BLACK & GOLD FACILITIES, INC.

(Audited Financial Statements and Other Information)

GRAMBLING, LOUISIANA

JUNE 30, 2013

BLACK & GOLD FACILITIES, INC.

GRAMBLING, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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August 23, 2013

The Board of Directors
Black & Gold Facilities, Inc.
Grambling, Louisiana

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Black & Gold Facilities, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black & Gold Facilities, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the information on pages 17 through 20 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013 on our consideration of Black & Gold Facilities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Black & Gold Facilities, Inc.'s internal control over financial reporting and compliance.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

BLACK & GOLD FACILITIES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

Cash and cash equivalents	1,401,354
Investment-bond reserves (Note 2)	19,888,323
Due from affiliate	129,974
Prepaid bond cost, net (Note 3)	2,718,723
Prepaid issuance costs, net (Note 3)	1,776,160
Prepaid expenses	182,428
Property, plant, and equipment, net of accumulated depreciation (Note 4)	72,408,520
Total assets	98,505,482

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	802,180
Accrued interest payable	1,948,018
Due to management company	198,275
Due to affiliate	120,000
Bonds payable, net of discount (Note 5)	102,073,216
Total liabilities	105,141,689
Net assets:	
Unrestricted:	
Undesignated	(6,636,207)
Temporarily restricted	-
Total net assets	(6,636,207)
Total liabilities and net assets	98,505,482

See accompanying notes to financial statements.

BLACK & GOLD FACILITIES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Rent income	10,336,791	-	-	10,336,791
Investment income	1,908	-	-	1,908
Total revenue	10,338,699	-	-	10,338,699
Net assets released from restrictions	(9,414)	-	-	(9,414)
Expenses:				
Payroll and payroll taxes	437,825	-	-	437,825
General and administrative	56,815	-	-	56,815
Professional fees	31,784	-	-	31,784
Contract services	269,761	-	-	269,761
Turnover expenses	438,622	-	-	438,622
Repairs and maintenance	150,929	-	-	150,929
Marketing and leasing	14,228	-	-	14,228
Utilities	1,400,093	-	-	1,400,093
Management fees	582,575	-	-	582,575
Taxes and insurance	228,367	-	-	228,367
Trustee fees	22,000	-	-	22,000
Interest	4,986,955	-	-	4,986,955
Other	14,420	-	-	14,420
Depreciation	2,641,260	-	-	2,641,260
Amortization	178,917	-	-	178,917
Distributions to the University	804,156	-	-	804,156
Total expenses	12,258,708	-	-	12,258,708
Change in net assets	(1,929,423)			(1,929,423)
Net assets-beginning of year, restated	(4,706,784)			(4,706,784)
Net assets-end of year	(6,636,207)	-	-	(6,636,207)

See accompanying notes to financial statements.

BLACK & GOLD FACILITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Rent income	10,336,791
Investment income	1,908
Interest paid on bonds	(4,986,955)
Maintenance expense	(2,273,633)
Administrative/professional	(1,510,304)
Net cash provided by operating activities	1,567,807
Cash flows from investing activities:	
Capital expenditures (including capitalized interest)	(371,209)
Net change in investment-bond reserves	393,269
Net cash provided by investing activities	22,060
Cash flows from financing activities:	
Repayment of bonds payable	(1,590,000)
Net cash (used) by financing activities	(1,590,000)
Net increase in cash and cash equivalents	(133)
Cash and cash equivalents-beginning of year	1,401,487
Cash and cash equivalents-end of year	1,401,354
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	(1,929,423)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Adjustment to beginning net assets	725,095
Amortization of prepaid bond costs	111,081
Amortization of prepaid bond issuance costs	77,171
Amortization premium/discount on bonds, net	(9,335)
Depreciation of property, plant, and equipment	2,641,260
Net change in due to/from affiliate	(52,692)
Increase in prepaid expense	(4,468)
Increase in accounts payable	318,445
Change in accrued interest payable	(507,602)
Increase in due to management company	198,275
Net cash provided by operating activities	1,567,807
Supplemental Cash Flow Information:	
Interest paid (net of capitalized interest, if any)	5,494,557

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Activities

Black & Gold Facilities, Inc. (the "Corporation") was formed to acquire, construct, develop, manage, lease as lessor or lessee, mortgage and/or convey student housing and other facilities (the "Facilities") on the campus of Grambling State University (the "University"). The construction projects are funded by Louisiana Public Facility Authority (the "Authority") Revenue Bonds. The proceeds of the bonds have been loaned by the Authority to the Corporation pursuant to a Loan and Trust Indenture dated October 6, 2006 and are to be used for (1) financing the cost of acquiring immovable property to be purchased by the Board; (2) financing a portion of the cost of the development, design, construction and equipping of the Facilities; (3) paying capitalized interest on the Bonds; (4) funding a debt service reserve fund; (5) paying the costs of issuance of the Bonds, including the premium for the Financial Guaranty Insurance Policy; and (6) payment for construction of new facilities and repairs and maintenance to existing facilities.

The Corporation will secure its obligations to repay the borrowed funds by an executed Mortgage Assignment of Leases and Security Agreement. The Corporation granted to the Bond Trustee (the "Trustee"), a first mortgage lien on its leasehold interest in the property, equipment, furnishing, and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including but without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to the Corporation by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") pursuant to the Ground Lease Agreements dated October 6, 2006. In accordance with the Facilities Lease, the Board, on behalf of the University, will pay Rental to the Corporation in an amount sufficient to pay debt service and related expenses on the Bonds. The Facilities Lease is a triple net lease and the Board agrees that the Rental shall be an absolute net return to the Corporation free and clear of any expenses, charges, taxes or set-offs whatsoever of any kind, character or nature; the Board shall bear responsibility for the payment of all costs and expenses associated with the ownership, operation and maintenance of the Facilities. At the time as the financing agreement is paid in full, the obligation is cancelled and the interest in the facilities and the underlying property are conveyed to Grambling State University.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America. Accordingly, they reflect revenues and related receivables when earned rather than when received and expenses and related payables when incurred rather than when paid.

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions.

1. Organization and Significant Accounting Policies (Continued)

Financial Statement Presentation
The Corporation is required to report information regarding its financial position and activities according to three classes of net assets:

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 Corporation and/or 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 Corporation. Generally, the donors of these assets permit the Corporation to use all of, or part of, the income earned on the related investments for general or specific purposes.

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.

Cash Equivalents
For financial statement purposes, the Corporation considers all deposits in money market funds to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments-Bond Reserves
Investments-bond reserves consist of money market funds collateralized by U.S. Government securities in the amount of $19,163,154 at June 30, 2013. These funds are exposed to custodial credit risk because the money market funds are uninsured and collateralized with securities held by the trust department of Whitney Bank, Trust & Asset Management. Under the terms of the various trust indentures or similar documents, certain funds such as project, capitalized interest, replacement, and debt service must be established and maintained for each of the Phase projects. The bonds contain significant limitations and restrictions on annual debt service requirements, maintenance of various restricted accounts, minimum sinking funds, and minimum bond coverage.

Investment-bond reserves consist of the following at June 30, 2013:

	Reserve Requirements	Reserve Balances
Debt Service	7,136,785	7,233,451
Maintenance	5,370,766	6,194,626
Other Accounts	-	6,459,796
Total	12,507,551	19,887,873

3. **Prepaid Bond Costs**
The Series 2006 and Series 2007 Bonds were issued to include some additional prepaid bond costs, including but not limited to, bond issuance premium (discount), underwriter's discount, and other costs. These costs are being amortized over the life of the bond on the straight-line basis. Amortization expense and accumulated amortization related to prepaid bond cost and bond issuance costs totaled $111,081 and $77,171, and $659,058 and $546,000, respectively at June 30, 2013.

4. **Property, Plant and Equipment**
Property, plant and equipment are depreciated using the straight-line method. Land improvements and buildings are depreciated over the life of the bonds used to finance the assets (usually 32 – 40 years), and furniture, fixtures, and equipment are depreciated over their estimated useful lives, (usually 5 – 10 years). At June 30, 2013, property, plant and equipment are comprised of the following:

Land	334,029
Buildings	79,483,331
Furniture, fixtures, and equipment	3,582,012
Building/leasehold improvements	4,424,432
	87,823,804
Less-accumulated depreciation	(15,415,284)
Net property, plant, and equipment	72,408,520

Depreciation/amortization of $2,641,260 was charged to operations for the year ended June 30, 2013.

5. **Bonds Payable**
Louisiana Public Facilities Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus facilities to be occupied by Grambling State University. Following is a summary of both Phase I and Phase II, respectively, bonds payable at June 30, 2013:

Phase I Bond Issue (2006 Issue):

Louisiana Public Facilities Authority Bonds, $55,705,000 term bonds payable dated October 1, 2006, due at various intervals through July 2, 2038, payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 3.79%-4.38%	55,520,000
Louisiana Public Facilities Authority Bonds, $3,595,000 term bonds payable dated October 6, 2006, due at various intervals through July 1, 2012, payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.32%-5.41%	-
Louisiana Public Facilities Authority Bonds, $5,700,000 term bonds payable dated October 6, 2006, due at various intervals through April 1, 2038, payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.15%-5.80%	5,235,000
	60,755,000
Plus-original issue premium	649,042
Less-original issue discount	(53,430)
Total Phase I bonds payable	61,350,612

5. Bonds Payable (Continued)

The 2006 bonds were issued at a premium of $767,784 and at a discount of $70,841, respectively. The premium and discount are being amortized over the life of the bonds on the straight-line basis. Amortization income on the premium was $16,741 and amortization expense of the discount was $2,317, and each was recorded in the statement of activities for the year ended June 30, 2013.

Interest expense for the year ended June 30, 2013 was $2,973,716.

The annual debt service requirements to maturity for Phase I bonds payable as of June 30, 2013 are as follows:

2014	1,205,000
2015	1,255,000
2016	1,320,000
2017	1,385,000
2018	1,455,000
2019-2038	54,135,000
Outstanding principal-Phase I	60,755,000

Phase II Bond Issue (2007 Issue):

Louisiana Public Facilities Authority Bonds, $39,330,000 term bonds payable dated December 1, 2007, due at various intervals through April 1, 2038, payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.00%-5.00%	39,330,000
Louisiana Public Facilities Authority Bonds, $39,330,000 term bonds payable dated December 1, 2007, due at various intervals through April 1, 2038, payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.72%	1,520,000
	40,850,000
Less-original issue discount	(127,396)
Total Phase II bonds payable	40,722,604

The 2007 bonds were issued at a discount of $152,675. This discount is being amortized over the life of the bonds on the straight-line basis. Amortization expense recorded in the statement of activities totaled $5,089 for the year ended June 30, 2013.

The annual debt service requirements to maturity for Phase II bonds payable as of June 30, 2013 are as follows:

2014	545,000
2015	645,000
2016	835,000
2017	870,000
2018	925,000
2019-2038	37,030,000
Outstanding principal-Phase II	40,850,000

5. **Bonds Payable** (Continued)

Interest expense for the year ended June 30, 2013 was $2,046,571.

6. **Income Taxes**

The Corporation 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). Therefore, no provision for income taxes has been made in the financial statements, but the Corporation is required to file an annual information tax return. The Corporation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Corporation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Corporation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Corporation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Corporation's accounting records.

The Corporation files U.S. federal Form 990 for informational purposes. The Corporation's federal income tax returns for the tax years 2009 and subsequent remain subject to examination by the Internal Revenue Service.

7. **Risks and Uncertainties**

As discussed in Note 1, the Corporation is dependent upon the State of Louisiana Legislature appropriating funds to the Board sufficient to make payments of base rental to the Corporation.

8. **Related Party Transactions/Due to/from Affiliate**

The Corporation entered into an affiliation agreement with Grambling State University (the "University") to acquire, renovate, rehabilitate, repair, construct, develop, manage, lease as lessor/lessee, mortgage, and/or convey residential classrooms, administrative and other facilities on the campus of the University. The Corporation operates and manages the housing facilities constructed with the bond proceeds and leases the facilities to the students of the University. The University collects all room and board rental income on behalf of the Corporation, and remits all amounts to the Bond Trustee.

The Corporation also entered into an agreement with the University to lease and renovate the food court in the Student Union. Upon completion of the renovation, the Corporation leased the food court back to the University. The lease calls for the University to remit the rent (debt service payments) to the Bond Trustee as amounts are collected and due. Total rental income paid to the Corporation by the University is included in rental income for the year ended June 30, 2013.

The University also charges the Corporation for its portion of utilities, telephone, and internet charges on a monthly basis. The total amount charged to and paid by the Corporation to the University totaled $1,223,006 for the year ended June 30, 2013. The University also provides administrative office space, utilities, personnel, and the use of office furniture and equipment. The value of these services has not been recorded in the financial statements as the related amounts have not been determined.

During the fiscal year ended June 30, 2013, the Corporation transferred surplus funds totaling $804,156 to the University from excess funds generated from the lease of the facilities. The transfer is in accordance with the bond indenture as all bond requirements have been satisfied by the Corporation. The amount of the transfer and the evaluation of the ability to transfer the same is made by the Bond Trustee on an annual basis.

9. Commitments and Contingencies

The Corporation entered into a contractual arrangement on October 1, 2006 with a third party management company to manage and maintain the Corporation's properties. The agreement was for the payment of operating costs, general accounting, and overall property management. The manager of the properties is reimbursed for all operating costs from the Trustee on a monthly basis. Total management fees paid to the contracted third-party was $582,575 for the year ended June 30, 2013.

The Corporation has entered into a ground lease with the Board of Supervisors of the University of Louisiana System, (lessor) to lease the land on which the student housing has been constructed. See Note 1 to the financial statements for further details and terms of the ground lease agreement.

10. Fair Value of Financial Instruments

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with **FASB ASC 820,** "*Fair Value Measurement and Disclosures,*" the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy. In accordance with this guidance, financial assets and financial liabilities, generally measured at fair value, are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow

10. Fair Value of Financial Instruments *(Continued)*

methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured and recorded at fair value on a recurring basis.

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximate fair values based on the short-term nature of the assets.

Investments-Bond Reserves. Estimated fair values for investments-bond reserves consist of money market and other liquid investments issued by the United States government, and are stated at costs which approximates market value due t their short term maturity.

Long-Term Borrowings. Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing bonds payable.

Fair values of assets and liabilities measured at fair value on a recurring basis at June 30, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
Investment-bond reserves:				
Federated treasury securities	-	19,888,323	-	19,888,323

The estimated fair values, and related carrying or notional amounts, of financial instruments are as follows:

	Book Value	Estimated Fair Value
Financial assets:		
Cash and cash equivalents	1,401,354	1,401,354
Investments-bond reserves	19,888,323	19,888,323
Financial liabilities:		
Bonds payable	102,073,216	102,073,216
Unrecognized financial instruments:		
Commitments to extend credit	-	-

11. Prior Period Adjustment

In accordance with **FASB ASC #250**, *"Accounting Changes and Error Corrections-A Replacement of* APB Opinion No. 20 and FASB Statement No. 3"; the Corporation has made a prior period adjustment to restate the beginning balances of undesignated net assets and investment-bond reserves in the amount of $725,095 in the current period. The restatement has no effect on net income of the Corporation for the year ended June 30, 2013.

12. **Subsequent Events**

The Corporation has evaluated subsequent events through August 23, 2013, the date which the financial statements were available to be issued. Management is not aware of any significant subsequent events as of this date.

OTHER REPORTS

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August 23, 2013

The Board of Directors
Black & Gold Facilities, 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*

Independent Auditor's Report

We have audited, in accordance with the 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, the financial statements of Black & Gold Facilities, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Black & Gold Facilities, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black & Gold Facilities, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Black & Gold Facilities, Inc.'s internal control.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black & Gold Facilities, Inc.'s financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

BLACK & GOLD FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

We have audited the financial statements of Black & Gold Facilities, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated August 23 2013. 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, 2013 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses relating to the audit of the financial statements were reported, and no management letter was issued.

Compliance - No instances of noncompliance material to the financial statements of Black & Gold Facilities, Inc. were disclosed during the audit.

b. Federal Awards – Black & Gold Facilities, Inc. was not subject to a federal single audit for the year ended June 30, 2013.

Section II - Financial Statement Findings

No **current year** findings or questioned costs were reported for the year ended June 30, 2013.

See accompanying notes to financial statements.

BLACK & GOLD FACILITIES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

No prior year findings or questioned costs were reported for the year ended June 30, 2012, which was audited by other auditors.

See accompanying notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

BLACK & GOLD FACILITIES, INC.
SCHEDULE OF CAPITAL ASSETS
(includes capital leases)

Component Unit(s)	Balance 6/30/2012	Prior Period Adjustments	Restated Balance 6/30/2012	Additions	* Reclassification of CIP	** Retirements	Balance 6/30/2013
Capital assets not depreciated:							
Land	$ 334,029	$	$ 334,029	$	$	$	$ 334,029
Non-depreciable land improvements			-				-
Non-depreciable easements			-				-
Capitalized collections			-				-
Livestock			-				-
Software - development in progress			-				-
Construction in progress			-				-
Total capital assets not depreciated	$ 334,029	$ -	$ 334,029	$ -	$ -	$ -	$ 334,029
Other capital assets:							
Infrastructure	$	$	$ -	$	$	$	$ -
** Accumulated depreciation			-				-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements			-				-
** Accumulated depreciation			-				-
Total land improvements	-	-	-	-	-	-	-
Buildings	83,660,655		83,660,655	247,108			83,907,763
** Accumulated depreciation	(11,380,840)		(11,380,840)	(2,127,536)			(13,508,376)
Total buildings	72,279,815	-	72,279,815	(1,880,428)	-	-	70,399,387
Equipment (including library books)	3,457,911		3,457,911	124,101			3,582,012
** Accumulated depreciation	(1,393,184)		(1,393,184)	(513,724)			(1,906,908)
Total equipment	2,064,727	-	2,064,727	(389,623)	-	-	1,675,104
Software (internally generated & purchased)			-				-
Other intangibles			-				-
** Accumulated amortization - software			-				-
** Accumulated amortization - other intangibles			-				-
Total intangibles	-	-	-	-	-	-	-
Total other capital assets	$ 74,344,542	$ -	$ 74,344,542	$ (2,270,051)	$ -	$ -	$ 72,074,491
Capital asset summary:							
Capital assets not depreciated	$ 334,029	$ -	$ 334,029	$ -	$ -	$ -	$ 334,029
Other capital assets, book value	87,118,566	-	87,118,566	371,209	-	-	87,489,775
Total cost of capital assets	87,452,595	-	87,452,595	371,209	-	-	87,823,804
Accumulated depreciation/amortization	(12,774,024)	-	(12,774,024)	(2,641,260)	-	-	(15,415,284)
Capital assets, net	$ 74,678,571	$ -	$ 74,678,571	$ (2,270,051)	$ -	$ -	$ 72,408,520

* Should only be used for those completed projects coming out of construction-in-progress to capital assets.

** Enter a negative number except for accumulated depreciation in the retirement column

BLACK & GOLD FACILITIES, INC.

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Bonds and notes payable:					
Bonds payable	103,195,000	-	(1,590,000)	101,605,000	1,750,000
Notes payable	-	-	-	-	-
Total bonds and notes payable	103,195,000	-	(1,590,000)	101,605,000	1,750,000
Other liabilities:					
Amounts held in custody for others	-	-	-	-	-
Total other liabilities	-	-	-	-	-
Total long-term liabilities	103,195,000	-	(1,590,000)	101,605,000	1,750,000

BLACK & GOLD FACILITIES, INC.

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2013

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/12	(Redeemed) Issued	Principal Outstanding 6/30/13	Interest Rates	Total Interest Outstanding 6/30/13
Louisiana Public Facilities Authority Revenue Bonds:							
Tax Exempt-Grambling Black & Gold Facilities, Inc. Project-2006A	10/24/06	55,705,000	55,705,000	(185,000)	55,520,000	3.79%-4.38%	40,573,650
Taxable-Grambling Black & Gold Facilities, Inc. Project-2006B	10/24/06	3,595,000	865,000	(865,000)	-	5.32%-5.41%	-
Taxable-Grambling Black & Gold Facilities, Inc. Project-2006C	12/28/06	5,700,000	5,330,000	(95,000)	5,235,000	5.15%-5.80%	4,753,480
Tax Exempt-Grambling Black & Gold Facilities, Inc. Project-2007A	12/05/07	39,330,000	39,330,000	-	39,330,000	4.00%-5.00%	33,545,763
Taxable-Grambling Black & Gold Facilities, Inc. Project-2007B	12/05/07	2,595,000	1,965,000	(445,000)	1,520,000	5.720%	118,118
Total		106,925,000	103,195,000	(1,590,000)	101,605,000		78,991,011

BLACK & GOLD FACILITIES, INC.

SCHEDULE OF BOND AMORTIZATION

JUNE 30, 2013

Fiscal Year Ending	Principal	Interest	Total
2014	1,750,000	4,937,542	6,687,542
2015	1,900,000	4,847,333	6,747,333
2016	2,155,000	4,744,883	6,899,883
2017	2,255,000	4,639,531	6,894,531
2018	2,380,000	4,530,671	6,910,671
2019	2,485,000	4,411,760	6,896,760
2020	2,615,000	4,283,595	6,898,595
2021	2,745,000	4,148,735	6,893,735
2022	2,895,000	4,007,090	6,902,090
2023	3,035,000	3,857,835	6,892,835
2024	3,185,000	3,701,420	6,886,420
2025	3,350,000	3,537,060	6,887,060
2026	3,515,000	3,364,380	6,879,380
2027	3,690,000	3,183,130	6,873,130
2028	3,875,000	2,992,810	6,867,810
2029	4,070,000	2,792,840	6,862,840
2030	4,280,000	2,582,625	6,862,625
2031	4,490,000	2,361,665	6,851,665
2032	4,720,000	2,136,338	6,856,338
2033	4,950,000	1,906,403	6,856,403
2034	5,180,000	1,665,283	6,845,283
2035	5,425,000	1,412,793	6,837,793
2036	5,685,000	1,148,345	6,833,345
2037	5,960,000	871,063	6,831,063
2038	6,200,000	580,470	6,780,470
2039	6,135,000	278,413	6,413,413
2040	2,680,000	67,000	2,747,000
Total	101,605,000	78,991,013	180,596,013