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**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/5/04

7

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	5
OTHER INDEPENDENT AUDITORS' REPORTS AND FINDINGS AND RECOMMENDATIONS	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	13
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	14

# Skarda & Silva, L.L.P.

*Certified Public Accountants*

4331 Iberville Street

Mandeville, LA 70471

Steven A. Skarda, C.P.A.

Brent A. Silva, C.P.A.

(985) 626-8299, Main

(985) 626-9767, Fax

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southeastern Development Foundation, Inc.  
Hammond, Louisiana

We have audited the accompanying statement of financial position of Southeastern Development Foundation, Inc. (a Louisiana non-profit corporation) as of June 30, 2004, and the related statements of activities and changes in net assets, 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 audit.

We conducted our audit in accordance with 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. 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 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 above present fairly, in all material respects, the financial position of Southeastern Development Foundation, Inc. as of June 30, 2004, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2004 on our consideration of Southeastern Development Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



December 2, 2004

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2004**

ASSETS

Cash and cash equivalents	\$ 2,017,196
Receivables	561,375
Investments	14,812,583
Life insurance policy	6,704
Construction in progress	374,768
Donated land	<u>2,554,688</u>
 TOTAL ASSETS	 <u>\$ 20,327,314</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accrued liabilities	\$ 376,310
Agency funds	<u>1,264,404</u>
 Total Liabilities	 1,640,714
 Net Assets	
Unrestricted	103,973
Temporarily restricted	9,292,920
Permanently restricted	<u>9,289,707</u>
 Total Net Assets	 <u>18,686,600</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 20,327,314</u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Reclassifications				
Contributions	\$ 10,676	\$ 1,402,574	\$ 11,553	\$ 1,424,803
Scholarships, assistantships, and awards	-	209,941	796,718	1,006,659
Departmental	-	5,307	122	5,429
Programs	-	596,102	82,503	678,605
Fundraising	50,976	152,571	-	203,547
Interest and dividends	82,555	3,239	104,044	189,838
Other revenue	2,596	20,322	731	23,649
Unrealized gains/(losses) on investments	-	661	7,695	8,356
Realized gains/(losses) on investments	-	3,372	(81,369)	(77,997)
Loss on sale of donated land	-	(25,346)	-	(25,346)
Net assets released from restrictions				
Satisfaction of program restrictions	<u>2,606,962</u>	<u>(2,407,378)</u>	<u>(199,584)</u>	<u>-</u>
Total revenue, support and reclassifications	2,753,765	(38,635)	722,413	3,437,543
Expenses				
Restricted				
Scholarships, assistantships, and awards	217,901	-	-	217,901
Departmental	1,917,811	-	-	1,917,811
Programs	171,666	-	-	171,666
Endowment				
Scholarships, assistantships, and awards	199,584	-	-	199,584
Salaries and wages	42,318	-	-	42,318
Payroll taxes and benefits	10,764	-	-	10,764
Professional fees	29,210	-	-	29,210
Fundraising	43,411	-	-	43,411
Other expenses	<u>55,307</u>	<u>-</u>	<u>-</u>	<u>55,307</u>
	<u>2,687,972</u>	<u>-</u>	<u>-</u>	<u>2,687,972</u>
Changes in net assets	65,793	(38,635)	722,413	749,571
Net Assets				
Beginning of year	<u>38,180</u>	<u>9,331,555</u>	<u>8,567,294</u>	<u>17,937,029</u>
End of year	<u>\$ 103,973</u>	<u>\$ 9,292,920</u>	<u>\$ 9,289,707</u>	<u>\$ 18,686,600</u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Cash Flows From Operating Activities	
Change in net assets	\$ 749,571
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Receipt of in-kind donations	(623,116)
Unrealized (gains)/losses on investments	(8,356)
Realized (gains)/losses on sale of investments	77,997
Loss on sale of donated land	25,346
(Increase)/decrease in other receivables	(475,142)
Increase/(decrease) in accrued liabilities	314,010
Increase/(decrease) in agency funds	<u>(1,950)</u>
Net cash provided by (used in) operating activities	58,360
Cash Flows From Investing Activities	
Proceeds from maturity of investments	5,338,378
Purchases of investments	<u>(5,731,212)</u>
Net cash provided by (used in) investing activities	(392,834)
Cash Flows From Financing Activities	
Proceeds from debt	67,500
Payments on debt	<u>(450,000)</u>
Net cash provided by (used in) financing activities	(382,500)
Net increase/(decrease) in cash and cash equivalents	(716,974)
Cash and Cash Equivalents	
Beginning of year	<u>2,734,170</u>
End of year	<u><u>\$ 2,017,196</u></u>
Supplementary disclosures of cash flow information	
Cash paid during the year for:	
Interest paid	<u><u>\$ 9,203</u></u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Organization

Southeastern Development Foundation, Inc. (the Foundation) was incorporated on April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as a non-profit corporation. The Foundation was formed to promote and support, on all levels, the Southeastern Louisiana University (SLU) program, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

Basis of Accounting

The accompanying financial statements of the Southeastern Development Foundation, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Net assets of the Foundation and changes therein are classified and reported as follows:

- a) Unrestricted net assets are not subject to donor-imposed stipulations.
- b) Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.
- c) Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Permanently restricted assets are primarily comprised of the original endowment gift given to the Foundation by donors. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

Unconditional Promises to Give

Pursuant with the Foundation's policy and in conformity with SFAS No. 116, the Foundation records certain promises to give as revenue when the promise is made.

Conditional Promises to Give

Pursuant with the Foundation's policy and in conformity with SFAS No. 116, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Investments

Investments are stated at the readily determinable fair market value in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

Investments are carried at fair value. The fair value of equity and debt instruments are based on the quoted market price of the underlying securities. Real estate investments, which were received by gift, are carried at an independently appraised market value as of the date of acquisition. Gains and losses realized on the sale of investments are determined using an average cost method for securities and the specific identification method for real estate and other investments. Gains and losses are realized on the trade date for investments.

Use of Estimates in Preparation of Financial Statements

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed assets utilized by the Foundation are not recorded on the financial statements of the Foundation as these assets are owned by Southeastern Louisiana University.

Donated Services

A significant portion of the Foundation's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirement for recognition under SFAS No. 116.

Agency Funds

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

Income Tax Status

Under provisions of the Internal Revenue Code, Section 501 (c) (3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). Since the Foundation had no net unrelated business income during the year ended June 30, 2004, no provision for income tax was made.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Receivables

Receivables consist of notes receivable from a related party and funds due from an investment sale. The Foundation carries its accounts receivable at cost.

NOTE B – INVESTMENTS

Investments are recorded at fair value. The value assigned to investments received by gift is the market value at the date of donation. Amortized cost and fair value of investments at June 30, 2004 were as follows:

	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Debt instruments	\$ 3,460,450	\$ 3,461,111	\$ 661
Equity securities	1,854,852	1,847,070	7,695
Mutual funds and invested cash	9,504,402	9,504,402	-
	<u>\$ 14,819,704</u>	<u>\$ 14,812,583</u>	<u>\$ 8,356</u>

NOTE C – RECEIVABLES

The Foundation paid on behalf of Southeastern Athletics Association, Inc., a note payable owed to a bank during the year ended June 30, 2004. The parties signed a promissory note with payments of principal and interest due annually for four years, at an interest rate of 4.5%. The amount due from this related party at June 30, 2004 was \$51,721.

The Foundation sold donated property and was owed \$509,654 as of June 30, 2004.

NOTE D – LONG-TERM DEBT

On March 3, 2003, the Foundation entered into a loan agreement with a bank, on behalf of SLU, for improvements to the football stadium. The Foundation received \$382,500 through June 30, 2003 and the remaining \$67,500 was received in July 2003. The debt was paid in full as of June 30, 2004 and for the year ended June 30, 2004, interest expense was \$9,203.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE E – NET ASSETS

Temporarily restricted net assets at June 30, 2004 consisted of the following:

Scholarships and university program support	\$ 7,520,133
University affiliated research program	<u>1,772,126</u>
	<u>\$ 9,292,259</u>

Permanently restricted net assets at June 30, 2004 consisted of the following:

Endowed gifts to be held in perpetuity with income to be used for scholarships	<u>\$ 9,290,368</u>
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During the course of the fiscal year ended June 30, 2004, net assets whose use by the Foundation was subject to donor-imposed restrictions were fulfilled by actions of the Foundation, pursuant to those restrictions, the expiration of time, or the designation of law. These net assets are shown in the statement of activities as net assets released for satisfaction of program restrictions from temporarily restricted and permanently restricted in the amounts of \$2,407,378 and \$199,584, respectively.

NOTE F – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2004, the Foundation occupied office space in a building constructed by Southeastern Louisiana University Alumni Association, Inc. Under the terms of a lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University, including the space housing the Southeastern Development Foundation, Inc. The value of the facilities used by the Foundation was not reasonably determinable, therefore, no related donation or expense is recorded. In accordance with Louisiana Revised Statutes LSA-RS 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the University. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the University.

During the fiscal year ended June 30, 2003, the Foundation entered into a loan agreement with a bank, on behalf of SLU, in the amount of \$450,000 for various improvements to the football stadium. During the year ended June 30, 2004, the Foundation received loan proceeds of \$67,500, and paid the loan in full.

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G – CONTINGENCIES**

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the Foundation as an agent for SLU, holds funds for an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount as of June 30<sup>th</sup> of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 2004, the endowment base is \$1,291,041 and the fair value of the account is \$1,264,404 causing a \$26,637 shortfall.

**NOTE H – CONCENTRATIONS OF CREDIT RISK DUE TO TEMPORARY CASH INVESTMENTS**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places their temporary cash investments with an investment brokerage firm. As of June 30, 2004, the Foundation had uninsured balances in the amount of \$9,004,402.

**NOTE I – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Foundation maintains cash balances at several financial institutions located in Hammond, Louisiana. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Foundation's cash was in excess of the FDIC insurance by \$1,285,207 at June 30, 2004. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. The financial institutions pledge securities, which are not in the Foundation's name (Category 3), as collateral for cash in excess of the FDIC insurance during the year.

**NOTE J – COMMITMENTS**

The Foundation has entered into a contract to build a Literacy and Technology Center in Livingston Parish. Total project cost will be approximately \$4,600,000. As of June 30, 2004, costs incurred on this project were \$352,681.

On September 8, 2004, the Foundation entered into a contract to build a new residence for the University's President. Total project cost is estimated at \$1,200,000. The Board of Directors has restricted \$510,000 in funds received from donated property and \$100,000 of funds from temporarily restricted funds towards construction of the residence.

**OTHER INDEPENDENT AUDITORS' REPORT**

# Skarda & Silva, L.L.P.

*Certified Public Accountants*

4331 Iberville Street

Mandeville, LA 70471

Steven A. Skarda, C.P.A.

Brent A. Silva, C.P.A.

(985) 626-8299, Main

(985) 626-9767, Fax

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Southeastern Development Foundation, Inc.  
Hammond, Louisiana

We have audited the financial statements of Southeastern Development Foundation, Inc. (a non-profit corporation), as of and for the year ended June 30, 2004 and have issued our report thereon dated December 2, 2004. We conducted our audit in accordance with 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.

### Compliance

As part of obtaining reasonable assurance about whether Southeastern Development Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeastern Development Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, others within the Foundation, the Louisiana Legislative Auditor, the federal awarding agencies, and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

*Standa & Silen, LLP*  
December 2, 2004

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:		Unqualified	
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	X _____	no
Reportable conditions identified? not considered to be material weaknesses?	_____ yes	X _____	none reported
Noncompliance material to financial statements noted?	_____ yes	X _____	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Not applicable.
Reportable conditions identified? not considered to be material weaknesses?	Not applicable.

Type of auditors' report issued on compliance for major programs:	Not applicable.
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Not applicable.
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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Not applicable.

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk audit?	<u>N/A</u>
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**Section II - Internal Control & Compliance  
Governmental Auditing Standards**

**Internal Control**

<u>Item Number</u>	<u>Agency/Program</u>	<u>Questioned Costs</u>
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Not applicable.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004

Ref No	Fiscal Year Finding Initially Occurred	Description	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken	Additional Explanation
<b>Section I - Compliance and Internal Control Material to the Financial Statements</b>					
99-2	06/30/99	Foundation's present general ledger system does not produce summarized financial reports to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.	No	The Foundation is coordinating with the University to integrate to their new system.	The University is currently working on several software problems relating to the integration of the software with the Foundation. It is the Board's decision not to integrate the software programs until all the pertinent issues regarding the software are resolved.

**Section II - Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Section III - Management Letter**

Not applicable.