

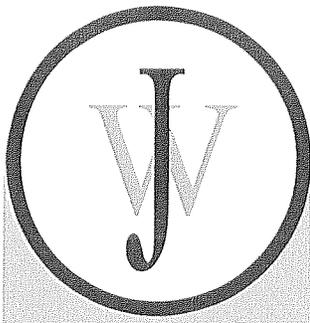
SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Financial Statements

For the Year Ended December 31, 2016

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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

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, 2016, 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. 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 auditors' 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 auditors consider 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.

OFFICES:

2740 RUE DE JARDIN
STE. 100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

1717 ST. JAMES PLACE
SUITE 625
HOUSTON
TEXAS 77056
(P) 713-965-9771
(F) 713-965-9774

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
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 December 31, 2016, 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.

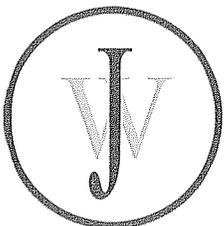
Other Matters

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is 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.



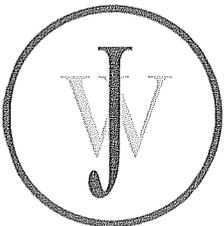
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, 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

August 21, 2017



BASIC FINANCIAL STATEMENTS

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	
Unrestricted	\$ 4,567,216
Restricted	1,867,227
Accounts Receivables	54,251
Pledges Receivable, net	658,533
Other Receivables	31,193
Due from Affiliate	106,964
Capitalized Lease Receivable	1,340,000
Prepaid Expenses	<u>195,166</u>

Total Current Assets 8,820,550

Property, Plant, and Equipment:

Property, Plant, and Equipment, net	<u>2,483,974</u>
-------------------------------------	------------------

Total Property, Plant, and Equipment 2,483,974

Other Assets:

Restricted Assets:	
Investments	7,665,095
Capitalized Lease Receivable	<u>53,931,618</u>

Total Other Assets 61,596,713

TOTAL ASSETS \$ 72,901,237

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2016

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 467,369
Retainage Payable	78,246
Accrued Interest Payable	446,667
Amounts Held in Custody for Others	6,568,790
Loans Payable, Current	89,296
Bonds Payable, Current	<u>1,340,000</u>

Total Current Liabilities 8,990,368

Non-current Liabilities:

Loans Payable	1,298,704
Rental Deposit Fund	1,907,643
Bonds Payable, net	<u>49,909,308</u>

Total Non-current Liabilities 53,115,655

Total Liabilities 62,106,023

NET ASSETS

Unrestricted	2,345,648
Temporarily Restricted	4,701,612
Permanently Restricted	<u>3,747,954</u>

Total Net Assets 10,795,214

TOTAL LIABILITIES AND NET ASSETS \$ 72,901,237

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Contributions and Other Support	\$ 1,536,425	\$ 2,473,602	\$ 127,500	\$ 4,137,527
Rental Income	2,495,019	-	-	2,495,019
Bayou Classic Revenues	-	249,071	-	249,071
Administration Fees	82,114	20,000	-	102,114
Donor Fees and Registration	195,451	-	-	195,451
Athletic Sponsorships and Support	29,190	-	-	29,190
Contributed Services	326,367	-	-	326,367
Interest Income	1,117	38,486	-	39,603
Other Income	-	50,034	-	50,034
	<u>4,665,683</u>	<u>2,831,193</u>	<u>127,500</u>	<u>7,624,376</u>
Total Revenues and Support				
	<u>4,665,683</u>	<u>2,831,193</u>	<u>127,500</u>	<u>7,624,376</u>
Net Assets Released from Restrictions	<u>2,800,000</u>	<u>(2,800,000)</u>	<u>-</u>	<u>-</u>
Expenses				
Program Services	7,341,370	-	-	7,341,370
Supporting Services	711,782	-	-	711,782
Fundraising	179,613	-	-	179,613
	<u>8,232,765</u>	<u>-</u>	<u>-</u>	<u>8,232,765</u>
Total Expenses				
	<u>8,232,765</u>	<u>-</u>	<u>-</u>	<u>8,232,765</u>
Investment Activities				
Net Realized (Loss) Gain	-	(28)	-	(28)
Net Unrealized (Loss) Gain	-	(89,558)	-	(89,558)
Total Investment Activities	<u>-</u>	<u>(89,586)</u>	<u>-</u>	<u>(89,586)</u>
Change in Net Assets	(767,082)	(58,393)	127,500	(697,975)
Beginning Net Assets	<u>3,112,730</u>	<u>4,760,005</u>	<u>3,620,454</u>	<u>11,493,189</u>
Ending Net Assets	<u>\$ 2,345,648</u>	<u>\$ 4,701,612</u>	<u>\$ 3,747,954</u>	<u>\$ 10,795,214</u>

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

SOUTHERN UNIVERSITY SYSEM FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:

Change in Net Assets	\$ (697,975)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used in Operating Activities:	
Depreciation and amortization	(1,388,376)
(Increase) decrease in:	
Accounts receivable	106,867
Prepaid expenses	(136,110)
Property and Equipment	314,278
Pledges receivable	(157,564)
Due from affiliate	6,370
Other assets	2,869,443
Increase (decrease) in:	
Accounts payable	29,524
Accrued interest	24,371
Retainage payable	6,640,016
Due to affiliate	(6,240,251)
Bonds payable and premium, net	(151,550)
Non-current liabilities	(2,083,650)
Net cash (used) provided by operating activities	(864,607)

Cash flows from Investing Activities

Proceeds from sale of property and equipment	(437,444)
Proceeds from note/loan collections	(65,000)
Other cash received (paid)	32,945
Net cash (used) provided by investing activities	(469,499)

Cash flows from Financing Activities

Repayment of debt borrowings	(23,104)
Net cash (used) provided by financing activities	(23,104)

Net increase (decrease) in cash and cash equivalents (1,357,210)

Cash and cash equivalents, beginning of year 7,791,653

Cash and cash equivalents, end of year \$ 6,434,443

Supplemental Data:

1. Interest paid for the year ended December 31, 2016:	\$ 2,592,932
2. There were no material non-cash investing or financing activities during the year ended December 31, 2016.	

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

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, 2016, the Foundation had \$2,345,648 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, 2016, the Foundation had \$4,701,612 in temporarily restricted net assets.

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, 2016, the Foundation had \$3,747,954 in permanently restricted net assets.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

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

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.

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.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

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

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, 2016, 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, 2016 has been extended until November 15, 2017. The Foundation has not filed their 2016 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 2013, 2014, and 2015 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.

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, 2016, 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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

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

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.

New Accounting Standards

Long-term Debt and Debt Issuance Costs

In April 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. ASU 2016-03 requires entities to present debt issuance costs as a direct deduction from the carrying value of the related debt liability and amortization is required to be included with interest expense in the statements of operations. ASU 2016-03 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years, beginning after December 15, 2016.

As a result, as of December 31, 2016, \$695,468 of unamortized deferred financing costs related to the Organization's mortgage payable were reclassified in the balance sheet from other assets to bond payable and for the year ended December 31, 2016. \$790,687 of amortization expense related to such deferred financing costs were reclassified to interest expense in the statement of operations, with no effect on previously reported net income (loss). Other than this reclassification, the adoption of ASU 2016-03 did not have a material impact on the Organization's financial position, results of operations or cash flows.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 2 – Cash and Cash Equivalents

As of December 31, 2016, cash and cash equivalents consisted of the following:

Unrestricted	\$ 4,567,216
Restricted	<u>1,867,227</u>
Total Cash and Cash Equivalents	<u>\$ 6,434,443</u>

Note 3 – Accounts Receivable

As of December 31, 2016 accounts receivable totaled \$54,251. 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, 2016:

Expected to be collected in:	
Less than one year	\$ 474,250
One to five years	<u>487,139</u>
Gross pledges receivable	961,390
Less: allowance for doubtful accounts	<u>(302,857)</u>
Pledges receivable, net	<u>\$ 658,533</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, 2016:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Publicly traded securities	\$ 4,791,363	\$ 4,826,525
Fixed income investments	<u>2,978,943</u>	<u>2,838,570</u>
Total	<u>\$ 7,770,306</u>	<u>\$ 7,665,095</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 SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 6 – Capitalized Lease Receivable

The Foundation entered into a cooperative agreement with the Southern University System's Board to lease the projects included in the bond issuance. The Southern University 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. As of December 31, 2016 all projects have been completed.

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

Year ending December 31,	
2017	\$ 1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021	1,635,000
2022 and thereafter	<u>47,851,618</u>
Total	<u>\$ 55,271,618</u>

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

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.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 8 – Fair Value of Financial Instruments (continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 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	\$ 6,434,443	\$ -	\$ -	\$ 6,434,443	\$ 6,434,443
Receivables	85,444	-	-	85,444	85,444
Pledges receivable	-	-	961,390	961,390	961,390
Investments	7,665,095	-	-	7,665,095	7,770,306
Capital lease receivable	-	-	55,271,618	55,271,618	55,271,618
Bonds payable	51,280,000	-	-	51,280,000	51,280,000
Loans payable	-	-	1,388,000	1,388,000	1,388,000

Note 9 – Property, Plant, and Equipment

Land, building and equipment as of December 31, 2016 are summarized as follows:

Land and improvements	\$ 816,304
Construction in progress	796,361
Building	172,125
Office equipment	24,725
Scoreboard equipment	3,288,530
Furniture and fixtures	114,076
Software	<u>166,297</u>
Subtotal	5,378,418
Less: Accumulated Depreciation	<u>(2,894,444)</u>
Total	<u>\$ 2,483,974</u>

Depreciation expense totaled \$21,499 for the year ended December 31, 2016.

Note 10 – Southern University Business Incubator

In 2014, the Foundation received a federal grant for \$1,000,000 to purchase land and build a revenue generating facility that offers eight (8) office spaces to be rented out to the public. The grant provides reimbursement of eighty percent (80%) of the expenses and the Foundations is responsible for the remaining twenty percent (20%) of expenses. The Business Incubator will be in operation in fall of 2018.

Expenses have been maintained as construction in progress with a balance of \$1,824,449 on December 31, 2016.

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 \$102,114 in administrative fees for the year.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 12 – Due from Affiliate / Amounts Held in Custody for Others

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, 2016 for the Endowed chair and professorship program totaled \$6,568,790. 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.

The following is a summary of the due to/from affiliate amounts as of December 31, 2016:

Amounts held in custody for others:	
Southern University System	<u>\$ 6,568,790</u>
Due from affiliate:	
Reimbursable costs pertaining to bond projects due from Baton Rouge Campus	<u>106,964</u>
Total due from affiliate	<u>\$ 106,964</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, 2016, the Foundation is in compliance with the terms of the bond indenture.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 13 – Bonds Payable (continued)

Bonds payable consists of the following as of December 31, 2016:

Bond payable	\$ 51,280,000
Unamortized bond premium	1,455,463
Less: prepaid bond insurance	(790,687)
Less: cost of bond issuance	<u>(695,468)</u>
Bonds payable, net	<u>\$ 51,249,308</u>

The outstanding Series 2006 bonds are required to be repaid as follows for the next five periods and thereafter.

Year Ending December 31,	
2017	\$ 1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021	1,635,000
2022 and thereafter	<u>43,860,000</u>
Total	<u>\$ 51,280,000</u>

Interest expense related to the bonds for the year ended December 31, 2016 totaled \$2,592,932.

Note 14 – Loans Payable

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 \$95,566, 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. During the 2016 fiscal year, \$638,000 was added to the principal amount borrowed from Whitney bank.

Loan maturities for each of the five years following December 31, 2016 are as follows:

Year Ending December 31,	
2017	\$ 89,296
2018	93,403
2019	97,700
2020	102,194
2021	106,894
2022 and thereafter	<u>898,513</u>
Total	<u>\$ 1,388,000</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

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	(595,417)
Current year amortization	<u>(66,157)</u>
Ending balance	<u>\$ 1,455,463</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, 2016, the balance of the Rental Deposit Fund totaled \$1,907,643.

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, 2016:

Scholarships and educational assistance	\$ 357,187
University events, programs, and support	<u>2,442,813</u>
Total	<u>\$ 2,800,000</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 19 – Restricted Assets

The components expected to be paid with restricted assets as of December 31, 2016 are as follows:

Accrued interest payable	\$ 446,667
Amount due to affiliate	6,568,790
Bonds payable and premium	1,340,000
Rental deposits	<u>1,907,643</u>
Total restricted assets	<u>\$ 10,263,100</u>

Note 20 – Permanently Restricted Net Assets

Permanently restricted net assets in the Foundation's endowment funds increased by \$127,500 during the year ended December 31, 2016:

Total Permanently Restricted Net Assets	<u>\$ 3,747,954</u>
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Note 21 – Concentrations of Risk

The Southern University System Foundation has a Capitalized Lease Receivable due from the Southern University System in the amount \$55,271,618. Payments are made to the Foundation totaling the amount of annual principal and interest due to service the Foundation's bond repayments. A loss in students or funding to the Southern University System could potentially result in the Foundation defaulting on their bond obligations. There is currently no cause for concern regarding the Southern University System's ability to repay the Capitalized Lease.

The Foundation's cash balances are held in savings and trust, as well as investment institutions. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage on non-interest bearing and interest bearing accounts for deposits up to \$250,000. The FDIC insurance coverage limit applies per depositor and per insured depository institution for each ownership category. As of December 31, 2016, funds on deposit with savings and trust institutions exceeded FDIC limits by \$1,182,602. However, the excess funds are placed into a "Sweep Account," which automatically transfers amounts that exceed the FDIC limit into an overnight investment account at the close of each business day to ensure the funds are secure.

The Foundation's credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments' carrying amount. As of December 31, 2016, the Foundation held investments in excess of the Securities Investor Protection Corporation (SIPC) insurance limit of \$500,000.

Note 22 – 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, 2016, 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.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 23 – 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, 2016, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$2,577,719.

Note 24 – 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, 2016.

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, 2016 totaled \$3,748,775. 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 at approximately \$326,367 for the year ended December 31, 2016.

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.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 26 – Endowments

The Foundation's endowments consist of individual funds established for Endowed Chairs, Endowed Professorships, and Endowed Scholarships. The Foundation's endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As on December 31, 2016, the Foundation's endowments were classified as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total to Date</u>
Beginning Balance 1/2016	\$ -	\$ 5,968,319	\$ 1,801,987	\$ 7,770,306
Interest Income	-	1,117	38,486	39,603
Realized Loss	-	(28)	-	(28)
Unrealized Loss	-	(89,558)	-	(89,558)
Contributions	-	492,844	25,405	518,249
Distributions	-	(537,304)	-	(537,304)
Bank Fees	-	(36,173)	-	(36,173)
Ending Balance 12/2016	<u>\$ -</u>	<u>\$ 5,799,217</u>	<u>\$ 1,865,878</u>	<u>\$ 7,665,095</u>

Note 27 – Reduction in Bond Rating

On May 20, 2016, the Foundation's Series 2006 Revenue Bonds issuer rating was downgraded to Ba1 from Baa2, and its debt rating was downgraded to Ba2 from Baa3. This negative ratings outlook was said to be the result of the Southern University System ("System") displaying extremely thin liquidity, deficit operations, deteriorating financial reserves, and an urgent need for capital investment.

The Ba1 rating reflects the Systems material size and presence in the State, generating nearly \$200 million in operating revenues across three campuses, a law center, and an agricultural research center. Given the Systems size and current operations, the University has limited financial flexibility to remain stagnant to declining State funding particularly as student demand has softened.

The Ba2 rating on the 2006 bonds reflects the risks associated with its lease structure. The lease contains a non-appropriation risk by which the lease could be cancelled if the Board of the Southern University System determined that funds were insufficient to pay the debt service.

The factors that could possibly lead to an upgrade in the bond rating include receiving a greater amount of funding from the State, and significantly improved cash flows contributing to the growth of unrestricted liquidity. Conversely, that factors that could lead to a further downgrade include reduced liquidity, a decline in operating support from the State, adverse accreditation sanctions, or a change in the system's federal financial aid status.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2016

Note 28 – 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 August 21, 2017 the date the financial statements were available to be issued.

In May 2017 the Board of Supervisors for Southern University System initiated procedures for the refinancing of the Series 2006 bonds. As of the date of this report; no definitive terms has been communicated to the Foundation's board regarding the possible refinancing of said bonds.

SUPPLEMENTARY INFORMAITON

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Financial Position
December 31, 2016

Schedule I

Assets:	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Cash and Cash Equivalents	\$ 800,773	\$ 5,633,670	\$ 6,434,443
Investments	7,665,095	-	7,665,095
Accounts Receivable	54,251	-	54,251
Other Receivables	31,193	-	31,193
Pledges Receivable, net	658,533	-	658,533
Prepaid Expenses	-	195,166	195,166
Due from Affiliate	106,964	-	106,964
Accrued Interest Income	-	-	-
Capitalized Lease Receivable	-	55,271,618	55,271,618
Property, Plant, and Equipment, net	1,687,613	-	1,687,613
Construction in Progress	796,361	-	796,361
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 11,800,783	\$ 61,100,454	\$ 72,901,237
	<hr/>	<hr/>	<hr/>
Liabilities:			
Accounts Payable	\$ 467,369	\$ -	\$ 467,369
Retainage Payable	78,246	-	78,246
Accrued Interest Payable	-	446,667	446,667
Due to Affiliate	6,568,790	-	6,568,790
Loan Payable	1,388,000	-	1,388,000
Rental Deposit Fund	30,000	1,877,643	1,907,643
Bonds Payable	-	51,249,308	51,249,308
	<hr/>	<hr/>	<hr/>
Total Liabilities	8,532,405	53,573,618	62,106,023
	<hr/>	<hr/>	<hr/>
Net Assets:			
Beginning Net Assets	4,242,321	7,250,868	11,493,189
Change in Net Assets	(536,336)	(161,639)	(697,975)
	<hr/>	<hr/>	<hr/>
Total Net Assets	3,705,985	7,089,229	10,795,214
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 12,238,390	\$ 60,662,847	\$ 72,901,237
	<hr/>	<hr/>	<hr/>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Revenues and Support
For the Year Ended December 31, 2016

Schedule II

	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Contributions and Other Support	\$ 4,137,527	\$ -	\$ 4,137,527
Rental Income	2,750	2,492,269	2,495,019
Bayou Classic Revenues	249,071	-	249,071
Administration Fees	102,114	-	102,114
Donor Fees and Registration	195,451	-	195,451
Athletic Sponsorships and Support	29,190	-	29,190
Contributed Services	326,367	-	326,367
Interest Income	38,836	767	39,603
Other Income	<u>50,034</u>	<u>-</u>	<u>50,034</u>
Total Revenue and Support	<u>\$ 5,131,340</u>	<u>\$ 2,493,036</u>	<u>\$ 7,624,376</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Functional Expenses
For the Year Ended December 31, 2016

Schedule III

<u>FOUNDATION</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising</u>	<u>Total</u>
Bank Fees & Charges	\$ 28,938	\$ 7,235	\$ -	\$ 36,173
Scholarships & Education Assistance	537,304	-	-	537,304
Travel & Transportation	200,673	39,395	-	240,068
Interest Expenses	23,929	-	-	23,929
Printing & Publications	121,420	51,321	-	172,741
Depreciation	18,950	2,550	-	21,500
Conferences & Professional Meetings	67,979	13,442	-	81,421
Equipment & Resource Materials	275,683	231,444	44,239	551,366
Capital Enhancement Project	728,851	-	-	728,851
Materials & Supplies	86,470	7,724	-	94,194
Bayou Classic Expenses	395,370	-	-	395,370
Professional Membership Dues	810,997	100,236	-	911,233
Contract Labor	48,194	-	-	48,194
Faculty and Staff Development	987,521	-	-	987,521
Advertising & Promotion Costs	91,198	21,979	-	113,177
Equipment Rentals	24,829	-	-	24,829
Information Technology and Maintenance	106,887	57,555	-	164,442
Public/Community Initiatives	-	-	114,769	114,769
Insurance	8,457	1,153	-	9,610
Administrative Costs - Fees	82,117	20,529	-	102,646
Salaries and Related Expenses	41,211	144,238	20,605	206,054
Retirement Contribution	-	2,400	-	2,400
Utility Costs	38	20	-	58
Telecommunications	5,939	4,301	-	10,240
Sub-total Foundation	4,692,955	705,522	179,613	5,578,090
 <u>MILLENNIUM</u>				
Bond Interest Expense	2,592,932	-	-	2,592,932
Amortization of Bond Issuance Costs	28,798	-	-	28,798
Amortization of Prepaid Bond Insurance	26,685	6,260	-	32,945
Sub-total Millennium, LLC	2,648,415	6,260	-	2,654,675
 Total Consolidated Expenses	 \$ 7,341,370	 \$ 711,782	 \$ 179,613	 \$ 8,232,765

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Capital Assets (Consolidated) For the Year Ended December 31, 2016

Schedule IV

	Balance <u>12/31/2015</u>	Prior Period Adjustment	Restated Balance <u>12/31/2015</u>	Additions	Transfers	Retirements	Balance <u>12/31/2016</u>
Capital Assets not being depreciated:							
Land	\$ 175,427	\$ -	\$ 175,427	\$ 640,877	\$ -	\$ -	\$ 816,304
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>796,361</u>	<u>-</u>	<u>-</u>	<u>796,361</u>
Total Capital Assets not being depreciated	<u>\$ 175,427</u>	<u>\$ -</u>	<u>\$ 175,427</u>	<u>\$ 1,437,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,612,665</u>
Other Capital Assets:							
Buildings	\$ 172,125	\$ -	\$ 172,125	\$ -	\$ -	\$ -	\$ 172,125
Less: Accumulated Depreciation	<u>(72,823)</u>	<u>-</u>	<u>(72,823)</u>	<u>(4,414)</u>	<u>-</u>	<u>-</u>	<u>(77,237)</u>
Total Buildings	<u>99,302</u>	<u>-</u>	<u>99,302</u>	<u>(4,414)</u>	<u>-</u>	<u>-</u>	<u>94,888</u>
Software	97,753	-	97,753	68,544	-	-	166,297
Less: Accumulated Depreciation	<u>(68,995)</u>	<u>-</u>	<u>(68,995)</u>	<u>(10,401)</u>	<u>-</u>	<u>-</u>	<u>(79,396)</u>
Total Software	<u>28,758</u>	<u>-</u>	<u>28,758</u>	<u>58,143</u>	<u>-</u>	<u>-</u>	<u>86,901</u>
Equipment	3,400,071	-	3,400,071	27,260	-	-	3,427,331
Less: Accumulated Depreciation	<u>(2,731,126)</u>	<u>-</u>	<u>(2,731,126)</u>	<u>(6,685)</u>	<u>-</u>	<u>-</u>	<u>(2,737,811)</u>
Total Equipment	<u>668,945</u>	<u>-</u>	<u>668,945</u>	<u>20,575</u>	<u>-</u>	<u>-</u>	<u>689,520</u>
Total Other Capital Assets	<u>\$ 3,669,949</u>	<u>\$ -</u>	<u>\$ 3,669,949</u>	<u>\$ 95,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,765,753</u>
Total Accumulated Depreciation	<u>\$ (2,872,944)</u>	<u>\$ -</u>	<u>\$ (2,872,944)</u>	<u>\$ (21,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,894,444)</u>
Capital Asset Summary:							
Capital Assets not being depreciated	\$ 175,427	\$ -	\$ 175,427	\$ 1,437,238	\$ -	\$ -	\$ 1,612,665
Other Capital Assets	<u>3,669,949</u>	<u>-</u>	<u>3,669,949</u>	<u>95,804</u>	<u>-</u>	<u>-</u>	<u>3,765,753</u>
Total Capital Assets	3,845,376	-	3,845,376	1,533,042	-	-	5,378,418
Less: Accumulated Depreciation	<u>(2,872,944)</u>	<u>-</u>	<u>(2,872,944)</u>	<u>(21,500)</u>	<u>-</u>	<u>-</u>	<u>(2,894,444)</u>
Capital Assets, net	<u>\$ 972,432</u>	<u>\$ -</u>	<u>\$ 972,432</u>	<u>\$ 1,511,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,483,974</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable
For the Year Ended December 31, 2016

Schedule V

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/15	(Redeemed) Issued	Principal Outstanding 12/31/16	Interest Rates	Interest Outstanding 12/31/16
Louisiana Public Facilities Authority	12/13/2006	\$ 59,990,000	\$ 52,555,000	\$ (1,275,000)	\$ 51,280,000	4.62%	\$ 31,194,162
Unamortized Premium - Series 2006	12/13/2006	<u>2,117,037</u>	<u>1,521,620</u>	<u>(66,157)</u>	<u>1,455,463</u>		-
Total		<u>\$ 62,107,037</u>	<u>\$ 54,076,620</u>	<u>\$ (1,341,157)</u>	<u>\$ 52,735,463</u>		<u>\$ 31,194,162</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

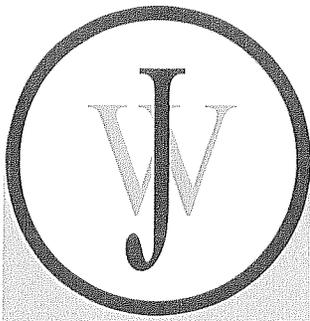
Schedule of Bonds Payable
For the Year Ended December 31, 2016

Schedule VI

Fiscal Year Ending	Principal	Interest	Total
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>\$ 51,280,000</u>	<u>\$ 31,194,162</u>	<u>\$ 82,474,162</u>

See Independent Auditors' Report

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



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, 2016, 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 August 21, 2017.

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.

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

1717 ST. JAMES PLACE
SUITE 625
HOUSTON
TEXAS 77056
(P) 713-965-9771
(F) 713-965-9774

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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*.

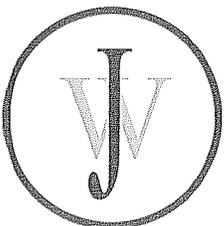
Purpose of this Report

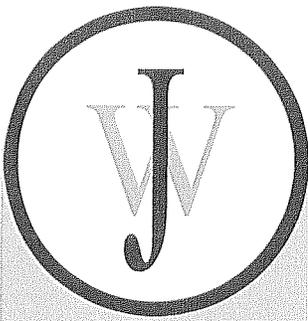
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed 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

August 21, 2017





J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Southern University System Foundation
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Southern University System Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southern University Systems Foundation's major federal programs for the year ended December 31, 2016. Southern University System Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern University System Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern University System Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southern University System Foundation's compliance.

OFFICES:

2740 RUE DE JARDIN
STE.100
LAKE CHARLES
LOUISIANA 70605
(O) 337-478-7902
(F) 337-478-3345

1717 ST. JAMES PLACE
SUITE 625
HOUSTON
TEXAS 77056
(P) 713-965-9771
(F) 713-965-9774

WWW.JWALKERCO.COM

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Opinion on Each Major Federal Program

In our opinion, Southern University System Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of Southern University System Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern University System' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern University System Foundation's internal control over compliance.

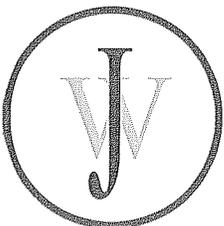
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. Walker & Company, APC

Lake Charles, Louisiana

August 21, 2017



SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

<u>Schedule of Federal Awards</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditure</u>
U.S. Department of Commerce Economic Development Administration SU Center for Business - Opportunities and Disaster Recovery Assistance	11.300	-	\$ <u>527,542</u>
Total Expenditures of Federal Awards			\$ <u>527,542</u>

See accompanying notes to schedule of expenditures of federal awards.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Southern University System Foundation under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Southern University System Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Southern University System Foundation.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

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 expended \$500,000 or more in federal awards during the fiscal year ended December 31, 2016 and therefore, must comply with the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of State, Local Government, and Non-Profit Organizations.

2. The following programs were considered major for the fiscal year ended December 31, 2016:

	<u>CFDA Numbers</u>
U.S. Department of Commerce Economic Development Administration	

SU Center for Business Opportunities and Disaster Recovery Assistance	11.300
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3. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
4. Southern University System Foundation does not qualify as a low-risk auditee.

c. Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2016.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

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, 2016

III. Summary of Prior Year Findings

No findings were reported for the prior audit period.