

FISK UNIVERSITY
FINANCIAL STATEMENTS
JUNE 30, 2019

FISSK UNIVERSITY

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7 - 30



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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note C to the financial statements, the University restated net assets as of July 1, 2017, as a result of a prior period adjustment to its property, buildings and equipment. Our opinion is not modified with respect to this matter.

Changes in Financial Statement Presentation

As described in Note B of the financial statements, the University has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nashville, Tennessee
November 6, 2019

FISK UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(with comparative totals for 2018)

ASSETS

	2019	2018 (As Restated)
Cash and cash equivalents	\$ 164,538	\$ 245,683
Restricted cash	368,563	360,479
Accounts and grants receivable, net of allowance for doubtful accounts	6,067,879	5,463,548
Contributions receivable, net	9,381,698	6,651,675
Notes receivable, less allowance for doubtful accounts	39,291	44,291
Prepaid expenses and other assets	627,856	605,297
Inventory	202,239	57,723
Investments in marketable securities	17,734,102	16,032,566
Investments in art collections	15,227,950	15,227,950
Investment in affiliate	49,424,836	49,408,933
Real estate held for investment	510,950	515,950
Beneficial interests in trusts and endowments	6,007,676	5,771,788
Property and equipment, at cost, net of accumulated depreciation	23,512,564	23,951,934
Total assets	<u>\$ 129,270,142</u>	<u>\$ 124,337,817</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 2,775,224	\$ 2,166,183
Deposits	18,000	59,600
Deferred revenue	826,328	1,494,541
Notes payable	8,893,372	10,021,874
Bonds payable	4,121,588	4,712,647
Capital lease obligation	53,677	142,731
Advances from Federal government for Perkins loan programs	158,826	176,211
Total liabilities	<u>16,847,015</u>	<u>18,773,787</u>

NET ASSETS

Without donor restrictions	76,154,414	75,784,174
With donor restrictions	36,268,713	29,779,856
Total net assets	<u>112,423,127</u>	<u>105,564,030</u>
Total liabilities and net assets	<u>\$ 129,270,142</u>	<u>\$ 124,337,817</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018 (As Restated)
Operating activities:				
Revenue and other support:				
Tuition and fees	\$ 17,383,805	\$ -	\$ 17,383,805	\$ 15,000,771
Less scholarships and fellowships	(11,061,390)	-	(11,061,390)	(9,761,483)
Net tuition and fees	6,322,415	-	6,322,415	5,239,288
Governmental grants and contracts	6,861,844	471,133	7,332,977	6,927,723
Private gifts and grants	3,801,416	6,618,163	10,419,579	7,101,779
Investment income, net	29,796	-	29,796	6,474
Endowment spending payout	814,094	-	814,094	642,570
Sales and services of auxiliary enterprises, net	7,424,958	-	7,424,958	5,807,301
Other sources	419,052	-	419,052	503,867
Reclassifications	500,000	-	500,000	-
Net assets released from restrictions	2,866,146	(2,866,146)	-	-
Total revenue and other support	29,039,721	4,223,150	33,262,871	26,229,002
Expenses:				
Program:				
Instruction and academic support	10,380,788	-	10,380,788	10,779,405
Student services	3,198,908	-	3,198,908	2,915,050
Auxiliary services	2,740,598	-	2,740,598	2,503,958
Total program	16,320,294	-	16,320,294	16,198,413
Support:				
Institutional support	11,237,960	-	11,237,960	10,862,026
Fundraising	1,190,480	-	1,190,480	1,451,282
Total support	12,428,440	-	12,428,440	12,313,308
Total expenses	28,748,734	-	28,748,734	28,511,721
Net increase (decrease) in net assets from operating activities	290,987	4,223,150	4,514,137	(2,282,719)
Non-operating activities:				
Endowment contributions	-	2,107,209	2,107,209	1,627,991
Investment return, net	-	1,472,592	1,472,592	1,381,946
Amount appropriated for endowment spending	-	(814,094)	(814,094)	(642,570)
Gain on sale of property	79,253	-	79,253	-
Reclassifications	-	(500,000)	(500,000)	-
Net increase in net assets from non-operating activities	79,253	2,265,707	2,344,960	2,367,367
Net increase in net assets	370,240	6,488,857	6,859,097	84,648
Net assets at beginning of year	75,784,174	29,779,856	105,564,030	108,254,645
Restatement	-	-	-	(2,775,263)
Net assets at beginning of year, as restated	75,784,174	29,779,856	105,564,030	105,479,382
Net assets at end of year	\$ 76,154,414	\$ 36,268,713	\$ 112,423,127	\$ 105,564,030

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	Instruction and Academic Support	Student Services	Auxiliary Services	Total Program Services	Institutional Support	Fundraising	Total Support	2019 Total	2018 Total
Salary and benefits	\$ 8,419,805	\$ 1,907,991	\$ 402,226	\$ 10,730,022	\$ 1,237,869	\$ 835,616	\$ 2,073,485	\$ 12,803,507	\$ 14,886,701
Depreciation and amortization	-	-	-	-	1,767,106	-	1,767,106	1,767,106	1,979,846
Auxiliary cost of sales	-	-	191,304	191,304	-	-	-	191,304	150,127
Supplies and operations	497,499	234,468	38,717	770,684	340,554	92,324	432,878	1,203,562	1,007,863
Occupancy	315,954	4,523	1,300	321,777	3,428,648	4,337	3,432,985	3,754,762	3,808,503
Equipment and technology	100,998	21,727	393	123,118	366,504	12,574	379,078	502,196	462,711
Professional and contracted services	708,065	518,358	69,476	1,295,899	1,041,911	31,710	1,073,621	2,369,520	2,018,670
Student programs and support	28,134	29,063	2,031,714	2,088,911	3,996	-	3,996	2,092,907	1,762,845
Student recruiting and fundraising	32,652	64,381	-	97,033	37,035	167,919	204,954	301,987	316,680
Travel and entertainment	276,953	401,828	5,123	683,904	187,344	45,780	233,124	917,028	1,044,622
Insurance expense	-	16,452	-	16,452	937,032	-	937,032	953,484	547,890
Interest and other	728	117	345	1,190	1,889,961	220	1,890,181	1,891,371	525,263
	<u>\$ 10,380,788</u>	<u>\$ 3,198,908</u>	<u>\$ 2,740,598</u>	<u>\$ 16,320,294</u>	<u>\$ 11,237,960</u>	<u>\$ 1,190,480</u>	<u>\$ 12,428,440</u>	<u>\$ 28,748,734</u>	<u>\$ 28,511,721</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	2019	2018 (As Restated)
Cash flows from operating activities:		
Net increase in net assets	\$ 6,859,097	\$ 84,648
Adjustments to reconcile net increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,758,165	1,961,155
Amortization expense	8,941	18,691
Gain on investments and beneficial interests in trusts	(1,355,767)	(678,061)
Gain on sale of property	(79,253)	-
Change in allowance for doubtful accounts	949,709	(13,753)
Endowed gifts reclassified to financing activities	(2,107,209)	(1,627,991)
Increase in accounts, grants and contributions receivable	(4,284,063)	(2,874,514)
Change in inventory, prepaid expenses and other assets	(167,075)	497,672
Change in accounts payable, accrued expenses and deferred revenue	(59,172)	496,498
Decrease in deposits	(41,600)	(20,400)
Net cash provided by (used in) operating activities	<u>1,481,773</u>	<u>(2,156,055)</u>
Cash flows from investing activities:		
Change in restricted cash	(8,084)	484,214
Net increase in investments and beneficial interests	(597,560)	(113,287)
Purchase of property and equipment	(1,318,795)	(2,533,824)
Proceeds from the sale of property	84,253	-
Decrease in notes receivable	5,000	72,024
Change in advances from Federal government	(17,385)	11,053
Net cash used in investing activities	<u>(1,852,571)</u>	<u>(2,079,820)</u>
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	2,107,209	1,627,991
Proceeds from the issuance of notes payable	2,160,552	6,073,975
Principal repayment of capital lease obligations	(89,054)	(20,506)
Principal repayment of bonds and notes payable	(3,889,054)	(4,123,316)
Net cash provided by financing activities	<u>289,653</u>	<u>3,558,144</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(81,145)	(677,731)
CASH AND CASH EQUIVALENTS beginning of year	<u>245,683</u>	<u>923,414</u>
CASH AND CASH EQUIVALENTS end of year	<u>\$ 164,538</u>	<u>\$ 245,683</u>
<i>Supplemental disclosure and non-cash investing and financing activities :</i>		
Cash paid for interest	<u>\$ 524,684</u>	<u>\$ 395,649</u>
Equipment purchased through capital lease	<u>\$ -</u>	<u>\$ 162,787</u>

See accompanying notes to financial statements.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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

Revenue Recognition

The University's revenue recognition policies are as follows:

Net Tuition and Fees - Student tuition and fees are recorded as revenue in the fiscal year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Financial aid provided by the University is reflected as a reduction of tuition and fees. Student receivables consists of amounts due to the University related to tuition and fees. An allowance for uncollectible amounts has been recorded based upon management's judgment and historical bad debt experience.

Auxiliary Enterprises - Auxiliary enterprises furnish services primarily to students and are comprised predominantly of residence halls and food service. Income from auxiliary enterprises is recorded as revenue in the fiscal year that the related services are rendered.

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, 2019

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

Comparative Financial Statements

The summarized financial information shown for fiscal year 2018 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 2019.

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 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, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Bond reserves held by trustee - restricted cash	\$178,326	\$247,132
Cash from Federal Perkins loan program	117,384	22,205
Other restricted cash	<u>72,853</u>	<u>91,142</u>
Total restricted cash	<u>\$368,563</u>	<u>\$360,479</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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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.

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

During fiscal year 2019, management assessed its estimates of the useful lives of the University's building improvements, library holdings, and equipment and furniture. Management revised the original estimates for building improvements from 40 year useful lives to 50 years, for library holdings from 10 years to 15 years, and for equipment and furniture from a range of 3 – 10 years to a range of 3 – 15 years. The effect of this change in accounting estimate on the fiscal year 2019 financial statements is an increase in net assets of approximately \$530,500.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. The University did not have any impairment of long-lived assets for the years ended June 30, 2019 and 2018.

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>2019</u>	<u>2018</u>
Student accounts and grant receivables	\$6,922,719	\$5,968,244
Federal Perkins and institutional notes receivable	\$1,363,680	\$1,363,680
Contributions receivable	\$95,234	\$100,000

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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Deferred Revenue

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

Income Taxes

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

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

Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value (Note R). 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, 2019

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 August 18, 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The University has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Certain amounts have been reclassified in fiscal year 2018 to conform to the fiscal year 2019 presentation based on the implementation of the ASU.

C. PRIOR PERIOD ADJUSTMENT

The University discovered during the year ended June 30, 2019 that depreciation expense related to certain buildings was incorrectly calculated prior to fiscal year 2018. They also discovered certain assets that had been disposed of prior to fiscal year 2018 were not removed from their depreciation schedules. The impact of the errors on the financial statements is a restatement of beginning net assets as follows:

Total net assets, July 1, 2017, as previously reported	\$ 108,254,645
Adjustment to correct depreciation and asset disposals	<u>(2,775,263)</u>
Total net assets, July 1, 2017, as restated	<u>\$ 105,479,382</u>

Accumulated depreciation was also increased by \$2,260,402 and equipment decreased \$514,861 effective July 1, 2017.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. 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 June 30, 2019:

Cash and cash equivalents	\$ 164,538
Restricted cash	368,563
Accounts and grants receivable, net of allowance for doubtful accounts	6,067,879
Contributions receivable, net	9,381,698
Notes receivable, less allowance for doubtful accounts	39,291
Investments in marketable securities	17,734,102
Investments in art collections	15,227,950
Investment in affiliate	49,424,836
Beneficial interests in trusts and endowments	<u>6,007,676</u>

Total financial assets	104,416,533
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Less assets unavailable for general expenditures within one year:

Restricted cash	368,563
Contributions receivable, net of amounts without donor restrictions due in more than one year	2,997,044
Notes receivable, net of allowance for doubtful accounts restricted for the Federal Perkins Loan program	39,291
Investment in affiliate	49,424,836
Restricted by donors with purpose restrictions	9,974,188
Donor restricted endowment funds held in perpetuity	<u>23,297,481</u>

Total assets unavailable for general expenditures within one year	<u>86,101,403</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 18,315,130</u></u>
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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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

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 \$12.6 million, which is available for use in operations as needed. The line of credit is secured by endowment investments totaling \$17,734,102.

E. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,345,405	\$ 2,108,278
One year to five years	4,656,598	2,738,805
More than five years	<u>4,445,709</u>	<u>2,707,194</u>
	10,447,712	7,554,277
Less allowance for uncollectible pledges and unamortized discount	<u>(1,066,014)</u>	<u>(902,602)</u>
	<u>\$ 9,381,698</u>	<u>\$ 6,651,675</u>

The discount rate used to determine the present value of contributions receivable is 2.32% and 2.92% at June 30, 2019 and 2018, respectively.

F. NOTES RECEIVABLE

Notes receivable at June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Notes receivable - students	\$ 1,402,971	\$ 1,402,971
Notes receivable - company	-	5,000
Less allowance for doubtful notes	<u>(1,363,680)</u>	<u>(1,363,680)</u>
	<u>\$ 39,291</u>	<u>\$ 44,291</u>

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).

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

G. INVESTMENTS

At June 30, 2019 and 2018, investments, stated at market value, are comprised of the following significant classifications:

	<u>2019</u>	<u>2018</u>
Certificates of deposit and money		
market funds	\$ 480,242	\$ 445,457
Mutual bond and stock funds:		
Equities	7,071,130	7,296,390
Fixed income	8,915,830	7,166,028
Mutual funds	<u>1,266,900</u>	<u>1,124,691</u>
	<u>\$17,734,102</u>	<u>\$16,032,566</u>

The return (investment income, gains and losses) on investments in marketable securities was 8.04% and 7.29% based on the average market value of such investments for fiscal years 2019 and 2018, 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 \$15,227,950 at June 30, 2019 and 2018, respectively. The market for art is volatile and it is possible that appraised values could change materially. 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 and \$98,817,866 at June 30, 2019 and 2018, respectively.

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

H. BENEFICIAL INTERESTS IN TRUSTS AND ENDOWMENTS

During 2019 and 2018, the University received interest and dividends of \$103,363 and \$107,014, respectively, on funds held in a trust and in an endowment fund (Note G). These funds total \$6,007,676 and \$5,771,788 at June 30, 2019 and 2018, 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, 2019 and 2018 are as follows:

	2019	2018 (As Restated)
Land and improvements	\$ 314,438	\$ 314,438
Buildings and equipment	58,838,449	59,613,465
Equipment and furniture	31,107,312	30,579,316
Library books	2,028,117	2,028,117
Construction in progress	110,284	-
	92,398,600	92,535,336
Less: Accumulated depreciation	(68,886,036)	(68,583,402)
Property and equipment, net	<u>\$ 23,512,564</u>	<u>\$ 23,951,934</u>

Depreciation expense totaled \$1,758,165 and \$1,961,155 for the years ended June 30, 2019 and 2018, respectively. Estimated costs to complete construction at June 30, 2019 are approximately \$175,000 to \$225,000 for the Talley-Curb House and approximately \$4.5 million for the Roland G. Parrish Center for Career Planning and Development. These buildings have been partially funded by \$3,120,000 in contributions.

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 \$602,441 and \$849,355 at June 30, 2019 and 2018, respectively.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

J. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE - Continued

During fiscal year 2015, the University entered into a revolving line-of-credit with a bank which has a maximum available borrowing limit of \$12,670,867. Interest at LIBOR plus 1.25% (4.50% and 4.00% at June 30, 2019 and 2018, 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 \$8,138,158 and \$9,172,519 at June 30, 2019 and 2018, 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 matures in December 2019. The balance of the note payable at June 30, 2019 was \$152,773.

The maturities of notes payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 454,793
2021	300,421
2022	-
2023	-
2024	-
Thereafter	<u>8,138,158</u>
	<u>\$ 8,893,372</u>

Capital Lease Obligations

The University leases a vehicle with a cost of \$79,900 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 \$1,870 which includes interest at a rate of 5.98%. The monthly payments began November 2017 and will continue through the lease agreement expiration in November 2020. The lease was terminated and the vehicle was purchased from the leasing company in December 2018 with cash.

The University also 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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

J. NOTES PAYABLE AND OBLIGATIONS UNDER CAPITAL LEASE - Continued

Minimum lease commitments at June 30, 2019 under the above mentioned capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 37,988
2021	<u>30,067</u>
	68,055
Less: amounts representing interest	<u>(14,378)</u>
Present value of net minimum lease commitments	<u>\$ 53,677</u>

K. BONDS PAYABLE

Bonds payable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Revenue bonds, Series 2000, bearing a variable interest rate, initially at 6% and currently at 1.43% and paying interest semi-annually and maturing in varying annual principal installments through 2021.	\$ 4,135,000	\$ 4,735,000
Less: unamortized bond issuance costs	<u>(13,412)</u>	<u>(22,353)</u>
Total bonds payable, net	<u>\$ 4,121,588</u>	<u>\$ 4,712,647</u>

The maturities of bonds payable are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ -
2021	<u>4,135,000</u>
	4,135,000
Less: unamortized bond issuance costs	<u>(13,412)</u>
	<u>\$ 4,121,588</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

K. BONDS PAYABLE - Continued

2000 Bond Issue

The Series 2000 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. The 2000 bonds are collateralized by a pledge of the University's revenues and certain land, buildings and improvements of the University. Monthly principal and interest payments are to be made to the bond trustee. At June 30, 2019 and 2018, the trustee held \$178,326 and \$247,132, respectively, as repayment for the bond obligations. The above funds are classified as restricted cash in the accompanying statement of financial position. The loan agreement contains various covenants, which management is of the opinion they are in compliance with at June 30, 2019.

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 \$169,171 and \$199,804 in contributions to the plan during the years ended June 30, 2019 and 2018, 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.

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 is currently working to address these concerns and its progress will be reevaluated by the SACSCOC Board in June 2020. The University believes they are in compliance with SACSCOC's requirements.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

M. COMMITMENTS AND CONTINGENCIES - Continued

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 will expire on December 31, 2019, pending the outcome of the University's reapplication due September 30, 2019. 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. Management has resubmitted their application for certification and believes they are in compliance with the DOE's requirements and their certification will be renewed.

Federal and State Funds

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

Federal Perkins Loan Program

Funds provided by the United States government under the Federal Perkins loan program are loaned to qualified students based on financial need and may be re-loaned after collection 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 \$158,826 and \$176,211 as of June 30, 2019 and 2018, 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 2020.

Collective Bargaining Agreement

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

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

N. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose at June 30, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Time Restrictions:		
Contributions receivable	\$ 2,997,044	\$ 2,717,884
Purposes:		
Scholarships	3,250,839	1,965,621
Building construction and renovation	2,704,130	160,017
Endowment fund; scholarships and art	2,232,732	1,574,234
Other	1,786,487	1,671,828
Investment in perpetuity, the income of which is expendable to support scholarships and art	<u>23,297,481</u>	<u>21,690,272</u>
	<u><u>\$ 36,268,713</u></u>	<u><u>\$ 29,779,856</u></u>

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

	<u>2019</u>	<u>2018</u>
Purposes:		
Scholarships	\$ 1,230,905	\$ 674,916
Building construction and renovation	220,202	-
Other	<u>1,415,039</u>	<u>546,360</u>
	<u><u>\$ 2,866,146</u></u>	<u><u>\$ 1,221,276</u></u>

O. ADVERTISING EXPENSES

The University expenses advertising expenses as incurred. During the years ended June 30, 2019 and 2018, the University incurred advertising costs in the amounts of \$62,864 and \$225,979, respectively.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

P. OPERATING LEASES

The University leases certain equipment under non-cancelable operating leases which expire at various dates through February 2023. Rent expense under these lease arrangements amounted to \$74,964 and \$74,646 for the years ended June 30, 2019 and 2018, 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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$24,697
2021	9,929
2022	9,929
2023	<u>5,792</u>
	<u>\$50,347</u>

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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Q. ENDOWMENT - Continued

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, 2019 and 2018, includes net assets with donor restrictions that are perpetual in nature totaling \$23,297,481 and \$21,690,272, respectively.

Changes in endowment net assets for the year ended June 30, 2019, is 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, 2019

Q. ENDOWMENT - Continued

Changes in endowment net assets for the year ended June 30, 2018, is as follows:

	2018		
	With Donor Restrictions		
	Purpose/Time Restrictions	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 874,960	\$20,062,281	\$20,937,241
Investment return, net	1,381,946	-	1,381,946
Contributions	-	1,627,991	1,627,991
Appropriation of endowment assets for expenditure	(642,570)	-	(642,570)
Other, net	(40,102)	-	(40,102)
Endowment net assets, end of year	<u>\$ 1,574,234</u>	<u>\$21,690,272</u>	<u>\$23,264,506</u>

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, 2019 and 2018.

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, 2019 and 2018, endowment assets consist of investments in marketable securities and beneficial interests in trusts and endowments.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Q. ENDOWMENT - Continued

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.

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, 2019 and 2018:

			Fair Value Measurements at Reporting Date Using			
	Carrying <u>Amount</u>	Estimated <u>Fair Value</u>	Measured at Fair <u>Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>2019:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 480,241	\$ 480,241	\$ 480,241	\$ 480,241	\$ -	\$ -

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

R. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	Carrying <u>Amount</u>	Estimated <u>Fair Value</u>	Measured at Fair <u>Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
				<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
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>	-	-
	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	-	-	-	-
	Carrying <u>Amount</u>	Estimated <u>Fair Value</u>	Measured at Fair <u>Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
				<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>2018:</u>						
Assets:						
Investments in marketable securities:						
Certificates of deposit and money market funds	\$ 445,457	\$ 445,457	\$ 445,457	\$ 445,457	\$ -	\$ -
Mutual bond and stock funds:						
Equities	7,296,390	7,296,390	7,296,390	7,296,390	-	-
Fixed income	7,166,028	7,166,028	7,166,028	7,166,028	-	-
Mutual funds	<u>1,124,691</u>	<u>1,124,691</u>	<u>1,124,691</u>	<u>1,124,691</u>	-	-
	16,032,566	16,032,566	16,032,566	16,032,566	-	-

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

R. FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

			Measured	Fair Value Measurements at Reporting Date Using		
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>at Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments in art collections	15,227,950	15,227,950	15,227,950	-	-	15,227,950
Real estate held for investment	515,950	515,950	515,950	-	-	515,950
Beneficial interests in trusts and endowments	5,771,788	5,771,788	5,771,788	-	5,771,788	-
Liabilities:						
Notes payable	10,021,874	10,026,939	-	-	-	-
Bonds payable	4,735,000	4,735,000	-	-	-	-
Capital lease obligation	142,731	142,731	-	-	-	-

Changes in Level 3 assets for the year ended June 30, 2019 and 2018, are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>Real Estate Held for Investment</u>	<u>Investment in Art Collections</u>
Balance as of June 30, 2017	<u>\$ 515,950</u>	<u>\$15,227,950</u>
Balance as of June 30, 2018	515,950	15,227,950
Sale of land	<u>(5,000)</u>	<u>-</u>
Balance as of June 30, 2019	<u>\$ 510,950</u>	<u>\$15,227,950</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.

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

R. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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.

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, 2019 and 2018, 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, 2019 and 2018 consisted of scholarships from institutional sources and funded sources from grants, endowments, and other sources as follows:

	<u>2019</u>	<u>2018</u>
Institutional Sources	\$ 8,417,659	\$8,506,353
Funded Sources	<u>2,643,731</u>	<u>1,255,130</u>
Total	<u>\$11,061,390</u>	<u>\$9,761,483</u>

FISK UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

U. RELATED PARTIES

Members of the Board of Trustees have made contributions to the University for various purposes. During fiscal year 2019 and 2018, contributions from the Board of Trustees totaled \$4,925,000 and \$2,620,000, respectively. At June 30, 2019 and 2018, the balance of contributions due from Board members is \$4,138,750 and \$2,380,000, respectively. These contributions are included in contributions receivable.

V. SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 6, 2019, the issuance date of the University's financial statements, and have determined there are no subsequent events that require disclosure.