department of Education		
Federal Supplemental Education Opportunity Grants	84.007	296,480
Direct Loans	84.268	5,317,544
Federal Perkins Loans	84.038	1,703,472
Federal Work Study	84.033	191,354
Federal Pell Grants	84.063	1,314,932
ACG Grants	84.375	25
Total U.S. Department of Education		8,823,807
Total Student Financial Aid Cluster		8,823,807
Other Federal Programs		
U.S. Department of the Interior		
HBCU Historic Preservation Grant - ARRA	15.932	39,306

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2012

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Education		
Special Education	84.027A	156,467
***Title III Strengthening Historically Black Colleges and Universities Program (HBCU)**	84.031B	2,105,502
Student Support Services	84.042A	173,655
Biotechnology Teaching Laboratory	84.120A	27,914
HBCU Graduate	84.382G	395,023
TSU Sites - M	84.395A	340,074
Total U.S. Department of Education		3,198,635
Department of Housing and Urban Development		
Economic Development Initiative	14.251	99,410
Total Expenditures of Federal Awards		$16,491,337

* - 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, 2012

A. BASIS OF ACCOUNTING

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

B. PERKINS LOANS (CFDA NO. 84.038)

The University administers the Perkins loan program. This loan program is part of the student financial aid program cluster for reporting purposes and related loan balances are reported in notes receivable, net, in the financial statements. The outstanding balance of Perkins loans at June 30, 2012, was:

	CFDA Number	Outstanding Balance
Federal Perkins Loans	84.038	$1,703,472

C. FEDERAL DIRECT LOANS (CFDA NO. 84.268)

During the fiscal year ending June 30, 2012, the University processed the following amount of new loans under the Federal Direct Loans program (which includes subsidized and unsubsidized Stafford Loans, and Parents' Loans for Undergraduate Students):

	CFDA Number	Disbursements
Federal Family Education Loans	84.268	$5,317,544

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.

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Fisk University, (the "University"), as of and for the year ended June 30, 2012, and have issued our report thereon dated September 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. We consider the deficiencies described in Section II of the accompanying schedule of findings and questioned costs (Items IC-12-1 through IC-12-3) to be material weaknesses.

2525 West End Avenue, Suite 1100 • Nashville, Tennessee 37203 • phone: 615-320-5500 • fax: 615-329-9465 • www.crosslinpc.com
An Independent Member of The BDO Seidman Alliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Section II of the accompanying schedule of findings and questioned costs as item IC-12-2.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

September 5, 2012
Nashville, Tennessee

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Fisk University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

As described in items CF-12-1 through CF-12-4, in Section III of the accompanying schedule of findings and questioned costs, the University did not comply with certain requirements applicable to the Federal Student Financial Aid (SFA) cluster. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our audit procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item CF-12-5.

Internal Control Over Compliance

Management of Fisk University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC-12-2 and CF-12-1 through CF-12-4 to be material weaknesses.

Members of the Audit Committee
Board of Trustees
Fisk University

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than theses specified parties.

Crosslin & Associates, P.C.

September 5, 2012
Nashville, Tennessee

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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? _X_ Yes ___ No

Federal Awards

Internal control over major programs:

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

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

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

Major Programs

CFDA Number	Grantor	Name of Federal Program	Amount Expended
Various	Various	Research and Development Cluster	$4,330,179
Various	Department of Education	Student Financial Aid Cluster	8,823,807
84.031	Department of Education	Title III - Strengthening HBCU Program	2,105,502

Dollar threshold used to distinguish between type A and type B program $494,740

Auditee qualified as low-risk auditee ___ Yes _X_ No

II. FINANCIAL STATEMENT FINDINGS

ITEM #IC 12-1

ACCOUNTING SYSTEM, FISCAL MANAGEMENT AND ACCOUNTING DISCIPLINE

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. The University's system did not function properly during a significant portion of fiscal 2012 and therefore, did not meet these expectations. Certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of various major asset and liability accounts, were not consistently performed during the year weakening internal controls and making interim financial information unavailable or possibly inaccurate. We 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, performed incorrectly or were not performed in a timely manner during a significant portion of the fiscal year. A lack of understanding of certain processes and the functionality of the University's accounting software (Banner) contributed to these deficiencies. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. 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. These instances affected certain major asset, liability and net asset accounts such as:

- Receivables (government receivables and student accounts)
- Payables and accrued expenses
- Deferred revenue
- Proper recognition of tuition and grant revenue
- Recording of various revenues and expenses to their proper accounts

Certain personnel changes in accounting and financial management were made by the University in March 2012. These personnel made significant changes to the system in the 4th quarter of fiscal 2012 and are in the process of continuing to implement changes to the system and assure existing processes are operating as designed by the University. They also possess excellent understanding and working knowledge of the processes and functionality of Banner. Although there were still significant adjusting entries recorded during the audit process, substantially all of the material misstatements were determined and corrected by the University.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 12-1 - Continued

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. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the University into the future.

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 (Banner).
- Development of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and review.
- Provide the fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed throughout the University.
- 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.

Management's Response

Management acknowledges the issues raised concerning the first nine months. The current CFO has thirty-five years of experience in public and private accounting, including nine years in higher education. The CFO has extensive knowledge of Banner, having made presentations on Banner in both national and regional conferences. In the succeeding three months following the hiring of the CFO, significant identifiable progress was made to correct the issues noted in the finding, some of which follow:

- Removed 7,500 incomplete documents for fiscal years 2000 - 2012
- Cleaned up trial balance
- Cleaned up encumbrances and balanced encumbrances with the general ledger
- Cleaned up accounts payable and balanced to the general ledger.
- Balanced student accounts receivables to general ledger
- Balanced student accounts receivables aging reports

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 12-1 - Continued

- Developed a system generated grants schedule
- Cleaned up the processes and procedures for application of students' receivable payments
- Developed a system generated tuition revenue testing report
- Developed a system generated fee revenue testing report
- Performed and completed general and subsidiary accounts analyses
- Completed accurate monthly bank and investment account reconciliations
- Completed accurate schedules for insurance, notes payable and other general ledger accounts
- Hired a general ledger accountant with twelve years of experience with fund accounting

Subsequent to year-end, management implemented Computer Based Training (CBT) called "Digital Campus Academy" supplied by Ellucian Banner. This CBT training provides staff with online training in the various Banner modules. As a part of this training, the participant receives guidance in manipulating Banner with real time corrections and certification of successful completion of each study area as completed.

During the last quarter of FY2012, management disseminated to the campus offices its existing policies and procedures manual with the instructions to read and understand and fully comply with the various requirements as discussed in the manual.

Fisk's executive management affirms its support and gives full authority to the fiscal management team to assure that the proper procedures and internal controls are in place and are consistently followed throughout the University.

Open lines of communication have been established with the various functions of the University including the Financial Aid, Student Enrichment and Information Systems areas through ad hoc and regularly scheduled meetings, which are conducted at least monthly.

Management continues to evaluate staffing levels and effectiveness and make additions and changes it feels are necessary to perform critical accounting procedures in a timely manner.

With the implementation of these changes, management believes it has met the requirements of the recommendations.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 12-2

GRANT AND CONTRACT ACCOUNTING

Criteria, Condition, Context, Cause and Effect

Although ultimately resolved and corrected by the University, we encountered certain errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of understanding of how the University's software system (Banner) generates certain grant data and the operation of the grant module as is integrates with the general ledger to produce certain reports and information. Also, there was not consistent reconciliation and review of grant data input into Banner with the information produced by the system during a significant portion of the year. Allocation of certain allowable costs for various programs, such as fringe benefit allowances were applied to these programs by the University during the audit process. These deficiencies make it difficult for the University to properly monitor costs and the levels of expenditures, as well as compromise reimbursement for certain grant programs during the year. With the change in accounting and financial management, improvements to the process were made during the 4th quarter of fiscal 2012.

Recommendation and Benefit

We recommend that the University continue to evaluate and improve the accounting processes for reconciliation and review of grant activity and assure personnel have adequate training on Banner to ensure grant activity is accurately recorded and reported.

Management's Response

Management notes that this finding relates to the preparation of an audit schedule and is a reiteration of the previous finding. Current personnel are familiar with Banner and its requirements which is why management has identified the need to contract with a Banner consultant to review the University's Grants Process and make needed corrections.

Management would note that while preparing the audit schedule, management simultaneously performed a review and cleanup of grant funds. This cleanup resulted in a reduction from 246 to 57 the number of funds listed on the schedule.

Having completed the audit schedule, management can accurately complete this schedule monthly in conjunction with the month end close processes. Management has complied with the audit recommendations.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 12-3

REVIEW OF GENERAL LEDGER

Criteria, Condition, Context, Cause and Effect

During our audit, it was noted that while there was documentation of management's review and approval of journal entries prior to their posting to the general ledger, many entries were ultimately improperly posted, or posted to incorrect accounts in the general ledger during a significant portion of fiscal 2012, demonstrating a lack of monthly general ledger review or understanding. This could lead to misclassification of financial statement amounts, as well as allow possible errors or misappropriation to exist. With the change in accounting and financial management, improvements to the process were made during the 4^{th} quarter of fiscal 2012.

Recommendation and Benefits

We recommend that management continue to improve the processes related to the maintenance and review of the general ledger, and to identity unusual balances and mispostings of entries that could have a material impact on financial reporting.

Management's Response

Management is aware of its responsibility to safe guard the integrity of the accounting records and internal controls of the institution. Management has implemented procedures as a part of a proper month end closing process to fulfill the requirements of the recommendation.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-1

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375
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

Although calculated and refunded by the University, three of the sixteen students tested did not receive their refunds within the required 14 day time frame and no waiver of this requirement was signed by the student.

Questioned Cost

None.

Cause

The University did not issue the student refunds in a timely manner.

Effect

The students did not receive their refund within the 14 day requirement.

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.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-1

Management's Response

Management agrees with the finding and notes that two of the three students were paid on the 15^{th} day. Policies and procedure already exist for meeting the 14 day requirement but due to certain circumstances with regard to personnel, were not correctly followed. Management has reviewed these policies and procedures with appropriate personnel and their fill-ins.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-2

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375
U.S. Department of Education

Criteria

The University is required to certify and report student enrollment data to the National Student Loan Data System (NSLDS) at least semi-annually for students who have received loans under the Direct Student Loans program. The University is also required to report certain changes in the student's enrollment status 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 six students tested who received loans under the Direct Student Loans program.

Questioned Cost

None.

Cause

Administrative oversight. The University did not properly report enrollment status changes to the NSLDS for these students receiving loans under the program.

Effect

The NSLDS, and therefore the lenders, 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 loans under the loan program are properly revised, approved and submitted to the NSLDS on a timely basis.

Management’s Response

Management agrees with the finding and has reviewed the applicable policies and procedures with the appropriate personnel.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-3

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375
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.

Condition and Context

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

Questioned Cost

None.

Cause

Lack of oversight. The University did not properly report Pell grants awarded to students.

Effect

The University is not in compliance with reporting accurately Pell grants awarded to students through the COD System.

Recommendation

We recommend the University implement a system to properly review and reconcile amounts disbursed to students for Pell awards and properly report those amounts to the Department of Education.

Management's Response

Management agrees with the finding and has developed and implemented a process to review and reconcile Pell awards.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-4

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375
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

For none of the three months selected for testing was a reconciliation performed by the University for Direct Loans between the accounting records and the Department of Education. Upon further inquiry, we learned the reconciliations had been performed for two months at the end of the year.

Questioned Cost

None.

Cause

Administrative oversight. The University neglected to 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.

Management's Response

Management agrees with the comments and as noted in the "Condition and Context" has implemented the required monthly reconciliation and continues to perform the reconciliation monthly.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-5

Research and Development Cluster
System Approach to Cd ZnTe Material and Detector Development
CFDA No. 97.077
U.S. Department of Homeland Security

Criteria

Under the terms of the grant agreement, the University is allowed to charge for fringe benefits and indirect costs related to certain salaries and other expenses incurred in the performance of grant objectives. The percentages of fringe benefits and indirect costs are specified in the grant agreement.

Condition and Context

For one month selected in our testing, the University in error submitted indirect costs twice for reimbursement, and did not submit for reimbursement allowable fringe benefits.

Questioned Cost

$1,343 (represents difference in allowable fringe benefits and indirect costs submitted in error)

Cause

The University did not properly review expenditures submitted for reimbursement under the grant program.

Effect

The grant was improperly charged for program expenditures.

Recommendation

We recommend the University implement procedures to improve review of expenditures charged to grants, including calculations for indirect costs and fringe benefits, and to ensure that the proper amounts are submitted for reimbursement in accordance with the grant agreement.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 12-5

Management's Response

Management acknowledges that a clerical error resulted in the drawdown of the incorrect amount. In addition, the University has subsequently incurred unbilled costs of $19,736 in excess of the questioned costs to bill to the grant in the future. Also, subsequent to May 31 but prior to the audit, management implemented the review process recommended above.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

ITEM #IC 11-1

ACCOUNTING SYSTEM, FISCAL MANAGEMENT AND ACCOUNTING DISCIPLINE

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. The University's system did not function properly during fiscal 2011 and therefore, did not meet these expectations. This was due to various reasons including the departure of the University's chief financial officer during the year. Certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of various major asset and liability accounts, were not consistently performed during the year weakening internal controls and making interim financial information unavailable or possibly inaccurate. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. 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 and the lack of communication. There was a lack of consistent review and reconciliation in many areas of the accounting and finance functions. We noted instances where accounting tasks such as monthly reconciliations of accounts and subsidiary ledgers to the general ledger, preparation of supporting schedules and journal entries, period end closings, cross checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements were not performed, performed incorrectly or were not performed in a timely manner. We encountered various instances where audit schedules and support provided by accounting staff did not reconcile with what was recorded in the general ledger. A lack of understanding of certain processes and the functionality of the University's accounting software (Banner) has contributed to these deficiencies. These instances affected many major asset, liability and net asset accounts such as:

- Cash
- Receivables (government receivables, student accounts and pledges)
- Property and equipment
- Payables and accrued expenses
- Deferred revenue
- Proper recognition of tuition, auxiliary revenue and grant revenue
- Recording of various revenues and expenses to their proper accounts

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 11-1 - Continued

We understand that certain personnel changes and additions have been made by the University near the end of fiscal 2011 and subsequent to year-end. These personnel are in the process of implementing changes to the system and assure existing processes are operating as designed by the University. We have not yet been able to test and evaluate the effectiveness of these accounting changes and procedures.

Recommendation and Benefit

We recommend that the University monitor and improve the accounting and information systems, implement proper accounting procedures and assure personnel are in place 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. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the University into the future. 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 (Banner).
- Development of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and review.
- Properly trained and supervised accounting staff and a fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed.
- 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.

Status

The internal control finding described above was not fully resolved during fiscal 2012. See current year (fiscal 2012) finding Item #IC 12-1.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 11-2

GRANT AND CONTRACT ACCOUNTING

Criteria, Condition, Context, Cause and Effect

Although ultimately resolved and corrected by the University, we encountered substantial errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of understanding of how the University's software system (Banner) generates certain grant data and the operation of the grant module as is integrates with the general ledger to produce certain reports. Also, there was not consistent reconciliation and review of grant data input into Banner with the information produced by the system.

Recommendation and Benefit

We recommend that the University evaluate the accounting processes for reconciliation and review of grant activity and assure personnel have adequate training on Banner to ensure grant activity is accurately recorded and reported.

Status

The internal control finding described above was not fully resolved during fiscal 2012. See current year (fiscal 2012) finding Item #12-2.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 11-3

CASH RECONCILIATIONS

Criteria, Condition, Context, Cause and Effect

During the audit, we noted that bank statements for certain accounts of the University were reconciled, however the general ledger was not properly adjusted for these accounts on a timely basis. Bank reconciliations are an effective measure of internal control over cash. The risk of not identifying cash errors and possible misappropriation related to cash is greatly increased when cash accounts are not reconciled timely.

Recommendation

We recommend that all bank accounts be reconciled monthly by the University and that all unusual reconciling items be promptly investigated, adjusted and documented with adequate explanations. This will help reduce the likelihood of cash errors and misappropriation, and provide for more timely and accurate financial information, as well as assist in the effective management of cash flow.

Status

The University has implemented changes in response to the recommendations. This is not a finding for the year ended June 30, 2012.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 11-4

REVIEW OF GENERAL LEDGER

Criteria, Condition, Context, Cause and Effect

During our audit, it was noted that while there was documentation of management's review and approval of journal entries prior to their posting to the general ledger, many entries were ultimately improperly posted, or posted to incorrect accounts in the general ledger, demonstrating a lack of monthly general ledger review. This could lead to misclassification of financial statement amounts, as well as allow possible errors or misappropriation to exist.

Recommendation and Benefits

We recommend that management review the general ledger monthly, to identity unusual balances and mispostings of entries that could have a material impact on financial reporting.

Status

This internal control finding described above was not resolved during fiscal 2012. See current year (fiscal 2012) finding Item #IC 12-3.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #IC 11-5

PROPERTY AND EQUIPMENT

Criteria, Condition, Context, Cause and Effect

We noted the University expensed certain fixed assets purchased during the year and made adjustments during the audit process to capitalize these fixed assets. Failure to capitalize fixed asset additions as they are acquired understates assets and depreciation expense, and distorts interim financial statements and information made available to management throughout the year. It also provides for the possibility that all capital assets will not be properly identified and capitalized at year-end.

Recommendation

We recommend that the University properly evaluate and capitalized all fixed assets as they are acquired throughout the year and calculate depreciation accordingly.

Status

This was resolved and is not a finding for the year ended June 30, 2012.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 11-1

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376
U.S. Department of Education

Criteria

Upon a student's withdrawal from the University, the University must determine whether return of Title IV funds to the program or lender is required, and if so, make the appropriate refunds within the required timeframe (45 days) established by the U.S. Department of Education (DOE).

Condition and Context

Although calculated and returned by the University, the return of Title IV funds for four of thirteen students tested who officially withdrew, were not made within the require time frame (45 days). In addition, there was one student who withdrew for which there was no refund calculation performed by the University.

Questioned Cost

Known questioned costs totaled $1,499.

Cause

The University was not consistently following its policy of calculating and returning Title IV funds to the appropriate program or lenders within the timeframes established by the DOE.

Effect

The University was not in compliance with the requirements to timely return Title IV funds to the program or lender.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 11-1 - Continued

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Recommendation

The University should consistently follow its policies and procedures relating to the timely return of Title IV funds for students who officially and unofficially withdraw from the University, to assure that Title IV refunds are calculated and returned to the appropriate programs and/or lenders within the required time period after each student's withdrawal.

Status

This compliance finding has been resolved and is no longer a finding in fiscal 2012.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 11-2

Federal Student Financial Aid Cluster
CFDA No. 84.033
U.S. Department of Education

Criteria

The University submits payroll data for reimbursement under the Federal Work Study program.

Condition and Context

It was determined that the University inadvertently submitted a request for drawdown of Federal Work Study funds twice for October 2010 payroll.

Questioned Cost

None.

Cause

Through administrative oversight, the University did not properly monitor and submit requests for drawdown of Federal Work Study funds.

Effect

The University erroneously requested and received reimbursement for a duplicate payroll.

Recommendation

We recommend that the University consistently adhere to the requirements for reimbursement under the program and assure management adequately reviews all requests for reimbursement and drawdown of funds.

Status

This compliance finding has been resolved and is no longer a finding in fiscal 2012.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 11-3

HBCU Historic Preservation Grant (ARRA)
CFDA No. 15.932
U.S. Department of the Interior

Criteria

Under the terms of the grant agreement, the University is require to assure and document that materials and manufactured goods used in the project are produced in the United States.

Condition and Context

The University was unable to provide us with documentation obtained from the subcontractor that materials and manufactured goods used in the project were produced in the United States.

Questioned costs

None.

Cause

The above finding resulted from the University not being aware of this provision within the grant agreement.

Effect

The University was not in compliance with the provisions of the program regarding the requirement to document that materials and manufactured goods used in the project were produced in the United States.

Recommendation

We recommend that the University establish policies and procedures to ensure all compliance requirements per the grant agreements are adhered to by the University.

Status

This compliance finding has been resolved and is no longer a finding in fiscal 2012.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #CF 11-4

HBCU Graduate
CFDA No. 84.382G
U.S. Department of Education

Criteria

Program disbursements for payroll/stipends should be made in accordance with amounts established under the program. Payroll/stipends under the program are documented in personnel action forms (PAF) and submitted to the University's human resources department along with the stipend distribution list for the program to indicate the amount of the payment each participating student is to receive under the program.

Condition and Context

For two of forty program expenditures selected for testing the participating student was not paid the amount that was indicated in the personnel action forms and stipend distribution listing as submitted to the human resources department for the program.

Questioned Costs

None

Cause

The participating students were paid the appropriate amounts, however, through administrative oversight, the PAF's and stipend distribution listing originally submitted to human resources, were not properly amended to reflect changes in the stipend amounts.

Effect

The stipends paid to these participating students were not properly documented in the information maintained in the human resources department.

Recommendations

We recommend that the University establish procedures to assure that accurate documentation for stipends is maintained.

Status

This compliance finding has been resolved and is no longer a finding in fiscal 2012.