

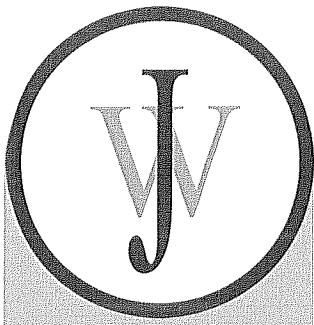
**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

**Financial Statements**

**For the Year Ended December 31, 2015**

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# J. WALKER & COMPANY<sub>APC</sub>

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, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## **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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

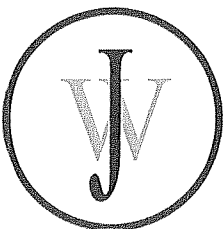
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules, Schedules I-VI, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, on our consideration of the Southern University System Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southern University System Foundation's internal control over financial reporting and compliance.

*J. Walker & Company, APC*

Lake Charles, Louisiana  
July 15, 2016



## **BASIC FINANCIAL STATEMENTS**

**SOUTHERN UNIVERESITY SYSTEM FOUNDATION**

Statement of Financial Position

(Consolidated)

December 31, 2015

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	
Unrestricted	\$ 5,683,868
Restricted	2,107,785
Accounts Receivables	169,598
Pledges Receivable, net	500,969
Other Receivables	22,713
Due from Affiliate	113,333
Capitalized Lease Receivable	1,275,000
Prepaid Expenses	30,078
Prepaid Bond Insurance	32,945
Bond Issuance Costs	<u>28,978</u>

**Total Current Assets** 9,965,267

**Property, Plant, and Equipment:**

Property, Plant, and Equipment, net	<u>972,432</u>
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**Total Property, Plant, and Equipment** 972,432

**Other Assets:**

Restricted Assets:	
Investments	7,770,306
Capitalized Lease Receivable	55,271,618
Prepaid Bond Insurance	757,742
Bond Issuance Costs	<u>666,490</u>

**Total Other Assets** 64,466,156

**TOTAL ASSETS** \$ 75,403,855

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

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Statement of Financial Position

(Consolidated)

December 31, 2015

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 552,150
Retainage Payable	7,020
Accrued Interest Payable	422,296
Due to Affiliate	6,240,251
Loans Payable	112,400
Bonds Payable and Premium	<u>1,341,157</u>

**Total Current Liabilities** 8,675,275

**Non-current Liabilities:**

Loans Payable	625,538
Rental Deposit Fund	1,874,387
Bonds Payable and Premium, Net	<u>52,735,466</u>

**Total Non-current Liabilities** 55,235,392

**Total Liabilities** 63,910,666

**Net Assets:**

Unrestricted	3,112,730
Temporarily Restricted	4,760,005
Permanently Restricted	<u>3,620,454</u>

**Total Net Assets** 11,493,189

**TOTAL LIABILITIES AND NET ASSETS** \$ 75,403,855

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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Contributions and Other Support	\$ 1,451,399	\$ 3,192,783	\$ 405,356	\$ 5,049,538
Rental Income	2,535,975	-	-	2,535,975
Bayou Classic Revenues	498,274	-	-	498,274
Administration Fees	125,784	-	-	125,784
Donor Fees and Registration	146,678	52,155	-	198,833
Athletic Sponsorships and Support	116,630	11,000	-	127,630
Contributed Services	294,400	-	-	294,400
Interest Income	434	31,443	-	31,877
Other Income	10,826	278,069	-	288,895
	<u>5,180,400</u>	<u>3,565,450</u>	<u>405,356</u>	<u>9,151,206</u>
<b>Total Revenues and Support</b>				
	<u>5,180,400</u>	<u>3,565,450</u>	<u>405,356</u>	<u>9,151,206</u>
<b>Net Assets Released from Restrictions</b>	<u>3,159,185</u>	<u>(3,159,185)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Program Services	8,044,651	-	-	8,044,651
Supporting Services	712,119	-	-	712,119
Fundraising	73,666	-	-	73,666
	<u>8,830,436</u>	<u>-</u>	<u>-</u>	<u>8,830,436</u>
<b>Total Expenses</b>				
	<u>8,830,436</u>	<u>-</u>	<u>-</u>	<u>8,830,436</u>
<b>Change in Net Assets</b>	(490,851)	406,265	405,356	320,770
Beginning Net Assets	<u>3,603,581</u>	<u>4,353,740</u>	<u>3,215,098</u>	<u>11,172,419</u>
Ending Net Assets	<u>\$ 3,112,730</u>	<u>\$ 4,760,005</u>	<u>\$ 3,620,454</u>	<u>\$ 11,493,189</u>

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



**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Statement of Cash Flows

(Consolidated)

For the Year Ended December 31, 2015

Cash flows from operating activities:	
Change in Net Assets	\$ 320,770
Adjustments to reconcile net income to net cash provided	
by operating activities:	
Depreciation	91,327
Amortization	61,923
Loss on sale of assets	(69,300)
Increase in accounts receivable	(159,886)
Decrease in pledges receivable	135,191
Increase in other receivables	(22,713)
Increase in allowance for doubtful accounts	(45,042)
Decrease in due from affiliate	74,813
Increase in prepaid expenses	(3,056)
Decrease in accounts payable	(279,467)
Decrease in loans payable	(123,186)
Increase in due to affiliate	131,713
Decrease in bond premium	<u>(66,156)</u>
Net cash provided by operating activities	<u>46,931</u>
Cash flows from investing activities:	
Investment in capital lease	<u>1,215,000</u>
Net cash provided by investing activities	<u>1,215,000</u>
Cash flows from financing activities:	
Payments made on bonds payable	<u>(1,215,000)</u>
Net cash used in financing activities	<u>(1,215,000)</u>
Net increase (decrease) in cash	46,931
<b>Cash and cash equivalents at beginning of year</b>	<u>7,744,722</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 7,791,653</u>

**Supplemental data:**

1. Interest paid - \$2,467,618
2. There were no material non-cash investing or financing activities during the year ended December 31, 2015.

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

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

### 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, 2015, the Foundation had \$3,112,730 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, 2015, the Foundation had \$4,760,005 in temporarily restricted net assets.

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

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

*Permanently Restricted* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permits the Foundation to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2015, the Foundation had \$3,620,454 in permanently restricted net assets.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

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

#### Endowment

Endowment investments are in short-term money market securities, equity investments, and fixed income investment. Endowment investments are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

#### Pledges

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

#### Investments and Investment Income

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

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

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

#### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation does not currently imply time restrictions on contributions of long-lived assets about how long the donated asset must be used.

#### Functional Allocation of Expenses

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

#### Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations. However, the Foundation is subject to income tax on any unrelated business taxable income. Since the Foundation had no unrelated business income for the year ended December 31, 2015, 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, 2015 has been extended until August 15, 2016. The Foundation has not filed their 2014 Form 990 as of the date these financial statements were available to be issued. Should the Foundation's tax status be challenged in the future, the 2012, 2013, and 2014 tax years are open to examination by the IRS.

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

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

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

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

#### Compensated Absences

The Foundation accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2015, no estimates were made for compensated absences.

#### Fixed Assets

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. The Foundation utilizes the straight-line method of depreciation over the estimated useful life of the asset. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed \$1,000. The useful lives of the Foundation's assets are estimated as follows:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Office Equipment	5-10 years
Scoreboard Equipment	10 years
Software	5 years
Leasehold Improvements	39 years

#### Restricted Assets

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

#### Noncurrent Liabilities

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

#### Principles of Consolidation

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

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 2 – Cash and Cash Equivalents**

As of December 31, 2015, cash and cash equivalents consisted of the following:

Unrestricted	\$ 5,683,868
Restricted	<u>2,107,785</u>
Total Cash and Cash Equivalents	<u>\$ 7,791,653</u>

**Note 3 – Accounts Receivable**

As of December 31, 2015 accounts receivable totaled \$169,598. 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, 2015:

Expected to be collected in:	
Less than one year	\$ 316,687
One to five years	<u>487,139</u>
Gross pledges receivable	803,826
Less: allowance for doubtful accounts	<u>(302,857)</u>
Pledges receivable, net	<u>\$ 500,969</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, 2015:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Publicly traded securities	\$ 4,309,640	\$ 4,791,363
Fixed income investments	<u>2,991,159</u>	<u>2,978,943</u>
Total	<u>\$ 7,300,799</u>	<u>\$ 7,770,306</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, 2015

**Note 6 – Capitalized Lease Receivable**

The Foundation entered into a cooperative agreement with the Southern System's Board to lease the projects included in the bond issuance. The Southern System's Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction in progress to Capitalized Lease Receivable. As of December 31, 2015 all projects have been completed.

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

Year ending December 31,	
2016	\$ 1,275,000
2017	1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021 and thereafter	<u>49,486,618</u>
Total	<u>\$ 56,546,618</u>

**Note 7 – Bond Issuance Costs / Prepaid Bond Insurance**

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

	<u>Costs</u>	<u>Prior Year Accumulated Amortization</u>	<u>Current Year Amortization</u>	<u>Total Accumulated Amortization</u>	<u>Cost, net of Accumulated Amortization</u>
Bond issuance costs	\$ 927,291	\$ (231,823)	\$ (28,978)	\$ (260,801)	\$ 666,490
Prepaid bond insurance	1,054,250	(263,562)	(32,945)	(296,507)	757,743

**Note 8 – Fair Value of Financial Instruments**

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

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

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

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 8 – Fair Value of Financial Instruments (continued)**

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

Fair values of assets and liabilities measured on a recurring basis at December 31, 2015 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash and cash equivalents	\$ 7,791,653	\$ -	\$ -	\$ 7,791,653	\$ 7,791,653
Receivables	192,311	-	-	192,311	192,311
Pledges receivable	-	-	803,826	803,826	803,826
Investments	7,770,306	-	-	7,770,306	7,770,306
Capital lease receivable	-	-	56,546,618	56,546,618	56,546,618
Bonds payable	52,555,000	-	-	52,555,000	52,555,000
Loans payable	-	-	737,938	737,938	737,938

**Note 9 – Property, Plant, and Equipment**

Land, building and equipment as of December 31, 2015 are summarized as follows:

Land and improvements	\$ 175,427
Building	172,125
Office equipment	24,725
Scoreboard equipment	3,288,530
Furniture and fixtures	86,816
Software	<u>93,290</u>
Subtotal	3,840,913
Less: Accumulated depreciation	<u>(2,872,945)</u>
Total	<u>\$ 967,968</u>

Depreciation expense totaled \$91,327 for the year ended December 31, 2015.

**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 \$125,784 in administrative fees for the year.



## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

### 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, 2014 for the Endowed chair and professorship program totaled \$6,108,538. 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, 2015:

Amounts held in custody for others:	
Southern University System	<u>\$ 6,240,251</u>
Due from affiliate:	
Reimbursable costs pertaining to bond projects due from Baton Rouge Campus	\$ 95,574
Reimbursable costs pertaining to bond projects from Shreveport Campus	<u>17,759</u>
Total due from affiliate	<u>\$ 113,333</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, 2015, the Foundation is in compliance with the terms of the bond indenture.

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 12 – Bonds Payable (continued)**

Scheduled principal payments on the bonds are as follows:

Year Ending December 31,	
2016	\$ 1,275,000
2017	1,340,000
2018	1,410,000
2019	1,480,000
2020	1,555,000
2021 and thereafter	<u>45,495,000</u>
Total	<u>\$ 52,555,000</u>

Interest expense related to the bonds for the year ended December 31, 2015 totaled \$2,457,493. Bonds payable net of the bond premium totaled \$54,076,620.

**Note 13 – Loans Payable**

Loans payable consists of a secured renewal of indebtedness dated June 11, 2008, which was refinanced on June 08, 2012. This installment loan has an original balance of \$441,437.21, and is secured by a Commercial Security Agreement dated February 15, 2007. The loan is payable to Whitney Bank in quarterly payments of \$30,341.47, including principal and interest through June 6, 2016, at which time the remaining principal balance is due. The interest rate is fixed at 4.50% and the outstanding balance at December 31, 2015, is \$48,525 with maturities summarized as follows:

2016	<u>\$ 48,525</u>
Total	<u>\$ 48,525</u>

The Foundation also has an obligation to Whitney Bank bearing interest at 4.60%. The principal amount of the business loan agreement is \$750,000. The loan is payable in annual installments of \$95,565.77, including interest, and is collateralized by a stadium scoreboard with an outdoor video screen, as well as rental revenues from electronic advertisements on the Southern University campus. Loan maturities for each of the five years following December 31, 2015 are as follows:

2016	\$ 63,875
2017	66,813
2018	69,886
2019	73,101
2020	76,464
2020 and thereafter	<u>339,274</u>
Total	<u>\$ 689,413</u>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 14 – 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	(529,257)
Current year amortization	<u>(66,157)</u>
Ending balance	<u>\$ 1,521,623</u>

**Note 15 – 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, 2015, the balance of the Rental Deposit Fund totaled \$1,874,387.

**Note 16 – 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 17 – 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, 2015:

Scholarships and educational assistance	\$ 413,201
University events, programs, and support	<u>2,745,984</u>
Total	<u>\$ 3,159,185</u>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 18 – Restricted Assets**

The components expected to be paid with restricted assets as of December 31, 2015 are as follows:

Accrued interest payable	\$ 422,296
Amount due to affiliate	6,240,251
Bonds payable and premium	1,341,157
Rental deposits	<u>1,874,387</u>
Total restricted assets	<u>\$ 9,878,091</u>

**Note 19 – Permanently Restricted Net Assets**

Permanently restricted net assets in the Foundation's endowment funds increased by \$405,356 during the year ended December 31, 2015:

Total Permanently Restricted Net Assets	<u>\$ 3,620,454</u>
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**Note 20 – Affiliation Agreement**

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

**Note 21 – Sale of Property**

On December 21, 2015, the Foundation finalized the sale on 91.87 acres of land located in Baker, Louisiana. The land had been owned by the Foundation since 2001, and was valued at \$450,000. The land was sold for \$405,000 minus expenses of \$24,300, therefore, leaving the Foundation with net proceeds of \$380,700. The realized loss on the sale of the property is disclosed on the schedule of functional expenses as \$69,300.

**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, 2015.

**Note 23 – Concentrations of Risk**

The Southern University System Foundation has a Capitalized Lease Receivable due from the Southern University System in the amount \$56,546,618. 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.

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements

December 31, 2015

### **Note 23 – Concentrations of Risk (continued)**

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, 2015, 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.

### **Note 24 – 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, 2015, 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 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, 2015 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 as approximately \$294,400 for the year ended December 31, 2015.

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, 2015

**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, 2015, the Foundation's endowments were classified as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total to Date</u>
Beginning Balance 1/2015	\$ -	\$ 5,795,283	\$ 1,604,199	\$ 7,399,482
Interest Income	-	31,364	563	31,877
Realized Loss	-	(71)	-	(71)
Unrealized Loss	-	(72,901)	-	(72,901)
Contributions	-	563,958	197,225	791,183
Distributions	-	(318,116)	-	(318,116)
Bank Fees	-	(31,198)	-	(31,198)
Ending Balance 12/2015	<u>\$ -</u>	<u>\$ 5,968,319</u>	<u>\$ 1,801,987</u>	<u>\$ 7,770,306</u>

**Note 27 – Subsequent Events**

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Foundation has evaluated subsequent events and the reason for selecting that date. The Foundation evaluated subsequent events through July 15, 2016, the date the financial statements were available to be issued. 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 displaying extremely thin liquidity, deficit operations, deteriorating financial reserves, and an urgent need for capital investment.

The Ba1 rating reflects the University's 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 Southern's 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.

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Notes to Financial Statements

December 31, 2015

**Note 27 – Subsequent Events (continued)**

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.

## **SUPPLEMENTARY INFORMATION**



**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Schedule of Financial Position

December 31, 2015

Schedule I

<b>Assets:</b>	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Cash and Cash Equivalents	\$ 2,160,360	\$ 5,631,293	\$ 7,791,653
Investments	7,770,306	-	7,770,306
Accounts Receivable	169,598	-	169,598
Other Receivables	22,713	-	22,713
Pledges Receivable, net	500,969	-	500,969
Prepaid Expenses	30,078	-	30,078
Due from Affiliate	113,333	-	113,333
Accrued Interest Income	-	-	-
Capitalized Lease Receivable	-	56,546,618	56,546,618
Prepaid Bond Insurance	-	790,687	790,687
Bond Issuance Cost	-	695,468	695,468
Property, Plant, and Equipment, net	972,432	-	972,432
Construction in Progress	-	-	-
	-	-	-
<b>Total Assets</b>	<b><u>\$ 11,739,789</u></b>	<b><u>\$ 63,664,066</u></b>	<b><u>\$ 75,403,855</u></b>
<b>Liabilities:</b>			
Accounts Payable	\$ 512,258	\$ 39,892	\$ 552,150
Retainage Payable	7,020	-	7,020
Accrued Interest Payable	-	422,296	422,296
Due to Affiliate	6,240,251	-	6,240,251
Loan Payable	737,939	-	737,939
Rental Deposit Fund	-	1,874,387	1,874,387
Bonds Payable	-	52,555,000	52,555,000
Bonds Payable Premium	-	1,521,623	1,521,623
	-	-	-
<b>Total Liabilities</b>	<b><u>7,497,468</u></b>	<b><u>56,413,198</u></b>	<b><u>63,910,666</u></b>
<b>Net Assets:</b>			
Beginning Net Assets	3,927,987	7,244,432	11,172,419
Net Assets Restatement	-	-	-
	-	-	-
Beginning Net Assets	3,927,987	7,244,432	11,172,419
Change in Net Assets	314,334	6,436	320,770
	-	-	-
<b>Total Net Assets</b>	<b><u>4,242,321</u></b>	<b><u>7,250,868</u></b>	<b><u>11,493,189</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 11,739,789</u></b>	<b><u>\$ 63,664,066</u></b>	<b><u>\$ 75,403,855</u></b>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Schedule of Revenues and Support  
For the Year Ended December 31, 2015

Schedule II

	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Contributions and Other Support	\$ 5,049,538	\$ -	\$ 5,049,538
Rental Income	-	2,535,975	2,535,975
Bayou Classic Revenues	498,274	-	498,274
Administration Fees	125,784	-	125,784
Donor Fees and Registration	146,678	-	198,833
Athletic Sponsorships and Support	116,630	-	127,630
Contributed Services	294,400	-	294,400
Interest Income	31,364	513	31,877
Other Income	288,895	-	288,895
	<hr/>	<hr/>	<hr/>
<b>Total Revenue and Support</b>	<b>\$ 6,551,563</b>	<b>\$ 2,536,488</b>	<b>\$ 9,151,206</b>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Schedule of Functional Expenses

For the Year Ended December 31, 2015

Schedule III

<u>FOUNDATION</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising</u>	<u>Total</u>
Bank Fees & Charges	\$ 19,559	\$ 16,678	\$ -	\$ 36,237
Scholarships & Education Assistance	449,359	32,498	-	481,857
Travel & Transportation	130,370	46,228	-	176,598
Interest Expenses	38,866	-	-	38,866
Printing & Publications	47,650	5,109	64,319	117,078
Depreciation	73,159	18,168	-	91,327
Conferences & Professional Meetings	68,853	13,521	-	82,374
Equipment & Resource Materials	54,677	-	-	54,677
Capital Enhancement Project	1,011,680	-	-	1,011,680
Materials & Supplies	161,001	14,230	-	175,231
Bayou Classic Expenses	434,325	-	-	434,325
Professional Membership Dues	14,694	3,721	-	18,415
Postage & Mailing	2,984	9,461	9,347	21,792
Professional Fees and Contracts	628,530	191,375	-	819,905
Faculty and Staff Development	1,779	22,124	-	23,903
Advertising & Promotion Costs	156,083	37,621	-	193,704
Equipment Rentals	35,654	3,646	-	39,300
Contributed Services	294,400	-	-	294,400
Realized/Unrealized Investment Losses	72,972	-	-	72,972
Information Technology and Maintenance	323	28,531	-	28,854
Loss on Sale of Assets	69,300	-	-	69,300
General Maintenance	41,065	9,240	-	50,305
Cultivation & Recognition	68,579	25,070	-	93,649
University Support, Programs & Events	1,315,432	10,339	-	1,325,771
Property Taxes	415	18	-	433
Bad Debt Expense	45,266	-	-	45,266
Public/Community Initiatives	100,070	25,344	-	125,414
Insurance	-	11,488	-	11,488
Administrative Costs - Fees	107,846	224	-	108,070
Salaries and Related Expenses	38,685	184,134	-	222,819
In-Kind Expenses	5,000	-	-	5,000
Telecommunications	26,534	3,351	-	29,885
<b>Sub-total Foundation</b>	<u>5,515,110</u>	<u>712,119</u>	<u>73,666</u>	<u>6,300,895</u>
<b>MILLENNIUM</b>				
Bond Interest Expense	2,467,618	-	-	2,467,618
Amortization of Bond Issuance Costs	28,978	-	-	28,978
Amortization of Prepaid Bond Insurance	32,945	-	-	32,945
<b>Sub-total Millennium, LLC</b>	<u>2,529,541</u>	<u>-</u>	<u>-</u>	<u>2,529,541</u>
<b>Total Consolidated Expenses</b>	<u>\$ 8,044,651</u>	<u>\$ 712,119</u>	<u>\$ 73,666</u>	<u>\$ 8,830,436</u>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**  
 Schedule of Capital Assets  
 (Consolidated)

For the Year Ended December 31, 2015

Schedule IV

	Balance 12/31/2014	Prior Period Adjustment	Restated Balance 12/31/2014	Additions	Transfers	Retirements	Balance 12/31/2015
Capital Assets not being depreciated:							
Land	\$ 555,193	-	\$ 555,193	\$ 70,234	-	\$ 450,000	\$ 175,427
Construction in Progress	-	-	-	-	-	-	-
Total Capital Assets not being depreciated	<u>\$ 555,193</u>	<u>-</u>	<u>\$ 555,193</u>	<u>\$ 70,234</u>	<u>-</u>	<u>\$ 450,000</u>	<u>\$ 175,427</u>
Other Capital Assets:							
Buildings	\$ 172,125	-	\$ 172,125	-	-	-	\$ 172,125
Less: Accumulated Depreciation	(68,409)	-	(68,409)	(4,414)	-	-	(72,823)
Total Buildings	<u>103,716</u>	<u>-</u>	<u>103,716</u>	<u>(4,414)</u>	<u>-</u>	<u>-</u>	<u>99,302</u>
Software	88,352	-	88,352	4,938	-	-	93,290
Less: Accumulated Depreciation	(58,655)	-	(58,655)	(10,340)	-	-	(68,995)
Total Software	<u>29,697</u>	<u>-</u>	<u>29,697</u>	<u>(5,402)</u>	<u>-</u>	<u>-</u>	<u>24,295</u>
Equipment	3,398,746	-	3,398,746	1,325	-	-	3,400,071
Less: Accumulated Depreciation	(2,654,552)	-	(2,654,552)	(76,574)	-	-	(2,731,126)
Total Equipment	<u>744,194</u>	<u>-</u>	<u>744,194</u>	<u>(75,249)</u>	<u>-</u>	<u>-</u>	<u>668,945</u>
Total Other Capital Assets	<u>\$ 3,659,223</u>	<u>-</u>	<u>\$ 3,659,223</u>	<u>\$ 6,263</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,665,486</u>
Total Accumulated Depreciation	<u>\$ (2,781,617)</u>	<u>-</u>	<u>\$ (2,781,617)</u>	<u>\$ (91,328)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (2,872,945)</u>
Capital Asset Summary:							
Capital Assets not being depreciated	\$ 555,193	-	\$ 555,193	\$ 70,234	-	\$ 450,000	\$ 175,427
Other Capital Assets	<u>3,659,223</u>	<u>-</u>	<u>3,659,223</u>	<u>6,263</u>	<u>-</u>	<u>-</u>	<u>3,659,223</u>
Total Capital Assets	<u>4,214,416</u>	<u>-</u>	<u>4,214,416</u>	<u>76,497</u>	<u>-</u>	<u>450,000</u>	<u>3,840,913</u>
Less: Accumulated Depreciation	<u>(2,781,617)</u>	<u>-</u>	<u>(2,781,617)</u>	<u>(91,328)</u>	<u>-</u>	<u>-</u>	<u>(2,872,945)</u>
Capital Assets, net	<u>\$ 1,432,799</u>	<u>-</u>	<u>\$ 1,432,799</u>	<u>\$ (14,831)</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 967,968</u>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

Schedule of Bonds Payable

For the Year Ended December 31, 2015

Schedule V

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/14	(Redeemed) Issued	Principal Outstanding 12/31/15	Interest Rates	Interest Outstanding 12/31/15
Louisiana Public Facilities Authority	12/13/2006	\$ 59,990,000	\$ 53,770,000	\$ (1,215,000)	\$ 52,555,000	4.62%	\$ 33,667,187
Unamortized Premium - Series 2006	12/13/2006	2,117,035	1,587,780	(66,157)	1,521,623		-
<b>Total</b>		<u>\$ 62,107,035</u>	<u>\$ 55,357,780</u>	<u>\$ (1,281,157)</u>	<u>\$ 54,076,623</u>		<u>\$ 33,667,187</u>

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**

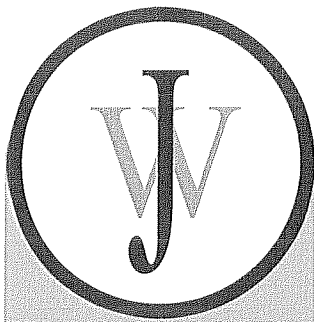
Schedule of Bonds Payable Amortization

For the Year Ended December 31, 2015

Schedule VI

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,275,000	2,473,025	3,748,025
2017	1,340,000	2,409,275	3,749,275
2018	1,410,000	2,338,925	3,748,925
2019	1,480,000	2,266,662	3,746,662
2020	1,555,000	2,192,662	3,747,662
2021	1,635,000	2,114,912	3,749,912
2022	1,715,000	2,033,162	3,748,162
2023	1,800,000	1,947,412	3,747,412
2024	1,890,000	1,857,412	3,747,412
2025	1,985,000	1,762,912	3,747,912
2026	2,085,000	1,663,662	3,748,662
2027	2,190,000	1,559,412	3,749,412
2028	2,300,000	1,449,912	3,749,912
2029	2,415,000	1,334,912	3,749,912
2030	2,535,000	1,214,162	3,749,162
2031	2,660,000	1,087,412	3,747,412
2032	2,790,000	961,062	3,751,062
2033	2,920,000	828,537	3,748,537
2034	3,045,000	704,437	3,749,437
2035	3,175,000	575,025	3,750,025
2036	3,310,000	440,087	3,750,087
2037	3,450,000	299,412	3,749,412
2038	<u>3,595,000</u>	<u>152,796</u>	<u>3,747,796</u>
	<u>\$ 52,555,000</u>	<u>\$ 33,667,187</u>	<u>\$ 86,222,187</u>

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**



# J. WALKER & COMPANY<sup>APC</sup>

— 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, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2016.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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*.

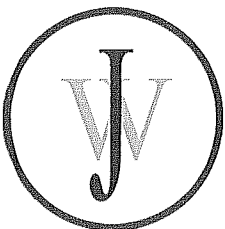
## **Purpose of this Report**

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

July 15, 2016



**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2015

**I. Summary of Auditors' Report**

a. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of the Southern University System Foundation.
2. No control deficiencies were disclosed during the audit of the financial statements or reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Southern University System Foundation were reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

1. The entity did not receive any federal awards during the year ended December 31, 2015, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

c. Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2015.

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2015

**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, 2015

**III. Summary of Prior Year Findings**

No findings were reported for the prior audit period.