

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION, INDEPENDENT AUDITORS' REPORT THEREON,
AND INDEPENDENT AUDITORS REPORT ON
INTERNAL
CONTROL AND COMPLIANCE
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**TCBA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS
And
Advisors**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Florida Agricultural And Mechanical University Foundation, Inc.

We have audited the accompanying statements of financial position of the Florida Agricultural and Mechanical University Foundation, Inc. (the "Foundation") (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2011 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Foundation taken as a whole. The accompanying schedules of functional expenses on page 20 and the supplementary information on pages 21 through 23, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tallahassee, Florida
August 22, 2011

TCBA Watson Rice LLP

Florida Agricultural & Mechanical University Foundation, Inc.
(A Non Profit Organization)
STATEMENTS OF FINANCIAL POSITION

As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 941,831	\$ 764,647
Unconditional promises to give, net	1,109,206	1,933,348
Loans and advances receivable	24,926	18,250
Other receivables	31,616	73,011
Furniture and equipment, net	8,132	5,199
Investments, at market	111,515,814	96,153,964
TOTAL ASSETS	<u>\$ 113,631,525</u>	<u>\$ 98,948,419</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 171,310	\$ 81,905
Scholarships payable	664,528	62,028
Agency liability	1,396,816	1,340,451
Total Liabilities	<u>2,232,654</u>	<u>1,484,384</u>
Net Assets		
Unrestricted net assets	683,212	1,143,985
Temporarily restricted net assets	30,985,603	17,067,975
Permanently restricted net assets	79,730,056	79,252,075
Total Net Assets	<u>111,398,871</u>	<u>97,464,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 113,631,525</u>	<u>\$ 98,948,419</u>

Florida Agricultural & Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENTS OF ACTIVITIES

For the Fiscal Years Ended June 30, 2011 and 2010

UNRESTRICTED NET ASSETS

Support and revenues:		
Administrative Fees	\$ 847,135	\$ 779,397
Interest Income	200,499	200,152
Other Income	<u>2,637</u>	<u>3,693</u>
Total unrestricted support and revenues	<u>1,050,271</u>	<u>983,242</u>
 Net assets released from restrictions		
Restrictions satisfied by payments	<u>7,804,251</u>	<u>5,570,081</u>
Total unrestricted support, revenues, and reclassifications	<u>8,854,522</u>	<u>6,553,323</u>
 Expenses:		
Programs services		
University Support	3,737,643	2,133,732
Scholarships and grants	2,110,269	1,993,058
Fundraising	1,109,703	642,912
Management and general	<u>2,357,680</u>	<u>2,230,379</u>
Total unrestricted expenses	<u>9,315,295</u>	<u>7,000,081</u>
 Decrease in unrestricted net assets	 (460,773)	 (446,758)

TEMPORARILY RESTRICTED NET ASSETS

Support and revenues:		
Gifts, grants and scholarships	3,893,159	3,378,748
Contributions	1,024,941	798,376
Investment Income	2,546,559	2,333,702
Dues and subscriptions	89,775	125,590
Net realized and unrealized gain/loss	14,006,506	7,055,130
Other income	160,939	187,018
Restrictions satisfied by payments	<u>(7,804,251)</u>	<u>(5,570,081)</u>
 Increase in temporarily restricted net assets	 13,917,628	 8,308,483

PERMANENTLY RESTRICTED NET ASSETS

Support:		
Contributions	448,649	139,732
Dues and subscriptions	29,299	42,610
Other income	<u>33</u>	<u>1,061</u>
 Increase in permanently restricted net assets	 477,981	 183,403

Increase (decrease) in net assets

13,934,836 8,045,128

Net Assets:

Beginning net assets, as previously reported	97,464,035	90,759,358
Prior period adjustment	-	(1,340,451)
Adjusted beginning net assets	<u>97,464,035</u>	<u>89,418,907</u>
Ending net assets	<u>\$ 111,398,871</u>	<u>\$ 97,464,035</u>

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 13,991,200	\$ 8,045,128
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Unrealized and realized (gains) on investments	(14,006,506)	(7,055,130)
Depreciation	1,269	973
Endowment Gifts, Grants, Scholarships and Contributions	(448,650)	(139,732)
(Decrease) in discount on unconditional promises to give	(22,877)	(8,670)
Increase (decrease) in allowance for unconditional promises to give	389,482	(8,237)
(Increase) decrease in:		
Pledge receivables	457,536	128,311
Loans and advances receivable	(6,675)	65,391
Other receivables	41,396	(63,786)
Increase in:		
Accounts payable and accrued expenses	89,405	42,310
Scholarships payable	602,499	34,925
Agency liability	56,365	109,400
Net cash provided by operating activities	1,088,080	1,150,883
Cash flows from investing activities:		
Acquisition of furniture and equipment	(4,202)	(2,234)
Purchase of investments	(51,647,409)	(92,114,058)
Proceeds from sale of investments	50,292,065	90,304,899
Net cash used in investing activities	(1,359,546)	(1,811,393)
Cash flows from financing activities:		
Contributions for long-term endowments	448,650	139,732
Net cash provided by financing activities	448,650	139,732
Net decrease (increase) in cash and cash equivalents	177,184	(520,778)
Cash and cash equivalents:		
Beginning of the year	764,647	1,285,425
End of the year	\$ 941,831	\$ 764,647

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Florida Agricultural and Mechanical University Foundation, Inc. (the "Foundation") is supported primarily through donor contributions, grants, and the State of Florida Department of Education's Division of Colleges and Universities ("D.C.U.").

During the years ended June 30, 2011 and 2010, the Foundation, under the matching program sponsored by the D.C.U. did not recognize any state matching revenues.

B. Financial Statement Presentation

The Foundation prepares its financial statements in accordance with Financial Accounting Standards Codification (ASC) Topic 958-205 of the Financial Accounting Standards Board (FASB), "Not-for-Profit Entities Presentation of Financial Statements". Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

The three (3) classes of net assets are presented below:

- **Unrestricted Net Assets** - represents resources which are not covered by donor-imposed restrictions; which have met all applicable restrictions and/or resources generated through sources other than receipts from donors.
- **Temporarily Restricted Net Assets** - represents resources recognized as restricted support until such a time when all associated restrictions have been met.
- **Permanently Restricted Net Assets** - represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Contributions

In accordance with FASB ASC Topic 958, "Not-For-Profit Entities," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

D. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

E. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Non-traditional and alternative investments without readily determinable fair values are valued at the net asset value of shares or units held by the Foundation at year end. Real estate investments are stated primarily at current appraised values. Unrealized gains and losses are included in the changes in net assets.

F. Contributed Facilities and Services

There were no contributed facilities and services during the years ended June 30, 2011 and 2010.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Donated Property

Donations of property are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor, at which time the Foundation reclassifies temporarily restricted net assets to unrestricted net assets. The Foundation makes no provision for depreciation of such real property. There was no donated property during the years ended June 30, 2011 and 2010.

H. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers uninvested cash in bank and certificates of deposits with maturities of three months or less to be cash and cash equivalents.

I. Fair Values of Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term investments, and promises to give due in less than one year, other accounts receivable, and accounts payable: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Fair values of long-term investments are discussed at Note 3.

J. Income Taxes

The Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contributions deduction under Section 509(a) (2) and is not a "private foundation".

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Functional Expenses

The Foundation, being a Direct Support Organization (“DSO”) for the Florida Agricultural and Mechanical University (the “University”), was established to aid in the advancement of the University’s objectives and purposes. Part of the Foundation’s commitment to the University is to provide assistance in the various activities or programs of the University.

The Foundation reports expenses by functional classification, whereby expenses are categorized by program activities and supporting services. Program activities include direct and indirect costs associated with activities carried out for the fulfillment of the objectives of the Foundation. Supporting services related to costs incurred other than those classified under program activities. Expenses incurred for program activities and supporting services are reported in the statement of activities.

The Foundation has the following functional expense categories:

- University support - charges include expenses incurred for scholarship administration, seminars, and marketing, on behalf of the University.
- Scholarships and grants - charges include payment of tuition, fees, room and board, books and stipends for students in various academic disciplines.
- Fundraising - charges include expenses incurred for travel, events and other operating costs to support fundraising efforts.
- Management and general - charges represent operating expenses including salaries, materials and supplies for programs supported through the Foundation.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Reclassification of 2010 Financial Statements

Certain 2010 financial statement line items have been reclassified to conform to the current year’s presentation. Such reclasses have no effect on net income or net assets.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. The discount rate is five percent (5%) for the years ended June 30, 2011 and 2010. Amortization of discounts is included as contribution revenue.

An allowance percentage is applied on all current pledges that are not past due. On an annual basis, management will review the percentage used for the allowance for doubtful accounts calculation and determine if an adjustment is required. For any pledge that is past due and greater than 180 days delinquent, an allowance for the full remaining balance will be taken.

Unconditional promises to give consist of the following:

	2011	2010
Pledges receivable	\$ 1,684,678	\$ 1,568,571
Less: unamortized discount	84,234	78,429
Subtotal	1,600,444	1,490,142
Less: allowance for uncollectibles	491,238	74,507
Unconditional promises to give, net	1,109,209	1,415,635
D.C.U. matching funds	-	573,643
Less: unamortized discount	-	28,682
Subtotal	-	544,961
Less: allowance for uncollectibles	-	27,248
D.C.U matching funds, net	-	517,713
Net unconditional promises to give	\$ 1,109,209	\$ 1,933,348
Amount due in:		
Less than one (1) year	\$ 1,000,000	\$ 1,000,000
One to five (5) years	634,678	1,092,214
More than five (5) years	50,000	50,000
Total	\$ 1,684,678	\$ 2,142,214

At June 30, 2011, the Foundation had approximately \$573,643 of outstanding State matching funds pending appropriation. This represents gifts received by the Foundation that have been approved for State matching funds. However such matching funds have not yet been appropriated. No receivable was recorded in the accompanying financial statements for the anticipated State funds, nor was the future support recognized.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) (formerly referred to as FASB Statement of Financial Accounting Standards [SFAS] 157, *Fair Value Measurements*) is the authoritative U.S. GAAP guidance on how entities should measure and disclose fair value in their financial statements. Fair value is defined in ASC 820 as the “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation methodology for an asset or liability as of the measurement date. The valuation hierarchy assigns highest priority to Level 1 measurements, and lowest priority to Level 3 measurements. The three levels are defined as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Instruments in this category include money market funds and common stocks traded on exchanges such as the New York Stock Exchange.

Level 2 Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets. Level 2 inputs may include quoted prices for identical or similar assets or liabilities in markets that are not active. Instruments in this category include some corporate and municipal bonds that may not be traded frequently.

Level 3 Financial assets and liabilities whose values are based on unobservable inputs for the asset or liability. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. Instruments in this category include investments in hedge funds and real estate funds.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at June 30, 2011 and 2010.

Corporate stocks and commingled funds (equities and fixed income) – Valued at quoted market prices, which for commingled funds represents the net asset value of shares held by the Foundation at year end.

Mutual Funds/Short-term investments – Valued at the net asset value of shares held by the Foundation at yearend.

Corporate bonds and government issues (domestic and foreign) – Investments classified as Level 1 are based on quoted market prices from independent pricing vendors. Investments classified as Level 2 are based upon independent pricing models or other model-based valuation techniques, such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors. Other factors may include items, such as credit loss assumptions.

Hedge Funds and Real Estate Funds – Valued at the net asset value of the units held by the Foundation at year end, as reported by the investment manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Foundation's financial statements at fair value as of June 30, 2011 and 2010:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2011				
Mutual Funds	\$ 10,670,611	\$ -	\$ -	\$10,670,611
Common Stocks	46,535,655	-	-	46,535,655
Corporate Bonds U.S. Government Securities	11,941,872 3,740,653	3,089,310 3,677,283	- -	15,031,182 7,417,936
Hedge Funds	-	-	21,230,726	21,230,726
Real Estate Fund	-	-	9,562,594	9,562,594
Real Estate Property	500,000	-	-	500,000
Investment Deposit	254,523	-	-	254,523
Accrued Interest/ Unsettled Transactions	312,587	-	-	312,587
Total Investments	\$ 73,836,703	\$ 6,766,593	\$ 30,793,320	\$111,515,814
June 30, 2010				
Mutual Funds	\$ 2,965,561	\$ -	\$ -	\$ 2,965,561
Common Stocks	41,613,067	-	-	41,613,068
Corporate Bonds U.S. Government Securities	12,880,257 9,036,295	- -	- -	12,880,257 9,036,295
Hedge Funds	-	-	20,344,448	20,344,448
Real Estate Fund	-	-	8,254,041	8,254,041
Real Estate Property	500,000	-	-	500,000
Investment Deposit	593,580	-	-	593,580
Accrued Interest/ Unsettled Transactions	(33,286)	-	-	(33,286)
Total Investments	\$ 66,555,474	\$ -	\$ 28,598,489	\$ 96,153,964

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following is a description of the significant investment strategies of each major category of investments that calculate net asset value per share and are not in an active market (Level 3 measurements):

Hedge Funds and Fund of Funds - To provide capital appreciation and generate high returns at reduced risk through aggressively managed portfolio of investments using advanced investment strategies.

Real Estate Funds – To provide capital appreciation and generate high returns through a professionally managed private Real Estate Investment Trust portfolio that approximates the investment risks and returns for private commercial real estate.

While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the fiscal years ended June 30, 2011 and 2010:

	<u>Hedge Funds</u>	<u>Real Estate Fund</u>
Balance June 30, 2009	\$ 11,977,867	\$ 8,412,481
Purchases, issuances, and settlements (net)	7,954,287	(77,205)
Investment income	3,244	572,063
Net realized and unrealized gains (losses)	409,050	(653,298)
Balance June 30, 2010	20,344,448	8,254,041
Purchases, issuances, and settlements (net)	(507,138)	(91,759)
Investment income	6	525,769
Net realized and unrealized gains (losses)	1,393,410	874,543
Balance June 30, 2011	<u>\$ 21,230,726</u>	<u>\$ 9,562,594</u>

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3. FAIR VALUES MEASUREMENTS (continued)

The estimated fair values of the Foundation's financial instruments, other than investments, at June 30, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	\$ 941,831	\$ 941,831	\$ 764,647	\$ 764,647
Unconditional promises to give	1,684,678	1,109,206	2,131,977	1,933,348
Other accounts receivable	56,542	56,542	91,261	91,261
Payables and accrued expenses	835,839	835,839	143,933	143,933

The fair values in the preceding table are included in the statement of financial position under the applicable captions.

NOTE 4. INVESTMENTS

The Foundation maintains master investment accounts for primarily all of its investments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual net asset accounts based on the relationship of the market value of each net asset account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The following schedule summarizes the investment activity for the year ended June 30, 2011 and 2010.

	2011	2010
Investment returns, net of fees		
Interest and dividend income	\$ 2,746,559	\$ 2,533,702
Net realized gain	3,095,482	2,312,217
Change in net unrealized gain	10,967,389	4,742,913
Consulting fees	(462,724)	(456,570)
Total investment returns, net	16,346,706	9,132,262
Other investment activities		
Cash deposits	6,447,158	-
Cash withdrawals	(7,431,780)	(750,000)
	(984,856)	(750,000)
Total investment activity	\$ 15,361,963	\$ 8,382,262

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 5. PLANNED GIVING PROGRAM

At June 30, 2011 the Foundation has been named beneficiary of a life insurance policy with a future gift in the amount of \$505,632. The life insurance premium was paid by the donors with a lump sum onetime payment insuring that the Foundation will receive the gifts at some time in the future.

NOTE 6. DIVISION OF COLLEGES AND UNIVERSITIES MATCHING

The Foundation participates in a matching program sponsored by the State of Florida Department of Education's Division of Colleges and Universities (D.C.U.). The D.C.U. contributes 50% to the Foundation based on the donor's contributions of \$100,000 to \$599,999; and on contributions of \$600,000 or more the minimum match is 70%; both to the extent funds are appropriated by the State of Florida's Legislature. The Foundation has been notified by the D.C.U. that the matching fund program has been temporarily suspended until further notice. Matching funds previously awarded will be issued at the time the program is reinstated. As of June 30, 2010 and 2009 the Foundation had approximately \$517,713 of outstanding State matching funds recorded at present value reclassified as long-term unconditional promises to give based on suspension of the State matching program.

The State of Florida did not appropriate state matching funds to pay this program during the fiscal year 2011-12; therefore, the Foundation selected to write-off the receivable for outstanding state matching funds in the full amount of \$573,643. Once funds are appropriated by the state Legislature, a receivable will be recorded.

NOTE 7. CONCENTRATION OF CREDIT RISK

At June 30, 2011 and 2010, the Foundation had accounts in financial institutions with balances of \$691,864 and \$514,647 in excess of the Federal Deposit Insurance Corporation's insurance coverage of \$250,000, respectively. In addition, the Foundation had balances of 111,015,814 and \$95,653,964 respectively, at June 30, 2011 and 2010 in excess of the Securities Investor's Protection Corporation ("SIPC") insurance coverage of \$500,000. Invested securities and cash are also covered by the brokerage custodian and its parent company for amounts in excess of the SIPC limit. Management believes no material risk of loss will be sustained from holding these assets with these institutions.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8. AGENCY LIABILITY

The Foundation holds pooled assets, reported as investments and agency liability on behalf of the FAMU National Alumni Association (the "Alumni"), in the amount of \$1,396,816 and \$1,340,451 as of June 30, 2011 and 2010. Figures exclude the NAA Million Dollar Endowment. The Alumni is another Direct Support Organization ("DSO") of the University.

NOTE 9. NET ASSETS

The restrictions of net assets by purpose at June 30, 2011 are as follows:

Description	Net Assets			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operations	\$ 683,212	\$ 7,896,212	\$ 13,470,919	
Professorships		749,369	1,975,500	
Endowed Chairs		5,259,695	17,439,044	
Scholarships		17,080,327	46,844,593	
	<u>\$ 683,212</u>	<u>\$ 30,985,603</u>	<u>\$ 79,730,056</u>	<u>\$ 111,398,871</u>

NOTE 10. ENDOWMENTS

The Foundation's endowment consists of approximately 400 funds (projects) established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board of Directors has interpreted the laws of the Statute of the State of Florida 1010.10 - Florida Uniform Management of Institutional Funds Act (FUMIFA). Based on such laws, the governing board may expend so much of an endowment fund as the governing board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10. ENDOWMENTS (continued)

In making its determination the governing board used reasonable care, skill, and caution in considering the following:

1. The purposes of the institution;
2. The intent of the donors of the endowment fund;
3. The terms of the applicable instrument;
4. The long-term and short-term needs of the institution in carrying out its purposes;
5. The general economic conditions;
6. The possible effect of inflation or deflation;
7. The other resources of the institution; and
8. Perpetuation of the endowment.

Expenditures made are considered prudent as the amount expended is consistent with the goal of preserving the purchasing power of the endowment fund.

As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the original value of other corpus additions including state match provided to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUMIFA.

Investment Policy & Supervision

The Investment Committee of the Foundation Board of Directors is responsible for investing the Foundation's endowment funds. The committee, with the help of an independent investment advisor, develops proper investment policies and employs professional investment managers to execute those policies.

All the endowment funds of the foundation are combined for the purposes of investment. The chief objective of the investment pool is to grow the corpus in excess of inflation and to meet both current and future obligations as dictated by the spending policy, net of operation costs.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10. ENDOWMENTS (continued)

Investment management of the assets of the Foundation shall be in accordance with the following assets allocation guidelines:

Asset Class	Minimum	Maximum	Target
Equities	40%	55%	47%
Fixed Income	15%	30%	23%
Hedge Funds	15%	25%	20%
Real Estate	5%	15%	10%
Cash and Equivalents	0%	15%	0%

In order to meet its needs, the investment strategy of the Foundation is to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income.

Investment goals include the following:

- Preservation of Purchasing Power – After giving consideration to minimum annual gifts/contributions, to achieve annual total returns in excess of the rate of inflation (CPI +1%) plus spending over the investment horizon in order to preserve purchasing power of Fund assets.
- Long-Term Growth of Capital -To emphasize long-term growth of principal while controlling excessive risk. Short-term (one year or less) volatility of Total Fund values will be tolerated in as much as it is consistent with the volatility of a comparable market index.
- Liquidity - To ensure the ability of the Fund to meet all expected or unexpected annual cash flow needs by investing in securities which can be sold readily and efficiently.

It is the goal of the Foundation to grow total assets at a rate that will equal or exceed annually:

1. The rate of Foundation spending, plus the rate of inflation as measured by the Consumer Price Index (CPI) + 1%, after giving consideration to minimum annual gifts/contributions.
2. An absolute rate of return of 8.5%.
3. The return of a custom blended composite market index.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10. ENDOWMENTS (continued)

Spending Policy

The FAMU Foundation endowment spending policy is designed to provide a steady income flow to the foundation stakeholders for their current and future needs while maintaining the purchasing power of the endowed assets.

The FAMU Foundation sets an annual spending at a rate of 4.5% and the administrative fee rate at 1% for a total of 5.5% annual spending. Spending is distributed at the end of each calendar year (December 31st).

In the annual distribution method, there is a tendency to pay out the “excess” earnings during periods of over-performance, while maintaining a certain absolute dollar floor of spending during periods of under-performance.

Changes in endowment funds for the year ended June 30, 2011, consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 16,939,736	\$ 79,252,075	\$ 96,191,811
Contributions and other revenue	-	477,981	477,981
Net earnings allocation	3,059,177	-	3,059,177
Endowment earnings expended	(723,386)	-	(723,386)
Other transfers	(922,298)	-	(922,298)
Endowment net assets, end of year	<u>\$ 18,353,229</u>	<u>\$ 79,730,056</u>	<u>\$ 98,083,285</u>

NOTE 11. PRIOR PERIOD ADJUSTMENT

An adjustment was made to net assets as of the beginning of the year to more accurately reflect the amounts held by the Foundation on behalf of the FAMU National Alumni Association. The effect of adjustment was a decrease in the temporarily restricted net assets of the Foundation in the amount of \$1,340,451.

NOTE 12. SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition and disclosure in the financial statements through August 22, 2011. No subsequent events have been recognized or disclosed.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Non-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2011 and 2010

	June 30, 2011				June 30, 2010			
	Program Services		Management & General		Program Services		Management & General	
	University Support	Scholarships and Grants	Fundraising	Total	University Support	Scholarships and Grants	Fundraising	Total
Scholarships and grants	21,368	2,110,269	-	2,131,637	-	1,993,058	-	1,993,058
Salaries and fringe benefits	575,659	-	1,117,731	1,693,390	7,677	-	-	1,047,854
Contract services	375,538	-	17,695	393,233	349,420	-	-	21,108
Reimbursement for grant costs	-	-	-	-	201,219	-	-	201,219
Administrative charges	-	-	846,635	846,635	-	-	-	779,457
Equipment purchases	41,202	-	8,395	49,597	31,413	-	13,463	44,876
Travel and meetings	399,327	171,140	29,656	600,124	236,036	-	101,158	395,466
Materials and supplies	274,523	117,653	12,008	404,184	242,186	-	103,794	355,113
Professional fees	340,939	146,117	53,334	540,390	326,361	-	139,869	501,991
Entertainment and dinners	448,269	192,115	17,054	657,438	384,852	-	164,937	579,744
Repairs and maintenance	98,472	42,202	28,953	169,628	23,112	-	9,905	33,167
Postage	22,449	9,621	675	32,745	9,334	-	4,000	14,567
Dues and subscriptions	54,564	-	2,550	57,134	20,463	-	-	23,208
Insurance	10,776	-	8,438	19,214	12,544	-	-	20,791
Equipment rental	41,284	-	3,670	44,954	13,701	-	-	13,701
Printing and advertising	124,319	-	17,229	141,548	129,063	-	55,313	193,153
Telephone	3,699	3,699	4,983	12,381	1,640	-	1,640	8,160
Rent	42,953	-	61,809	104,762	31,214	-	-	103,626
Depreciation	-	-	1,269	1,269	-	-	-	973
Utilities	8,680	-	3,647	12,327	6,661	-	-	11,345
Training and seminars	26,254	-	6,722	32,976	8,064	-	3,456	15,700
Taxes and licenses	8,150	-	-	8,150	12,523	-	-	17,961
Bank charges	22,425	-	16,000	38,425	3,397	-	1,456	22,832
Provision for Uncollectible Pledges	674,188	-	-	674,188	-	-	3,046	3,046
Presidents Amnity and Allowances	-	-	87,000	87,000	-	-	-	87,000
Contributions	52,273	-	11,636	63,909	30,638	-	13,130	57,713
Miscellaneous	70,313	30,134	591	101,038	52,214	-	22,378	96,155
Total	\$ 3,737,643	\$ 2,110,269	\$ 1,109,703	\$ 9,315,295	\$ 2,133,732	\$ 1,993,058	\$ 642,912	\$ 7,000,081

Florida A&M University Foundation, Inc.
(A Nonprofit Organization)

MAJOR GIFTS PROGRAM
SCHEDULE 1 - SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES

For the Fiscal Year Ended June 30, 2011

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2010	Corpus Contributed During the 2010-2011	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 40,724.00
SCCE 1, 4 & 5	\$ 450,000	\$ 745,281	\$ -	\$ 24,750	\$ -	\$ 4,500	\$ 450,000	\$ 765,531
SCCE 2 & 3	300,000	521,479	-	16,500	-	3,000	300,000	534,979
SCCE 14	150,000	234,191	-	8,250	2,000	1,500	150,000	238,941
SCCE 24	150,000	164,307	-	8,250	-	1,500	150,000	171,057
SCCE 25	150,000	183,281	-	8,250	-	1,500	150,000	190,031
SCCE 26	150,000	219,426	-	8,250	117	1,500	150,000	226,059
SCCE 27	150,000	259,787	-	8,250	-	1,500	150,000	266,537
SCCE 28	150,000	195,375	-	8,250	-	1,500	150,000	202,125
SCCE 33	300,000	327,208	-	16,500	13,550	3,000	300,000	327,158
SCCE 34	150,000	172,500	-	8,250	-	1,500	150,000	179,250
SCCE 35	150,000	262,236	-	8,250	-	1,500	150,000	268,986
SCCE 38-40	450,000	734,266	-	24,750	-	4,500	450,000	754,516
SCCE 41-43	450,000	623,049	-	24,750	4,564	4,500	450,000	638,735
SCCE 44-48	750,000	819,962	-	41,250	-	7,500	750,000	853,712
SCCE 49-51	450,000	718,038	-	24,750	-	4,500	450,000	738,288
SCCE 52-53	300,000	433,987	-	16,500	9,953	3,000	300,000	437,534
SCCE 57	1,164,977	1,455,683	-	64,074	31,408	11,650	1,164,977	1,476,699
SCCE 58	315,898	418,615	-	17,374	24,169	3,159	315,898	408,662
SCCE 61	247,500	387,350	-	13,613	750	2,475	247,500	397,738
SCCE 62	300,000	417,914	-	16,500	10,146	3,000	300,000	421,268
SCCE 64	375,000	451,912	-	20,625	8,250	3,750	375,000	460,537
SCCE 65	150,000	242,999	-	8,250	-	1,500	150,000	249,749
SCCE 66	172,500	279,594	-	9,488	-	1,725	172,500	287,357
SCCE 67	300,000	315,542	-	16,500	3,077	3,000	300,000	325,965
SCCE 68	210,000	307,278	-	11,550	-	2,100	210,000	316,728
SCCE 69	172,500	196,850	-	9,488	16,200	1,725	172,500	188,413
SCCE 70	360,283	472,620	-	19,816	1,977	3,603	360,283	486,856
SCCE 71	300,000	460,355	-	16,500	-	3,000	300,000	473,855
SCCE 72	217,500	305,653	-	11,963	-	2,175	217,500	315,440
SCCE 74	574,380	801,770	-	31,591	2,500	5,744	574,380	825,117
SCCE 75	396,000	533,206	-	21,780	-	3,960	396,000	551,026
SCCE 77	1,190,000	1,317,023	-	65,450	75,334	11,900	1,190,000	1,295,239
SCCE 79	1,219,451	1,450,161	-	67,070	42,667	12,195	1,219,451	1,462,369
SCCE 80	150,000	179,583	-	8,250	-	1,500	150,000	186,333
SCCE 85	229,082	288,042	-	12,600	3,500	2,291	229,082	294,851
SCCE 86	750,000	918,750	-	41,250	-	7,500	750,000	952,500
SCCE 87	225,000	300,625	-	12,375	-	2,250	225,000	310,750
Balances Forward	13,670,071	18,115,897	-	751,854	250,162	136,701	13,670,071	18,480,888

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2010	Corpus Contributed During the 2010-2011	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 40,724.00
Balances Forward	13,670,071	18,115,897	-	751,854	250,162	136,701	13,670,071	18,480,888
FAMU Endowment #1	411,200	499,336	-	22,616	3,428	4,112	411,200	514,412
FAMU Endowment #2	402,000	423,842	-	22,110	-	4,020	402,000	441,932
FAMU Endowment #3	320,997	375,021	-	17,655	-	3,210	320,997	389,466
FAMU Endowment #4	351,023	429,845	-	19,306	-	3,510	351,023	445,641
FAMU Endowment #5	187,500	235,630	-	10,313	-	1,875	187,500	244,067
Walt Disney World Family Law	225,000	264,406	-	12,375	-	2,250	225,000	274,531
FAMU Endowment #6	343,812	388,378	-	18,910	2,754	3,438	343,812	401,095
FAMU Endowment #7	358,433	385,213	-	19,714	2,003	3,584	358,433	399,340
Moot Court & Law Review Endt	1,275,000	1,394,822	-	70,125	67,752	12,750	1,275,000	1,384,445
FAMU Endowment #8	184,881	212,844	-	10,168	-	1,849	184,881	221,163
FAMU Endowment #9	183,393	210,130	-	10,087	750	1,834	183,393	217,633
FAMU Endowment #10	183,917	211,735	-	10,115	-	1,839	183,917	220,011
National Alumni Association Endowed Schp	150,000	170,250	-	8,250	-	1,500	150,000	177,000
Walt Disney World Family Law	100,000	103,500	-	5,500	-	1,000	100,000	108,000
FAMU Endowment #11	640,919	661,351	-	35,251	500	6,409	640,919	689,693
Scholarship Endowment I	150,000	278,641	-	8,250	-	1,500	150,000	285,391
Scholarship Endowment 2 & 3	-	-	-	-	-	-	-	-
Scholarship Endowment 4 & 5	300,000	505,051	-	16,500	4,675	3,000	300,000	513,876
Scholarship Endowment 6 & 7	300,000	413,967	-	16,500	-	3,000	300,000	427,467
Corporate Banquet	150,000	208,875	-	8,250	25,545	1,500	150,000	190,080
Honeywell, Inc. Endowment	150,000	164,125	-	8,250	-	1,500	150,000	170,875
Bill & Camille Cosby Endowment	300,000	450,989	-	16,500	5,250	3,000	300,000	459,239
Faculty & Staff Endowment	300,000	417,750	-	16,500	75,334	3,000	300,000	355,916
Journalism	450,000	463,874	-	24,750	15,579	4,500	450,000	468,545
Centennial I, II, III	450,000	456,891	-	24,750	-	4,500	450,000	477,141
SBI Endowments (Various)	13,582,256	18,996,522	-	747,024	600,000	135,823	13,582,256	19,007,724
TOTAL	\$ 35,120,402	\$ 46,438,885	\$ -	\$ 1,931,623	\$ 1,053,732	\$ 351,204	\$ 35,120,402	\$ 46,965,572

* SCCE - Second Century Campaign Endowment.

EMINENT SCHOLARS CHAIRS
 SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES

For the Fiscal Year Ended June 30, 2011

Name of Eminent Scholars Chair	Corpus							
	Beginning Corpus Balance	Beginning Net Balance 07/01/2010	Contributed During the FY 2010-2011	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2011
Warner Lambert Chair	\$ 1,000,000	\$ 1,500,076	\$ -	\$ 55,000	\$ -	\$ 10,000	\$ 1,000,000	\$ 1,545,076
Centennial Business Chair	1,000,000	1,277,699	-	55,000	-	10,000	1,000,000	1,322,699
Anheuser Busch Chair	1,000,000	1,263,891	-	55,000	-	10,000	1,000,000	1,308,891
Knight-Ridder Chair	1,762,440	1,953,893	-	98,941	74,445	17,711	1,762,440	1,960,678
Garth Reeves Chair	1,000,000	1,249,496	-	55,000	56,603	10,000	1,000,000	1,237,893
Foster-Edmond Chair	1,020,000	1,517,192	-	56,100	-	10,200	1,020,000	1,563,092
SBI Financial Services Chair	1,020,000	1,390,383	-	56,100	-	10,200	1,020,000	1,436,283
Carrie Meek Chair	1,020,000	1,640,237	-	56,100	-	10,200	1,020,000	1,686,137
Shirley A. Cunningham Jr. Endowed Chair	1,750,001	2,269,688	-	96,250	-	17,500	1,750,001	2,348,438
Sybil C. Mobley Endowed Chair	2,523,798	3,031,011	-	138,809	-	25,238	2,523,798	3,144,582
TOTAL CHAIRS	\$ 13,096,239	\$ 17,093,566	\$ -	\$ 722,300	\$ 131,048	\$ 131,049	\$ 13,096,239	\$ 17,553,769