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CERTIFIED PUBLIC ACCOUNTANTS

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SOUTHERN UNIVERSITY SYSTEM FOUNDATION

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Release Date JUN 28 2000

**FINANCIAL AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 1998**

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& Tervalon

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern University System Foundation
(A Not-For-Profit Organization)
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of **Southern University System Foundation (the Foundation)** as of June 30, 1998, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the **Foundation's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **Southern University System Foundation** as of June 30, 1998, and the results of operations and its cash flows for the year then ended.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 6, 2000

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

Cash	\$ 730,040
Certificates of deposit	429,584
Investments	564,820
Note receivable	44,739
Unconditional promises to give (net of allowance of \$171,314)	855,691
Due from affiliate	14,670
Investments - permanently restricted	846,839
Property, plant and equipment (net of accumulated depreciation of \$13,904)	151,238
Land	<u>450,000</u>
Total assets	<u>\$4,087,621</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u>	
Accounts payable	\$ 29,647
Note payable	81,819
Payroll tax payable	<u>1,417</u>
Total liabilities	<u>112,883</u>
<u>Net Assets:</u>	
Unrestricted	97,078
Temporarily restricted	2,382,576
Permanently restricted	<u>1,495,084</u>
Total net assets	<u>3,974,738</u>
Total liabilities and net assets	<u>\$4,087,621</u>

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions and other support	\$250,310	\$ 705,844	\$ 113,318	\$1,069,472
Investment income	5,109	66,010	-0-	71,119
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>529,489</u>	<u>(529,489)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues and other support	<u>784,908</u>	<u>242,365</u>	<u>113,318</u>	<u>1,140,591</u>
 <u>EXPENSES</u>				
Program	539,198	-0-	-0-	539,198
General	191,652	-0-	-0-	191,652
Fund raising	<u>35,673</u>	<u>-0-</u>	<u>-0-</u>	<u>35,673</u>
Total expenses	<u>766,523</u>	<u>-0-</u>	<u>-0-</u>	<u>766,523</u>
Change in net assets	18,385	242,365	113,318	374,068
Net assets, beginning of year	<u>78,693</u>	<u>2,140,211</u>	<u>1,381,766</u>	<u>3,600,670</u>
Net assets, end of year	<u>\$ 97,078</u>	<u>\$2,382,576</u>	<u>\$1,495,084</u>	<u>\$3,974,738</u>

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets: \$ 374,068

Adjustments to reconcile revenues in excess of
 expenses to net cash provided by operating activities:

Depreciation	\$ 7,688
Decrease in notes receivable	6,873
Decrease in pledges receivables	234,819
Increase in due from affiliate	(11,106)
Decrease in other assets	1,706
Decrease in accounts payables	(10,506)
Increase in payroll taxes payable	<u>1,417</u>

Net cash provided by operating activities 604,959

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(27,672)
Purchase of investments	<u>(405,274)</u>

Net cash used in investing activities (432,946)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on notes payable	<u>(118,181)</u>
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Net cash used in financing activities (118,181)

Net increase in cash 53,832

Cash, beginning of year 676,208

Cash, end of year \$ 730,040

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Program</u>	<u>General</u>	<u>Fund Raising</u>	<u>Total 1998</u>
Cultivation/Recognition	\$ 25,939	\$ 4,725	\$ -0-	\$ 30,664
Advertising	19,264	-0-	-0-	19,264
Bank fees	3,713	-0-	-0-	3,713
Capital campaign	-0-	-0-	10,973	10,973
Depreciation	7,688	-0-	-0-	7,688
Faculty staff development	4,629	3,732	-0-	8,361
Insurance	2,108	-0-	-0-	2,108
Interest	-0-	-0-	13,450	13,450
In-kind expense	-0-	-0-	11,250	11,250
Maintenance	9,287	2,115	-0-	11,402
Materials and supplies	41,260	4,528	-0-	45,788
Membership/professional dues	2,059	208	-0-	2,267
Miscellaneous	-0-	1,833	-0-	1,833
Payroll taxes	-0-	8,186	-0-	8,186
Property taxes	845	-0-	-0-	845
Bad debt expense - pledges	-0-	91,604	-0-	91,604
Postage and mailing	3,005	1,322	-0-	4,327
Printing	33,830	-0-	-0-	33,830
Professional fees and contracts	47,038	5,417	-0-	52,455
Publications	765	-0-	-0-	765
Public/Community relations	-0-	254	-0-	254
Receptions and professional meetings	27,455	-0-	-0-	27,455
Rentals	2,780	-0-	-0-	2,780
Scholarships/awards/educational assistance	157,533	-0-	-0-	157,533
Salaries and wages	-0-	65,761	-0-	65,761
Special events	52,966	-0-	-0-	52,966
Special projects	71,366	-0-	-0-	71,366
Subscriptions and references	-0-	968	-0-	968
Travel and transportation	<u>25,668</u>	<u>999</u>	<u>-0-</u>	<u>26,667</u>
Total	<u>\$539,198</u>	<u>\$191,652</u>	<u>\$35,673</u>	<u>\$766,523</u>

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Organization and Purpose

The **Southern University System Foundation (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 University's facilities.

Tax Exemption Status

The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, **the Foundation** is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted, temporarily restricted, and permanently restricted net assets.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Investments and Investment Income

Investments in equity securities and mutual funds are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in unrestricted net assets, unless the use is restricted by the donor or law.

Contributions

The Foundation accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to **the Foundation** are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents

Cash consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

NOTE 2 - Change in Accounting Principles:

Effective July 1, 1996, **the Foundation** adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organization*.

As a result of this change, **the Foundation** was required to record debt and equity securities at their respective fair values. The effect of this change in accounting was not material to the accompanying financial statements.

The Foundation adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, **the Foundation** has retroactively applied the provisions of this new Statement by restating net assets as of December 31, 1995. The adjustment of \$925,559 made to net

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Change in Accounting Principles, Continued:

assets as of December 31, 1995, represents time and purpose-restricted contributions previously reported as deferred revenue. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or compliance with the purpose restriction.

In 1996, **the Foundation** also adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organization*. Under SFAS No. 117, the Organization 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. As permitted by this new Statement, **the Foundation** has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for 1995.

NOTE 3 - Property, Plant and Equipment:

Property, plant and equipment for the year ended June 30, 1998 is summarized as follows:

Land	\$ 21,500
Building	94,500
Office equipment	19,138
Furniture and fixtures	<u>30,004</u>
	<u>165,142</u>
Less: accumulated depreciation	<u>(13,904)</u>
	<u>\$151,238</u>

Depreciation expense was \$7,688 for the year ended June 30, 1998.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Note Payable:

At June 30, 1998, the Foundation had an outstanding note payable to a bank in the amount of \$81,819. The note bears interest at a rate of 8.0%. The bank subsequently waived the interest payable on the note, which has been recorded as a contribution and interest expense of \$13,450.

NOTE 5 - Concentrations of Credit Risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits totaling \$210,979 at June 30, 1998.

NOTE 6 - 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 supporting services benefitted.

NOTE 7 - Net Assets Released from Donor Restrictions:

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the periods ended June 30, 1998:

Scholarships and awards	\$157,533
Conferences and meetings	27,455
Special events and projects	124,332
University support	<u>220,169</u>
	<u>\$529,489</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8. - Unconditional Promises to Give:

Unconditional promises to give at June 30, 1998 are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 97,556
One to five years	<u>1,014,553</u>
Less discount on promises to give	<u>(256,418)</u>
Net unconditional promises to give	<u>\$ 855,691</u>

NOTE 9 - Net Assets:

Temporarily restricted net assets at June 30, 1998 are available for grants to support **Southern University System** in the following general areas:

Chairs and professorships	\$ 165,413
Scholarships and educational assistance	235,255
Academic support and enrichment	1,849,652
Capital outlay and improvements	<u>132,256</u>
	<u>\$2,382,576</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Net Assets, Continued:

Permanently restricted net assets at June 30, 1998 are restricted to investment in perpetuity, the income from which is expendable to support the activities listed below:

Chairs and professorships	\$1,261,150
Scholarships and educational assistance	<u>233,934</u>
	<u>\$1,495,084</u>

NOTE 10 - Due From Affiliate:

The Foundation has certain funds maintained by the Southern University System. The amount at June 30, 1998 was \$14,670.