

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Annual Financial Report

For the Year Ended December 31, 2018

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Statement of Financial Position	4
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information:	
I. Schedule of Financial Position	24
II. Schedule of Revenues and Support	25
III. Schedule of Functional Expenses	26
IV. Schedule of Capital Assets	27
V. Schedule of Bonds Payable	28
VI. Schedule of Bonds Payable Amortization	29
VII. Statement of Activities - Ancillary	30
VIII. Bayou Classic 2018 – Proceeds and Distributions	31
IX. Bayou Classic 2018 – Reconciliation Schedule	32
Report on Compliance with the Affiliation Agreement	33



J. WALKER & COMPANY_{APC}

— ACCOUNTANTS AND ADVISORS —

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Southern University System Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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 230
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 Southern University System Foundation as of December 31, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of financial position, schedule of revenues and support, schedule of functional expenses, schedule of capital assets, schedule of bonds payable, and schedule of bonds payable amortization 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. The statement of activities – Ancillary, Bayou Classic 2018 – Proceeds and Distributions, and Bayou Classic 2018 – Reconciliation Schedule have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

J. Walker & Company, APC

Lake Charles, Louisiana

July 22, 2019



BASIC FINANCIAL STATEMENTS

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,995,490
Prepaid expenses	666,302
Pledges receivable, net	684,868
Other receivable	252,295
Due from affiliates	118,380
	<u>3,717,335</u>

Total Current Assets 3,717,335

Property, Plant, and Equipment:

Property, plant, and equipment, net	<u>5,329,990</u>
-------------------------------------	------------------

Total Property, Plant, and Equipment 5,329,990

Other Assets:

Amortization of intangibles	4,464
Restricted assets:	
Restricted cash	1,838,792
Investments	9,768,211
Capitalized lease receivable	<u>22,485,000</u>

Total Other Assets 34,096,467

TOTAL ASSETS \$ 43,143,792

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Financial Position
(Consolidated)
December 31, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$ 620,213
Accrued expenses	466,909
Amounts held in custody for others	6,988,290
Loans payable	1,528,549
Bonds payable	<u>481,157</u>

Total Current Liabilities 10,085,118

Non-current Liabilities:

Loans payable	1,181,068
Rental deposit	4,414
Bonds payable, net	<u>22,970,562</u>

Total Non-current Liabilities 24,156,044

Total Liabilities 34,241,162

NET ASSETS

Without donor restrictions	3,844,724
With donor restrictions	<u>5,057,908</u>

Total Net Assets 8,902,632

TOTAL LIABILITIES AND NET ASSETS \$ 43,143,794

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Activities
(Consolidated)
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions and other support	\$ 6,038,388	\$ -	\$ 6,038,388
Grants	615,000	-	615,000
Rental income	1,835,380	-	1,835,380
Bayou classic revenues	-	208,441	208,441
Administration fees	207,774	-	207,774
Athletic sponsorships and support	275	-	275
Donor's fees and registration	666,653	-	666,653
Interest income	47,345	-	47,345
 Total Revenues and Support	 9,410,815	 208,441	 9,619,256
 Net Assets Released from Restriction	 1,366,225	 (1,366,225)	 -
Expenses			
Program services	5,568,074	-	5,568,074
Supporting services:			
Management and general	1,514,514		1,514,514
Fundraising	264,073	-	264,073
 Total Expenses	 7,346,661	 -	 7,346,661
Investment Activities			
Net realized (loss) gain	(18,753)	-	(18,753)
Net unrealized (loss) gain	(250,713)	-	(250,713)
Total Investment Activities	(269,466)	-	(269,466)
 Change in Net Assets	 3,160,913	 (1,157,784)	 2,003,129
 Beginning Net Assets, as restated	 683,811	 6,215,692	 6,899,503
 Ending Net Assets	 \$ 3,844,724	 \$ 5,057,908	 \$ 8,902,632

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Functional Expenses
(Consolidated)
Year Ended December 31, 2018

	Program Services	Supporting Services		Total
		Management & General	Fundraising	
Administrative cost - fees	\$ 177,765	\$ -	\$ -	\$ 177,765
Advertising and promotion	92,699	96,362	-	189,061
Bad debt expense	112,292	-	-	112,292
Bank fees and loan costs	42,900	19,953	-	62,853
Bayou classic expense	-	-	264,073	264,073
Bond interest expense	965,812	-	-	965,812
Computer, equipment lease, and other rentals	37,369	5,715	-	43,084
Conferences & meetings	195,166	16,987	-	212,153
Contributed services	-	278,100	-	278,100
Faculty/staff development	22,660	53,339	-	75,999
Cultivation/recognition	76,414	21,048	-	97,462
Depreciation	-	132,220	-	132,220
Equipment and resource materials	32,462	-	-	32,462
Insurance	40,257	12,444	-	52,701
Information technology maintenance	42,083	52,808	-	94,891
Interest expenses	65,665	-	-	65,665
Maintenance	98,118	2,000	-	100,118
Materials and supplies	149,639	36,351	-	185,990
Postage and mailing	3,387	11,462	-	14,849
Printing and publication	48,341	70,554	-	118,895
Membership dues & subscription	302,030	4,333	-	306,363
Professional fees and contracts	701,124	221,755	-	922,879
Propety taxes	817	-	-	817
Public/community support	220,405	29,186	-	249,591
Salaries & related expenses	56,038	222,414	-	278,452
Retirement contribution	-	5,050	-	5,050
Scholarship and educational assistance	886,304	67,982	-	954,286
Capital enhancement project	46,017	-	-	46,017
Telecommunications	9,376	4,363	-	13,739
Travel and transportation	170,637	92,462	-	263,099
University events and programs	965,300	57,626	-	1,022,926
Utilities cost	6,997	-	-	6,997
Total	\$ 5,568,074	\$ 1,514,514	\$ 264,073	\$ 7,346,661

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ 1,111,132
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	132,220
Other noncash items	299,237
(Increase) decrease in:	
Accounts receivable	228,092
Prepaid expenses	26,808
Other receivables	(201,245)
Capital lease receivable	3,957,340
Due from affiliate	(5,598)
Increase (decrease) in:	
Accounts payable	131,778
Accrued interest	(16,424)
Other accrued liabilities	(767,119)
Rental deposit refund	1,139
Net Cash (Used) Provided by Operating Activities	<u>4,897,360</u>

Cash Flows from Investing Activities

Proceeds from sale of investments	647,797
Purchases of property and equipment	<u>(2,118,022)</u>
Net Cash (Used) Provided by Investing Activities	(1,470,225)

Cash Flows from Financing Activities

Proceeds from line of credit (net)	1,409,947
Repayments of debt borrowings	<u>(5,541,972)</u>
Net Cash (Used) Provided by Financing Activities	(4,132,025)

Net Increase (Decrease) in Cash and Cash Equivalents (704,890)

Cash and Cash Equivalents, beginning of year 4,539,172

Cash and Cash Equivalents, end of year \$ 3,834,282

Supplemental Data:

- | | |
|---|-----------|
| 1. Interest paid for the year ended December 31, 2018: | \$ 65,665 |
| 2. There were no material non-cash investing or financing activities during the year ended December 31, 2018. | |

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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements
December 31, 2018

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

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statement of Not-for-Profit Entities. Under the ASU 2016-14, the Foundation is required to report only two classes of net assets: "net assets without donor restrictions" and "net assets with donor restrictions."

Net Assets without Donor Restrictions – are available for use at the discretion of the Board of Trustees (the Board) and /or management for general operating purposes.

Net Assets with Donor Restrictions – are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

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 include 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 net assets without donor restrictions 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.

Prepaid Expenses

Prepaid expenses are primarily insurance, software, and rent.

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.

Revenue Recognition

Contributions are recorded when received. 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 net assets with donor restrictions that increases those net asset classes. When a donor restriction expires, with donor restricted net assets are reclassified and reported in the statement of activities as net assets without donor restrictions. Contributions restricted for acquisition of land, buildings, and equipment are reported as net

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

assets without donor restriction upon acquisition of the assets and the assets are placed in service. The Foundation does not currently imply time restrictions on contributions of long-lived assets about how long the donated asset must be used.

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, 2018, 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, 2018 has been extended until November 15, 2019. The Foundation has not filed their 2018 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 2015, 2016, and 2017 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, 2018, 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:

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

<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, 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.

Functional Allocation of Expenses

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Cost common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958) The ASU amends the current reporting model for nonprofits and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restriction" and "net assets with donor restriction", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

present reconciliation (the indirect method). The Foundation has chosen to present its statements of cash flows using the indirect method.

Reclassifications

Certain accounts in 2017 financial statements have been reclassified to conform with the current year financial statement presentation.

- The temporary restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restriction.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:

Cash and cash equivalents	\$ 3,834,282
Pledges receivable, net	684,868
Other receivable	252,295
Due from affiliate	118,380
Investments	<u>9,768,211</u>
Total financial assets	<u>14,658,036</u>

Less financial assets held to meet donor-imposed restrictions:

Restricted cash	1,838,792
Amounts held in custody for others	<u>6,988,290</u>

Amount available for general expenditures within one year: \$ 5,830,954

The Foundation maintains a line of credit with local financial institution primary use of funds is for the construction, development of facilities, and real estate.

Note 3 – Prepaid Expenses

Prepaid insurance	\$ 664,750
Prepaid software, rent, and other items	<u>1,552</u>
Total	<u><u>\$ 666,302</u></u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

Note 4 – Pledges Receivable

Unconditional pledges receivables are due as follows at December 31, 2018:

Less than one year	\$ 342,585
One to five years	<u>764,931</u>
Gross pledges receivable	1,107,516
Less: allowance for doubtful accounts	<u>(422,648)</u>
Pledges receivable, net	<u>\$ 684,868</u>

Note 5 – Other Receivable

As of December 31, 2018, other receivable totaled \$ 252,295. Management believes all receivables to be collectible; therefore, no allowance for doubtful collection is recorded.

Note 6 – 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, 2018:

<u>Description</u>	<u>Fair Value</u>
Money market funds	\$ 490,571
Exchange-traded products	6,886,345
Equities	1,555,667
Fixed income	<u>835,628</u>
Total	<u>\$ 9,768,211</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.

As discussed in note 6 to these financial statements, the foundation is required to report its fair value measurements in one of three levels, which are based on ability to observe in the marketplace the inputs to Foundation's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31, 2018, including investments measured at NAV if the NAV is determined as the fair value per share (unit) is published, and is the basis for current transactions. All fair value measurements of investments are considered level 1 measurements as of December 31, 2018.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

Note 7 – Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. The foundation reports fair value measures of its assets and liabilities using a three- level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximized the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 are as follows:

Description	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 3,834,282	\$ -	\$ -	\$ 3,834,282
Receivables	252,295	-	-	252,295
Pledges receivable, net	-	-	684,868	684,868
Investments	9,768,211	-	-	9,768,211
Capital lease receivable	-	-	22,485,000	22,485,000
Bonds payable	-	23,451,719	-	23,451,719
Loans payable	-	-	2,709,617	2,709,617

Note 8 – 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 amounts due from the Southern University System's Board are as follows:

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

Year Ending December 31,	
2019	\$ 1,278,048
2020	1,720,075
2021	1,717,825
2022	1,718,825
2023	1,717,825
2024 and thereafter	<u>25,695,300</u>
Total minimum payments	33,847,898
Less amount representing interest	<u>(11,362,898)</u>
	<u>\$ 22,485,000</u>

Note 9 – Property, Plant, and Equipment

Land, building and equipment as of December 31, 2018 are summarized as follows:

Land and improvements	\$1,215,840
Construction in progress	1,485,347
Building	1,995,830
Office equipment	245,464
Software	122,248
Other fixed assets	<u>3,411,619</u>
Subtotal	\$8,476,348
Less: Accumulated Depreciation	<u>(3,146,358)</u>
Total	<u>\$5,329,990</u>

Depreciation expense totaled \$132,220 for the year ended December 31, 2018.

Note 10 – Southern University Business Incubator

In 2014, the Foundation received a federal grant for \$1,000,000 to purchase land and build a revenue generating facility that offers eight (8) office spaces to be rented out to the public. The grant provides reimbursement of eighty percent (80%) of the expenses and the Foundation is responsible for the remaining twenty percent (20%) of expenses. The Business Incubator started in operation in fall of 2018. Expenses have been maintained as construction in progress with a balance of \$1,485,347 on December 31, 2018.

Note 11 – Other Income

Other income is comprised of an administrative fee and lease income. The Foundation earns a monthly fee which is based upon the total cash deposits managed by the Foundation on behalf of the System. Any

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

deposits made that are applicable to scholarships are charged an administrative fee of 2%; all additional fees are charged at 4%. The Foundation received \$207,774 in administrative fees for the year.

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

The Southern University System has contracted with the Foundation to invest the University's Endowed Chair for Eminent Scholars and Endowed Professorship Endowment Funds. The Endowed Chairs for Eminent Scholars Endowment Funds are established for \$1,000,000 with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program Endowment Funds are established for \$100,000 with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the Southern University System as of December 31, 2018 for the Endowed chair and professorship program totaled \$6,988,290. 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, 2018:

Amounts held in custody for others:	
Southern University System	\$ 6,988,290
Due from affiliate:	\$ 118,380

Note 13 – Bonds Payable

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

The Foundation is required to submit certain prescribed documentation within 180 days after the last day of each Fiscal Year to the Bond Insurer and the Trust Officer. These documents include financial reports certified by independent certified public accountants, a copy of the budget, a no default certificate, a copy of the developer's certificate, and a copy of the disclosure certificate. As of December 31, 2018, the Foundation is in compliance with the terms of the bond indenture.

In 2018 Millennium Housing, LLC (the sole member of which is the Southern University System Foundation) and the Louisiana Public Facilities Authority entered into an agreement to issue \$22,485,000 aggregate principal amount of Refunding Revenue Bond Series 2018. The purpose of the bonds is for the

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

refunding of all the Refunded Bonds, fund a debt service reserve fund and paying the cost of the issuance of the Bonds. The transactions occurred to allow a new bond issue to be made for the replacement of The Refunded Bond balance not defeated in 2017, the balance of which was \$23,145,000 remaining from the 2006 series bond issue secured to build student apartments on the Baton Rouge Campus of Southern University.

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

Year Ending December 31,	
2019	\$ 415,000
2020	745,000
2021	780,000
2022	820,000
2023	860,000
2024 and thereafter	<u>18,865,000</u>
	<u>\$22,485,000</u>

The outstanding Series 2006 bonds payable premiums are required to be paid as follows for the next five periods and thereafter:

Year Ending December 31,	
2019	\$ 66,157
2020	66,157
2021	66,157
2022	66,157
2023	66,157
2024 and thereafter	<u>635,934</u>
	<u>\$ 966,719</u>

Interest expense related to the bonds for the year ended December 31, 2018 totaled \$65,665.

Note 14 – Loans Payable

Line of Credit

The Foundation has a multiple advance loan obligation with Whitney Bank bearing a variable interest rate. The principal amount of the business loan agreement is \$4,400,000 with interest payments commencing on June 1, 2019 and annually on the same day each year thereafter. Once the total amount of principal has been advanced under this note, the Foundation will not be entitled to further loan advances. Effective June 2, 2020 (the "Conversion Date"), the Foundation will not be entitled to any further advances on the Non-Revolving Line of Credit, interest shall accrue on the outstanding balance in effect as of the conversion date at the variable rate of One Month LIBOR plus a margin of 1.10%. The Note shall then be payable in seven (7) payments of interest plus principal beginning June 1, 2021, and annually on the same day thereafter, with the entire unpaid balance of principal and interest being payable

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

on June 1, 2028. The specific purpose of this business loan is to finance the construction of a new building on the campus of Southern University. The loan is collateralized by the Foundation's now owned and hereafter acquired equipment, machinery, furniture, and other real estate related goods. As of December 31, 2018, the Foundation utilized \$1,409,946 of the line of credit.

Loans payable

The Foundation also has an obligation to Whitney Bank bearing interest at 5.75%. The loan is payable in annual installments of \$ 27,748, including interest. The Foundation made its first payment towards the obligation on August 24, 2018, and all subsequent payments are due on the same day of each year after that.

Hancock Whitney Bank Loan #3

Loan maturities for each of the five years following December 31, 2018 are as follows:

Year Ending December 31,	
2019	\$ 20,903
2020	20,903
2021	20,903
2022	20,903
2023	<u>12,903</u>
Total	<u>\$ 96,515</u>

Hancock Whitney Bank Scoreboard Loan #2

Loan maturities for each of the five-year following December 31, 2018 are as follows.

Year Ending December 31,	
2019	\$ 97,700
2020	102,194
2021	106,895
2022	111,812
2023	116,955
2024 and thereafter	<u>667,600</u>
Total	<u>\$ 1,203,156</u>

Note 15 – Rental Deposit

The Foundation leased the innovation center to various outside tenants. At December 31, 2018, the balance of the rental deposit totaled \$4,414.

Note 16 – Ground Lease

Pursuant to the Cooperative Endeavor and Lease Agreement between the Foundation and the Board of

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

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 – Accrued expenses

As of December 31, 2018, accrued expenses are as follows:

<u>Accrued expenses</u>	
Accrued interest payable	\$ 365,134
Retainage payable	<u>101,775</u>
Total	<u>\$ 466,909</u>

Note 18 – Restated Net Assets

The following restatement was made to net assets to account for the refinancing of the bond debt, as well as to adjust the capital lease receivable to actual per the board base rent source agreement between the Foundation and the Southern University System:

Beginning Net Assets	\$9,467,279
Restatements:	
LPFA Revenue Bond Rental Deposit	984,016
LPFA Revenue Bond Payable Premium	621,058
Capitalized Lease Receivable - SUBR	(3,245,559)
Deferred Bond Issuance Cost	<u>(927,291)</u>
Total Restatements	<u>(2,567,776)</u>
Restated Beginning Net Assets	<u>\$6,899,503</u>

Note 19 – 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, 2018:

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

Administration Fees	\$ 207,774
Donor's Fees and Registration	666,653
Interest Income	67,134
Other Income	<u>424,664</u>
Total	<u>\$ 1,366,225</u>

Note 20 – Net Asset with Donor Restrictions

The components expected to be paid with restricted assets as of December 31, 2018 are as follows:

Accrued interest payable	\$ 365,134
Bonds payable and premium	1,828,333
Rental deposits	<u>1,880,425</u>
Total restricted assets	<u>\$4,073,892</u>

Note 21 – Concentrations of Risk

The Southern University System Foundation has a Capitalized Lease Receivable due from the Southern University System in the amount \$22,485,000. 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, 2018, funds on deposit with savings and trust institutions exceeded FDIC limits by \$3,584,283. 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, 2018, the Foundation held investments in excess of the Securities Investor Protection Corporation (SIPC) insurance limit of \$500,000.

Note 22 – Contingencies

Amounts received may be 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, 2018, the Foundation has met all donor specification on all temporarily and permanently restricted contributions, and accordingly, no provision has been made for any liabilities that might arise from noncompliance.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

Note 23 – Affiliation Agreement

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

During the year ended December 31, 2018, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$2,009,676.

Note 24 – Board of Directors

The Board of Directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2018.

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, 2018 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, 2018.

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 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

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Notes to Financial Statements (Continued)
December 31, 2018

donor-imposed restrictions. As on December 31, 2018, the Foundation’s endowments were classified as follows:

Without donor restrictions	With donor restrictions			Total funds as of December 31, 2018
	Original gift	Accumulated gains (losses)	Total	
\$ 342,580	\$ 10,013,195	\$ (244,984)	\$ 9,768,211	\$ 10,110,791

Note 27 – 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 28 – Subsequent Events

Subsequent events have been evaluated through July 22, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated whether a change in the financial statements would be required.

On March 27, 2019, a Deed of Lease was executed between the Southern University System Foundation and Quantico Tenant Choice, LLC of Stafford, Virginia. The anticipated occupancy date of the office space is August 1, 2019, which may be extended at the Landlord’s election. The terms of the lease will continue for ten (10) years following the date of occupancy. The basic annual rent shall be increased by three percent (3%) of the proceeding year’s basic annual rent. The rent schedule shall commence as follows:

Lease Year	Annual Basic Rent
Year 1	\$ 331,205
Year 2	341,141
Year 3	351,375
Year 4	361,917
Year 5	372,774
Year 6	383,957
Year 7	395,476
Year 8	407,340
Year 9	419,561
Year 10	432,147
Total	\$ 3,796,893

SUPPLEMENTARY INFORMATION

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Financial Position
December 31, 2018

Schedule I

Assets:	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 2,023,376	\$ 1,810,906	\$ 3,834,282
Investments	9,768,211	-	9,768,211
Pledges receivable, net	684,868	-	684,868
Other receivables	252,295	-	252,295
Prepaid expenses	7,396	658,906	666,302
Due from affiliate	118,380	-	118,380
Capitalized lease receivable	-	22,485,000	22,485,000
Property, plant, and equipment, net	5,329,990	-	5,329,990
Amortization of intangibles	4,464	-	4,464
	<hr/>	<hr/>	<hr/>
Total Assets	18,188,980	24,954,812	43,143,792
	<hr/>	<hr/>	<hr/>
Liabilities:			
Accounts payable	620,213	-	620,213
Retainage payable	101,775	-	101,775
Accrued interest payable	-	365,134	365,134
Amounts held in custody for others	102,725	-	102,725
Current portion of long term debt	118,603	481,157	599,760
Long term debt, net	2,591,015	22,970,562	25,561,577
Due to affiliate	6,885,565	-	6,885,565
Rental deposit fund	4,414	-	4,414
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,424,310	23,816,853	34,241,163
	<hr/>	<hr/>	<hr/>
Net Assets:			
Beginning net assets, as restated	6,326,917	572,586	6,899,503
Net Assets	1,437,752	565,377	8,902,629
	<hr/>	<hr/>	<hr/>
Total Net Assets	7,764,669	1,137,963	15,802,132
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 18,188,979	\$ 24,954,816	\$ 43,143,795
	<hr/>	<hr/>	<hr/>

See Independent Auditors' Report.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Revenues and Support
For the Year Ended December 31, 2018

Schedule II

	<u>Foundation</u>	<u>Millennium</u>	<u>Consolidated</u>
Contributions and other support	\$ 6,037,420	\$ 968	\$ 6,038,388
Grants	615,000	-	615,000
Rental income	44,712	1,790,669	1,835,381
Bayou classic revenues	208,441	-	208,441
Administration fees	207,774	-	207,774
Donor fees and registration	666,653	-	666,653
Athletic sponsorships and support	275	-	275
Interest income	<u>2,222</u>	<u>45,122</u>	<u>47,344</u>
Total Revenue and Support	<u>7,782,497</u>	<u>1,836,759</u>	<u>9,619,256</u>
 Investment Activities			
Net realized (loss) gain	(18,753)	-	(18,753)
Net unrealized (loss) gain	<u>(250,713)</u>	<u>-</u>	<u>(250,713)</u>
Total Investment Activities	<u>(269,466)</u>	<u>-</u>	<u>(269,466)</u>
 Total Revenue	 <u>\$ 7,513,031</u>	 <u>\$ 1,836,759</u>	 <u>\$ 9,349,790</u>

See Independent Auditors' Report.

Southern University System Foundation

Statement of Functional Expenses
Year Ended December 31, 2018

Schedule III

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising</u>	
<u>THE FOUNDATION</u>				
Administrative cost - fees	\$ 177,765	\$ -	\$ -	\$ 177,765
Advertising and promotion	92,699	96,362	-	189,061
Bad debt expense	112,292	-	-	112,292
Bank fees and loan costs	42,900	19,953	-	62,853
Bayou classic expense	-	-	264,073	264,073
Computer, equipment lease, and other rentals	37,369	5,715	-	43,084
Conferences & meetings	195,166	16,987	-	212,153
Contributed services	-	278,100	-	278,100
Faculty/staff development	22,660	53,339	-	75,999
Cultivation/recognition	76,414	21,048	-	97,462
Depreciation	-	132,220	-	132,220
Equipment and resource materials	32,462	-	-	32,462
Insurance	7,312	12,444	-	19,756
Information technology maintenance	42,083	52,808	-	94,891
Interest expenses	65,665	-	-	65,665
Maintenance	98,118	2,000	-	100,118
Materials and supplies	149,639	36,351	-	185,990
Postage and mailing	3,387	11,462	-	14,849
Printing and publication	48,341	70,554	-	118,895
Membership dues & subscription	29,405	4,333	-	33,738
Professional fees and contracts	701,124	221,755	-	922,879
Property taxes	817	-	-	817
Public/community support	220,405	29,186	-	249,591
Salaries & related expenses	56,038	222,414	-	278,452
Retirement contribution	-	5,050	-	5,050
Scholarship and educational assistance	886,304	67,982	-	954,286
Capital enhancement project	46,017	-	-	46,017
Telecommunications	9,376	4,363	-	13,739
Travel and transportation	170,637	92,462	-	263,099
University events and programs	965,300	57,626	-	1,022,926
Utilities cost	6,997	-	-	6,997
Sub-total	<u>4,296,692</u>	<u>1,514,514</u>	<u>264,073</u>	<u>6,075,279</u>
<u>MILLENNIUM</u>				
Membership dues & subscription	272,625	-	-	272,625
Bond interest expense	965,812	-	-	965,812
Insurance	32,945	-	-	32,945
Sub-total	<u>1,271,382</u>	<u>-</u>	<u>-</u>	<u>1,271,382</u>
Total Consolidated Expenses	<u>\$ 5,568,074</u>	<u>\$ 1,514,514</u>	<u>\$ 264,073</u>	<u>\$ 7,346,661</u>

See Independent Auditors' Report.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
Schedule of Capital Assets
(Consolidated)
Year Ended December 31, 2018

Schedule IV

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2018</u>
Capital Assets not being Depreciated:				
Land	\$ 1,515,077	\$ -	\$ 299,237	1,215,840
Construction in progress	1,044,938	440,409	-	1,485,347
Total Capital Assets not being Depreciated:	<u>2,560,015</u>	<u>440,409</u>	<u>299,237</u>	<u>2,701,187</u>
Other Capital Assets:				
Buildings	373,352	1,622,478	-	1,995,830
Less: accumulated depreciation	<u>(86,809)</u>	<u>(9,573)</u>	<u>-</u>	<u>(96,382)</u>
Total Buildings	<u>286,543</u>	<u>1,612,905</u>	<u>-</u>	<u>1,899,448</u>
Software	93,290	28,958	-	122,248
Less: accumulated depreciation	<u>(88,865)</u>	<u>(21,586)</u>	<u>-</u>	<u>(110,451)</u>
Total Software	<u>4,425</u>	<u>7,372</u>	<u>-</u>	<u>11,797</u>
Equipment, furniture and fixture	219,288	26,177	-	245,465
Less: accumulated depreciation	<u>(131,320)</u>	<u>(15,457)</u>	<u>-</u>	<u>(146,777)</u>
Total Equipment	<u>87,968</u>	<u>10,720</u>	<u>-</u>	<u>98,688</u>
Other	3,411,619	-	-	3,411,619
Less: accumulated depreciation	<u>(2,707,145)</u>	<u>(85,604)</u>	<u>-</u>	<u>(2,792,749)</u>
Total Other	<u>704,474</u>	<u>(85,604)</u>	<u>-</u>	<u>618,870</u>
Total Other Capital Assets	<u>4,097,549</u>	<u>1,677,613</u>	<u>-</u>	<u>5,775,162</u>
Total Accumulated Depreciation	<u>(3,014,139)</u>	<u>(132,220)</u>	<u>-</u>	<u>(3,146,359)</u>
Capital Asset Summary:				
Capital assets not being depreciated	2,560,015	440,409	299,237	2,701,187
Other capital assets	<u>4,097,549</u>	<u>1,677,613</u>	<u>-</u>	<u>5,775,162</u>
Total Capital Assets	6,657,564	2,118,022	299,237	8,476,349
Less: Accumulated Depreciation	<u>(3,014,139)</u>	<u>(132,220)</u>	<u>-</u>	<u>(3,146,359)</u>
Capital Assets, net	<u>\$ 3,643,425</u>	<u>\$ 1,985,802</u>	<u>\$ 299,237</u>	<u>\$ 5,329,990</u>

See Independent Auditors' Report

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable
For the Year Ended December 31, 2018

Schedule V

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/17	(Redeemed) Issued	Principal Outstanding 12/31/18	Interest Rates	Interest Outstanding 12/31/18
Louisiana Public Facilities Authority	12/13/2006	\$ 59,990,000	\$ 23,820,000	\$ (1,335,000)	\$ 22,485,000	4.62%	\$ 13,742,157
Unamortized Premium - Series 2006	12/13/2006	<u>2,117,037</u>	<u>1,506,671</u>	<u>539,952</u>	<u>966,719</u>		
Total		<u>\$ 62,107,037</u>	<u>\$ 25,326,671</u>		<u>\$ 23,451,719</u>		

See Independent Auditors' Report.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION

Schedule of Bonds Payable Amortization
For the Year Ended December 31, 2018

Schedule VI

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 415,000	\$ 1,119,698	\$ 1,534,698
2020	745,000	1,087,385	1,832,385
2021	780,000	1,050,504	1,830,504
2022	820,000	1,008,949	1,828,949
2023	860,000	969,552	1,829,552
2024	900,000	928,667	1,828,667
2025	940,000	885,750	1,825,750
2026	990,000	840,678	1,830,678
2027	1,040,000	793,351	1,833,351
2028	1,090,000	743,637	1,833,637
2029	1,145,000	691,419	1,836,419
2030	1,205,000	636,579	1,841,579
2031	1,265,000	578,997	1,843,997
2032	1,310,000	518,769	1,828,769
2033	1,360,000	458,485	1,818,485
2034	1,410,000	394,825	1,804,825
2035	1,460,000	335,687	1,795,687
2036	1,520,000	274,019	1,794,019
2037	1,585,000	209,715	1,794,715
2038	1,645,000	142,679	1,787,679
2039	-	72,812	72,812
	<u>\$ 22,485,000</u>	<u>\$ 13,742,157</u>	<u>\$ 36,227,157</u>

See Independent Auditors' Report.

BAYOU CLASSIC 2018

Statement of Activities - Ancillary
For the Year Ended December 31, 2018
(Unaudited)

Schedule VII

Revenue

Sponsorship/Programs	\$ 1,037,821
Ticket Sales	39,121
Other - Hotel	<u>15,063</u>
Total Revenue	1,092,005

Expenses

Programs Cost	
Bayou Classic	624,781
Battle of the Bands	142,905
Parade	42,492
Biz Tech	<u>1,326</u>
Total Programs Cost	811,504

Operating Cost

Management Fees	185,000
Corporate and Sponsorship	95,906
Marketing	<u>14,100</u>
Total Operating Cost	<u>295,006</u>

Total Expenses 1,106,510

Net Income (Loss) \$ (14,505)

See Independent Auditors' Report

BAYOU CLASSIC 2018

Proceeds and Distributions (Consolidated)
For the Year Ended December 31, 2018
(Unaudited)

	<u>Schedule VIII</u>
<u>Game Activities</u>	
Total Game Tickets	\$ 1,543,155
Distributions	
Expenses w/o centerplate	346,029
Southern box office	569,551
Gambling box office	427,711
Fan fest/consignments	<u>28,732</u>
	1,372,023
Game Receipts, Net	<u>171,132</u>
<u>Battle of the Bands</u>	
Tickets revenue	621,092
Distributions	
Southern university box office	88,280
Gambling state box office	80,880
Expenses w/o centerplate	<u>206,182</u>
	375,342
Net Battle of the Bands Receipts	<u>245,750</u>
Net Proceeds for Distribution	<u>\$ 416,882</u>
Net Distribution to Each Foundation	<u>\$ 208,441</u>

See Independent Auditors' Report

BAYOU CLASSIC 2018

University Reconciliation Schedule For the Year Ended December 31, 2018 (Unaudited)

Schedule IX

Revenue

Catering paid by Band	1,027
Net from game and fan fest	85,566
Net from battle of the bands	<u>122,875</u>

Total 209,468

Expenses

50% of Net of NOCCI	\$ 7,253
Sponsor check paid direct	11,000
Original Bead order for Float	3,000
Suties	35,900
Extra seats at coaches lunche	4,320
Centerplate - game	78,185
Centerplate - B.O.T.B.	<u>3,230</u>

Total 142,888

Proceeds to Southern

66,580

Game box office	427,711
B.O.T.B. box office	<u>80,880</u>

508,591

Net Proceeds - Bayou Classic

\$ 575,171



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, 2018. 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, 2018.

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 22, 2019

OFFICES:

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

5100 WESTHEIMER
SUITE 230
HOUSTON
TEXAS 77056
{O} 713-588-4460
{F} 713-966-6125

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS