

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Financial Statements

For the Year Ended December 31, 2012

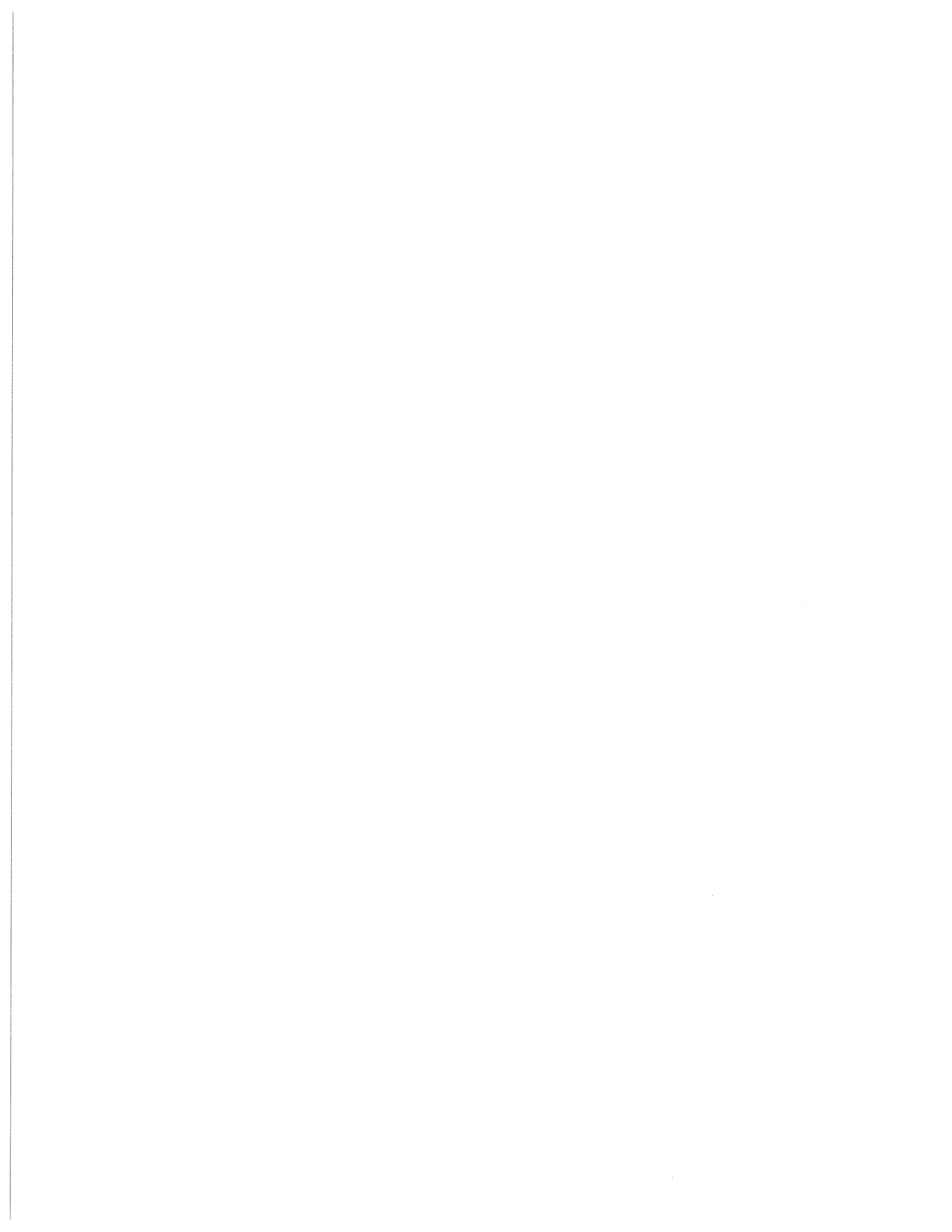
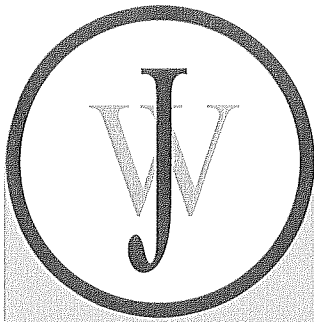


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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern University System Foundation
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Southern University System Foundation (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

OFFICES:

949 RYAN ST. STE.100
LAKE CHARLES
LOUISIANA 70601
(O) 337-478-7902
(F) 337-478-3345

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Southern University System Foundation and affiliate as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

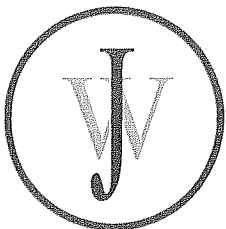
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules, Schedules I–VI, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, on our consideration of Southern University System Foundation’s internal control over financial reporting and on 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 provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern University System Foundation’s internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana
July 31, 2013



SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position

(Consolidated)

December 31, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,638,139
Accounts Receivables	95,720
Pledges Receivable, net	460,686
Due from Affiliate	236,105
Accrued Interest Income	1,166
Capitalized Lease Receivable	1,105,000
Prepaid Expenses	29,601
Prepaid Bond Insurance	32,945
Bond Issuance Costs	<u>27,855</u>

Total Current Assets 8,627,217

Non-current Assets:

Restricted Assets:

Cash and Cash Equivalents	3,136,217
Investments	5,567,161
Property, Plant, and Equipment, net	1,172,782
Construction in Progress	5,923,826
Capitalized Lease Receivable	51,292,535
Prepaid Bond Insurance	825,832
Bond Issuance Costs	<u>726,693</u>

Total Non-current Assets 68,645,046

TOTAL ASSETS \$ 77,272,263

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position

(Consolidated)

December 31, 2012

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 703,638
Retainage Payable	234,150
Accrued Interest Payable	882,342
Due to Affiliate	4,773,866
Loans Payable	390,562
Bonds Payable and Premium, Net	<u>1,171,157</u>

Total Current Liabilities 8,155,715

Non-current Liabilities:

Rental Deposit Fund	1,876,013
Bonds Payable and Premium, Net	<u>56,583,936</u>

Total Non-current Liabilities 58,459,949

Total Liabilities 66,615,664

Net Assets:

Unrestricted	1,397,884
Temporarily Restricted	6,681,169
Permanently Restricted	<u>2,577,546</u>

Total Net Assets 10,656,599

TOTAL LIABILITIES AND NET ASSETS \$ 77,272,263

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Activities

(Consolidated)

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Contributions and Other Support	\$ 1,672,888	\$ 6,268,181	\$ 488,294	\$ 8,429,363
Rental Income	2,699,525	-	-	2,699,525
Bayou Classic Revenues	1,521,884	-	-	1,521,884
Scoreboard Sponsorships	47,200	-	-	47,200
Athletic Sponsorships and Support	-	148,575	-	148,575
Contributed Services	206,500	-	-	206,500
Interest Income	2,322	31,614	-	33,936
Realized/Unrealized Investment Losses, Net of Gains	-	52,261	-	52,261
Other Income	<u>113,994</u>	<u>-</u>	<u>-</u>	<u>113,994</u>
 Total Revenues and Support	 <u>6,264,313</u>	 <u>6,500,631</u>	 <u>488,294</u>	 <u>13,253,238</u>
 Net Assets Released from Restrictions	 <u>2,042,454</u>	 <u>(2,042,454)</u>	 <u>-</u>	 <u>-</u>
 Expenses				
Program Services	7,136,595	-	-	7,136,595
Supporting Services	<u>914,098</u>	<u>-</u>	<u>-</u>	<u>914,098</u>
 Total Expenses	 <u>8,050,693</u>	 <u>-</u>	 <u>-</u>	 <u>8,050,693</u>
 Change in Net Assets	 256,074	 4,458,177	 488,294	 5,202,545
 Beginning Net Assets	 <u>1,141,810</u>	 <u>2,222,992</u>	 <u>2,089,252</u>	 <u>5,454,054</u>
 Ending Net Assets	 <u>\$ 1,397,884</u>	 <u>\$ 6,681,169</u>	 <u>\$ 2,577,546</u>	 <u>\$ 10,656,599</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Cash Flows

(Consolidated)

For the Year Ended December 31, 2012

Cash flows from operating activities:	
Change in Net Assets	\$ 5,202,545
Adjustments to reconcile net income to net cash provided	
by operating activities:	
Depreciation	269,777
Amortization	60,800
Decrease in accounts receivable	73,304
Increase in pledges receivable	(299,280)
Increase in allowance for doubtful accounts	6,377
Decrease in interest receivable	20
Decrease in due from affiliate	243,842
Increase in prepaid expenses	(3,553)
Increase in accounts payable	366,846
Increase in retainage payable	234,150
Increase in accrued interest payable	430,994
Increase in due to affiliate	195,529
Increase in loans payable	390,562
Decrease in bond premium	(66,158)
Net cash provided by operating activities	<u>7,105,755</u>
Cash flows from investing activities:	
Expenses on construction in progress	(3,797,105)
Maturities of investments	375,512
Acquisition of fixed assets	(458,995)
Investment in capital lease	<u>1,050,000</u>
Net cash provided by investing activities	<u>(2,830,588)</u>
Cash flows from financing activities:	
Payments made on bonds payable	(1,050,000)
Payments made on notes	<u>(312,252)</u>
Net cash used in financing activities	<u>(1,362,252)</u>
Net increase in cash	2,912,915
Cash and cash equivalents at beginning of year	<u>12,428,602</u>
Cash and cash equivalents at end of year	<u>\$ 15,341,517</u>

Supplemental data:

Interest paid - \$3,081,976

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

The Foundation is a non-profit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System, and to develop, expand, and improve the System's facilities.

The consolidated financial statements of the Foundation include:

- The Foundation as described above; and
- Millennium Housing, LLC (Millennium) a non-profit corporation organized under the laws of the State of Louisiana and owned by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the Southern University System.

Throughout the notes to the consolidated financial statements the Foundation and Millennium will be collectively reflected to as the Foundation. The financial statements of the Foundation and Millennium have been consolidated as they are under common management.

The Foundation has entered into an agreement with the Southern University at Baton Rouge campus to jointly promote the ancillary activities of the Bayou Classic with a representative organization from Grambling State University. The promoters share joint revenues and expenses equally. The promoters engaged the services of a third party event manager to handle game management as well as sponsor solicitation. The event manager collects events proceeds and incurs expenses on behalf of the promoters and remits the net proceeds to the Foundation.

Basis of Accounting

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-For-Profit Organizations*. Under FASB ASC No. 958, 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

Unrestricted - Net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permits the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with endowment investments.

Endowment

Endowment investments are in certificates of deposit with original maturities of more than three months and short-term money market securities and are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

Pledges

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met.

Investments and Investment Income

Investments in equity securities and mutual funds are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the University.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Notes to the Financial Statements
December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and/or supporting services benefited.

Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations. However, the Foundation is subject to income tax on any unrelated business taxable income. Since the Foundation had no unrelated business income for the year ended December 31, 2012, no provision for income taxes is included in the accompanying financial statements.

The Foundation files Form 990, Return of Organization Exempt from Income Tax, in the U.S. federal jurisdiction and the State of Louisiana. The deadline to file the Form 990 for the tax year ended December 31, 2012 has been extended until November 15, 2013. The Foundation has not filed their 2012 Form 990 as of the date these financial statements were available to be issued. Should the Foundation's tax status be challenged in the future, the 2009, 2010, and 2011 tax years are open to examination by the IRS.

In July 2006, the Financial Accounting Standards Board (FASB) issued Accounting for Uncertainty in Income Taxes, which clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

Management has evaluated the Foundation's tax positions and concluded the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Compensated Absences

The Foundation accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2012, no estimates were made for compensated absences.

Fixed Assets

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed \$1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 5 to 39 years.

Restricted Assets

Cash and cash equivalents, certificates of deposit and investments that are held on behalf of the Southern University System are classified as restricted assets in the statement of financial position along with assets held by the Bond Trustee on behalf of the Millennium LLC for the construction projects.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and Millennium Housing, LLC. All material intercompany transactions have been eliminated.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Notes to the Financial Statements
December 31, 2012

Note 2 – Cash and Cash Equivalents

As of December 31, 2012, cash and cash equivalents consisted of the following:

Unrestricted	\$ 6,638,139
Restricted Assets:	
Cash & Cash Equivalents	3,136,217
Investments	<u>5,567,161</u>
Total Restricted Assets	8,703,378
Total Cash and Cash Equivalents	<u>\$ 15,341,517</u>

Note 3 – Accounts Receivable

As of December 31, 2012 accounts receivable totaled \$95,720. Management believes all receivables to be collectible, therefore no allowance for doubtful collection is recorded.

Note 4 – Pledges Receivable

Unconditional pledges receivable are due as follows at December 31, 2012:

Expected to be collected in:	
Less than one year	\$ 185,566
One to five years	<u>348,374</u>
Gross pledges receivable	533,940
Less: allowance for doubtful accounts	<u>(73,254)</u>
Pledges receivable, net	<u>\$ 460,686</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 5 – Capitalized Lease Receivable

The Foundation entered into a cooperative agreement with the Southern System's Board to lease the projects included in the bond issuance. The Southern System's Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction in progress to Capitalized Lease Receivable.

The amounts due from the Southern System's Board are as follows:

Year ending December 31,	
2013	\$ 1,105,000
2014 and thereafter	<u>51,292,535</u>
Total	<u>\$ 52,397,535</u>

Note 6 – Bond Issuance Costs/ Prepaid Bond Insurance

Bond issuance costs incurred through the bond issuance totaled \$927,291 and prepaid bond insurance totaled \$1,054,250. These costs will be shown net of accumulated amortization.

	<u>Costs</u>	<u>Prior Year Accumulated Amortization</u>	<u>Current Year Amortization</u>	<u>Total Accumulated Amortization</u>	<u>Cost, net of Accumulated Amortization</u>
Bond issuance costs	\$ 927,291	\$ (144,888)	\$ (27,855)	\$ (172,743)	\$ 754,548
Prepaid bond insurance	1,054,250	(162,528)	(32,945)	(195,473)	858,777

Note 7 – Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 7 – Fair Value of Financial Instruments (continued)

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specified data. These unobservable assumptions reflect the Foundation’s own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Publicly traded securities	\$ 932,566	\$ -	\$ -	\$ 932,566
Fixed income funds	<u>4,634,595</u>	<u>-</u>	<u>-</u>	<u>4,634,595</u>
Total	<u>\$ 5,567,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,567,161</u>

The above total represents the amount of investments that are maintained and managed on behalf of the Southern University System. These amounts are classified as non-current restricted assets in the Statement of Financial Position.

Note 8 – Property, Plant, and Equipment

Land, building and equipment as of December 31, 2012 are summarized as follows:

Land and improvements	\$ 1,005,193
Building	172,125
Office equipment	24,725
Scoreboard equipment	2,555,612
Furniture and fixtures	79,994
Software	56,610
Subtotal	3,894,259
Less: accumulated depreciation	<u>(2,721,477)</u>
Total	<u>\$ 1,172,782</u>

Depreciation expense totaled \$269,777 for the year ended December 31, 2012.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 9 – Construction in Progress

Construction in progress consists of development cost, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction-in-progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended December 31, 2006, the Foundation entered into an agreement with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board) to construct new student housing facilities and certain auxiliary student facilities.

The Foundation borrowed money and is in the process of constructing the facilities as specified by the Board. Certain facilities have been completed and are being leased back to the Board. Other facilities are still in the process of being constructed. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totaled \$5,923,826 at December 31, 2012.

Note 10 – Other Income

Other income is comprised of an administrative fee and lease income. The Foundation earns a monthly fee which is based upon the total cash deposits managed by the Foundation on behalf of the System. Any deposits made that are applicable to scholarships are charged an administrative fee of 2%; all additional fees are charged at 4%. The Foundation received \$100,994 in administrative fees for the year. The Foundation also received lease income during the year for the rental of parking lot space on the campus. The Foundation received \$13,000 in rental fees for parking lot space for the year ended December 31, 2012.

Note 11 – Due to/from Affiliate

The Southern University System has contracted with the Foundation to invest the University's Endowed Chair for Eminent Scholars and Endowed Professorship Endowment Funds. The Endowed Chairs for Eminent Scholars Endowment Funds are established for \$1,000,000 with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program Endowment Funds are established for \$100,000 with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the Southern University System as of December 31, 2012 for the Endowed chair and professorship program totaled \$4,773,866. The Foundation also has certain receivables due from the Southern University System. These receivables include costs that were initially paid by the Foundation for which a reimbursement is due from the System.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Notes to the Financial Statements
December 31, 2012

Note 11 – Due to/from Affiliate (continued)

The following is a summary of the due to/from affiliate amounts as of December 31, 2012:

Due to affiliate:	
Southern University System	<u>\$ 4,773,866</u>
Due from affiliate:	
Reimbursable costs pertaining to bond projects due from Baton Rouge Campus	\$ 68,212
Reimbursable costs pertaining to bond projects from Shreveport Campus	<u>167,893</u>
Total due from affiliate	<u>\$ 236,105</u>

Note 12 – Bonds Payable

On December 13, 2006, the Louisiana Public Facilities Authority issued \$59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Foundation. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and Agricultural and Mechanical College in Baton Rouge, Louisiana (SUBR), (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium and refinancing a loan for the football field restoration at SUBR, all equipment, furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR, and (d) acquiring a building to be used by Southern University at Shreveport, Louisiana (SUSLA) (collectively, the "Project"), (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds, (iii) pay costs of issuance including premium on the Bond Insurance Policy, (iv) fund a reserve fund, and (v) pay capitalized interest during construction of the Project.

Scheduled principal payments on the bonds are as follows:

Year Ending December 31,	
2013	\$ 1,105,000
2014	1,160,000
2015	1,215,000
2016	1,275,000
2017 and thereafter	<u>51,280,000</u>
Total	<u>\$ 56,035,000</u>

Interest expense related to the bonds for the year ended December 31, 2012 totaled \$3,065,788. Total bonds payable net of bond premium totaled \$57,755,093.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 13 – Bond Premium

The bond premium received upon the issuance of the bonds is being amortized over the life of the bonds using the straight line method. Total bond premium at issuance totaled \$2,117,037. Annual amortization will be charged against interest expense. The bond premium will be shown net of accumulated amortization.

Bond premium issuance balance	\$ 2,117,037
Less: Prior year accumulated amortization	(330,786)
Current year amortization	<u>(66,158)</u>
Ending balance	<u>\$ 1,720,093</u>

Note 14 – Rental Deposit Fund

The Bond Trust Indenture required that a Rental Deposit Fund be established on the date of issuance of the Louisiana Public Facilities Authority Series 2006 Bonds. The Rental Deposit Fund was required to be funded by the Southern Board of Supervisors. The Rental Deposit Fund was funded in an amount equal to 50% of the maximum principal and interest requirements coming due on the Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond fund to pay principal and interest on the Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the Series 2006 Bonds.

On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At December 31, 2012, the balance of the Rental Deposit Fund total \$1,876,013.

Note 15 – Ground Lease

Pursuant to the Cooperative Endeavor and Lease Agreement between the Foundation and the Board of Supervisors of Southern University and Agricultural and Mechanical College, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Lessor). The annual rents will total \$100 and the term is equal to the term of the Series 2006 bonds, terminating on the date of payment in full or defeasance of the Series 2006 bonds.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Notes to the Financial Statements
December 31, 2012

Note 16 – Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors as follows for the year ended December 31, 2012:

Scholarships and educational assistance	\$ 608,681
University events, programs, and support	<u>1,433,773</u>
Total	<u>\$ 2,042,454</u>

Note 17 – Restricted Assets

The components of restricted net assets as of December 31, 2012 are as follows:

Accrued interest payable	\$ 882,342
Amount due to affiliate	4,773,866
Bonds payable and premium	1,171,157
Rental deposits	<u>1,876,013</u>
Total restricted assets	<u>\$ 8,703,378</u>

Note 18 – Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes as of December 31, 2012:

Scholarship endowment fund	<u>\$ 2,577,546</u>
----------------------------	---------------------

Note 19 – Net Asset Restatement

The Foundation made an adjustment to unrestricted beginning net assets for the year ended December 31, 2012 to properly reflect payment from a sponsor in the amount of \$32,750 that should have been recorded as revenue in the prior year. An adjustment was also made to unrestricted beginning net assets in the amount of \$3,709 to properly reflect accumulated depreciation per the fixed asset schedule. The following schedule summarizes the adjustments to unrestricted beginning net assets:

Unadjusted unrestricted beginning net assets	\$ 1,112,769
Restatements:	32,750
	<u>(3,709)</u>
Restated unrestricted beginning net assets	<u>\$ 1,141,810</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 20 – Affiliation Agreement

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the Southern University System. Because of the close association of the Foundation with the System, an affiliation agreement was entered into by both parties on January 25, 2002.

During the year ended December 31, 2012, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$4,009,697.

Note 21 – Board of Directors

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the year ended December 31, 2012.

Note 22 – Concentrations of Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by \$674,027 as of December 31, 2012.

Note 23 – Contingencies

Amounts received may be temporarily or permanently restricted per donor specification. Failure by the Foundation to comply with donor specifications may result in the donor requesting that the contribution be returned. As of December 31, 2012, the Foundation has met all donor specification on all temporarily and permanently restricted contributions, and accordingly, no provision has been made for any liabilities that might arise from noncompliance.

Note 24 – Related Party Transactions

Certain board members of the Foundation are also board members of the Southern University System Board. The Southern University System provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The value of these services has not been determined by the University. The Southern University System has also entered into a cooperative endeavor agreement with the Foundation to manage certain endowments on their behalf. The Foundation is allowed to charge the University an administration fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative endeavor agreement with the University to construct certain housing facilities as well as other projects through a bond issuance. The University has agreed to pay certain rents to the Foundation for these services. The total amount of rent and interest paid during the year ended December 31, 2012 totaled \$3,749,525. The schedule of rent payment coincides with the debt service payments.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to the Financial Statements

December 31, 2012

Note 24 – Related Party Transactions (continued)

Southern University provides to the Foundation without cost, services for the administration of the Foundation in the form of personnel. In addition, Southern University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to Southern University. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services expenses in the financial statements. The value of these services was estimated as \$206,500 for the year ended December 31, 2012.

Note 25 – Subsequent Events

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Foundation has evaluated subsequent events and the reason for selecting that date. The Foundation evaluated subsequent events through July 31, 2013, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Financial Position

December 31, 2012

Schedule I

Assets:	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Cash and Cash Equivalents	\$ 2,068,719	\$ 7,705,637	\$ 9,774,356
Investments	5,567,161	-	5,567,161
Accounts Receivable	95,720	-	95,720
Pledges Receivable, net	460,686	-	460,686
Prepaid Expenses	29,601	-	29,601
Due from Affiliate	185,979	50,126	236,105
Accrued Interest Income	1,166	-	1,166
Capitalized Lease Receivable	-	52,397,535	52,397,535
Prepaid Bond Insurance	-	858,777	858,777
Bond Issuance Cost	-	754,548	754,548
Property, Plant, and Equipment, net	1,172,782	-	1,172,782
Construction in Progress	-	5,923,826	5,923,826
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 9,581,814	\$ 67,690,449	\$ 77,272,263
	<hr/>	<hr/>	<hr/>
Liabilities:			
Accounts Payable	\$ 268,097	\$ 435,541	\$ 703,638
Retainage Payable	-	234,150	234,150
Accrued Interest Payable	-	882,342	882,342
Due to Affiliate	4,773,866	-	4,773,866
Loan Payable	390,562	-	390,562
Rental Deposit Fund	-	1,876,013	1,876,013
Bonds Payable	-	56,035,000	56,035,000
Bonds Payable Premium	-	1,720,093	1,720,093
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,432,525	61,183,139	66,615,664
	<hr/>	<hr/>	<hr/>
Net Assets:			
Beginning Net Assets	2,991,406	2,433,607	5,425,013
Net Assets Restatement	29,041	-	29,041
	<hr/>	<hr/>	<hr/>
Beginning Net Assets, Restated	3,020,447	2,433,607	5,454,054
Change in Net Assets	1,128,842	4,073,703	5,202,545
	<hr/>	<hr/>	<hr/>
Total Net Assets	4,149,289	6,507,310	10,656,599
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 9,581,814	\$ 67,690,449	\$ 77,272,263
	<hr/>	<hr/>	<hr/>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Revenues and Support
For the Year Ended December 31, 2012

Schedule II

	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Contributions and Other Support	\$ 8,429,363	\$ -	\$ 8,429,363
Rental Income	-	2,699,525	2,699,525
Bayou Classic Revenues	1,521,884	-	1,521,884
Scoreboard Sponsorships	47,200	-	47,200
Athletic Sponsorships and Support	148,575	-	148,575
Contributed Services	206,500	-	206,500
Interest Income	32,858	1,078	33,936
Realized/Unrealized Gains	52,261	-	52,261
Other Income	<u>113,994</u>	<u>-</u>	<u>113,994</u>
 Total Revenue and Support	 <u>\$ 10,552,635</u>	 <u>\$ 2,700,603</u>	 <u>\$ 13,253,238</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Functional Expenses
For the Year Ended December 31, 2012

Schedule III

<u>FOUNDATION</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Bank Fees & Charges	\$ 9,470	\$ 4,961	\$ 14,431
Scholarships & Education Assistance	562,910	-	562,910
Travel & Transportation	117,670	9,328	126,998
Interest Expenses	-	16,188	16,188
Printing & Publications	35,746	2,813	38,559
Depreciation	-	269,777	269,777
Conferences & Professional Meetings	81,762	11,911	93,673
Equipment & Resource Materials	65,535	-	65,535
Program Materials & Supplies	87,560	8,100	95,660
Bayou Classic Expenses	1,685,661	-	1,685,661
Professional Membership Dues	13,672	8,859	22,531
Postage & Mailing	4,081	10,586	14,667
Professional Fees and Contracts	539,615	287,818	827,433
Student Workers	9,479	9,318	18,797
Advertising & Promotion Costs	88,010	8,703	96,713
Equipment Rentals	10,646	3,614	14,260
Contributed Services	-	206,500	206,500
General Maintenance	191,695	12,680	204,375
Faculty/Staff Development	1,250	-	1,250
Cultivation & Recognition	35,624	215	35,839
University Support, Programs & Events	316,940	30,895	347,835
Property Taxes	100	2,340	2,440
Bad Debt Expense	16,779	135	16,914
Public/Community Initiatives	26,674	4,917	31,591
Insurance	1,000	2,702	3,702
Administrative Costs - Fees	100,994	-	100,994
Telecommunications	6,824	1,738	8,562
	<hr/>	<hr/>	<hr/>
Sub-total Foundation	4,009,697	914,098	4,923,795
	<hr/>	<hr/>	<hr/>
<u>MILLENNIUM</u>			
Bank Fees and Charges	310	-	310
Bond Interest Expense	3,065,788	-	3,065,788
Amortization of Bond Issuance Costs	27,855	-	27,855
Amortization of Prepaid Bond Insurance	32,945	-	32,945
	<hr/>	<hr/>	<hr/>
Sub-total Millennium, LLC	3,126,898	-	3,126,898
	<hr/>	<hr/>	<hr/>
Total Consolidated Expenses	\$ 7,136,595	\$ 914,098	\$ 8,050,693

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Capital Assets
(Consolidated)

For the Year Ended December 31, 2012

Schedule IV

	Balance 12/31/2011	Prior Period Adjustment	Restated Balance 12/31/2011	Additions	Transfers	Retirements	Balance 12/31/2012
Capital Assets not being depreciated:							
Land	\$ 555,193	-	\$ 555,193	\$ 450,000	\$ -	\$ -	\$ 1,005,193
Construction in Progress	<u>1,026,809</u>	<u>-</u>	<u>1,026,809</u>	<u>4,897,017</u>	<u>-</u>	<u>-</u>	<u>5,923,826</u>
Total Capital Assets not being depreciated	<u>\$ 1,582,002</u>	<u>\$ -</u>	<u>\$ 1,582,002</u>	<u>\$ 5,347,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,929,019</u>
Other Capital Assets:							
Buildings	\$ 172,125	-	\$ 172,125	\$ -	\$ -	\$ -	\$ 172,125
Less: Accumulated Depreciation	<u>(55,168)</u>	<u>-</u>	<u>(55,168)</u>	<u>(4,413)</u>	<u>-</u>	<u>-</u>	<u>(59,581)</u>
Total Buildings	<u>116,957</u>	<u>-</u>	<u>116,957</u>	<u>(4,413)</u>	<u>-</u>	<u>-</u>	<u>112,544</u>
Software	47,615	-	47,615	8,995	-	-	56,610
Less: Accumulated Depreciation	<u>(25,469)</u>	<u>(3,704)</u>	<u>(29,173)</u>	<u>(6,241)</u>	<u>-</u>	<u>-</u>	<u>(35,414)</u>
Total Software	<u>22,146</u>	<u>(3,704)</u>	<u>18,442</u>	<u>2,754</u>	<u>-</u>	<u>-</u>	<u>21,196</u>
Equipment	2,660,331	-	2,660,331	-	-	-	2,660,331
Less: Accumulated Depreciation	<u>(2,367,358)</u>	<u>-</u>	<u>(2,367,358)</u>	<u>(259,123)</u>	<u>-</u>	<u>-</u>	<u>(2,626,481)</u>
Total Equipment	<u>292,973</u>	<u>-</u>	<u>292,973</u>	<u>(259,123)</u>	<u>-</u>	<u>-</u>	<u>33,850</u>
Total Other Capital Assets	<u>\$ 2,880,071</u>	<u>\$ -</u>	<u>\$ 2,880,071</u>	<u>\$ 8,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889,066</u>
Total Accumulated Depreciation	<u>\$ (2,447,996)</u>	<u>\$ (3,704)</u>	<u>\$ (2,451,700)</u>	<u>\$ (269,777)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,721,477)</u>
Capital Asset Summary:							
Capital Assets not being depreciated	\$ 1,582,002	-	\$ 1,582,002	\$ 5,347,017	\$ -	\$ -	\$ 6,929,019
Other Capital Assets	<u>2,880,071</u>	<u>-</u>	<u>2,880,071</u>	<u>8,995</u>	<u>-</u>	<u>-</u>	<u>2,889,066</u>
Total Capital Assets	<u>4,462,073</u>	<u>-</u>	<u>4,462,073</u>	<u>5,356,012</u>	<u>-</u>	<u>-</u>	<u>9,818,085</u>
Less: Accumulated Depreciation	<u>(2,447,996)</u>	<u>(3,704)</u>	<u>(2,451,700)</u>	<u>(269,777)</u>	<u>-</u>	<u>-</u>	<u>(2,721,477)</u>
Capital Assets, net	<u>\$ 2,014,077</u>	<u>\$ (3,704)</u>	<u>\$ 2,010,373</u>	<u>\$ 5,086,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,096,608</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
 Schedule of Bonds Payable
 For the Year Ended December 31, 2012

Schedule V

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/11	(Redeemed) Issued	Principal Outstanding 12/31/12	Interest Rates	Interest Outstanding 12/31/12
Louisiana Public Facilities Authority	12/13/2006	\$ 59,990,000	\$ 57,085,000	\$ (1,050,000)	\$ 56,035,000	4.62%	\$ 41,439,762
Unamortized Premium - Series 2006	12/13/2006	2,117,035	1,786,251	(66,157)	1,720,094		-
Total		\$ 62,107,035	\$ 58,871,251	\$ (1,116,157)	\$ 57,755,094		\$ 41,439,762

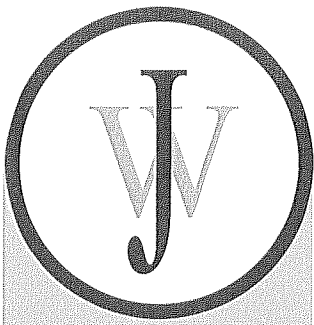
SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable Amortization

For the Year Ended December 31, 2012

Schedule VI

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,105,000	\$ 2,647,025	\$ 3,752,025
2014	1,160,000	2,591,775	3,751,775
2015	1,215,000	2,533,775	3,748,775
2016	1,275,000	2,473,025	3,748,025
2017	1,340,000	2,409,275	3,749,275
2018	1,410,000	2,338,925	3,748,925
2019	1,480,000	2,266,662	3,746,662
2020	1,555,000	2,192,662	3,747,662
2021	1,635,000	2,114,912	3,749,912
2022	1,715,000	2,033,162	3,748,162
2023	1,800,000	1,947,412	3,747,412
2024	1,890,000	1,857,412	3,747,412
2025	1,985,000	1,762,912	3,747,912
2026	2,085,000	1,663,662	3,748,662
2027	2,190,000	1,559,412	3,749,412
2028	2,300,000	1,449,912	3,749,912
2029	2,415,000	1,334,912	3,749,912
2030	2,535,000	1,214,162	3,749,162
2031	2,660,000	1,087,412	3,747,412
2032	2,790,000	961,062	3,751,062
2033	2,920,000	828,537	3,748,537
2034	3,045,000	704,437	3,749,437
2035	3,175,000	575,025	3,750,025
2036	3,310,000	440,087	3,750,087
2037	3,450,000	299,412	3,749,412
2038	3,595,000	152,796	3,747,796
	<u>\$ 56,035,000</u>	<u>\$ 41,439,762</u>	<u>\$ 97,474,762</u>



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

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
Southern University System Foundation
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Southern University System Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern University System Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern University System Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southern University System Foundation's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OFFICES:

949 RYAN ST. STE. 100
LAKE CHARLES
LOUISIANA 70601
(O) 337-478-7902
(F) 337-478-3345

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern University System Foundation's financial statements are free from 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is describes in the accompanying schedule of findings and questioned costs as item 2012-01.

Southern University System Foundation's Response to Findings

The Southern University System Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Southern University System Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

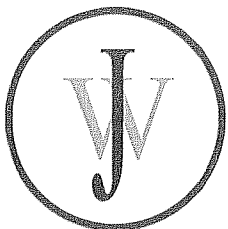
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statue 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana

July 31, 2013



SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

I. Summary of Auditors' Report

a. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of the Southern University System Foundation.
2. No control deficiencies were disclosed during the audit of the financial statements or reported in the *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*.
3. One instance of noncompliance material to the financial statements of Southern University System Foundation was reported in the *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*.

b. Federal Awards

1. The entity did not receive any federal awards during the year ended December 31, 2012, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

c. Management Letter

A management letter was issued in connection with the audit for the year ended December 31, 2012.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2012-01 – Late Report Filing

Condition:

The Southern University System Foundation did not submit report to the legislative auditor's office on a timely basis.

Criteria:

LSA-R.S.24.513 States that, "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee fiscal year."

Cause:

It is indeterminable as to why the audit was not engaged and submitted in a timely manner.

Effect:

The Foundation was not in compliance with State Laws governing reporting requirements.

Recommendation:

Management must implement procedures to ensure that they are in compliance with the reporting requirements of the state.

Response:

See management's response letter.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

III. Summary of Prior Year Findings

2011-01 Financial Management System

Condition:

During my audit, it was noted that management failed to establish procedures to ensure that accounting records and general ledger accounts were reconciled and reviewed on a timely basis. The aforementioned condition resulted in the necessity of several adjustments to properly state account balances, the general ledger not being closed out monthly, and the end of year audit not being issued timely.

Recommendation:

I recommend that written policies and procedures be developed, which will require a system of checks and balances to be in place with regard to the review and approval process and the processing of transactions. I also recommend that the general ledger be closed out monthly with financial statements being generated within thirty days. Year end financials should be generated within forty-five days, which should facilitate the completion of the annual audit no later than six months after year end.

Current Status:

Resolved

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

IV. Management's Corrective Action Plan

2012-01 – Late Report Filing

Recommendation:

Management must implement procedures to ensure that they are in compliance with the reporting requirements of the state.

Corrective Action:

Management will take proactive steps to begin the audit process earlier in the fiscal period in order to give the auditor more time to complete the engagement.

Implementation Date:

July 31, 2013

Contact Information:

Dr. Ernie Hughes
Southern University System Foundation
Post Office Box 9562
Baton Rouge, Louisiana 70813
(225) 771-3911