

FISK UNIVERSITY
FINANCIAL STATEMENTS
JUNE 30, 2020

FIISK UNIVERSITY

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fisk University (the "University"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Members of the Audit Committee
Board of Trustees
Fisk University

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fisk University as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nashville, Tennessee
October 9, 2020

FISK UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(with comparative totals for 2019)

ASSETS

	2020	2019
Cash and cash equivalents	\$ 4,112,198	\$ 164,538
Restricted cash	287,497	368,563
Accounts and grants receivable, net of allowance for doubtful accounts	9,029,479	6,067,879
Contributions receivable, net	13,204,064	9,381,698
Notes receivable, less allowance for doubtful accounts	39,291	39,291
Prepaid expenses and other assets	533,167	627,856
Inventory	249,325	202,239
Investments in marketable securities	18,830,520	17,734,102
Investments in art collections	33,829,450	15,227,950
Investment in affiliate	49,424,836	49,424,836
Real estate held for investment	537,950	510,950
Beneficial interests in trusts and endowments	5,957,226	6,007,676
Property and equipment, at cost, net of accumulated depreciation	23,122,682	23,512,564
Total assets	<u>\$ 159,157,685</u>	<u>\$ 129,270,142</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 933,444	\$ 2,775,224
Deposits	18,350	18,000
Deferred revenue	587,856	826,328
Notes payable	16,605,782	8,893,372
Bonds payable	-	4,121,588
Capital lease obligation	37,493	53,677
Advances from Federal government for Perkins loan programs	211,325	158,826
Total liabilities	<u>18,394,250</u>	<u>16,847,015</u>

NET ASSETS

Without donor restrictions	100,375,510	76,154,414
With donor restrictions	40,387,925	36,268,713
Total net assets	<u>140,763,435</u>	<u>112,423,127</u>
Total liabilities and net assets	<u>\$ 159,157,685</u>	<u>\$ 129,270,142</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Operating activities:				
Revenue and other support:				
Tuition and fees	\$ 20,102,981	\$ -	\$ 20,102,981	\$ 17,383,805
Less scholarships and fellowships	(12,116,109)	-	(12,116,109)	(11,061,390)
Net tuition and fees	7,986,872	-	7,986,872	6,322,415
Governmental grants and contracts	9,468,837	-	9,468,837	7,332,977
Private gifts and grants	6,000,398	5,395,286	11,395,684	10,419,579
Investment income, net	8,417	-	8,417	29,796
Endowment spending payout	1,032,540	-	1,032,540	814,094
Sales and services of auxiliary enterprises, net	7,570,604	-	7,570,604	7,424,958
Other sources	514,101	-	514,101	419,052
Reclassifications	-	-	-	500,000
Net assets released from restrictions	1,853,670	(1,853,670)	-	-
Total revenue and other support	34,435,439	3,541,616	37,977,055	33,262,871
Expenses:				
Program:				
Instruction and academic support	10,454,011	-	10,454,011	10,380,788
Student services	2,980,604	-	2,980,604	3,198,908
Auxiliary services	2,575,178	-	2,575,178	2,740,598
Total program	16,009,793	-	16,009,793	16,320,294
Support:				
Institutional support	11,498,022	-	11,498,022	11,237,960
Fundraising	1,153,846	-	1,153,846	1,190,480
Total support	12,651,868	-	12,651,868	12,428,440
Total expenses	28,661,661	-	28,661,661	28,748,734
Net increase in net assets from operating activities	5,773,778	3,541,616	9,315,394	4,514,137
Non-operating activities:				
Endowment contributions	-	744,634	744,634	2,107,209
Investment return, net	-	865,502	865,502	1,472,592
Amount appropriated for endowment spending	-	(1,032,540)	(1,032,540)	(814,094)
Gain on art appraisal	18,421,500	-	18,421,500	-
Gain on sale of property	25,818	-	25,818	79,253
Reclassifications	-	-	-	(500,000)
Net increase in net assets from non-operating activities	18,447,318	577,596	19,024,914	2,344,960
Net increase in net assets	24,221,096	4,119,212	28,340,308	6,859,097
Net assets at beginning of year	76,154,414	36,268,713	112,423,127	105,564,030
Net assets at end of year	\$ 100,375,510	\$ 40,387,925	\$ 140,763,435	\$ 112,423,127

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(with comparative totals for 2019)

	Instruction and Academic Support	Student Services	Auxiliary Services	Total Program Services	Institutional Support	Fundraising	Total Support	2020 Total	2019 Total
Salary and benefits	\$ 8,905,072	\$ 2,025,760	\$ 423,532	\$ 11,354,364	\$ 2,925,748	\$ 803,157	\$ 3,728,905	\$ 15,083,269	\$ 12,803,507
Depreciation and amortization	-	-	-	-	1,684,746	-	1,684,746	1,684,746	1,767,106
Auxiliary cost of sales	-	-	93,342	93,342	-	-	-	93,342	191,304
Supplies and operations	399,316	172,233	16,740	588,289	470,178	43,667	513,845	1,102,134	1,203,562
Occupancy	22,397	(2,208)	-	20,189	3,401,449	3,339	3,404,788	3,424,977	3,754,762
Equipment and technology	57,558	73,131	128	130,817	535,027	86,568	621,595	752,412	502,196
Professional and contracted services	789,158	226,594	37,967	1,053,719	1,182,952	15,979	1,198,931	2,252,650	2,369,520
Student programs and support	21,720	1,000	1,991,625	2,014,345	-	8,000	8,000	2,022,345	2,092,907
Student recruiting and fundraising	19,761	66,081	6,348	92,190	171,342	158,992	330,334	422,524	301,987
Travel and entertainment	238,530	399,993	3,648	642,171	160,997	33,885	194,882	837,053	917,028
Insurance expense	-	17,664	-	17,664	339,849	-	339,849	357,513	953,484
Interest and other	499	356	1,848	2,703	625,734	259	625,993	628,696	1,891,371
	<u>\$ 10,454,011</u>	<u>\$ 2,980,604</u>	<u>\$ 2,575,178</u>	<u>\$ 16,009,793</u>	<u>\$ 11,498,022</u>	<u>\$ 1,153,846</u>	<u>\$ 12,651,868</u>	<u>\$ 28,661,661</u>	<u>\$ 28,748,734</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(with comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Net increase in net assets	\$ 28,340,308	\$ 6,859,097
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,671,334	1,758,165
Amortization expense	13,412	8,941
Gain on investments and beneficial interests in trusts	(19,297,429)	(1,355,767)
Gain on sale of property	(25,818)	(79,253)
Change in allowance for doubtful accounts	(5,295,377)	949,709
Endowed gifts reclassified to financing activities	(744,634)	(2,107,209)
Increase in accounts, grants and contributions receivable	(1,488,589)	(4,284,063)
Change in inventory, prepaid expenses and other assets	47,603	(167,075)
Change in accounts payable, accrued expenses and deferred revenue	(2,080,252)	(59,172)
Change in deposits	350	(41,600)
Net cash provided by operating activities	<u>1,140,908</u>	<u>1,481,773</u>
Cash flows from investing activities:		
Net increase in investments and beneficial interests	(350,039)	(597,560)
Purchase of property and equipment	(1,283,434)	(1,318,795)
Proceeds from the sale of property	800	84,253
Decrease in notes receivable	-	5,000
Change in advances from Federal government	52,499	(17,385)
Net cash used in investing activities	<u>(1,580,174)</u>	<u>(1,844,487)</u>
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	744,634	2,107,209
Proceeds from the issuance of notes payable	10,468,099	2,160,552
Principal repayment of capital lease obligations	(16,184)	(89,054)
Principal repayment of bonds and notes payable	(6,890,689)	(3,889,054)
Net cash provided by financing activities	<u>4,305,860</u>	<u>289,653</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,866,594	(73,061)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>533,101</u>	<u>606,162</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u><u>\$ 4,399,695</u></u>	<u><u>\$ 533,101</u></u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and equivalents	\$ 4,112,198	\$ 164,538
Restricted cash	<u>287,497</u>	<u>368,563</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u><u>\$ 4,399,695</u></u>	<u><u>\$ 533,101</u></u>
<i>Supplemental disclosure and non-cash investing and financing activities :</i>		
Cash paid for interest	<u><u>\$ 543,821</u></u>	<u><u>\$ 524,684</u></u>

See accompanying notes to financial statements.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. DESCRIPTION OF THE ORGANIZATION

Fisk University (the "University") is a private, not-for-profit, liberal arts institution of higher education. Founded in 1866, the University offers undergraduate and graduate degrees. The University is accredited by the Southern Association of Colleges and Schools and is a member of the United Negro College Fund.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

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

Basis of Presentation

The financial statements of the University have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Based on the existence or absence of donor-imposed restrictions, the University classifies resources into two categories: without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

With donor restrictions - Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the University. Net assets with donor restrictions are designated by donors for specific purposes or are time restricted. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the University to use a portion of the income earned on the related investments for specified purposes.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Revenue Recognition

In accordance with the adoption of Accounting Standards Update (“ASU”) 2014-09, *Revenues from Contracts with Customers*, the University identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of the consideration is probable. The University evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. Performance obligations are determined based on the nature of the services provided by the University.

The University’s primary source of revenues from contracts with customers are as follows:

Tuition and Fees - Tuition and fees are derived from academic services rendered by the University. The University recognizes revenue for academic services over the applicable academic terms. Scholarships provided to students by the University are reflected as a reduction of gross tuition and fees. Tuition and fees received in advance of services are reported as deferred revenue in the statement of financial position.

Auxiliary Enterprises - Sales and services of auxiliary enterprises primarily include housing, food services, a bookstore, and other events. The University recognizes revenue for housing and food services proportionally over the applicable academic term. Fees related to housing and food received in advance of services are reported as deferred revenue in the statement of financial position. The University recognizes revenue from other sales and services of auxiliary enterprises at the point in time sales occur or as services are rendered.

Other Revenue - The University recognizes revenue from other sources as the related services are provided and/or amounts are otherwise earned upon satisfaction of the performance obligation in accordance with the terms of the underlying agreements.

The University’s receivables represent unconditional rights to consideration from its contracts with customers. Payment is due immediately once a customer is invoiced for tuition, fees, auxiliary services, and other sources.

The University does not present information about outstanding performance obligations as of year-end because its contracts with customers all had original terms of less than one year. The University does not have any contract assets. The University had no costs that were capitalized to obtain or to fulfill a contract with a customer.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The University's contract liabilities are presented as a deferred revenue in the statement of financial position. Deferred revenue in any period represents the excess of customer payments received over amounts recognized as revenue on the statement of activities.

The University maintains an institutional tuitional refund policy, which provides for all, or a portion of, tuition and fees to be refunded if a student withdraws during the stated refund period. The University does not record revenue for amounts that may be refunded.

Contributions Receivable and Revenue

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until donor stipulations are 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 contribution revenue in the appropriate net asset class. 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.

The University reports gifts of land, buildings, and equipment as without donor restrictions 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 with donor restrictions. 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, or as construction costs are incurred.

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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Grants and Contracts

The University records revenues related to grants and contracts in two portfolio categories based on the source of the funds:

Governmental Grants and Contracts - provide funding for the University largely to advance academic benefit in direct support of the University's mission. The University primarily considers these sponsored research agreements to be contributions (nonreciprocal transactions). The University recognizes grant and contract revenue associated with contributions from government sponsors as earned when the conditions are met (allowable expenses have been incurred). Additionally, occasionally a small portion of government-sponsored awards qualifies as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. The University recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Private Gifts and Grants - consist of private agencies, professional associations, private foundations, corporate foundations and corporations and may be either donors or sponsors depending on the nature, intent, and expectations of the funding they are providing. The University recognizes revenue associated with contributions from private sponsors as the conditions are met. Additionally, some private sponsor awards qualify as exchange (reciprocal) transactions. The transaction price for exchange transactions is the stated amount of the award. The University recognizes grants and contracts revenue related to these exchange transactions at the time services are provided.

Comparative Financial Statements

The summarized financial information shown for fiscal year 2019 in the accompanying statement of financial position, statement of activities, statement of functional expenses, and statement of cash flows is included to provide a basis for comparison with fiscal year 2020.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The more significant areas include the fair value of investments, the recovery period for buildings and equipment, the allocation of certain 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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Bond reserves held by trustee - restricted cash	\$ 30,989	\$178,326
Cash from Federal Perkins loan program	193,889	117,384
Other restricted cash	<u>62,619</u>	<u>72,853</u>
Total restricted cash	<u>\$287,497</u>	<u>\$368,563</u>

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in art are stated at the most recently available independently appraised values or fair value based upon an agreement to sell certain art (Note G). 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 endowments held in perpetuity and similar funds which is accounted for as discussed in Note Q.

Inventory

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

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 G.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Beneficial Interest in Trusts and Endowments

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

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost in the accompanying balance sheet or if contributed, at estimated fair value at the time of contribution. It is the University's policy to capitalize expenditures for these items in excess of \$1,500. Library holdings have been recorded at actual cost by the University.

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

Buildings	60 years
Improvements	50 years
Library holdings	15 years
Equipment and furniture	3 - 15 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, 2020 and 2019.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>
Student accounts and grant receivables	\$1,628,342	\$6,922,719
Federal Perkins and institutional notes receivable	\$1,363,680	\$1,363,680
Contributions receivable	\$95,234	\$95,234

Deferred Loan Costs

Costs incurred in connection with the issuance or modification of long-term debt have been capitalized and are being amortized using the straight-line method, which approximates the interest method, over the term of the loan. In accordance with ASU 2015-13, these costs are presented in the statement of financial position as a direct deduction from the carrying amount of the bond payable.

Deferred Revenue

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Functional Expenses

Costs of providing the University's programs are reported in the Statement of Activities on a functional basis. Program expenses include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between functional categories for program and supporting services based on estimates made by management.

New Accounting Pronouncement

On July 1, 2018, the University adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The University adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2018. The University recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The revenue streams considered in-scope for purposes of ASC 606 include tuition and fees, net; auxiliary enterprise revenue, certain grants that qualify as exchange transactions, and other sources. The adoption of ASC 606 did not result in a material change to the accounting for in-scope revenue streams; as such, the University did not record a cumulative effect adjustment.

On July 1, 2018, the University adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarified the criteria for evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard also clarified whether contributions are unconditional or conditional. The University adopted the provisions of ASU 2018-08 prospectively as allowed under the standard. The adoption of this ASU did not materially impact the financial statements and related disclosures.

On July 1, 2018, the University adopted Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows - Restricted Cash*. The standard requires that an entity include in its cash and cash equivalent balances in the Statement of Cash Flows, those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the Statement of Financial Position Sheet and the Statement of Cash Flows must be disclosed when the Statement of Financial Position Sheet includes more than one-line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. The adoption of the standard has been retrospectively applied to the 2019 financial statements.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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C. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 4,112,198	\$ 164,538
Restricted cash	287,497	368,563
Accounts and grants receivable, net of allowance for doubtful accounts	9,029,479	6,067,879
Contributions receivable, net	13,204,064	9,381,698
Notes receivable, less allowance for doubtful accounts	39,291	39,291
Investments in marketable securities	18,830,520	17,734,102
Investments in art collections	33,829,450	15,227,950
Investment in affiliate	49,424,836	49,424,836
Beneficial interests in trusts and endowments	5,957,226	6,007,676
	<hr/>	<hr/>
Total financial assets	134,714,561	104,416,533
	<hr/>	<hr/>
Less assets unavailable for general expenditures within one year:		
Restricted cash	287,497	368,563
Contributions receivable, net of amounts without donor restrictions due in more than one year	5,256,960	2,997,044
Notes receivable, net of allowance for doubtful accounts restricted for the Federal Perkins Loan program	39,291	39,291
Investment in affiliate	49,424,836	49,424,836
Restricted by donors with purpose restrictions	11,088,850	9,974,188
Donor restricted endowment funds held in perpetuity	24,042,115	23,297,481
	<hr/>	<hr/>
Total assets unavailable for general expenditures within one year	90,139,549	86,101,403
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$ 44,575,012	\$ 18,315,130
	<hr/>	<hr/>

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Additionally, the University is supported by grants and restricted contributions. Because a grantor or donor's restriction requires resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its grantors and donors. Thus, financial assets may not be available for general expenditure within one year. As part of the University's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash is held in interest bearing bank accounts and certificates of deposit. The University also has a line-of-credit with a maximum borrowing limit of approximately \$13.4 million, which is available for use in operations as needed. The line of credit is secured by endowment investments totaling \$18,830,520.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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D. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable, net consisted of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Student receivables	\$ 5,569,307	\$ 9,165,400
Government grants receivables	4,175,944	2,828,947
Private grant receivables	798,848	615,300
Other receivables	<u>113,722</u>	<u>380,951</u>
	10,658,121	12,990,598
Less allowance for doubtful accounts	<u>(1,628,342)</u>	<u>(6,922,719)</u>
	<u>\$ 9,029,479</u>	<u>\$ 6,067,879</u>

E. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,153,190	\$ 1,345,405
One year to five years	4,919,287	4,656,598
More than five years	<u>5,696,981</u>	<u>4,445,709</u>
	13,769,458	10,447,712
Less allowance for uncollectible pledges and unamortized discount	<u>(566,394)</u>	<u>(1,066,014)</u>
	<u>\$ 13,204,064</u>	<u>\$ 9,381,698</u>

The discount rate used to determine the present value of contributions receivable is 1.18% and 2.32% at June 30, 2020 and 2019, respectively.

F. NOTES RECEIVABLE

Notes receivable at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Notes receivable - students	\$ 1,402,971	\$ 1,402,971
Less allowance for doubtful notes	<u>(1,363,680)</u>	<u>(1,363,680)</u>
	<u>\$ 39,291</u>	<u>\$ 39,291</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. NOTES RECEIVABLE - Continued

Notes receivable from students represents loans from the University's Perkins Loan program. The University is in the process of liquidating their loan portfolio with the U.S. Department of Education (see Note M).

G. INVESTMENTS

At June 30, 2020 and 2019, investments, stated at market value, are comprised of the following significant classifications:

	<u>2020</u>	<u>2019</u>
Certificates of deposit and money		
market funds	\$ 588,667	\$ 480,242
Mutual bond and stock funds:		
Equities	7,433,248	7,071,130
Fixed income	9,560,026	8,915,830
Mutual funds	<u>1,248,579</u>	<u>1,266,900</u>
	<u>\$18,830,520</u>	<u>\$17,734,102</u>

The return (investment income, gains and losses) on investments in marketable securities was 4.77% and 8.04% based on the average market value of such investments for fiscal years 2020 and 2019, respectively.

The University's collections of art held for investment are stated at the most recently available independently appraised values. Investments in art collections totaled \$33,829,450 and \$15,227,950 at June 30, 2020 and 2019, respectively. The market for art is volatile and it is possible that appraised values could change materially. In fiscal year 2020, the University had 31 pieces from their art collection reappraised resulting in a \$18,421,500 gain on investments in art work. The collections consist of paintings, photographs, sculptures and various other pieces.

The University has a 50% membership interest in the Stieglitz Art Collection LLC ("LLC"), whose sole asset is the Alfred Stieglitz art collection. The operating agreement of the LLC provides for periodic rotation and display of the art collection between the University and the other 50% member, Crystal Bridges Museum of American Art. The University's investment in the LLC is accounted for using the equity method of accounting, whereby the University's share of the operations of the LLC are recorded in the statements of activities. The net equity of the LLC totaled \$98,849,672 at June 30, 2020 and 2019.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

G. INVESTMENTS - Continued

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

H. BENEFICIAL INTERESTS IN TRUSTS AND ENDOWMENTS

During 2020 and 2019, the University received interest and dividends of \$110,397 and \$103,363, respectively, on funds held in a trust and in an endowment fund (Note G). These funds total \$5,957,226 and \$6,007,676 at June 30, 2020 and 2019, respectively. These funds are held by a financial institution and a foundation for the benefit of the University for various purposes and have been recorded in the University's financial statements as beneficial interests in trusts and endowments.

I. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property and equipment at June 30, 2020 and 2019 are as follows:

	2020	2019
Land and improvements	\$ 314,438	\$ 314,438
Buildings and equipment	59,319,969	58,838,449
Equipment and furniture	31,219,830	31,107,312
Library books	2,028,117	2,028,117
Construction in progress	679,860	110,284
	93,562,214	92,398,600
Less: Accumulated depreciation	(70,439,532)	(68,886,036)
Property and equipment, net	<u>\$ 23,122,682</u>	<u>\$ 23,512,564</u>

Depreciation expense totaled \$1,671,334 and \$1,758,165 for the years ended June 30, 2020 and 2019, respectively. Estimated costs to complete construction at June 30, 2020 are approximately \$4.5 million for the Roland G. Parrish Center for Career Planning and Development and approximately \$16,000,000 for a new dormitory building. These buildings have been partially funded by \$3,120,000 in contributions.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

J. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE

Notes Payable

The University has a note payable with a financial institution due in monthly payments of principal and interest of \$25,168 through August 2021. The note payable bears interest at 7.47% and is collateralized by real estate. The outstanding balance was \$336,438 and \$602,441 at June 30, 2020 and 2019, respectively.

During fiscal year 2015, the University entered into a revolving line-of-credit with a bank which has a maximum available borrowing limit of \$13,457,794. Interest at LIBOR plus 1.25% (2.25% and 4.50% at June 30, 2020 and 2019, respectively) on the outstanding balance is paid monthly. The line-of-credit does not provide for a maturity date and repayment of the outstanding balance is at the discretion of the University. The outstanding balance was \$7,391,378 and \$8,138,158 at June 30, 2020 and 2019, respectively, and is collateralized by the investments of the University.

In March 2019, the University entered into a note payable with an insurance company totaling \$299,239. The University made a cash down payment of \$92,591 at the time the note was executed and is making monthly interest and principal payments of \$21,151, as required under the agreement. The note payable bears interest at 5.1% annually and matured in December 2019. In October 2019, the University entered into a new note agreement with the insurance company, totaling \$79,510. The University made a cash payment of \$34,189 at the time the note was executed and is making monthly interest and principal payments of \$5,165, as required under the agreement. The note payable bears interest of 5.1% annually and matures in August 2020. The balance of the notes payable was \$57,821 and \$152,773 as of June 30, 2020 and 2019, respectively.

On December 20, 2019, the University executed a promissory note with the Reinvestment Fund Inc., a Pennsylvania non-profit corporation, for a principal sum of \$6,320,000. The obligation requires monthly payments of \$38,805 through January 2045. The note payable bears interest at 5.42% and is collateralized by real estate. The proceeds from the note were used to pay off the Series 2000 Bond, and pay down the revolving line-of-credit and accounts payable balances. The balance of the note payable at June 30, 2020 was \$6,270,145.

On April 20, 2020, the University received loan proceeds in the amount of \$2,550,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the University uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the University terminates employees or reduces salaries during the twenty-four-week period.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

J. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE - Continued

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The University currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

The maturities of notes payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,755,019
2022	1,446,950
2023	139,693
2024	147,455
2025	155,648
Thereafter	<u>12,961,017</u>
	<u>\$16,605,782</u>

Capital Lease Obligations

The University leases certain information technology and computer equipment with a cost of \$82,887 from an equipment financing company. This lease has been recorded in the accounts of the University as a capital lease. Under the terms of the agreement, the obligation is due in monthly payments of principal and interest of \$1,967 which includes interest at a rate of 6.84%. The monthly payments began March 2018 and will continue through the lease agreement expiration in March 2021.

Minimum lease commitments at June 30, 2020 under the above-mentioned capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 39,035
Less: amounts representing interest	<u>(1,542)</u>
Present value of net minimum lease commitments	<u>\$ 37,493</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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K. BONDS PAYABLE

Bonds payable at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Revenue bonds, Series 2000, bearing a variable interest rate, initially at 6% and at 1.43% at June 30, 2019, paying interest semi-annually and maturing in varying annual principal installments through 2021.	\$ -	\$ 4,135,000
Less: unamortized bond issuance costs	<u>(-)</u>	<u>(13,412)</u>
Total bonds payable, net	<u>\$ -</u>	<u>\$ 4,121,588</u>

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 were collateralized by a pledge of the University's revenues and certain land, buildings and improvements of the University. Monthly principal and interest payments were to be made to the bond trustee. At June 30, 2020 and 2019, the trustee held \$30,989 and \$178,326, respectively, as repayment for the bond obligations. The above funds are classified as restricted cash in the accompanying statement of financial position. The bond was paid in full in December 2019 with proceeds from a note payable from the Reinvestment Fund, Inc. (see Note J).

L. 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 \$197,016 and \$169,171 in contributions to the plan during the years ended June 30, 2020 and 2019, respectively.

M. COMMITMENTS AND CONTINGENCIES

Litigation

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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

M. COMMITMENTS AND CONTINGENCIES - Continued

Accreditation with SACSCOC

The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the University's regional accrediting body, placed the University on probation in June 2018 for failing to demonstrate compliance with financial responsibility and stability standards and control of grant funds and federal and state responsibilities as specified by SACSCOC. In July 2019, SACSCOC continued the University's probation for failure to demonstrate compliance with financial responsibility, financial resources, and control of finances standards. Failure to demonstrate compliance could result in the University's removal from membership, which would affect the University's ability to operate open in the long-term. The University addressed these concerns and its progress was reevaluated by the SACSCOC Board in June 2020, which resulted in the University being removed from probation as of September 2020.

Federal Student Financial Aid

In fiscal year 2017, the University was issued a provisional certification on their Program Participation Agreement from the Department of Education (the "DOE"). The provisional certification is granted for a limited period to permit the University to continue their participation in Federal Student Financial Aid ("Financial Aid") programs. The provisional certification expired on December 31, 2019. The University received a second provisional approval, after its submittal of reapplication, for which the provisional approval is set to expire September 30, 2022. During the period of provisional certification, the University could be subject to revocation for cause. If the DOE revokes the certification, the DOE could suspend the University's participation in the Financial Aid programs, which could affect the University's ability to operate in the long-term.

Federal and State Funds

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

M. 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 through September 2018, when the program ended. If the program had been liquidated, the potential liability under this program to the Federal government would be \$211,325 and \$158,826 as of June 30, 2020 and 2019, respectively. In fiscal year 2019, the University began procedures to liquidate the loan portfolio with the Department of Education and expects to fully liquidate the loan portfolio in fiscal year 2021.

Collective Bargaining Agreement

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

N. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Time Restrictions:		
Contributions receivable	\$ 5,256,960	\$ 2,997,044
Purposes:		
Scholarships	3,983,904	3,250,839
Building construction and renovation	2,873,369	2,704,130
Endowment fund; scholarships and art	2,065,694	2,232,732
Other	2,165,883	1,786,487
Investment in perpetuity, the income of which is expendable to support scholarships and art	<u>24,042,115</u>	<u>23,297,481</u>
	<u>\$ 40,387,925</u>	<u>\$ 36,268,713</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

N. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Purposes:		
Scholarships	\$ 1,369,207	\$ 1,230,905
Building construction and renovation	50,292	220,202
Other	<u>434,171</u>	<u>1,415,039</u>
	<u>\$ 1,853,670</u>	<u>\$ 2,866,146</u>

O. ADVERTISING EXPENSES

The University expenses advertising expenses as incurred. During the years ended June 30, 2020 and 2019, the University incurred advertising costs in the amounts of \$52,573 and \$62,864, respectively.

P. OPERATING LEASES

The University leases certain equipment under non-cancelable operating leases which expire at various dates through January 2025. Rent expense under these lease arrangements amounted to \$89,811 and \$74,964 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 57,173
2022	56,816
2023	53,251
2024	46,632
2025	<u>22,444</u>
	<u>\$236,316</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Q. ENDOWMENT

ASC 958 *Not-for-Profit Organizations* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and requires additional disclosures about an organization’s endowment funds. The University’s endowment consists of individual donor-restricted funds established for a variety of purposes. 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 UPMIFA 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 net assets with donor restrictions (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 the permanent endowment is classified as donor restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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

The composition of net assets by type of endowment fund at June 30, 2020 and 2019, includes net assets with donor restrictions that are perpetual in nature totaling \$24,042,115 and \$23,297,481, respectively.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Q. ENDOWMENT - Continued

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	2020		
	With Donor Restrictions		
	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 2,232,732	\$23,297,481	\$25,530,213
Investment return, net	865,502	-	865,502
Contributions	-	744,634	744,634
Appropriation of endowment assets for expenditure	(1,032,540)	-	(1,032,540)
Endowment net assets, end of year	<u>\$ 2,065,694</u>	<u>\$24,042,115</u>	<u>\$26,107,809</u>

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	2019		
	With Donor Restrictions		
	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 1,574,234	\$21,690,272	\$23,264,506
Investment return, net	1,472,592	-	1,472,592
Contributions	-	2,107,209	2,107,209
Appropriation of endowment assets for expenditure	(814,094)	-	(814,094)
Other, net	-	(500,000)	(500,000)
Endowment net assets, end of year	<u>\$ 2,232,732</u>	<u>\$23,297,481</u>	<u>\$25,530,213</u>

In fiscal year 2019, a donor who had gifted an endowment in fiscal year 2018, released the gift to net assets without donor restrictions totaling \$500,000, which resulted in a reclassification of net assets in fiscal year 2019.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Q. ENDOWMENT - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and 2019.

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, 2020 and 2019, endowment assets consist of investments in marketable securities and beneficial interests in trusts and endowments.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

R. 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, 2020 and 2019:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>2020:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 588,667	\$ 588,667	\$ 588,667	\$ 588,667	\$ -	\$ -
Mutual bond and stock funds:						
Equities	7,433,248	7,433,248	7,433,248	7,433,248	-	-
Fixed income	9,560,026	9,560,026	9,560,026	9,560,026	-	-
Mutual funds	<u>1,248,579</u>	<u>1,248,579</u>	<u>1,248,579</u>	<u>1,248,579</u>	<u>-</u>	<u>-</u>
	18,830,520	18,830,520	18,830,520	18,830,520	-	-
Investments in art collections	33,829,450	33,829,450	33,829,450	-	-	33,829,450
Real estate held for investment	537,950	537,950	537,950	-	-	537,950
Beneficial interests in trusts and endowments	5,957,226	5,957,226	5,957,226	-	5,957,226	-
Liabilities:						
Notes payable	16,605,782	18,128,716	-	-	-	-
Capital lease obligation	37,493	37,493	-	-	-	-

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

R. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>2019:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 480,241	\$ 480,241	\$ 480,241	\$ 480,241	\$ -	\$ -
Mutual bond and stock funds:						
Equities	7,071,130	7,071,130	7,071,130	7,071,130	-	-
Fixed income	8,915,830	8,915,830	8,915,830	8,915,830	-	-
Mutual funds	<u>1,266,901</u>	<u>1,266,901</u>	<u>1,266,901</u>	<u>1,266,901</u>	<u>-</u>	<u>-</u>
	17,734,102	17,734,102	17,734,102	17,734,102	-	-
Investments in art collections	15,227,950	15,227,950	15,227,950	-	-	15,227,950
Real estate held for investment	510,950	510,950	510,950	-	-	510,950
Beneficial interests in trusts and endowments	6,007,676	6,007,676	6,007,676	-	6,007,676	-
Liabilities:						
Notes payable	8,893,372	8,893,372	-	-	-	-
Bonds payable	4,135,000	4,135,000	-	-	-	-
Capital lease obligation	53,677	53,677	-	-	-	-

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R. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Changes in Level 3 assets for the year ended June 30, 2020 and 2019, are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Real Estate Held for Investment	Investment in Art Collections
Balance as of June 30, 2018	\$ 515,950	\$15,227,950
Sale of land	(5,000)	-
Balance as of June 30, 2019	510,950	15,227,950
Art gifts	-	180,000
Gain from reappraisal	27,000	18,421,500
Balance as of June 30, 2020	<u>\$ 537,950</u>	<u>\$33,829,450</u>

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

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

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

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

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

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

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

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S. 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, 2020 and 2019, 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.

T. SCHOLARSHIPS AND FELLOWSHIPS

Scholarships and fellowships provided for tuition and fees for the year ended June 30, 2020 and 2019 consisted of scholarships from institutional sources and funded sources from grants, endowments, and other sources as follows:

	<u>2020</u>	<u>2019</u>
Institutional sources	\$ 7,990,382	\$ 8,417,659
Funded sources	<u>4,125,727</u>	<u>2,643,731</u>
Total	<u>\$12,116,109</u>	<u>\$11,061,390</u>

U. REVENUE FROM CONTRACTS WITH CUSTOMERS

The University's primary source of revenue from contracts with customers are from tuition and fees, auxiliary enterprises revenue, certain grants classified as exchange transactions, and other sources of revenue as presented in the statements of activities and changes in net assets.

A summary of revenue from contracts with customers related to gross tuition and fees for the year ended June 30, 2020 and 2019 disaggregated by the major classification of student type is as follows:

<u>Student Classifications</u>	<u>2020</u>	<u>2019</u>
Undergraduate tuition	\$17,195,450	\$14,760,512
Graduate tuition	878,975	1,014,912
Fees	<u>2,028,556</u>	<u>1,608,381</u>
Total gross tuition and fees	<u>\$20,102,981</u>	<u>\$17,383,805</u>

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U. REVENUE FROM CONTRACTS WITH CUSTOMERS - Continued

A summary of revenue from contracts with customers related to auxiliary enterprises revenue for the years ended June 30, 2020 and 2019 disaggregated by type is as follows:

<u>Auxiliary Revenue Classification</u>	<u>2020</u>	<u>2019</u>
Housing	\$3,978,396	\$4,039,713
Dining services	2,845,745	2,644,969
Bookstore sales	429,998	412,184
Other auxiliary income	<u>316,465</u>	<u>328,092</u>
Total auxiliary enterprises revenue	<u>\$7,570,604</u>	<u>\$7,424,958</u>

A summary of revenue from contracts with customers related to other sources for the years ended June 30, 2020 and 2019 disaggregated by type is as follows:

<u>Other Sources Revenue Classification</u>	<u>2020</u>	<u>2019</u>
Cell tower revenue	\$260,102	\$338,764
Jubilee Singers	91,659	76,487
Miscellaneous income	<u>162,340</u>	<u>3,801</u>
Total other sources	<u>\$514,101</u>	<u>\$419,052</u>

There were no revenue from contracts with customers related to grants classified as exchange transactions for the years ended June 30, 2020 and 2019.

V. RELATED PARTIES

Members of the Board of Trustees have made contributions to the University for various purposes. During fiscal year 2020 and 2019, contributions from the Board of Trustees totaled \$380,000 and \$4,925,000, respectively. At June 30, 2020 and 2019, the balance of contributions due from Board members is \$3,485,250 and \$4,138,750, respectively. These contributions are included in contributions receivable.

W. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

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W. RISKS AND UNCERTAINTIES - Continued

The full impact of the pandemic continues to evolve as of the date of this report and has affected the University's operational and financial performance due to the impact on its students, contributors, and employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives. In order to assist in the mitigation of the negative impact on its operational and financial performance, the University applied for and received grants totaling \$2,127,154 from the U.S. Department of Education through the Higher Education Emergency Relief Fund (the "HEERF"). Of this amount, \$762,469 was awarded and promptly distributed to students on a needs and situation basis, \$253,787 was to reimburse the University for allowable payroll expenditures and supplies, and \$1,110,898 was retained by the University to partially reimburse themselves for foregone revenue caused by refunds of \$488,273 made to students for housing, food and other services that could no longer be provided in the last half of the Spring 2020 semester, and lost revenues of \$622,625 as a result of COVID-19. In addition, the University received financing from the Small Business Administration (the "SBA") totaling \$2,550,000 through the Paycheck Protection Program (the "Program"). Under the Program, the loan is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It was management's intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the majority of the loan to ultimately be forgiven in fiscal 2021. The final guidelines have not been issued; therefore, the amount of the forgiveness cannot be estimated at this time. See Note J for details regarding this loan.

The pandemic has also adversely affected global economic activity and contributed to the instability and volatility in financial markets. Although, as of the date of this report, the University's investment portfolio has incurred gains overall since June 30, 2020, the values of the University's investments have and will fluctuate in response to uncertain and changing market conditions due to the pandemic. The amount of investment gains and losses that will be recognized in subsequent periods, and the related impact on the University's liquidity cannot be determined at this time. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a continuing period of economic slowdown.

While expected to be temporary, the University cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the University's results of future operations, financial position, and liquidity in fiscal year 2021.

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X. SUBSEQUENT EVENTS

On July 30, 2020, the University entered into an agreement with Sodexo Operations, LLC (“Sodexo”) to provide dining services for the University commencing on July 1, 2020 and continuing through June 30, 2030.

On August 1, 2020, the University executed an agreement with Aramark Management Services, LP, a Pennsylvania corporation, for facility services. The obligation requires monthly payments of \$177,518 beginning in August 2020 and continuing through July 2030.

On August 3, 2020, the University executed a promissory note with the Reinvestment Fund, Inc., a Pennsylvania non-profit corporation, for a principal sum of \$3,880,000. The obligation requires monthly payments of \$20,932 beginning in October 2020 and continuing through September 2045. The note payable bears interest at 4.15% and is collateralized by real estate. The proceeds of the loan are to be used to refinance certain existing indebtedness of the University and to pay closing and other costs related to the refinance.

On August 13, 2020, the University executed an Educational Broadband Service Long-Term de facto lease agreement with TDI Spectrum Acquisition Sub, LLC, a Delaware limited liability company (“Clearwire”). The lease agreement allows Clearwire to lease the University’s radio channel capacity for a 30-year period. Clearwire agreed to pay the University \$1,000,000 upfront and monthly fees starting at \$33,000 that are increased by 2% annually.

On September 3, 2020, the SACSCOC Board of Trustees removed the University from probation as noted in Note M.

The University has evaluated subsequent events through October 9, 2020, the issuance date of the University’s financial statements, and have determined that besides the aforementioned events, there are no other subsequent events that require disclosure.