

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

**FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT
THEREON, AND AUDITORS' REPORT ON INTERNAL
CONTROL AND COMPLIANCE
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**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, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. 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, 2012 and 2011, 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 October 8, 2012 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 supplemental schedule of functional expenses on page 13 and the supplementary information on pages 14 through 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tallahassee, Florida
October 8, 2012

TCBA Watson Rice LLP

Florida Agricultural & Mechanical University Foundation, Inc.
(A Non Profit Organization)
STATEMENT OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 270,992	\$ 941,831
Unconditional promises to give, net	582,247	1,109,206
Loans and advances receivable	19,874	24,926
Other receivables	38,239	31,616
Fixed assets, net	707,887	8,132
Investments, at market	108,216,593	111,515,814
TOTAL ASSETS	<u>\$ 109,835,832</u>	<u>\$ 113,631,525</u>
 LIABILITIES AND NET ASSETS		
 Liabilities		
Accounts payable and accrued expenses	\$ 225,988	\$ 171,310
Scholarships payable	834,680	664,528
Agency liability	1,382,052	1,396,816
Total Liabilities	<u>2,442,720</u>	<u>2,232,654</u>
 Net Assets		
Unrestricted net assets	329,365	683,212
Temporarily restricted net assets	27,204,359	30,985,603
Permanently restricted net assets	79,859,388	79,730,056
Total Net Assets	<u>107,393,112</u>	<u>111,398,871</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 109,835,832</u>	<u>\$ 113,631,525</u>

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

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Support and revenues:		
Administrative fees	\$ 841,131	\$ 847,135
Interest income	200,212	200,499
Other income	-	2,637
Total unrestricted support and revenues	1,041,343	1,050,271
Net assets released from restrictions		
Restrictions satisfied by payments	6,736,746	7,804,251
Total unrestricted support, revenues, and reclassifications	7,778,089	8,854,522
Expenses:		
Programs services		
University support	2,825,589	3,737,643
Scholarships and grants	2,010,661	2,110,269
Fundraising	1,074,128	1,109,703
Management and general	2,244,948	2,357,680
Total unrestricted expenses	8,131,936	9,315,295
Decrease in unrestricted net assets	(353,847)	(460,773)
TEMPORARILY RESTRICTED NET ASSETS		
Support and revenues:		
Gifts, grants and scholarships	2,798,773	3,893,159
Contributions	787,072	1,024,941
Investment income	2,673,698	2,546,559
Dues and subscriptions	88,945	89,775
Net realized and unrealized gain/(loss)	(3,553,744)	14,006,506
Other income	160,758	160,939
Restrictions satisfied by payments	(6,736,746)	(7,804,251)
Increase (decrease) in temporarily restricted net assets	(3,781,244)	13,917,628
PERMANENTLY RESTRICTED NET ASSETS		
Support:		
Contributions	85,877	448,649
Dues and subscriptions	43,400	29,299
Other income	55	33
Increase in permanently restricted net assets	129,332	477,981
Increase (decrease) in net assets	(4,005,759)	13,934,836
Net Assets:		
Beginning net assets	111,398,871	97,464,035
Ending net assets	\$ 107,393,112	\$ 111,398,871

Florida Agricultural and Mechanical University Foundation, Inc.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (4,005,759)	\$ 13,991,200
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Unrealized and realized (gains) on investments	4,274,959	(14,006,506)
Depreciation	1,206	1,269
Endowment gifts, grants, scholarships, and contributions	(85,877)	(448,650)
Decrease in discount on unconditional promises to give	(10,449)	(22,877)
Increase in allowance for unconditional promises to give	318,429	389,482
(Increase) decrease in:		
Pledge receivables	218,979	457,536
Loans and advances receivable	5,056	(6,675)
Other receivables	(6,624)	41,396
Increase (decrease) in:		
Accounts payable and accrued expenses	56,515	89,406
Scholarships payable	170,153	546,134
Agency liability	(14,764)	56,365
	921,824	1,088,080
Cash flows from investing activities:		
Acquisition of fixed assets	(700,962)	(4,202)
Purchase of investments	(11,289,571)	(51,647,409)
Proceeds from sale of investments	10,311,993	50,292,065
	(1,678,540)	(1,359,546)
Cash flows from financing activities:		
Contributions for long-term endowments	85,877	448,650
	85,877	448,650
Net decrease (increase) in cash and cash equivalents	(670,839)	177,184
Cash and cash equivalents:		
Beginning of the year	941,831	764,647
End of the year	\$ 270,992	\$ 941,831

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011, 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 Statement of 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 Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011.

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 Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011. 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:

		2012		2011
Pledges receivable	\$	1,475,699	\$	1,684,678
Less: unamortized discount		73,785		84,234
Subtotal		1,401,914		1,600,444
Less: allowance for uncollectibles		318,429		491,238
Net unconditional promises to give	\$	1,083,485	\$	1,109,209
Amount due in:				
Less than one (1) year	\$	550,000		1,000,000
One to five (5) years		925,699		634,678
More than five (5) years		0		50,000
Total	\$	1,475,699	\$	1,684,678

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011.

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 based on their most recent valuation.

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 Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011:

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, 2012				
Mutual Funds	\$ 6,161,580	\$ -	\$ -	\$ 6,161,580
Common Stocks	46,090,931	-	-	46,090,931
Corporate Bonds	12,717,881	3,869,446	-	16,587,327
U.S. Government Securities	4,052,088	3,353,144	-	7,405,232
Hedge Funds	-	5,777,155	14,923,645	20,700,800
Real Estate Fund	-	-	10,506,886	10,506,886
Real Estate Property	500,000	-	-	500,000
Investment Deposit	530,524	-	-	530,524
Accrued Interest/ Unsettled Transactions	(266,687)	-	-	(266,687)
Total Investments	\$ 69,786,317	\$ 12,999,745	\$ 25,430,531	\$ 108,216,593
June 30, 2011				
Mutual Funds	\$ 10,670,611	\$ -	\$ -	\$ 10,670,611
Common Stocks	46,535,655	-	-	46,535,655
Corporate Bonds	11,941,872	3,089,310	-	15,031,182
U.S. Government Securities	3,740,653	3,677,283	-	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	\$ 73,455,901	\$ 6,766,593	\$ 31,293,320	\$ 111,515,814

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2012 and 2011:

	Hedge Funds	Real Estate and Real Estate Fund
Balance June 30, 2010	20,344,448	8,754,041
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>\$ 10,062,594</u>
Purchases, issuances, and settlements (net)	-	-
Investment income	-	391,557
Net realized and unrealized gains (losses)	(529,926)	552,735
Balance June 30, 2012	<u><u>\$ 20,700,800</u></u>	<u><u>\$ 11,006,886</u></u>

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The estimated fair values of the Foundation's financial instruments, other than investments, at June 30, 2012 and 2011 are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	\$ 270,992	\$ 270,992	\$ 941,831	\$ 941,831
Unconditional promises to give	1,475,699	1,083,485	1,684,678	1,109,206
Other accounts receivable	58,113	58,113	56,542	56,542
Payables and accrued expenses	1,060,667	1,060,667	835,839	835,839

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, 2012 and 2011.

	2012	2011
Investment returns, net of fees		
Interest and dividend income	\$ 2,874,180	\$ 2,533,702
Net realized gain/(loss)	700,939	2,312,217
Change in net unrealized gain/(loss)	(4,254,683)	4,742,913
Consulting and advisory fees	(477,392)	(456,570)
Total investments returns, net	<u>(1,156,956)</u>	<u>9,132,262</u>
Other investment activities		
Cash deposits	-	-
Cash withdrawals	(2,142,265)	(750,000)
Sale of Property	-	-
Total other investment activities	<u>(2,142,265)</u>	<u>(750,000)</u>
Total investment activity	<u>\$ (3,299,221)</u>	<u>\$ 8,382,262</u>

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5. FIXED ASSETS

Land, buildings, and equipment are stated at cost, if purchased. The foundation purchased a building at a cost of \$700K during the period ending June 30, 2012. The land is valued at a price of \$180K and buildings valued at a price of \$520K. The Foundation depreciates buildings on a straight-line basis over the estimated useful life ranging from five to thirty years. Upon retirement or disposition, the asset's carrying value and related accumulated depreciation are relieved and the resulting gain or loss is included in the statements of activities and changes in net assets.

NOTE 6. PLANNED GIVING PROGRAM

At June 30, 2012 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 7. 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.

During the years ended June 30, 2012 and 2011, the Foundation had approximately \$573.6 thousand of outstanding State matching funds that have not yet been received or recognized in the accompanying financial statements. The matching funds have not yet been appropriated by the Florida Legislature since the State of Florida legislature has "temporarily suspended" its matching gifts program until further notice.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8. CONCENTRATION OF CREDIT RISK

At June 30, 2012 and 2011, the Foundation has accounts in financial institutions with balances of \$20,992 and \$691,831 in excess of the Federal Deposit Insurance Corporation's insurance coverage of \$250,000, respectively. In addition, the Foundation had balances of \$107,716,593 and \$111,015,814, respectively, at June 30, 2012 and 2011 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.

	Cash	Investments
Balance at 6/30/2012	\$ 270,992	\$ 108,216,593
Insured Coverage	250,000	500,000
Amount Uninsured	<u>\$ 20,992</u>	<u>\$ 107,716,593</u>
Balance at 6/30/2011	<u>\$ 941,831</u>	<u>\$ 111,515,814</u>
Insurance Coverage	250,000	500,000
Amount Uninsured	<u>\$ 691,831</u>	<u>\$ 111,015,814</u>

NOTE 9. 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 \$1,382,052 and \$1,396,816 as of June 30, 2012 and 2011. Figures exclude the NAA Million Dollar Endowment. The Alumni is another Direct Support Organization ("DSO") of the University.

NOTE 10. NET ASSETS

The restrictions of net assets by purchase at June 30, 2012 are as follows:

Description	Unrestricted	Temporarily	Permanently	Total Net Assets
		Restricted	Restricted	
Operations	\$ 329,365	\$7,474,720	\$ 12,983,107	\$ 20,787,192
Professorships		629,520	1,975,500	2,605,020
Endowed Chairs		4,194,879	17,439,044	21,633,923
Scholarships		14,905,240	47,461,737	62,366,977
	<u>\$ 329,365</u>	<u>\$ 27,204,359</u>	<u>\$ 79,859,388</u>	<u>\$ 107,393,112</u>

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11. 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.

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

1. The purpose 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 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.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11. ENDOWMENTS (continued)

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.

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

Asset Class	Minimum	Maximum	Target
Equities	52%	70%	60%
Fixed Income	12%	27%	18%
Hedge Funds	8%	18%	12%
Real Estate	0%	15%	10%
Cash and Equivalents	0%	10%	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.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11. ENDOWMENTS (continued)

- 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.

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 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).

The Florida A&M University Board of Trustees approved increasing the Foundation's administrative fee from 1% to 2% at its June 7, 2012 meeting. The Foundation will assess this fee for the endowment balance as of June 30, 2012.

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.

Florida Agricultural and Mechanical University Foundation, Inc.
(A Not-For-Profit Organization)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11. ENDOWMENTS (continued)

Changes in endowment funds for the year ended June 30, 2012 consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 18,353,229	\$ 79,730,056	\$ 98,083,285
Contributions and other revenue		129,332	129,332
Net earnings allocation	3,279,265		3,279,265
Endowment earnings expended	(495,267)		(495,267)
Other transfers	(24,782)		(24,782)
Endowment net assets, end of year	<u>\$ 21,112,445</u>	<u>\$ 79,859,388</u>	<u>\$ 100,971,833</u>

NOTE 12. CONTINGENCIES AND LITIGATION

A former employee has named the Foundation as a co-defendant in a civil suit pursuant to which it is alleged the employee was unlawfully terminated based on Bankruptcy Retaliation, in violation of 11 USC, § 525 and Whistleblower or Public Employer Retaliation under Chapter 448 of the Florida Statutes. The employee seeks equitable relief, including reinstatement, damages for the alleged violations of law, injunctive relief, costs and attorney's fees. The Foundation's liability carrier has denied coverage in this case due to a specific exemption in the Foundation's policy which excludes coverage on any liability arising out of claims lodged against employees of FAMU. The Foundation believes the claims as they relate to The Foundation are without merit and intends to vigorously defend its position. The ultimate outcome of this matter cannot be presently determined. However, in the opinion of management and its legal counsel the likelihood of a material adverse outcome to the Foundation is remote. Accordingly, no adjustment for this matter has been recorded.

NOTE 13. SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition and disclosure in the financial statements through October 8, 2012. 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, 2012 and 2011

	June 30, 2012				June 30, 2011			
	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	\$ -	\$ -	\$ -	\$ 2,011,088	\$ -	\$ 2,110,269	\$ -	\$ 2,110,269
Salaries and fringe benefits	22,075	-	427	1,073,581	21,368	-	-	1,117,731
Contract services	500,045	-	28,484	528,529	575,659	-	-	1,139,099
Reimbursement for grant costs	403,190	-	-	403,190	375,538	-	-	593,354
Administrative charges	-	-	841,131	841,131	-	-	-	375,538
Equipment purchases	98,880	42,377	-	141,257	41,202	17,658	-	846,635
Travel and meetings	334,170	143,216	24,269	501,655	399,327	171,140	-	67,255
Materials and supplies	270,285	115,837	11,108	397,230	274,523	117,653	-	600,124
Professional fees	339,873	145,660	76,512	562,045	340,939	146,117	-	404,184
Entertainment and dinners	458,211	196,376	19,039	673,626	448,269	192,115	-	540,390
Repairs and maintenance	33,703	14,444	38,889	87,036	98,472	42,202	-	657,438
Postage	38,488	16,495	352	55,335	22,449	9,621	-	169,628
Dues and subscriptions	29,857	-	2,699	32,556	54,584	-	-	32,745
Insurance	1,702	-	23,240	24,942	10,776	-	-	57,134
Equipment rental	31,771	-	3,498	35,269	41,284	-	-	19,214
Printing and advertising	79,004	33,859	4,506	117,369	124,319	53,280	-	44,954
Telephone	439	439	79,537	80,415	3,699	3,699	-	194,828
Rent	36,153	-	-	36,153	42,953	-	-	12,381
Depreciation	-	-	1,206	1,206	-	-	-	104,762
Utilities	7,656	-	11,429	19,085	8,680	-	-	1,269
Training and seminars	9,205	3,945	-	13,150	26,254	-	-	12,327
Taxes and licenses	22,684	9,722	341	32,747	8,150	11,252	-	3,647
Bank charges	30,428	-	1,095	31,523	22,425	3,493	-	44,228
Provision for Uncollectible Pledges	-	318,429	-	318,429	674,188	-	288,937	11,642
Presidents Annuity and Allowances	-	-	-	-	-	-	-	38,425
Contributions	-	-	-	-	52,273	-	-	963,125
Miscellaneous	67,436	28,900	13,316	109,652	70,313	30,134	-	87,000
Total	\$ 2,815,255	\$ 2,010,661	\$ 1,069,699	\$ 8,131,936	\$ 3,737,643	\$ 2,110,269	\$ 1,109,703	\$ 9,315,295

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, 2012

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2011	Corpus Contributed During the 2011-2012	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2012
SCCE 1, 4 & 5	\$ 450,000	\$ 765,531	\$ -	\$ 24,750	\$ -	\$ 4,500	\$ 450,000	\$ 785,781
SCCE 2 & 3	300,000	534,979	-	16,500	500	3,000	300,000	547,979
SCCE 14	150,000	238,941	-	8,250	2,000	1,500	150,000	243,691
SCCE 24	150,000	171,057	-	8,250	-	1,500	150,000	177,807
SCCE 25	150,000	190,031	-	8,250	-	1,500	150,000	196,781
SCCE 26	150,000	226,059	-	8,250	1,000	1,500	150,000	231,809
SCCE 27	150,000	266,537	-	8,250	-	1,500	150,000	273,287
SCCE 28	150,000	202,125	-	8,250	10,000	1,500	150,000	198,875
SCCE 33	300,000	327,158	-	16,500	-	3,000	300,000	340,658
SCCE 34	150,000	179,250	-	8,250	-	1,500	150,000	186,000
SCCE 35	150,000	268,986	-	8,250	-	1,500	150,000	275,736
SCCE 38-40	450,000	754,516	-	24,750	-	4,500	450,000	774,766
SCCE 41-43	450,000	638,735	-	24,750	1,003	4,500	450,000	657,982
SCCE 44-48	750,000	853,712	-	41,250	-	7,500	750,000	887,462
SCCE 49-51	450,000	738,288	-	24,750	-	4,500	450,000	758,538
SCCE 52-53	300,000	437,534	-	16,500	(4,540)	3,000	300,000	455,574
SCCE 57	1,164,977	1,476,699	-	64,074	-	11,650	1,164,977	1,529,123
SCCE 58	315,898	408,662	-	17,374	1,000	3,159	315,898	421,877
SCCE 61	247,500	397,738	-	13,613	750	2,475	247,500	408,125
SCCE 62	300,000	421,268	-	16,500	12,511	3,000	300,000	422,257
SCCE 64	375,000	460,537	-	20,625	18,000	3,750	375,000	459,412
SCCE 65	150,000	249,749	-	8,250	-	1,500	150,000	256,499
SCCE 66	172,500	287,357	-	9,488	-	1,725	172,500	295,119
SCCE 67	300,000	325,965	-	16,500	8,046	3,000	300,000	331,419
SCCE 68	210,000	316,728	-	11,550	-	2,100	210,000	326,178
SCCE 69	172,500	188,413	-	9,488	9,000	1,725	172,500	187,175
SCCE 70	360,283	486,856	-	19,816	6,000	3,603	360,283	497,068
SCCE 71	300,000	473,855	-	16,500	5,847	3,000	300,000	481,508
SCCE 72	217,500	315,440	-	11,963	-	2,175	217,500	325,228
SCCE 74	574,380	825,117	-	31,591	1,000	5,744	574,380	849,964
SCCE 75	396,000	551,026	-	21,780	-	3,960	396,000	568,846
SCCE 77	1,190,000	1,295,239	-	65,450	-	11,900	1,190,000	1,348,789
SCCE 79	1,219,451	1,462,369	-	67,070	46,253	12,195	1,219,451	1,470,991
SCCE 80	150,000	186,333	-	8,250	-	1,500	150,000	193,083
SCCE 85	229,082	294,851	-	12,600	10,200	2,291	229,082	294,960
SCCE 86	750,000	952,500	-	41,250	-	7,500	750,000	986,250
Balances forward	13,445,071	18,170,138	-	739,479	128,570	134,451	13,445,071	18,646,596

Name of Gift*	Beginning Corpus Balance	Beginning Net Balance 7/1/2011	Corpus Contributed During the 2011-2012	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	Ending Net Balance 06/30/2012
Balances forward	13,445,071	18,170,138	-	739,479	128,570	134,451	13,445,071	18,646,596
SCCE 87	225,000	310,750	-	12,375	2,500	2,250	225,000	318,375
FAMU Endowment #1	411,200	514,412	-	22,616	13,965	4,112	411,200	518,951
FAMU Endowment #2	402,000	441,932	-	22,110	-	4,020	402,000	460,022
FAMU Endowment #3	320,997	389,466	-	17,655	1,000	3,210	320,997	402,911
FAMU Endowment #4	351,023	445,641	-	19,306	-	3,510	351,023	461,437
FAMU Endowment #5	187,500	244,067	-	10,313	-	1,875	187,500	252,505
Walt Disney World Family Law	225,000	274,531	-	12,375	-	2,250	225,000	284,656
FAMU Endowment #6	343,812	401,095	-	18,910	35,050	3,438	343,812	381,517
FAMU Endowment #7	358,433	399,340	-	19,714	2,000	3,584	358,433	413,470
Moot Court & Law Review Endt	1,275,000	1,384,445	-	70,125	73,934	12,750	1,275,000	1,367,886
FAMU Endowment #8	184,881	221,163	-	10,168	-	1,849	184,881	229,483
FAMU Endowment #9	183,393	217,633	-	10,087	2,250	1,834	183,393	223,636
FAMU Endowment #10	183,917	220,011	-	10,115	-	1,839	183,917	228,288
National Alumni Association Endowed Schp	150,000	177,000	-	8,250	-	1,500	150,000	183,750
Walt Disney World Family Law	100,000	108,000	-	5,500	-	1,000	100,000	112,500
FAMU Endowment #11	640,919	689,693	-	35,251	14,768	6,409	640,919	703,767
Scholarship Endowment I	150,000	285,391	-	8,250	-	1,500	150,000	292,141
Scholarship Endowment 2 & 3	-	-	-	-	-	-	-	-
Scholarship Endowment 4 & 5	300,000	513,876	-	16,500	4,250	3,000	300,000	523,126
Scholarship Endowment 6 & 7	300,000	427,467	-	16,500	-	3,000	300,000	440,967
Corporate Banquet	150,000	190,080	-	8,250	-	1,500	150,000	196,830
Honeywell, Inc. Endowment	150,000	170,875	-	8,250	-	1,500	150,000	177,625
Bill & Camille Cosby Endowment	300,000	459,239	-	16,500	11,250	3,000	300,000	461,489
Faculty & Staff Endowment	300,000	355,916	-	16,500	-	3,000	300,000	369,416
Journalism	450,000	468,545	-	24,750	-	4,500	450,000	488,795
Centennial I, II, III	450,000	477,141	-	24,750	-	4,500	450,000	497,391
SBI Endowments (Various)	13,582,256	19,007,724	-	747,024	-	135,823	13,582,256	19,618,925
TOTAL	\$ 35,120,402	\$ 46,965,572	\$ -	\$ 1,931,623	\$ 289,537	\$ 351,204	\$ 35,120,402	\$ 48,256,453

* SCCE - Second Century Campaign Endowment.

EMINENT SCHOLARS CHAIRS
 SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES

For the Fiscal Year Ended June 30, 2012

Name of Eminent Scholars Chair	Corpus							Ending Net Balance 06/30/2012
	Beginning Corpus Balance	Beginning Net Balance 07/01/2011	Contributed During the FY 2011-2012	Income and Interest Earnings	Expenditures	Other Expenditures & Transfers	Ending Corpus Balance	
Warner Lambert Chair	\$ 1,000,000	\$ 1,545,076	-	\$ 55,000	-	\$ 10,000	\$ 1,000,000	\$ 1,590,076
Centennial Business Chair	1,000,000	1,322,699	-	55,000	-	10,000	1,000,000	1,367,699
Anheuser Busch Chair	1,000,000	1,308,891	-	55,000	-	10,000	1,000,000	1,353,891
Knight-Ridder Chair	1,762,440	1,960,678	-	96,934	108,326	17,624	1,762,440	1,931,662
Garth Reeves Chair	1,000,000	1,237,893	-	55,000	34,067	10,000	1,000,000	1,248,826
Foster-Edmond Chair	1,020,000	1,563,092	-	56,100	-	10,200	1,020,000	1,608,992
SBI Financial Services Chair	1,020,000	1,436,283	-	56,100	-	10,200	1,020,000	1,482,183
Carrie Meek Chair	1,020,000	1,686,137	-	56,100	-	10,200	1,020,000	1,732,037
Shirley A. Cunningham Jr. Endowed Chair	1,750,001	2,348,438	-	96,250	-	17,500	1,750,001	2,427,188
Sybil C. Mobley Endowed Chair	2,523,798	3,144,582	-	138,809	-	25,238	2,523,798	3,258,153
TOTAL CHAIRS	\$ 13,096,239	\$ 17,553,769	\$ -	\$ 720,293	\$ 142,393	\$ 130,962	\$ 13,096,239	\$ 18,000,706

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Florida Agricultural and Mechanical University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Foundation in a separate letter dated October 8, 2012.

This report is intended solely for the information and use of management, the Audit Committee, Board of Directors, the Board of Trustees of Florida Agricultural and Mechanical University, and State of Florida, Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

Tallahassee, Florida
October 8, 2012

TCBA Water Rice LLP

MANAGEMENT LETTER

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

We have audited the financial statements of the Florida Agricultural & Mechanical University Foundation, Inc. as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 8, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in those reports and schedule, which are dated August 28, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement or State project amounts that is less than material but more than inconsequential. In addition, for matters that are inconsequential to the determination of financial statement or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed:

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

TCBA Watson Rice
October 8, 2012

