

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Financial Statements

For the Year Ended December 31, 2017

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Statement of Financial Position	4
Statement of Activities	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information:	
I. Schedule of Financial Position	21
II. Schedule of Revenues and Support	22
III. Schedule of Functional Expenses	23
IV. Schedule of Capital Assets	24
V. Schedule of Bonds Payable	25
VI. Schedule of Bonds Payable Amortization	26
Other Supplementary Information:	
VII. Statement of Activities - Ancillary	27
VIII. Bayou Classic 2017 – Proceeds and Distributions	28
IX. Bayou Classic 2017 – Reconciliation Worksheet	29
X. Report on Compliance with the Affiliation Agreement	30
Summary of Auditors' Report	31
Findings – Financial Statement Audit	31
Summary of Prior Year Findings	31



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, 2017, 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

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

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, 2017, 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

The other schedules, Schedules VII-IX, 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. We have applied certain limited procedures to Schedules VII-IX in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

J. Walker & Company, APC

Lake Charles, Louisiana

July 25, 2018



BASIC FINANCIAL STATEMENTS

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	
Unrestricted	\$ 881,172
Restricted	3,658,000
Accounts Receivable, net	51,050
Pledges Receivable, net	912,960
Due from Affiliate	112,782
Capitalized Lease Receivable	1,295,567
Deferred Bond Issuance Cost	608,535
Prepaid Expenses	<u>693,110</u>

Total Current Assets 8,213,176

Property, Plant, and Equipment:

Property, Plant, and Equipment, net	<u>3,643,425</u>
-------------------------------------	------------------

Total Property, Plant, and Equipment 3,643,425

Other Assets:

Amortization of Intangibles	4,464
Restricted Assets:	
Investments	10,416,008
Capitalized Lease Receivable	<u>28,356,159</u>

Total Other Assets 38,776,631

TOTAL ASSETS \$ 50,633,232

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2017

LIABILITIES

Current Liabilities:

Accounts Payable	\$	488,435
Accrued Interest Payable		483,333
Amounts Held in Custody for Others		7,755,409
Loans Payable		93,403
Bonds Payable		<u>1,653,934</u>

Total Current Liabilities 10,474,514

Non-current Liabilities:

Loans Payable		1,321,495
Rental Deposit Fund		1,879,286
Bonds Payable, net		<u>23,672,737</u>

Total Non-current Liabilities 26,873,518

Total Liabilities 37,348,032

NET ASSETS

Unrestricted		1,822,480
Temporarily Restricted		4,832,031
Permanently Restricted		<u>6,630,689</u>

Total Net Assets 13,285,200

TOTAL LIABILITIES AND NET ASSETS \$ 50,633,232

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Contributions and Other Support	\$ 4,977,550	\$ -	\$ 2,688,456	\$ 7,666,006
Rental Income	2,430,058	-	-	2,430,058
Bayou Classic Revenues	-	116,621	-	116,621
Administration & Donor Fees	177,289	44,322	-	221,611
Athletic Sponsorships and Support	9,100	-	-	9,100
Contributed Services	13,298	-	-	13,298
Interest Income	44,156	67,134	-	111,290
Other Income	-	424,664	-	424,664
	<u>7,651,451</u>	<u>652,741</u>	<u>2,688,456</u>	<u>10,992,648</u>
Total Revenues and Support				
Net Assets Released from Restrictions	<u>536,120</u>	<u>(536,120)</u>	<u>-</u>	<u>-</u>
Expenses				
Program Services	7,135,487	-	-	7,135,487
Supporting Services	1,532,469	-	-	1,532,469
Fundraising	42,783	-	-	42,783
	<u>8,710,739</u>	<u>-</u>	<u>-</u>	<u>8,710,739</u>
Total Expenses				
Investment Activities				
Net Realized (Loss) Gain	-	13,798	-	13,798
Net Unrealized (Loss) Gain	-	-	194,279	194,279
Total Investment Activities	<u>-</u>	<u>13,798</u>	<u>194,279</u>	<u>208,077</u>
Change in Net Assets	(523,168)	130,419	2,882,735	2,489,986
Beginning Net Assets	<u>2,345,648</u>	<u>4,701,612</u>	<u>3,747,954</u>	<u>10,795,214</u>
Ending Net Assets	<u>\$ 1,822,480</u>	<u>\$ 4,832,031</u>	<u>\$ 6,630,689</u>	<u>\$ 13,285,200</u>

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Change in Net Assets	\$ 2,489,986
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used in Operating Activities:	
Depreciation and amortization	119,695
Other noncash items	(877,574)
(Increase) decrease in:	
Accounts receivable	34,394
Prepaid expenses	(497,944)
Amotization of intengibles	(4,464)
Pledges receivable	(254,427)
Due from affiliate	(5,818)
Deferred bond issuance cost	(608,535)
Increase (decrease) in:	
Accounts payable	21,066
Accrued interest	36,666
Retainage payable	(78,246)
Net cash (used) provided by operating activities	374,799

Cash flows from Investing Activities

Proceeds from sale of investments	(2,750,913)
Proceeds from note/loan collections	25,619,892
Purchases of property and equipment	(401,572)
Net cash (used) provided by investing activities	22,467,407

Cash flows from Financing Activities

Other net asset transactions	(28,357)
Repayment of debt borrowings	(25,922,637)
Other cash received (paid)	1,213,517
Net cash (used) provided by financing activities	(24,737,477)

Net increase (decrease) in cash and cash equivalents (1,895,271)

Cash and cash equivalents, beginning of year 6,434,443

Cash and cash equivalents, end of year \$ 4,539,172

Supplemental Data:

1. Interest paid for the year ended December 31, 2017:	\$ 62,923
2. There were no material non-cash investing or financing activities during the year ended December 31, 2017.	

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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 – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its funding documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. As of December 31, 2017 the Foundation had \$1,822,480 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, 2017, the Foundation had \$4,832,031 in temporarily restricted net assets.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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 permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2017, the Foundation had \$6,630,689 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.

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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

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, 2017, 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, 2017 has been extended until November 15, 2018. The Foundation has not filed their 2017 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 2014, 2015, and 2016 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, 2017, no estimates were made for compensated absences.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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

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.

New Accounting Standards

Long-term Debt and Debt Issuance Costs

In April 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. ASU 2017-03 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 2017-03 is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years, beginning after December 15, 2017.

As a result, as of December 31, 2017, \$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, 2017. \$927,291 of amortization expense related to such deferred financing costs were reclassified to interest expense in the statement of operations, with no effect on

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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

previously reported net income (loss). Other than this reclassification, the adoption of ASU 2017-03 did not have a material impact on the Organization's financial position, results of operations or cash flows.

Note 2 – Cash and Cash Equivalents

As of December 31, 2017, cash and cash equivalents consisted of the following:

Unrestricted	\$ 881,172
Restricted	<u>3,658,000</u>
Total Cash and Cash Equivalents	<u>\$ 4,539,172</u>

Note 3 – Accounts Receivable

As of December 31, 2017, accounts receivable totaled \$51,050. Management believes all receivables to be collectible; therefore no allowance for doubtful collection is recorded.

Note 4 – Pledges Receivable

Unconditional pledges receivables are due as follows at December 31, 2017:

Expected to be collected in:	
Less than one year	\$ 723,308
One to five years	<u>500,009</u>
Gross pledges receivable	1,223,317
Less: allowance for doubtful accounts	<u>(310,357)</u>
Pledges receivable, net	<u>\$ 912,960</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, 2017:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Publicly traded securities	\$ 4,981,634	\$ 5,175,913
Fixed income investments	<u>5,275,069</u>	<u>5,240,095</u>
Total	<u>\$10,256,703</u>	<u>\$ 10,416,008</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 5 – Investments (Continued)

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

Note 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, 2017 all projects have been completed.

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

Year Ending December 31,	
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021	1,635,000
2022	1,715,000
2023 and thereafter	<u>42,145,000</u>
Total	<u>\$ 49,940,000</u>

Note 7 – Fair Value of Financial Instruments

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

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

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

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, 2017

Note 7 – Fair Value of Financial Instruments (continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 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	\$ 4,539,172	\$ -	\$ -	\$ 4,539,172	\$ 4,539,172
Receivables	51,050	-	-	51,050	51,050
Pledges receivable	-	-	912,960	912,960	912,960
Investments	10,416,008	-	-	10,416,008	10,256,703
Capital lease receivable	-	-	29,332,970	29,332,970	29,651,726
Bonds payable	-	23,820,000	-	23,820,000	25,326,671
Loans payable	-	-	1,414,898	1,414,898	1,414,898

Note 8 – Property, Plant, and Equipment

Land, building and equipment as of December 31, 2017 are summarized as follows:

Land and improvements	\$ 1,515,077
Construction in progress	1,044,938
Building	373,352
Office equipment	85,930
Scoreboard equipment	3,411,619
Furniture and fixtures	133,358
Software	<u>93,290</u>
Subtotal	6,657,564
Less: Accumulated Depreciation	<u>(3,014,139)</u>
Total	<u>\$ 3,643,425</u>

Depreciation expense totaled \$119,695 for the year ended December 31, 2017.

Note 9 – 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 Foundation 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 \$1,044,938 on December 31, 2017.

Note 10 – Other Income

Other income is comprised of an administrative fee and lease income. The Foundation earns a monthly fee which is based upon the total cash deposits managed by the Foundation on behalf of the System. Any deposits made that are applicable to scholarships are charged an administrative fee of 2%; all additional fees are charged at 4%. The Foundation received \$221,611 in administrative fees for the year.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 11 – 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, 2017 for the Endowed chair and professorship program totaled \$7,755,409. 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, 2017:

Amounts held in custody for others:	
Southern University System	<u>\$ 7,755,409</u>
Due from affiliate:	
Reimbursable costs pertaining to bond projects due from Baton Rouge Campus	<u>112,782</u>
Total due from affiliate	<u>\$ 112,782</u>

Note 12 – Bonds Payable

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

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, 2017, the Foundation is in compliance with the terms of the bond indenture.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 12 – Bonds Payable (continued)

In 2017 Millennium Housing, LLC, (a private subsidiary of the Southern University System Foundation), and the Southern University Baton Rouge Campus entered into an agreement that transferred through an act-of-cash sale in the amount of \$26,286,499 assets previously held by Millennium Housing, LLC. The transaction occurred to provide the Southern University Baton Rouge Campus with an opportunity to refinance the 2006 series bonds secured to build student apartments on the Baton Rouge Campus. The amount of bonds defeased in the transaction were \$26,120,000 leaving a balance of \$23,820,000 of bond debt outstanding from the 2006 series bond issue.

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

Year Ending December 31,	
2018	675,000
2019	710,000
2020	745,000
2021	780,000
2022	817,830
2023 and thereafter	<u>20,092,170</u>
Total	<u>\$ 23,820,000</u>

Interest expense related to the bonds for the year ended December 31, 2017 totaled \$2,338,925.

Note 13 – 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 2017 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, 2017 are as follows:

Year Ending December 31,	
2018	\$ 93,403
2019	97,700
2020	102,194
2021	106,895
2022	111,811
2023 and thereafter	<u>786,701</u>
Total	<u>\$ 1,298,704</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 14 – Rental Deposit Fund

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

On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At December 31, 2017, the balance of the Rental Deposit Fund totaled \$1,879,286.

Note 15 – Ground Lease

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

Note 16 – Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors as follows for the year ended December 31, 2017:

Administration & Donor Fees	\$ 44,322
Interest Income	67,134
Other Income	<u>424,664</u>
Total	<u>\$ 536,120</u>

Note 17 – Restricted Assets

The components expected to be paid with restricted assets as of December 31, 2017 are as follows:

Accrued interest payable	\$ 483,333
Amount held in custody for others	7,755,409
Bonds payable and premium	1,653,934
Rental deposits	<u>1,879,286</u>
Total restricted assets	<u>\$ 11,771,962</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 18 – Permanently Restricted Net Assets

Permanently restricted net assets in the Foundation's endowment funds during the year ended December 31, 2017 was as follows:

Total Permanently Restricted Net Assets	<u>\$ 6,630,689</u>
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Note 19 – Concentrations of Risk

The Southern University System Foundation has a Capitalized Lease Receivable due from the Southern University System in the amount \$28,356,159. 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, 2017, funds on deposit with savings and trust institutions exceeded FDIC limits by \$1,267,859. 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, 2017, the Foundation held investments in excess of the Securities Investor Protection Corporation (SIPC) insurance limit of \$500,000.

Note 20 – 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, 2017, 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 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, 2017, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$2,670,122.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

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, 2017.

Note 23 – 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, 2017 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, 2017.

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 24 – 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, 2017, the Foundation’s endowments were classified as follows:

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2017

Note 24 – Endowments (continued)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total to Date</u>
Beginning Balance 1/2017	\$ -	\$ 5,799,217	\$ 1,865,878	\$ 7,665,095
Interest Income	-	-	-	-
Realized Loss	-	-	-	-
Unrealized Gain	-	-	194,279	194,279
Contributions	-	-	2,688,456	2,688,456
Distributions	-	(192,055)	-	(192,055)
Transfers	-	(775,131)	775,131	-
Ending Balance 12/2017	<u>\$ -</u>	<u>\$ 4,832,031</u>	<u>\$ 5,523,744</u>	<u>\$ 10,355,775</u>

Note 25 – Valdry Center

The Valdry Center for Philanthropy at Southern University (“VCP”) is an academically based research center focused on philanthropic studies and nonprofit management. With no such academic unit at a Historically Black College or University; VCP brings new dimensions to the potential of philanthropic studies and nonprofit management in higher education. The Center is named for its principle benefactors Leon Valdry, Warren Valdry, and Virginia Valdry, and acknowledges the sizable gifts they have made to their alma mater for more than 50 years. Construction on the 10,967 square foot \$4.5 million building began in April of 2018, and is scheduled for substantial completion in March of 2019.

Note 26 – Subsequent Events

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Foundation has evaluated subsequent events and the reason for selecting that date. The Foundation evaluated subsequent events through July 25, 2018 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMAITON

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Financial Position
December 31, 2017

Schedule I

Assets:	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Cash and Cash Equivalents	\$ 846,986	\$ 3,692,186	\$ 4,539,172
Investments	10,416,008	-	10,416,008
Accounts Receivable	51,050	-	51,050
Other Receivables	-	-	-
Pledges Receivable, net	912,960	-	912,960
Prepaid Expenses	1,259	691,851	693,110
Due from Affiliate	112,782	-	112,782
Accrued Interest Income	-	-	-
Capitalized Lease Receivable	-	29,651,726	29,651,726
Property, Plant, and Equipment, net	3,643,425	-	3,643,425
Amortization of Intangibles	4,464	-	4,464
Deferred Bond Issuance Cost	-	608,535	608,535
	<u>15,988,934</u>	<u>34,644,298</u>	<u>50,633,232</u>
Total Assets			
	<u>15,988,934</u>	<u>34,644,298</u>	<u>50,633,232</u>
 Liabilities:			
Accounts Payable	488,435	-	488,435
Accrued Interest Payable	-	483,333	483,333
Amounts Held in Custody for Others	7,755,409	-	7,755,409
Loan Payable	1,414,898	-	1,414,898
Rental Deposit Fund	3,275	1,876,011	1,879,286
Bonds Payable	-	25,326,671	25,326,671
	<u>9,662,017</u>	<u>27,686,015</u>	<u>37,348,032</u>
Total Liabilities			
	<u>9,662,017</u>	<u>27,686,015</u>	<u>37,348,032</u>
 Net Assets:			
Beginning Net Assets	3,705,985	7,089,229	10,795,214
Change in Net Assets	2,620,932	(130,946)	2,489,986
	<u>6,326,917</u>	<u>6,958,283</u>	<u>13,285,200</u>
Total Net Assets			
	<u>6,326,917</u>	<u>6,958,283</u>	<u>13,285,200</u>
 Total Liabilities and Net Assets			
	<u>\$ 15,988,934</u>	<u>\$ 34,644,298</u>	<u>\$ 50,633,232</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Revenues and Support
For the Year Ended December 31, 2017

Schedule II

	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Contributions and Other Support	\$ 7,666,006	\$ -	\$ 7,666,006
Rental Income	20,783	2,409,275	2,430,058
Bayou Classic Revenues	116,621	-	116,621
Administration & Donor Fees	221,611	-	221,611
Donor Fees and Registration	-	-	-
Athletic Sponsorships and Support	9,100	-	9,100
Contributed Services	13,298	-	13,298
Interest Income	85,544	25,746	111,290
Other Income	<u>424,664</u>	<u>-</u>	<u>424,664</u>
Total Revenue and Support	<u>\$ 8,557,627</u>	<u>\$ 2,435,021</u>	<u>\$ 10,992,648</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Functional Expenses
For the Year Ended December 31, 2017

Schedule III

<u>FOUNDATION</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising</u>	<u>Total</u>
Bank Fees & Charges	\$ 35,160	\$ -	\$ -	\$ 35,160
University Support, Scholarships, Programs & Events	1,763,830	935,432	-	2,699,262
Travel & Transportation	183,538	41,950	-	225,488
Interest Expenses	62,923	-	-	62,923
Printing & Publications	97,261	47,905	-	145,166
Depreciation	107,725	11,970	-	119,695
Conferences & Professional Meetings	86,751	15,309	-	102,060
Equipment & Resource Materials	182,690	-	-	182,690
Materials & Supplies	26,275	7,411	-	33,686
Bayou Classic Expenses	-	-	42,783	42,783
Professional Services	1,206,340	134,040	-	1,340,380
Contract Labor	31,197	-	-	31,197
Faculty and Staff Development	46,983	-	-	46,983
Advertising & Promotion Costs	106,726	23,428	-	130,154
Equipment Rentals	52,657	-	-	52,657
Information Technology and Maintenance	81,161	34,783	-	115,944
Cultivation & Recognition	82,754	-	-	82,754
Property Taxes	3,912	-	-	3,912
Bad Debt Expense	7,500	-	-	7,500
Public/Community Initiatives	212,100	-	-	212,100
Insurance	9,613	4,729	-	14,342
Administrative Costs - Fees	92,691	26,144	-	118,835
Salaries and Related Expenses	88,036	205,417	-	293,453
Retirement Contribution	-	5,200	-	5,200
Utility Costs	5,307	1,327	-	6,634
In-Kind Expenses	6,290	-	-	6,290
Bond Issuance Expense	-	-	-	-
Telecommunications	11,935	7,264	-	19,199
Sub-total Foundation	<u>4,591,355</u>	<u>1,502,309</u>	<u>42,783</u>	<u>6,136,447</u>
<u>MILLENNIUM</u>				
Insurance	32,945	-	-	32,945
Bank Fees	270	-	-	270
Bond Interest Expense	2,512,099	-	-	2,512,099
Amortization of Bond Issuance Costs	28,978	-	-	28,978
Amortization of Prepaid Bond Insurance	-	-	-	-
Sub-total Millennium, LLC	<u>2,574,292</u>	<u>-</u>	<u>-</u>	<u>2,574,292</u>
Total Consolidated Expenses	<u>\$ 7,165,647</u>	<u>\$ 1,502,309</u>	<u>\$ 42,783</u>	<u>\$ 8,710,739</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Capital Assets
(Consolidated)
For the Year Ended December 31, 2017

Schedule IV

	<u>Balance</u> <u>12/31/2016</u>	<u>Prior</u> <u>Period</u> <u>Adjustment</u>	<u>Restated</u> <u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>
Capital Assets not being depreciated:							
Land	\$ 816,304	\$ -	\$ 816,304	\$ 698,773	\$ -	\$ -	\$ 1,515,077
Construction in Progress	<u>796,361</u>	<u>-</u>	<u>796,361</u>	<u>248,577</u>	<u>-</u>	<u>-</u>	<u>1,044,938</u>
Total Capital Assets not being depreciated	1,612,665	-	1,612,665	947,350	-	-	2,560,015
Other Capital Assets:							
Buildings	172,125	-	172,125	201,227	-	-	373,352
Less: Accumulated Depreciation	<u>(77,236)</u>	<u>-</u>	<u>(77,236)</u>	<u>(9,573)</u>	<u>-</u>	<u>-</u>	<u>(86,809)</u>
Total Buildings	<u>94,889</u>	<u>-</u>	<u>94,889</u>	<u>(9,573)</u>	<u>-</u>	<u>-</u>	<u>286,543</u>
Software	166,297	-	166,297	10,655	-	(83,662)	93,290
Less: Accumulated Depreciation	<u>(78,285)</u>	<u>-</u>	<u>(78,285)</u>	<u>(10,580)</u>	<u>-</u>	<u>-</u>	<u>(88,865)</u>
Total Software	<u>88,012</u>	<u>-</u>	<u>88,012</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>4,425</u>
Equipment	138,801	-	138,801	80,487	-	-	219,288
Less: Accumulated Depreciation	<u>(110,152)</u>	<u>-</u>	<u>(110,152)</u>	<u>(21,168)</u>	<u>-</u>	<u>-</u>	<u>(131,320)</u>
Total Equipment	<u>28,649</u>	<u>-</u>	<u>28,649</u>	<u>59,319</u>	<u>-</u>	<u>-</u>	<u>87,968</u>
Other	3,288,530	-	3,288,530	123,089	-	-	3,411,619
Less: Accumulated Depreciation	<u>(2,628,771)</u>	<u>-</u>	<u>(2,628,771)</u>	<u>(78,374)</u>	<u>-</u>	<u>-</u>	<u>(2,707,145)</u>
Total Other	<u>659,759</u>	<u>-</u>	<u>659,759</u>	<u>44,715</u>	<u>-</u>	<u>-</u>	<u>704,474</u>
Total Other Capital Assets	3,765,753	-	3,765,753	415,458	-	(83,662)	4,097,549
Total Accumulated Depreciation	(2,894,444)	-	(2,894,444)	(119,695)	-	-	(3,014,139)
Capital Asset Summary:							
Capital Assets not being depreciated	1,612,665	-	1,612,665	947,350	-	-	2,560,015
Other Capital Assets	<u>3,765,753</u>	<u>-</u>	<u>3,765,753</u>	<u>415,458</u>	<u>-</u>	<u>(83,662)</u>	<u>4,097,549</u>
Total Capital Assets	5,378,418	-	5,378,418	1,362,808	-	(83,662)	6,657,564
Less: Accumulated Depreciation	<u>(2,894,444)</u>	<u>-</u>	<u>(2,894,444)</u>	<u>(119,695)</u>	<u>-</u>	<u>-</u>	<u>(3,014,139)</u>
Capital Assets, net	<u>\$ 2,483,974</u>	<u>\$ -</u>	<u>\$ 2,483,974</u>	<u>\$ 1,243,113</u>	<u>\$ -</u>	<u>\$ (83,662)</u>	<u>\$ 3,643,425</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable
For the Year Ended December 31, 2017

Schedule V

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/16	(Redeemed) Issued	Principal Outstanding 12/31/17	Interest Rates	Interest Outstanding 12/31/17
Louisiana Public Facilities Authority	12/13/2006	\$ 59,990,000	\$ 51,280,000	\$ (27,460,000)	\$ 23,820,000	4.62%	\$ 13,742,157
Unamortized Premium - Series 2006	12/13/2006	<u>2,117,037</u>	<u>1,455,463</u>	<u>51,208</u>	<u>1,506,671</u>		-
Total		<u>\$ 62,107,037</u>	<u>\$ 52,735,463</u>	<u>\$ (27,408,792)</u>	<u>\$ 25,326,671</u>		<u>\$ 13,742,157</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable Amortization
For the Year Ended December 31, 2017

Schedule VI

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	675,000	1,119,698	1,794,698
2019	710,000	1,087,385	1,797,385
2020	745,000	1,050,504	1,795,504
2021	780,000	1,008,949	1,788,949
2022	817,830	969,552	1,787,382
2023	858,370	928,667	1,787,037
2024	901,290	885,750	1,787,040
2025	946,585	840,678	1,787,263
2026	994,275	793,351	1,787,626
2027	1,044,345	743,637	1,787,982
2028	1,096,800	691,419	1,788,219
2029	1,151,640	636,579	1,788,219
2030	1,208,865	578,997	1,787,862
2031	1,269,000	518,769	1,787,769
2032	1,331,000	458,485	1,789,485
2033	1,391,475	394,825	1,786,300
2034	1,451,040	335,687	1,786,727
2035	1,512,995	274,019	1,787,014
2036	1,577,320	209,715	1,787,035
2037	1,644,035	142,679	1,786,714
2038	<u>1,713,135</u>	<u>72,812</u>	<u>1,785,947</u>
	<u>23,820,000</u>	<u>13,742,157</u>	<u>37,562,157</u>

See Independent Auditors' Report

Other Supplementary Information

BAYOU CLASSIC 2017

Statement of Activities - Ancillary
For the Year Ended December 31, 2017
(Unaudited)

Schedule VII

Revenue

Sponsorship/Program Revenue	\$	954,212
Office Ticket Revenue		<u>48,323</u>
Total Revenue		1,002,535

Expenses

Programs Cost		
Bayou Classic		283,925
Battle of the Bands		108,351
Parade		33,817
Fan Fest and Biz Tech		<u>14,798</u>
Total Programs Cost		440,891

Operating Cost

Management fees		321,529
Corporate and sponsorship		118,407
Marketing		<u>125,716</u>
Total Operating Cost		565,652

Total Expenses 1,006,543

Net Income (Loss) \$ (4,008)

BAYOU CLASSIC 2017

Proceeds and Distributions (Consolidated)
For the Year Ended December 31, 2017
(Unaudited)

	<u>Schedule VIII</u>
<u>Game Activities</u>	
Total Game Tickets	\$ 1,459,170
Distributions	
Expenses w/o Centerplate	388,514
Southern Box Office	536,407
Grambling Box Office	382,662
Fan Fest	<u>28,218</u>
	1,335,801
Net Game Receipts	<u>123,369</u>
<u>Battle of the Bands</u>	
Tickets Revenue	524,890
Distributions	
Southern University Box Office	60,520
Grambling State Box Office	68,680
Expenses w/o Centerplate	<u>194,988</u>
	324,188
Net Battle of the Bands Receipts	<u>200,702</u>
Net Proceeds for Distribution	<u>\$ 324,071</u>
Net Distribution to Each Foundation	<u>\$ 162,036</u>

See Independent Auditors' Report

Bayou Classic 2017

RECONCILIATION WORKSHEET For the Year Ended December 31, 2017 (Unaudited)

Schedule IX

Revenue

50% of Net of NOCCI	\$	(2,004)
Net from Game and Fan Fest		61,684
Net from BOTB		<u>100,351</u>
Total		160,031

Expenses

Original Bead order for Float		3,300
Centerplate-Game		90,920
Centerplate-BOTB		6,494
Extra seats at coaches luncheon		1,716
Suite 408		<u>1,500</u>
Total		103,930

Total Check to Southern 56,101

Game box office		536,407
BOTB box office		<u>60,520</u>

Net for Bayou Classic \$ 653,028



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

Report on Compliance with the Affiliation Agreement with Southern University System

Board of Directors
Southern University System Foundation
Baton Rouge, Louisiana

We have examined Southern University System Foundation's compliance with the affiliation agreement with the Southern University System for the year ended December 31, 2017. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, Southern University System Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2017.

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 Foundation's internal control or on compliance. This communication is intended solely for the information and use of management of the Southern University System Foundation, others within the organization, and Southern University System. Accordingly, this communication is not suitable for and not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
July 25, 2018

OFFICES:

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

5100 WESTHEIMER
SUITE 231
HOUSTON
TEXAS 77056
(O) 713-588-4460
(F) 713-966-6125

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Findings
For the Year Ended December 31, 2017

I. Summary of Auditors' Report

a. Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of the Southern University System Foundation.

b. Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2017.

II. Findings – Financial Statement Audit

No findings were reported for the current audit period.

III. Summary of Prior Year Findings

No findings were reported for the prior audit period.