

**GRAMBLING UNIVERSITY FOUNDATION, INC.**

**(Audited Financial Statements and Other Reports)**

**GRAMBLING, LOUISIANA**

**JUNE 30, 2012**

**GRAMBLING UNIVERSITY FOUNDATION, INC.**

**GRAMBLING, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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September 14, 2012

The Board of Directors  
Grambling University Foundation, Inc.  
Grambling, Louisiana

## Independent Auditor's Report

We have audited the accompanying statement of financial position of Grambling University Foundation, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities 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 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 above present fairly, in all material respects, the financial position of Grambling University Foundation, Inc. as of June 30, 2012, and its changes in net assets 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 September 14, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy & Vestal, LLC

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GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Cash and cash equivalents	406,045
Certificates of deposit-unrestricted	87,980
Certificates of deposit-temporarily restricted	395,911
Certificates of deposit-restricted	3,915,115
Accounts receivable	-
Total assets	<u>4,805,051</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	-
Due to Grambling State University	<u>3,761,034</u>
Total liabilities	3,761,034

Net assets:

Unrestricted	211,627
Temporarily restricted-for specific purposes	428,904
Permanently restricted-endowment	<u>403,486</u>
Total net assets	<u>1,044,017</u>

Total liabilities and net assets	<u>4,805,051</u>
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The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Revenues, gains and other support:</u></b>				
Contributions	61,367	132,525	3,550	197,442
Contributed services	40,000	-	-	40,000
Bayou Classic operations	-	93,208	-	93,208
Port City Classics operations	-	34,700	-	34,700
Port City Gala operations	-	90,715	-	90,715
President's Dinner Theater	-	4,955	-	4,955
Other revenues	-	-	-	-
Professorship	-	-	13,000	13,000
Scholarships	-	15,127	75,543	90,670
Investment income	-	-	45,040	45,040
	<u>101,367</u>	<u>371,230</u>	<u>137,133</u>	<u>609,730</u>
Net assets released from restrictions	<u>473,367</u>	<u>(346,025)</u>	<u>(127,351)</u>	<u>-</u>
Total revenues and support	574,743	25,205	9,782	609,730
<b><u>Expenses:</u></b>				
Institutional support	166,734	-	-	166,734
Special events:				
Bayou Classic operations	93,871	-	-	93,871
Alumni Hall of Fame	-	-	-	-
Port City Classic	57,119	-	-	57,119
Port City Gala	65,779	-	-	65,779
GSU Bank Campaign	-	-	-	-
Annual Golf Outing	-	-	-	-
President's Dinner Theater	1,400	-	-	1,400
Professional fees	-	-	-	-
Scholarship expense	1,500	-	-	1,500
General and administrative services	40,000	-	-	40,000
Other expenses	141,570	-	-	141,570
Professorship expenses	-	-	-	-
Total expenses	<u>567,973</u>	<u>-</u>	<u>-</u>	<u>567,973</u>
Assets dedicated to Grambling State University	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Change in net assets</u></b>	6,770	25,205	9,782	41,757
<b><u>Net assets-beginning of year</u></b>	<u>204,857</u>	<u>403,699</u>	<u>393,704</u>	<u>1,002,260</u>
<b><u>Net assets-end of period</u></b>	<u>211,627</u>	<u>428,904</u>	<u>403,486</u>	<u>1,044,017</u>

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

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

<b><u>Cash flows from operating activities:</u></b>	
Change in net assets	41,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
<i>(Increase) decrease in assets:</i>	
Accounts receivable	-
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	-
Due to Grambling State University	<u>85,022</u>
Net cash provided by operating activities	126,779
<b><u>Cash flows from investing activities:</u></b>	
Purchases of certificates of deposit	-
Redemptions of certificates of deposit	-
Interest capitalized to certificates of deposit	<u>(45,040)</u>
Net cash (used) by investing activities	<u>(45,040)</u>
<b><u>Net increase in cash and cash equivalents</u></b>	<b>81,739</b>
<b><u>Cash and cash equivalents-beginning of year</u></b>	<b><u>324,306</u></b>
<b><u>Cash and cash equivalents-end of year</u></b>	<b><u>406,045</u></b>

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

GRAMBLING UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**1. Organization and Summary of Significant Accounting Policies**

**a. *Organization***

The Grambling University Foundation, Inc. (the Foundation) was organized as of April 28, 2005 to solicit, receive, hold, invest and transfer funds for the benefit of Grambling State University. Additionally, the Foundation assists Grambling State University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Grambling State University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Grambling State University. The Foundation is a separate legal entity and not included as part of the reporting entity of Grambling State University.

**b. *Basis of Accounting and Financial Statement Presentation***

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the requirements for the Financial Accounting Standards Board in its FASB ASC #958, "Not-for-Profit Entities." Under FASB ASC #958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

***Unrestricted net assets*** - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

***Temporarily restricted net assets*** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation, and/or by the passage of time. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

***Permanently restricted net assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on the related investments for general or specific purposes.



**1. Organization and Summary of Significant Accounting Policies (Continued)**

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 and losses on investments and other 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.

**c. *Net Assets Released from Restrictions***

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, reclassifications between the applicable classes of net assets.

**d. *Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, if any, are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

**e. *Investment Income***

Income and realized and unrealized net gains on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- increases in unrestricted net assets in all other cases.

**f. *Temporarily Restricted Net Assets***

With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

*Contributions with Restrictions Met in the Same Year* – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

*Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment* – Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**g. *Cash and Cash Equivalents***

Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

## 1. Organization and Summary of Significant Accounting Policies (Continued)

### *h. In-Kind Gifts*

Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

### *i. In-Kind Revenue and Expenses*

Grambling State University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel costs, rent, utilities, and the use of office equipment. These services are valued at an estimated cost to Grambling State University. The amounts for these services have been reflected as contributed services revenue and general and administrative expenses in the accompanying financial statements. Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

### *j. Accounts Receivable*

Accounts receivable consists of amounts due from outside parties. Management evaluates the collectability and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

### *k. Investments*

Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

### *l. Tax Status*

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. However, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result from such activities. The Foundation had no material unrelated business income for the fiscal years audited.

The Foundation has elected to adopt the provisions of **FASB Interpretation #48**, "*Accounting for Uncertainties in Income Taxes*." It has not adopted any uncertain tax positions with respect to those amounts reported in the financial statements. The Foundation files a federal Form 990 return for information purposes. The returns for income tax years 2008 and subsequent remain subject to examination by the Internal Revenue Service.

### *m. Funds Functioning as Endowment*

The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would be creating an endowment.

### *n. 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

**1. Organization and Summary of Significant Accounting Policies (Continued)**

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

***o. Reclassifications***

Certain amounts previously reported in the Foundation's financial statements have been reclassified to conform to current classifications, with no effect on previously reported net assets or changes in net assets.

**2. Investments**

Fair values and unrealized appreciation (depreciation) of investments (certificates of deposit) as of June 30, 2012 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate #944808	29,108	29,471	363
Certificate #953723	623,377	631,065	7,688
Certificate #953890	639,165	647,048	7,883
Certificate #962446	322,772	326,323	3,551
Certificate #974232	104,303	105,346	1,043
Certificate #979086	934,514	942,472	7,958
Certificate #988605	102,000	103,020	1,020
Certificate #989268	280,500	283,305	2,805
Certificate #991223	306,000	309,060	3,060
Certificate #6002879	305,100	307,698	2,598
Certificate #6009500	644,027	650,467	6,440
Certificate #9932170	63,100	63,731	631
	<u>4,353,966</u>	<u>4,399,006</u>	<u>45,040</u>

The following schedule summarizes the investment return and its classification in the statement of activities as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	-	-	45,040	45,040
Net realized gains	-	-	-	-
	<u>-</u>	<u>-</u>	<u>45,040</u>	<u>45,040</u>

**3. Transactions with Grambling State University**

Grambling State University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Grambling State University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to Grambling State University. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

**3. Transactions with Grambling State University (Continued)**

Funds administered by the Foundation on behalf of Grambling State University are not commingled with funds belonging to the Foundation. Funds classified as amounts due to Grambling State University at June 30, 2012 are related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to Grambling State University.

**4. Concentrations of Credit Risk**

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits. The **Financial Accounting Standards Board**, "*Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk*," identifies these items as a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

**5. Collection of Artwork**

The Foundation received a collection of Aboriginal Indigenous art from an independent donor during the year ended June 30, 2008. The collection was appraised by an independent third party appraisal firm at approximately \$318,000 at the time of donation. In accordance with **FASB ASC #958**, "*Not-for-Profit Entities*," the Foundation does not capitalize the collection of artwork in its financial statements as it is held for public exhibition, education, or research in furtherance of public service rather than financial gain. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items, and no additional items were purchased for or removed from the collection in fiscal year ended June 30, 2012.

**6. Subsequent Events**

In accordance with FASB Accounting Standards Codification (**FASB ASC #740**) "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through September 14, 2012 and noted no subsequent events requiring disclosure.

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September 14, 2012

The Board of Directors  
Grambling University Foundation, Inc.  
Grambling, Louisiana

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of Grambling University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012 and have issued our report thereon dated September 14, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Grambling University Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Foundation are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the board of directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

GRAMBLING UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

We have audited the financial statements of Grambling University Foundation, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated September 14, 2012. 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. Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

- a. Auditor's report expresses an unqualified opinion on the basic financial statements of Grambling University Foundation, Inc.
- b. Report on Internal Control and Compliance Material to the Financial Statements.  
  
Internal Control – No significant deficiencies or material weaknesses were noted, no management letter was issued.  
  
Compliance – No material noncompliance was noted.
- c. Federal Awards – Grambling University Foundation, Inc. was not subject to a federal single-audit for the period ended June 30, 2012.

**Section II - Financial Statement Findings**

**2012 Current Year Findings:** There are no current year findings noted.

GRAMBLING UNIVERSITY FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

**2011 – Prior Year Findings:** There were no prior year findings noted.