

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Delgado Community College Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Delgado Community College Foundation, Inc. (a nonprofit organization) (the Foundation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years 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 audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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 the Delgado Community College Foundation, Inc. at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Metairie, Louisiana
September 27, 2012

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 125,902	\$ 165,098
Cash and cash equivalents, restricted	685,555	490,127
Pledges receivable, net of discount	94,746	87,970
Lease receivable - Student Life Center	155,000	105,000
Investments - (Note 4)	1,576,497	1,526,150
Investments - restricted	-	365,507
Prepaid expenses	9,035	3,844
Total current assets	<u>2,646,735</u>	<u>2,743,696</u>
Non-current assets:		
Investments - (Note 4)	34,300	34,300
Investments - restricted	290,159	-
Bond issuance costs, net	216,667	238,875
Lease receivable - Student Life Center	3,182,579	3,160,079
Total non-current assets	<u>3,723,705</u>	<u>3,433,254</u>
	<u>\$ 6,370,440</u>	<u>\$ 6,176,950</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 17,632	\$ 20,050
Bonds payable, net of discount of \$1,245 and 4,631 for 2012 and 2011, respectively	153,755	100,369
Due to Alumni Association	76	23,188
Accrued interest payable	32,695	52,369
Total current liabilities	<u>204,158</u>	<u>195,976</u>
Long-term liabilities:		
Bonds payable, net of discount of \$21,165 and \$84,897 for 2012 and 2011, respectively	3,480,080	3,319,734
Due to Delgado, net	343,049	396,988
Total long-term liabilities	<u>3,823,129</u>	<u>3,716,722</u>
Total liabilities	<u>4,027,287</u>	<u>3,912,698</u>
Net assets:		
Unrestricted	149,896	152,936
Temporarily restricted	2,151,857	2,070,916
Permanently restricted	41,400	40,400
Total net assets	<u>2,343,153</u>	<u>2,264,252</u>
Total Liabilities and Net Assets	<u>\$ 6,370,440</u>	<u>\$ 6,176,950</u>

The accompanying notes are an integral part of these statements.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenues:				
Contributions	\$ 8,048	\$ 178,016	\$ 1,000	\$ 187,064
Fundraising revenues	127,581	-	-	127,581
Lease rental revenue	-	432,750	-	432,750
Loss on bond refinancing	-	(317,959)	-	(317,959)
Donated services and facilities	31,647	-	-	31,647
Dividends and interest	4,023	32,175	-	36,198
Realized gain on investments	-	122,310	-	122,310
Unrealized loss on investments	-	(103,872)	-	(103,872)
Total support and revenues	171,299	343,420	1,000	515,719
Net assets released from restriction	262,479	(262,479)	-	-
Total support, revenues and other support	433,778	80,941	1,000	515,719
Series 1999 Bond principal payments				
Proceeds from bond Series 2011 issuance	10,397	-	-	
Scholarships	16,050	-	-	16,050
Other college support	160,336	-	-	160,336
Management and general expenses	81,016	-	-	81,016
Interest expense	169,019	-	-	169,019
Total expenses	436,818	-	-	436,818
Changes in net assets	(3,040)	80,941	1,000	78,901
Net assets				
Beginning of the year	152,936	2,070,916	40,400	2,264,252
End of the year	\$ 149,896	\$ 2,151,857	\$ 41,400	\$ 2,343,153

(continued)

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenues:				
Contributions	\$ 6,056	\$ 141,903	\$ 1,000	\$ 148,959
Fundraising revenues	135,081	-	-	135,081
Lease rental revenue	-	237,097	-	237,097
Donated services and facilities	33,922	-	-	33,922
Dividends and interest	1,691	42,638	-	44,329
Realized gain on investments	-	28,528	-	28,528
Unrealized gain on investments	-	158,949	-	158,949
Total support and revenues	176,750	609,115	1,000	786,865
Net assets released from restriction	320,263	(320,263)	-	-
Total support, revenues and other support	497,013	288,852	1,000	786,865
Series 1999 Bond principal payments	12,217	-	-	
Proceeds from bond Series 2011 issuance	33,524	-	-	12,217
Other college support	128,903	-	-	128,903
Management and general expenses	74,652	-	-	74,652
Interest expense	215,544	-	-	215,544
Total expenses	464,840	-	-	464,840
Changes in net assets	32,173	288,852	1,000	322,025
Net assets				
Beginning of the year	120,763	1,782,064	39,400	1,942,227
End of the year	\$ 152,936	\$ 2,070,916	\$ 40,400	\$ 2,264,252

The accompanying notes are an integral part of these statements.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 78,901	\$ 322,025
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of bond discount and bond issuance costs	19,804	17,681
Unrealized (gain) loss on investments	103,872	(187,477)
Loss on bond refinancing	317,959	-
Changes in operating assets and liabilities:		
Pledges receivable, net of discount	(6,776)	2,906
Prepaid expenses	(5,191)	35
Accounts payable	(2,418)	4,407
Accrued interest payable	(19,674)	(1,437)
Net cash provided by operating activities	<u>486,477</u>	<u>158,140</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of investments	(3,604,900)	(447,019)
Proceeds from sales of investments	<u>2,848,807</u>	<u>356,935</u>
Net cash used in investing activities	<u>(756,093)</u>	<u>(90,084)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Series 1999 Bond principal payments	(3,420,103)	(100,000)
Bond issue costs	216,667	-
Proceeds from bond Series 2011 issuance	3,633,835	-
Receipts on lease receivable	72,500	100,000
Payments due to Delgado Community College	(53,939)	(12,890)
Payments due to Delgado Alumni Association	(23,112)	(9,493)
Net cash provided by (used in) financing activities	<u>425,848</u>	<u>(22,383)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:</u>	156,232	45,673
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of the year	<u>655,225</u>	<u>609,552</u>
End of the year	<u>\$ 811,457</u>	<u>\$ 655,225</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</u>		
Cash and cash equivalents, unrestricted	\$ 125,902	\$ 165,098
Cash and cash equivalents, restricted	<u>685,555</u>	<u>490,127</u>
Total	<u>\$ 811,457</u>	<u>\$ 655,225</u>
<u>DISCLOSURE OF NON-CASH ITEMS:</u>		
In-kind donations to the Foundation	<u>\$ 31,647</u>	<u>\$ 33,922</u>
<u>OTHER DISCLOSURES:</u>		
Interest paid	<u>\$ 188,693</u>	<u>\$ 212,350</u>

The accompanying notes are an integral part of these statements.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The Delgado Community College Foundation, Inc. (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana on June 1, 1988 to:

- Promote the educational and cultural welfare of the Delgado Community College (Delgado) and develop, expand, and improve Delgado's facilities to provide broader educational advantages and opportunities, encourage research, and increase Delgado's usefulness;
- Assist any student to continue his or her studies within Delgado; aid and facilitate any line of work or research in the areas embraced in the objects and purposes of Delgado; and generally, interpret the aims, objectives, and needs of Delgado to the public with a view to better mutual understanding and progress; and
- Solicit and accept grants and bequests, including funds of all kinds, to provide scholarships and activities in research, or such other designated benefits for Delgado, its facilities, and students.

The Foundation is governed by a Board of Directors. Prior to the organization of the Foundation, the Delgado Community College Development Foundation (the Development Foundation) represented the support organization for Delgado.

2. Summary of Significant Accounting Policies

Basis of presentation

The accounts of the Foundation are maintained in accordance with the principles of fund accounting under which resources for various purposes are classified into funds according to specified activities or objectives. Net assets are available for the following purposes:

Unrestricted Net Assets – This fund is used to account for unrestricted revenues and expenditures.

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily Restricted Net Assets include the following:

Challenge Grant Endowment – This fund is used to account for a grant received from the U.S. Department of Education which is being administered by the Foundation.

Restricted Capital Development – This fund is used to account for contributions to the Foundation whose use has been restricted by donors for capital improvements.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

TAP Scholarship - This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of Tuition Assistance Program Scholarships to low and moderate income students that do not qualify for federal or state financial aid.

Department and Site Restricted Funds – Formerly known as the Delgado Recovery Fund, this fund is used to account for contributions to the Foundation whose use has been restricted by donors to assist the college to recover from the effects of Hurricane Katrina and for funds restricted by donors or raised for specific departments or sites.

Student Assistance Fund – Formerly known as the Katrina Student Victims Fund, this fund is used to account for contributions to the Foundation whose use has been restricted by donors for assistance to students affected by Hurricane Katrina and other funds restricted by donors for students.

Ashton Ryan Endowed Professorship – This fund is used to account for contributions to the Foundation to establish the Ashton Ryan Endowed Professorship. Mr. Ryan has pledged \$60,000 to the Foundation and once the matching \$40,000 is obtained from the State, the proceeds will be turned over to the Delgado Community College.

Joseph J. Krebs, Jr. Endowed Professorship – This fund is used to account for contributions to the Foundation to establish the Joseph J. Krebs, Jr. Professorship. The Foundation expects to collect private pledges totaling \$60,000 over the next five years, and once the matching \$40,000 is obtained from the State, the proceeds will be turned over to the Delgado Community College.

Other Foundation Scholarships – This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of scholarships in someone's name. The majority of the balance is for scholarships in the name of Seymour Wiess.

Adopt-a-Professor – This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of obtaining endowed professorships. Once specified levels of donations are obtained, the funds are transferred to the Delgado Community College to be used in the endowment program.

Baseball Program – This fund is used to account for contributions to the Foundation whose use has been restricted by donors for assistance to the Baseball program and to renovate the Kirsch-Rooney Baseball Stadium.

Permanently Restricted Net Assets include the following:

Overture Endowment Net Assets – An endowment scholarship fund was established by the Foundation in accordance with the gift instruments from the Overture to the Cultural Arts. The corpus is permanently restricted; however, the interest income generated from the corpus is temporarily restricted.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Amortization of the bond discount and bond issuance costs

Both the bond discount and the bond issuance costs are being amortized over the life of the bonds (30 years), utilizing a method which approximates the interest method. Bond discount accretion of \$4,297 is included as a component of management and general expenses within the accompanying statements of activities. Amortized bond costs of \$15,507 and \$4,631 were recorded in interest expense for the years ended June 30, 2012 and 2011, respectively.

Contributions and revenue recognition

Contributions and pledges received are recognized as revenues in the period received at their fair values, and contributions and pledges made are recognized as expenses in the period made at their fair values.

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Foundation receives funds from an entity under the College's Goldman Sachs 10,000 Small Businesses Program. The Foundation acts as an agent under the program, receiving the funds and then immediately distributing them to the recipient under the program. As such, related funds and distributions are presented on a net basis in the accompanying statement of activities for all periods presented.

Investments and investment income

Investments are reported at fair value, with the related gains and losses included in the statement of activities. Income earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

Income taxes

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

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2012 or 2011.

The Foundation's tax returns for the years ended June 30, 2011, 2010 and 2009 remain open and subject to examination by taxing authorities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. Net Assets

Unrestricted net assets

Assets and liabilities at June 30 that comprise unrestricted net assets consist of the following:

Assets:	2012	2011
Cash and cash equivalents	\$ 125,902	\$ 165,098
Pledges receivable	28,468	22,600
Prepaid expenses	9,035	3,844
Liabilities:		
Accounts payable	(13,433)	(15,418)
Due to Alumni Association	(76)	(23,188)
	<u>\$ 149,896</u>	<u>\$ 152,936</u>

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Net Assets (continued)

Permanently restricted net assets

Permanently restricted net assets of \$41,400 at June 30, 2012 consist of \$7,100 of cash and cash equivalents and \$34,300 of non-current investment and endowment funds.

Permanently restricted net assets of \$40,400 at June 30, 2011 consist of \$6,100 of cash and cash equivalents and \$34,300 of non-current investment and endowment funds.

Temporarily restricted net assets

The remaining assets and liabilities presented on the Statements of Financial Position at June 30, 2012 and 2011 comprise temporarily restricted net assets. Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
TAP Scholarship Fund	\$ 392,792	\$ 333,695
Other Foundation Scholarship Fund	141,685	114,834
Department and Site Restricted Fund	247,532	219,575
Student Assistance Fund	82,777	84,777
Baseball Program	67,339	44,597
Challenge Grant Endowment Fund	563,436	555,130
Restricted Capital Development Fund	471,242	534,968
Ashton Ryan Endowed Professorship	60,000	60,000
Joseph J. Krebs, Jr. Endowed Professorship	58,078	57,826
Adopt-a-Professor Fund	26,258	25,600
Overture Endowment	40,718	39,914
	<u>\$ 2,151,857</u>	<u>\$ 2,070,916</u>

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Investments

As of June 30, the investments of the Foundation consist of the following:

2012	Fair Value		
Description	Trust Funds	Student Life Center	Total Investments
Common stocks	\$ 231,085	\$ -	\$ 231,085
Equity securities mutual fund	625,179	-	625,179
Fixed income mutual fund	754,533	-	754,533
US Treasury Bond	-	290,159	290,159
Total	<u>\$ 1,610,797</u>	<u>\$ 290,159</u>	<u>\$ 1,900,956</u>
Current assets	\$ 1,576,497	\$ -	\$ 1,576,497
Long-term assets	34,300	290,159	324,459
Total	<u>\$ 1,610,797</u>	<u>\$ 290,159</u>	<u>\$ 1,900,956</u>
2011	Fair Value		
Description	Trust Funds	Student Life Center	Total Investments
Equity securities mutual fund	\$ 881,492	\$ -	\$ 881,492
Fixed income mutual fund	677,108	-	677,108
Money market fund	1,850	365,507	367,357
Total	<u>\$ 1,560,450</u>	<u>\$ 365,507</u>	<u>\$ 1,925,957</u>
Current assets	\$ 1,526,150	\$ 365,507	\$ 1,891,657
Long-term assets	34,300	-	34,300
Total	<u>\$ 1,560,450</u>	<u>\$ 365,507</u>	<u>\$ 1,925,957</u>

Unrealized gain (loss) on investments totaled (\$103,872) and \$158,949 for the years ended June 30, 2012 and 2011, respectively.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Student Life Center

During 1999, the Board of Directors approved a plan which resulted in the Foundation providing a structure for financing the design and construction of a Student Life Center on the Delgado campus. The transaction was structured as described below.

The Board of Trustees for State Colleges and Universities (the "Board of Trustees") entered into a ground lease agreement with the Foundation for the site on which the proposed Student Life Center (the "Facility") was to be constructed. The Foundation selected a developer, entered into a design and construction contract with that developer, and the developer commenced construction of the Facility on the land leased to the Foundation by the Board of Trustees during fiscal 2000.

The Board of Trustees for State Colleges and Universities (the "Board of Trustees") entered into a ground lease agreement with the Foundation for the site on which the proposed Student Life Center (the "Facility") was to be constructed. The Foundation selected a developer, entered into a design and construction contract with that developer, and the developer commenced construction of the Facility on the land leased to the Foundation by the Board of Trustees during fiscal 2000.

Title to the Facility itself (but not the underlying land) is held by the Foundation. The Foundation has agreed to lease the Facility to Delgado pursuant to a Facility Lease Agreement. The Facility Lease Agreement requires Delgado to pay rent in an amount sufficient to cover the operating costs of the Facility and the debt of service on the bonds issued on behalf of the Foundation (see discussion below) to fund the construction of the Facility. The Facility Lease Agreement has a 30 year term, and it includes a provision which transfers the title of the Facility to Delgado at the end of its term.

The Foundation itself does not have the authority to be the issuer of the tax-exempt bonds (the "Bonds"). Therefore, a separate entity which is qualified to issue tax-exempt bonds was the issuer of the Bonds. That issuer entered into a loan agreement with the Foundation pursuant to which the issuer loaned the proceeds of its bonds to the Foundation to pay for construction of the Facility, and the Foundation expects to repay the issuer with the rental proceeds it receives from Delgado under the Facility Lease Agreement. The remaining original 1999 bonds were recalled and refinanced on September 28, 2011. Approximately, \$191,751 and \$237,097 of such proceeds received during fiscal 2012 and 2011, respectively, have been recorded as lease rental revenue representing amounts attributable to bond debt service and other related costs of the Facility, net of investment earnings generated from the required reserves provided by the bond issuance.

The estimated cost of the project was \$4,350,000, and the completion date was June 2001. Bond debt service and other related Facility costs are funded through a special student assessment fee for Delgado's City Park Campus students only, assessed at the levels of \$15 per student for the fall and spring semesters and \$5 per student for the summer semester.

The transaction was approved by the Board of Trustees, the Louisiana State Bond Commission, and the City of New Orleans.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Student Life Center (continued)

The Facility's lease to Delgado is considered a sales-type lease for reporting purposes, therefore the asset associated with the Facility is carried as a lease receivable net of unearned future lease income of approximately \$4 million. The lease receivable will be reduced over time as Delgado remits bond principal payment reimbursements to the Foundation.

As of June 30, 2012, Delgado had cumulatively remitted \$4,295,822 to the Foundation to cover the bond debt service and other related costs of the Facility. Of this amount, \$2,894,060 has been recognized as lease rental revenue, \$995,000 has been recognized as a reduction of the Student Life Center lease receivable, and the remaining balance is carried as deferred revenue (shown as due to Delgado, net) as of June 30, 2012. As a result of the refinancing, the Student Life Center lease receivable was increased by a net of \$255,000.

The Indenture agreement in connection with the Bonds created various funds to ensure payment of the Bonds. These funds amounted to \$290,159 and \$365,507, as of June 30, 2012 and 2011, respectively. These amounts are recorded as Investments – restricted on the accompanying statements of financial position.

6. Long-Term Debt

As described in note 5, at June 30 the long-term debt consists of the following:

Revenue bonds:	2012	2011
\$4,395,000 1999 Serial bonds due in annual installments of \$105,000 to \$295,000 through October 2029 at interest rates of 4%-6%, less bond discount	\$ -	\$ 3,505,000
\$3,655,000 2011 Serial bonds due in annual installments of \$155,000 to \$270,000 through October 2029 at interest rates of 2%-4.5%	\$ 3,655,000	-
Less bond discount	21,165	84,897
	3,633,835	3,420,103
Less current maturities	153,755	100,369
	\$ 3,480,080	\$ 3,319,734

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Long-Term Debt (continued)

The 1999 series bonds were issued November 1, 1999 with interest rates ranging from 4.0% to 6.0% were refinanced with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) Revenue Refunding Bonds (Delgado Community College Foundation Project) Series 2011 (Series 2011 Bonds), through a Trust Indenture dated September 1, 2011 (the Indenture Agreement). The new bond proceeds were \$3,655,000, net of a bond discount of \$22,410 and carry interest rates from 2.0% to 4.5%. Bond issuance costs were \$216,667. The Series 2011 Bonds mature in October, 2029, requiring annual principal and semi-annual interest payments. Bonds maturing after October 1, 2022 are subject to redemption prior to maturity at the option of the Authority, upon written direction of the Foundation, in whole or in part at par value plus accrued interest through the redemption date. The 2011 Series Bonds require mandatory redemption should insurance proceeds related to the Facility be not applied to the restoration or repair of such Facility. Series 2011 Series Bonds that mature on October 1, 2023 and beyond shall be subject to a mandatory sinking fund, certain other covenants and conditions as set forth in the Indenture Agreement.

Annual aggregate principal payments and related Series 2011 Bond discount applicable to the bond payable for years subsequent to June 30, 2012 are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Discount</u>	<u>Total</u>
2013	\$ 155,000	\$ (1,245)	\$ 153,755
2014	160,000	(1,245)	158,755
2015	165,000	(1,245)	163,755
2016	165,000	(1,245)	163,755
2017	175,000	(1,245)	173,755
Thereafter	2,835,000	(14,940)	2,820,060
	<u>\$ 3,655,000</u>	<u>\$ (21,165)</u>	<u>\$ 3,633,835</u>

7. Pledges Receivable

At June 30, pledges receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Annual giving campaign	\$ 3,061	\$ 2,155
Roast pledges	31,685	23,030
Joseph J. Krebs, Jr. Endowed Professorship	-	6,000
Ashton Ryan Endowed Professorship	60,000	60,000
Gross pledges receivable	<u>94,746</u>	<u>91,185</u>
Less unamortized discount	-	(3,215)
Net pledges receivable	<u>\$ 94,746</u>	<u>\$ 87,970</u>

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Related Parties

Delgado Community College provides the Foundation with facilities and administrative personnel free of charge. The value of these services was approximately \$66,960 and \$60,342 for fiscal years 2012 and 2011, respectively.

Contributions recognized from Foundation Board members and employees of the College included in pledges receivable at June 30, 2012 and 2011 amounted to \$63,061 and \$69,205, respectively.

9. Concentrations of Credit Risk

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana. As of June 30, 2012, the Foundation's \$42,859 of deposits were not covered by the U.S. Federal Deposit Insurance Corporation (FDIC).

Approximately 66% of the pledges receivable at June 30, 2012 is from one donor. At June 30, 2011, approximately 62% of the pledges receivable were from one donor.

10. Fair Value of Financial Instruments

The FASB authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Fair Value of Financial Instruments (continued)

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30 by Fair Value Measurements valuation hierarchy:

	2012			Total
	Level 1	Level 2	Level 3	
Common stocks				
Consumer discretionary	\$ 12,850	\$ -	\$ -	\$ 12,850
Consumer staples	32,654	-	-	32,654
Energy	34,992	-	-	34,992
Financials	17,149	-	-	17,149
Healthcare	21,438	-	-	21,438
Industrials	31,892	-	-	31,892
Information technology	15,735	-	-	15,735
Materials	14,211	-	-	14,211
Telecommunication services	11,483	-	-	11,483
Utilities	38,681	-	-	38,681
Total common stocks	231,085	-	-	231,085
Exchange traded funds	5,432	-	-	5,432
LTD partnerships/LTD liability corporations	16,895	-	-	16,895
Equity				
Small cap equity funds	154,218	-	-	154,218
Large cap equity funds	269,607	-	-	269,607
International and other equity funds	179,027	-	-	179,027
Total equity funds	625,179	-	-	625,179
Fixed income				
Vanguard total market index	754,533	-	-	754,533
US Treasury Bond	290,159	-	-	290,159
Total	<u>\$1,900,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,900,956</u>

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Fair Value of Financial Instruments (continued)

	2011			Total
	Level 1	Level 2	Level 3	
Equity				
Small cap equity funds	\$ 156,383	\$ -	\$ -	\$ 156,383
Large cap equity funds	725,109	-	-	725,109
Total equity	881,492	-	-	881,492
Fixed income				
Vanguard total market index	677,108	-	-	677,108
Money market	367,357			367,357
Total	<u>\$1,925,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,925,957</u>

11. Endowments

The Board of the Foundation believes it has a strong fiduciary duty to manage the assets of the Foundation's endowment in the most prudent manner possible. The Board recognizes its responsibility to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund. To follow these principals, the historic value of the fund is always maintained in temporarily or permanently restricted net assets. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in temporarily restricted net assets until spent for their intended purpose.

The goals and objectives of the investment policies are to maximize total returns within prudent parameters of risk for a Foundation of this type. The Board understands that fluctuating rates of return are characteristic of the securities markets. The Foundation's investment objective is to protect and grow the Foundation's assets, after approved distributions, at a rate greater than the rate of inflation as measured by the U.S. CPI.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

11. Endowments (continued)

The table below represents the endowment related activity for the fiscal year ending June 30, 2012:

	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 39,914	\$ 40,400	\$ 80,314
Investment return:			
Investment income	1,593	-	1,593
Net depreciation (realized and unrealized)	(789)	-	(789)
Total investment return	804	-	804
Contributions	-	1,000	1,000
Endowment net assets, end of year	\$ 40,718	\$ 41,400	\$ 82,118

12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 27, 2012, and determined the following item requires disclosure.

On August 29, 2012, a cooperative endeavor agreement was signed by the Foundation and the U. S. Navy in the amount of \$10,000,000 to support existing education, training, and work force development in the maritime industry trades.

September 27, 2012

To the Board of Directors of
The Delgado Community College Foundation

We have audited the financial statements of The Delgado Community College Foundation as of and (the Foundation) for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 27, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 18, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the fair value of financial instruments in Note 10 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 27, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Hutterville

Metairie, Louisiana
September 27, 2012