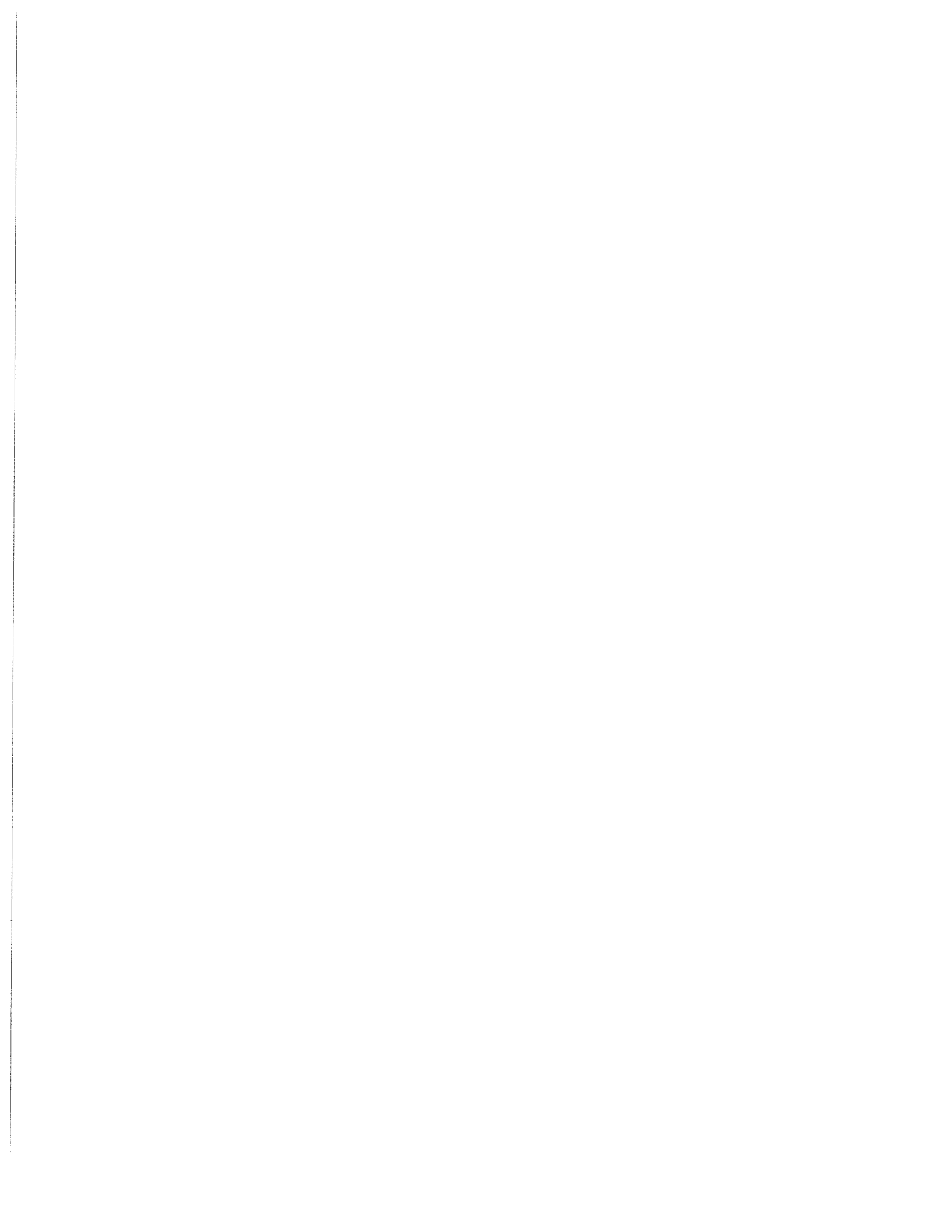
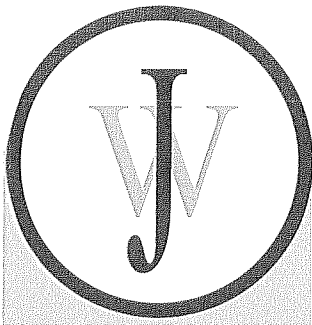


SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Financial Statements

For the Year Ended December 31, 2014





J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Southern University System Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern University System Foundation as of June 19, 2015, 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, as presented for purposes of additional analysis and is 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.

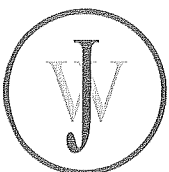
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, on our consideration of the 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 to 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 the Southern University System Foundation's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana

June 19, 2015



SOUTHERN UNIVERESITY SYSTEM FOUNDATION

Statement of Financial Position

(Consolidated)

December 31, 2014

ASSETS

Current Assets:

| | |
|------------------------------|------------------|
| Cash and Cash Equivalents | |
| Unrestricted | \$ 5,456,200 |
| Restricted | 2,288,522 |
| Accounts Receivables | 9,712 |
| Pledges Receivable, net | 681,202 |
| Due from Affiliate | 188,146 |
| Capitalized Lease Receivable | 1,215,000 |
| Prepaid Expenses | 27,022 |
| Prepaid Bond Insurance | 32,945 |
| Bond Issuance Costs | <u>28,960</u> |
| Total Current Assets | <u>9,927,709</u> |

Property, Plant, and Equipment:

| | |
|---|------------------|
| Property, Plant, and Equipment, net | 1,432,799 |
| Construction in Progress | <u>-</u> |
| Total Property, Plant, and Equipment | <u>1,432,799</u> |

Other Assets:

| | |
|------------------------------|-------------------|
| Restricted Assets: | |
| Investments | 7,399,482 |
| Capitalized Lease Receivable | 56,608,541 |
| Prepaid Bond Insurance | 757,742 |
| Bond Issuance Costs | <u>666,508</u> |
| Total Other Assets | <u>65,432,273</u> |

| | |
|---------------------|-----------------------------|
| TOTAL ASSETS | <u><u>\$ 76,792,781</u></u> |
|---------------------|-----------------------------|

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position

(Consolidated)

December 31, 2014

LIABILITIES

Current Liabilities:

| | |
|---------------------------|------------------|
| Accounts Payable | \$ 994,609 |
| Accrued Interest Payable | 422,296 |
| Due to Affiliate | 6,108,539 |
| Loans Payable | 111,124 |
| Bonds Payable and Premium | <u>1,281,157</u> |

Total Current Liabilities 8,917,725

Non-current Liabilities:

| | |
|--------------------------------|-------------------|
| Loans Payable | 750,000 |
| Rental Deposit Fund | 1,876,014 |
| Bonds Payable and Premium, Net | <u>54,076,623</u> |

Total Non-current Liabilities 56,702,637

Total Liabilities 65,620,362

Net Assets:

| | |
|------------------------|------------------|
| Unrestricted | 3,603,581 |
| Temporarily Restricted | 4,353,740 |
| Permanently Restricted | <u>3,215,098</u> |

Total Net Assets 11,172,419

TOTAL LIABILITIES AND NET ASSETS \$ 76,792,781

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, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenues and Support | | | | |
| Contributions and Other Support | \$ 590,702 | \$ 1,583,889 | \$ 579,752 | \$ 2,754,343 |
| Rental Income | 2,862,516 | - | - | 2,862,516 |
| Bayou Classic Revenues | 1,562,660 | - | - | 1,562,660 |
| Scoreboard Sponsorships | 150,000 | 143,979 | - | 293,979 |
| Athletic Sponsorships and Support | - | 299,648 | - | 299,648 |
| Contributed Services | 390,900 | - | - | 390,900 |
| Interest Income | 909 | 29,901 | - | 30,810 |
| Realized/Unrealized Investment Gains, Net of Losses | - | 63,953 | - | 63,953 |
| Other Income | 222,864 | 172,224 | - | 395,088 |
| Total Revenues and Support | <u>5,780,552</u> | <u>2,293,594</u> | <u>579,752</u> | <u>8,653,898</u> |
| Net Assets Released from Restrictions | <u>4,660,995</u> | <u>(4,660,995)</u> | <u>-</u> | <u>-</u> |
| Expenses | | | | |
| Program Services | 7,227,029 | - | - | 7,227,029 |
| Supporting Services | 925,586 | - | - | 925,586 |
| Total Expenses | <u>8,152,615</u> | <u>-</u> | <u>-</u> | <u>8,152,615</u> |
| Change in Net Assets | 2,288,932 | (2,367,401) | 579,752 | 501,283 |
| Beginning Net Assets | <u>1,314,649</u> | <u>6,721,141</u> | <u>2,635,346</u> | <u>10,671,136</u> |
| Ending Net Assets | <u>\$ 3,603,581</u> | <u>\$ 4,353,740</u> | <u>\$ 3,215,098</u> | <u>\$ 11,172,419</u> |

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

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

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 referred 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. As of December 31, 2014, the Foundation had \$3,603,581 in unrestricted 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. As of December 31, 2014, the Foundation had \$4,353,740 in temporarily restricted net assets.

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

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. As of December 31, 2014, the Foundation had \$3,215,098 in permanently restricted net assets.

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 short-term money market securities, equity investments, and fixed income investment. Endowment investments 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 Systems Foundations
Notes to Financial Statements
December 31, 2014

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. The Foundation does not currently imply time restrictions on contributions of long-lived assets about how long the donated asset must be used.

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, 2014, 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, 2014 has been extended until August 15, 2015. The Foundation has not filed their 2014 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 2011, 2012, and 2013 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 Systems Foundations
Notes to Financial Statements
December 31, 2014

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, 2014, 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. The Foundation utilizes the straight-line method of depreciation over the estimated useful life of the asset. 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. The useful lives of the Foundation's assets are estimated as follows:

| <u>Description</u> | <u>Estimated Lives</u> |
|--|------------------------|
| Furniture, Fixtures, and Office Equipment | 5-10 years |
| Scoreboard Equipment | 10 years |
| Software | 5 years |
| Leasehold Improvements | 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 Housing, 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 Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 2 – Cash and Cash Equivalents

As of December 31, 2014, cash and cash equivalents consisted of the following:

| | |
|---------------------------------|---------------------|
| Unrestricted | \$ 5,456,200 |
| Restricted | <u>2,288,522</u> |
| Total Cash and Cash Equivalents | <u>\$ 7,744,722</u> |

Note 3 – Accounts Receivable

As of December 31, 2014 accounts receivable totaled \$9,712. 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, 2014:

| | |
|---------------------------------------|-------------------|
| Expected to be collected in: | |
| Less than one year | \$ 429,513 |
| One to five years | <u>509,504</u> |
| Gross pledges receivable | 939,017 |
| Less: allowance for doubtful accounts | <u>(257,815)</u> |
| Pledges receivable, net | <u>\$ 681,202</u> |

Note 5 – Investments

Investments are stated at market value (fair value) in accordance with FASB ASC Topic 958-320, Accounting for Certain Investments Held by Not-For-Profit Organizations. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities. Investments consist of the following at December 31, 2014:

| <u>Description</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
|----------------------------|-----------------------|---------------------|
| Publicly traded securities | \$ 3,366,392 | \$ 4,111,692 |
| Fixed income investments | <u>3,260,900</u> | <u>3,287,790</u> |
| Total | <u>\$ 6,627,292</u> | <u>\$ 7,399,482</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.

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 6 – 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, | |
| 2015 | \$ 1,215,000 |
| 2016 | 1,275,000 |
| 2017 | 1,340,000 |
| 2018 | 1,410,000 |
| 2019 | 1,480,000 |
| 2020 and thereafter | <u>51,103,541</u> |
| Total | <u>\$ 57,823,541</u> |

Note 7 – 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 | \$ (202,863) | \$ (28,960) | \$ (231,823) | \$ 695,468 |
| Prepaid bond insurance | 1,054,250 | (230,617) | (32,945) | (263,562) | 790,688 |

Note 8 – 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 Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 8 – 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, 2014 are as follows:

| <u>Description</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> | <u>Carrying Value</u> |
|---------------------------|----------------|----------------|----------------|-------------------|-----------------------|
| Cash and cash equivalents | \$ 7,744,722 | \$ - | \$ - | \$ 7,744,722 | \$ 7,744,722 |
| Receivables | 9,712 | - | - | 9,712 | 9,712 |
| Pledges receivable | 681,202 | - | - | 681,202 | 681,202 |
| Investments | 7,399,482 | - | - | 7,399,482 | 6,627,292 |
| Capital lease receivable | 57,823,541 | - | - | 57,823,541 | 57,823,541 |
| Bonds payable | 53,770,000 | - | - | 53,770,000 | 53,770,000 |
| Loans payable | 861,124 | - | - | 861,124 | 861,124 |

Note 9 – Property, Plant, and Equipment

Land, building and equipment as of December 31, 2014 are summarized as follows:

| | |
|--------------------------------|---------------------|
| Land and improvements | \$ 555,193 |
| Building | 172,125 |
| Office equipment | 24,725 |
| Scoreboard equipment | 3,287,205 |
| Furniture and fixtures | 86,816 |
| Software | <u>88,353</u> |
| Subtotal | 4,214,417 |
| Less: accumulated depreciation | <u>(2,781,618)</u> |
| Total | <u>\$ 1,432,799</u> |

Depreciation expense totaled \$20,472 for the year ended December 31, 2014.

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 10 – Construction in Progress

Construction in progress consists of development costs, 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 \$364,475 at December 31, 2014, which was reclassified to Capitalized Lease Receivable due to completion of the Intramural Sports Facility, the Baseball Field, and the North Stadium..

Note 11 – 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 \$71,628 in administrative fees for the year.

Note 12 – 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, 2014 for the Endowed chair and professorship program totaled \$6,107,463. 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 Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 12 – Due to/from Affiliate (continued)

The following is a summary of the due to/from affiliate amounts as of December 31, 2014:

| | | |
|--|-----------|---------------------|
| Due to affiliate: | | |
| Southern University System | | <u>\$ 6,108,538</u> |
| Due from affiliate: | | |
| Reimbursable costs pertaining to bond projects due from Baton Rouge Campus | \$ 94,845 | |
| Reimbursable costs pertaining to bond projects from Shreveport Campus | | <u>93,301</u> |
| Total due from affiliate | | <u>\$ 188,146</u> |

Note 13 – 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.

The Foundation is required to submit certain prescribed documentation within 180 days after the last day of each Fiscal Year to the Bond Insurer and the Trust Officer. These documents include financial reports certified by independent certified public accountants, a copy of the budget, a no default certificate, a copy of the developer's certificate, and a copy of the disclosure certificate. As of December 31, 2014, the Foundation is in compliance with the terms of the bond indenture.

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 13 – Bonds Payable (continued)

Scheduled principal payments on the bonds are as follows:

| | |
|--------------------------|----------------------|
| Year Ending December 31, | |
| 2015 | \$ 1,215,000 |
| 2016 | 1,275,000 |
| 2017 | 1,340,000 |
| 2018 | 1,410,000 |
| 2019 | 1,480,000 |
| 2020 and thereafter | <u>47,050,000</u> |
| Total | <u>\$ 53,770,000</u> |

Interest expense related to the bonds for the year ended December 31, 2014 totaled \$2,464,581. Bonds payable net of the bond premium totaled \$55,357,780.

Note 14 – Loans Payable

Loans payable consists of a secured renewal of indebtedness dated June 11, 2008, which was refinanced on June 08, 2012. This installment loan has an original balance of \$441,437.21, and is secured by a Commercial Security Agreement dated February 15, 2007. The loan is payable to Whitney Bank in quarterly payments of \$30,341.47, including principal and interest through June 6, 2016, at which time the remaining principal balance is due. The interest rate is fixed at 4.50% and the outstanding balance at December 31, 2014, is \$111,124 with maturities summarized as follows:

| | |
|-------|-------------------|
| 2015 | \$ 51,438 |
| 2016 | <u>59,686</u> |
| Total | <u>\$ 111,124</u> |

The Foundation also has an obligation to Whitney Bank bearing interest at 4.60%. The principal amount of the business loan agreement is \$750,000. The loan is payable in annual installments of \$95,565.77, including interest, and is collateralized by a stadium scoreboard with an outdoor video screen, as well as rental revenues from electronic advertisements on the Southern University campus. Loan maturities for each of the five years following December 31, 2014 are as follows:

| | |
|---------------------|-------------------|
| 2015 | \$ 61,066 |
| 2016 | 63,875 |
| 2017 | 66,813 |
| 2018 | 69,886 |
| 2019 | 73,101 |
| 2020 and thereafter | <u>415,259</u> |
| Total | <u>\$ 750,000</u> |

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 15 – 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 | (463,100) |
| Current year amortization | <u>(66,157)</u> |
| Ending balance | <u>\$ 1,587,780</u> |

Note 16 – 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, 2014, the balance of the Rental Deposit Fund total \$1,876,013.

Note 17 – 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.

Note 18 – 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, 2014:

| | |
|--|---------------------|
| Scholarships and educational assistance | \$ 428,442 |
| University events, programs, and support | <u>4,232,553</u> |
| Total | <u>\$ 4,660,995</u> |

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 19 – Restricted Assets

The components of restricted assets as of December 31, 2014 are as follows:

| | |
|---------------------------|---------------------|
| Accrued interest payable | \$ 422,296 |
| Amount due to affiliate | 6,108,538 |
| Bonds payable and premium | 1,281,157 |
| Rental deposits | <u>1,876,013</u> |
| Total restricted assets | <u>\$ 9,688,004</u> |

Note 20 – Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes as of December 31, 2014:

| | |
|----------------------------|-------------------|
| Scholarship endowment fund | <u>\$ 579,752</u> |
|----------------------------|-------------------|

Note 21 – 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, 2014, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$4,309,643.

Note 22 – 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, 2014.

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, 2014, 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 – Sale of Property

On August 30, 2014, the Foundation finalized the sale on 4.22 acres of land located in Eugene, Oregon. The land was donated to the Foundation in 2009, and was valued at \$450,000. The land was sold for \$205,000 minus expenses of \$14,218, therefore, leaving the Foundation with a profit of

Southern University Systems Foundations
Notes to Financial Statements
December 31, 2014

Note 24 – Sale of Property continued)

\$190,782. The loss on the sale of the property is disclosed on the schedule of functional expenses as \$259,218.

Note 25 – 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, 2014 totaled \$3,751,775. The schedule of rent payment coincides with the debt service payments.

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 \$390,900 for the year ended December 31, 2014.

Under GASB 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34”, the Foundation is considered to be a discretely presented component unit of the Southern University System. As such, the financial statements of the Foundation are required to be presented in the financial reporting of the System.

Note 27 – 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 June 19, 2015, the date the financial statements were available to be issued.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Financial Position

December 31, 2014

Schedule I

| Assets: | <u>Foundation</u> | <u>Millennium</u> | <u>Consolidated</u> |
|---|----------------------|----------------------|----------------------|
| Cash and Cash Equivalents | \$ 2,114,004 | \$ 5,630,718 | \$ 7,744,722 |
| Investments | 7,399,482 | - | 7,399,482 |
| Accounts Receivable | 9,712 | - | 9,712 |
| Pledges Receivable, net | 681,202 | - | 681,202 |
| Prepaid Expenses | 27,022 | - | 27,022 |
| Due from Affiliate | 188,146 | - | 188,146 |
| Accrued Interest Income | - | - | - |
| Capitalized Lease Receivable | - | 57,823,541 | 57,823,541 |
| Prepaid Bond Insurance | - | 790,687 | 790,687 |
| Bond Issuance Cost | - | 695,468 | 695,468 |
| Property, Plant, and Equipment, net | 1,432,799 | - | 1,432,799 |
| Construction in Progress | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 11,852,367 | \$ 64,940,415 | \$ 76,792,782 |
| | <hr/> | <hr/> | <hr/> |
| Liabilities: | | | |
| Accounts Payable | \$ 954,717 | \$ 39,892 | \$ 994,609 |
| Retainage Payable | - | - | - |
| Accrued Interest Payable | - | 422,296 | 422,296 |
| Due to Affiliate | 6,108,538 | - | 6,108,538 |
| Loan Payable | 861,124 | - | 861,124 |
| Rental Deposit Fund | - | 1,876,014 | 1,876,014 |
| Bonds Payable | - | 53,770,000 | 53,770,000 |
| Bonds Payable Premium | - | 1,587,780 | 1,587,780 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 7,924,379 | 57,695,982 | 65,620,361 |
| | <hr/> | <hr/> | <hr/> |
| Net Assets: | | | |
| Beginning Net Assets | 3,711,930 | 6,959,206 | 10,671,136 |
| Net Assets Restatement | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Beginning Net Assets, Restated | 3,711,930 | 6,959,206 | 10,671,136 |
| Change in Net Assets | 216,058 | 285,227 | 501,285 |
| | <hr/> | <hr/> | <hr/> |
| Total Net Assets | 3,927,988 | 7,244,433 | 11,172,421 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 11,852,367 | \$ 64,940,415 | \$ 76,792,782 |
| | <hr/> | <hr/> | <hr/> |

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Revenues and Support
For the Year Ended December 31, 2014

Schedule II

| | <u>Foundation</u> | <u>Millennium</u> | <u>Consolidated</u> |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Contributions and Other Support | \$ 2,754,343 | \$ - | \$ 2,754,343 |
| Rental Income | - | 2,862,517 | 2,862,517 |
| Bayou Classic Revenues | 1,562,660 | - | 1,562,660 |
| Scoreboard Sponsorships | 293,979 | - | 293,979 |
| Athletic Sponsorships and Support | 299,648 | - | 299,648 |
| Contributed Services | 390,900 | - | 390,900 |
| Interest Income | 30,242 | 568 | 30,810 |
| Realized/Unrealized Gains | 63,953 | - | 63,953 |
| Other Income | <u>395,088</u> | <u>-</u> | <u>395,088</u> |
| Total Revenue and Support | \$ <u>5,790,813</u> | \$ <u>2,863,085</u> | \$ <u>8,653,898</u> |

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Functional Expenses
For the Year Ended December 31, 2014

Schedule III

| <u>FOUNDATION</u> | <u>Program Services</u> | <u>Support Services</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|---------------------|
| Bank Fees & Charges | \$ 13,369 | \$ 8,674 | \$ 22,043 |
| Scholarships & Education Assistance | 363,828 | 64,616 | 428,444 |
| Travel & Transportation | 150,163 | 32,420 | 182,583 |
| Interest Expenses | 2,924 | 6,211 | 9,135 |
| Printing & Publications | 24,109 | 46,920 | 71,029 |
| Depreciation | - | 20,472 | 20,472 |
| Conferences & Professional Meetings | 61,247 | 13,414 | 74,661 |
| Equipment & Resource Materials | 47,106 | - | 47,106 |
| Program Materials & Supplies | 107,609 | 20,292 | 127,901 |
| Bayou Classic Expenses | 1,754,251 | - | 1,754,251 |
| Professional Membership Dues | 31,974 | 3,536 | 35,510 |
| Postage & Mailing | 29,136 | 8,629 | 37,765 |
| Professional Fees and Contracts | 467,761 | 288,827 | 756,588 |
| Advertising & Promotion Costs | 93,963 | 13,007 | 106,970 |
| Equipment Rentals | 22,562 | 3,824 | 26,386 |
| Contributed Services | 390,900 | - | 390,900 |
| Loss on Sale of Assets | - | 259,218 | 259,218 |
| General Maintenance | 60,445 | 27,716 | 88,161 |
| Faculty/Staff Development | - | - | - |
| Cultivation & Recognition | 42,612 | 12,182 | 54,794 |
| University Support, Programs & Events | 737,537 | 27,384 | 764,921 |
| Property Taxes | 485 | - | 485 |
| Bad Debt Expense | 109,792 | - | 109,792 |
| Public/Community Initiatives | 74,466 | 15,445 | 89,911 |
| Insurance | - | 5,719 | 5,719 |
| Administrative Costs - Fees | 71,628 | 200 | 71,828 |
| Salaries and Related Expenses | 13,912 | 45,806 | 59,718 |
| Telecommunications | 28,764 | 1,074 | 29,838 |
| Sub-total Foundation | <u>4,700,543</u> | <u>925,586</u> | <u>5,626,129</u> |
| | | | |
| <u>MILLENNIUM</u> | | | |
| Bond Interest Expense | 2,464,581 | - | 2,464,581 |
| Amortization of Bond Issuance Costs | 28,960 | - | 28,960 |
| Amortization of Prepaid Bond Insurance | 32,945 | - | 32,945 |
| Sub-total Millennium, LLC | <u>2,526,486</u> | <u>-</u> | <u>2,526,486</u> |
| | | | |
| Total Consolidated Expenses | <u>\$ 7,227,029</u> | <u>\$ 925,586</u> | <u>\$ 8,152,615</u> |

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Capital Assets
(Consolidated)

For the Year Ended December 31, 2014

Schedule IV

| | Balance 12/31/2013 | Prior Period Adjustment | Restated Balance 12/31/2013 | Additions | Transfers | Retirements | Balance 12/31/2014 |
|--|-----------------------|-------------------------------|-----------------------------------|---------------------|-------------|-------------------|-----------------------|
| Capital Assets not being depreciated: | | | | | | | |
| Land | \$ 1,005,193 | - | \$ 1,005,193 | - | - | \$ 450,000.00 | \$ 555,193 |
| Construction in Progress | 270,999 | - | 270,999 | 93,476.00 | - | 364,475 | - |
| Total Capital Assets not being depreciated | <u>\$ 1,276,192</u> | <u>-</u> | <u>\$ 1,276,192</u> | <u>\$ 93,476.00</u> | <u>\$ -</u> | <u>\$ 814,475</u> | <u>\$ 555,193</u> |
| Other Capital Assets: | | | | | | | |
| Buildings | \$ 172,125 | - | \$ 172,125 | - | - | - | \$ 172,125 |
| Less: Accumulated Depreciation | (63,995) | - | (63,995) | (4,414) | - | - | (68,409) |
| Total Buildings | <u>108,130</u> | <u>-</u> | <u>108,130</u> | <u>(4,414)</u> | <u>-</u> | <u>-</u> | <u>103,716</u> |
| Software | 84,855 | - | 84,855 | 3,497 | - | - | 88,352 |
| Less: Accumulated Depreciation | (46,211) | - | (46,211) | (12,444) | - | - | (58,655) |
| Total Software | <u>38,644</u> | <u>-</u> | <u>38,644</u> | <u>(8,947)</u> | <u>-</u> | <u>-</u> | <u>29,697</u> |
| Equipment | 2,660,331 | - | 2,660,331 | 738,415 | - | - | 3,398,746 |
| Less: Accumulated Depreciation | (2,650,939) | - | (2,626,481) | (3,613) | - | - | (2,654,552) |
| Total Equipment | <u>9,392</u> | <u>-</u> | <u>33,850</u> | <u>(3,613)</u> | <u>-</u> | <u>-</u> | <u>744,194</u> |
| Total Other Capital Assets | <u>\$ 2,917,311</u> | <u>\$ -</u> | <u>\$ 2,917,311</u> | <u>\$ 741,912</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,659,223</u> |
| Total Accumulated Depreciation | <u>\$ (2,761,146)</u> | <u>\$ -</u> | <u>\$ (2,761,146)</u> | <u>\$ (20,471)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,781,617)</u> |
| Capital Asset Summary: | | | | | | | |
| Capital Assets not being depreciated | \$ 1,276,192 | - | \$ 1,276,192 | 93,476 | - | \$ 814,475 | \$ 555,193 |
| Other Capital Assets | 2,917,311 | - | 2,917,311 | 741,912 | - | - | 3,659,223 |
| Total Capital Assets | <u>4,193,503</u> | <u>-</u> | <u>4,193,503</u> | <u>835,388</u> | <u>-</u> | <u>814,475</u> | <u>4,214,416</u> |
| Less: Accumulated Depreciation | <u>(2,761,146)</u> | <u>-</u> | <u>(2,761,146)</u> | <u>(20,471)</u> | <u>-</u> | <u>-</u> | <u>(2,781,617)</u> |
| Capital Assets, net | <u>\$ 1,432,357</u> | <u>\$ -</u> | <u>\$ 1,432,357</u> | <u>\$ 814,917</u> | <u>\$ -</u> | <u>\$ 814,475</u> | <u>\$ 1,432,799</u> |

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable

For the Year Ended December 31, 2014

Schedule V

| Issue | Date of Issue | Original Issue | Principal Outstanding 12/31/12 | (Redeemed) Issued | Principal Outstanding 12/31/13 | Interest Rates | Interest Outstanding 12/31/13 |
|---------------------------------------|---------------|----------------|--------------------------------|-------------------|--------------------------------|----------------|-------------------------------|
| Louisiana Public Facilities Authority | 12/13/2006 | \$ 59,990,000 | \$ 54,930,000 | \$ (1,160,000) | \$ 53,770,000 | 4.62% | \$ 36,200,962 |
| Unamortized Premium - Series 2006 | 12/13/2006 | 2,117,035 | 1,653,937 | (66,157) | 1,587,780 | | |
| Total | | \$ 62,107,035 | \$ 56,583,937 | \$ (1,226,157) | \$ 55,357,780 | | \$ 36,200,962 |

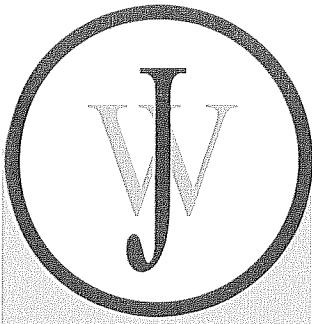
SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable Amortization

For the Year Ended December 31, 2014

Schedule VI

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|----------------------|----------------------|
| 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 | <u>3,595,000</u> | <u>152,796</u> | <u>3,747,796</u> |
| | <u>\$ 53,770,000</u> | <u>\$ 36,200,962</u> | <u>\$ 89,970,962</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 Trustees 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, 2014, 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 June 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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.

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SOCIETY OF LOUISIANA
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

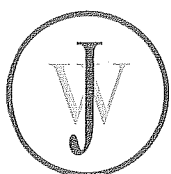
Purpose of this Report

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 Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana

June 19, 2015



SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

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. No instances of noncompliance material to the financial statements of Southern University System Foundation were 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, 2014, 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, 2014.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

II. Findings – Financial Statement Audit

No findings were reported for the current audit period.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

III. Summary of Prior Year Findings

No findings were reported for the prior audit period.