SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
ISSUED DECEMBER 24, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 22, 2014

Independent Auditor's Report

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Southern University Law Center (Law Center), a campus within the Southern University System (System), which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the Law Center's basic financial statements as listed in the Table of Contents.

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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the Law Center as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 1-B, the accompanying financial statements of the Law Center are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the System that is attributable to the Law Center. They do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 17 to the financial statements, the beginning net position of the Law Center has been restated to correct misstatements totaling $1,121,288.

As discussed in note 1-O to the basic financial statements, the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for fiscal year 2015, will require the Law Center to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 9 to the financial statements. Though the System's proportionate share of these plans' pension liabilities is currently unknown, the impact on the Law Center's net position is expected to be significant.

Our opinion is not modified with respect to the matters above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 31 be 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 December 22, 2014, on our consideration of the Law Center'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 the Law Center's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:THC:ch

SULC 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Southern University Law Center, an institution in the Southern University and Agricultural & Mechanical (A&M) College System, hereafter referred to as the Law Center, discusses the Law Center's financial performance and presents a narrative overview and analysis of the Law Center's financial activities and statements for the year ended June 30, 2014. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior-year information. The Notes to the Financial Statements provide a summary of some of the significant accounting policies affecting all financial transactions of these institutions. The primary financial statements presented are the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the Law Center.

Based on comparative data for the fall semesters 2012 and 2013, the Law Center experienced an overall enrollment decrease. Enrollment decreased from 755 students in fall 2012 to 695 in fall 2013. The Law Center attributes the net decrease in enrollment to a national trend for law school enrollment, which has created a smaller pool of applicants. As a result, there is greater competition for students on a national and local level.

FINANCIAL HIGHLIGHTS

The Law Center's net position reflects an increase of $235,368, or 14.3%, from $1,643,293 at June 30, 2013, to $1,878,661 at June 30, 2014.

The Law Center's operating revenues decreased by $667,684, or (5.3%), changing from $12,566,346 at June 30, 2013 to $11,898,662 at June 30, 2014. The decrease in operating revenues is attributed to a decrease in enrollment for the academic year.

State-appropriated revenues reflect an increase of $1,799,864, or 43.2%, from $4,164,110 in 2013 to $5,963,974 in 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the Notes to the Financial Statements), and Required Supplementary Information. The basic financial statements present information for the Law Center as a whole in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between total assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Law Center is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Law Center's assets increased/decreased as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Law Center's cash changed as a result of the current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the Law Center's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Law Center's financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Law Center are included in the Statement of Net Position.

FINANCIAL ANALYSIS

Categories of Net Position

Net position is divided into three major categories. The first category, investment in capital assets, indicates the total equity in property, plant, and equipment that is owned by the Law Center. The next net position category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net position category is available for expenditure by the Law Center but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the funds. The final net position category is unrestricted, which is available to the Law Center and can be used for any lawful purpose.

The following schedule is prepared using the Law Center's Statement of Net Position, which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2014 include the following:

- The total assets of the Law Center increased by $2,536,091, or 20.9%. This increase is attributed to receivables, primarily due from federal agencies and the implicit loan from other campuses.

- The total liabilities of the Law Center increased by $2,300,723, or 21.9%. The consumption of assets follows the Law Center's philosophy to use available resources to acquire and improve all operations of the Law Center to better serve the instruction, research, and public service mission of the Law Center.

- The net position for investment in capital assets reflects a negative change of $596,570, or (7.5%). This negative change is attributable to depreciation charge of $988,240 and asset acquisitions of $391,670.

Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2014 and 2013

	2014	2013 restated	Change	Percentage Change
Assets				
Current assets	$5,541,716	$2,452,256	$3,089,460	126.0%
Capital assets, net	7,389,266	7,985,836	(596,570)	(7.5%)
Other noncurrent assets	1,735,037	1,691,836	43,201	2.6%
Total assets	14,666,019	12,129,928	2,536,091	20.9%
Liabilities				
Current liabilities	2,154,582	872,169	1,282,413	147.0%
Long-term liabilities	10,632,776	9,614,466	1,018,310	10.6%
Total liabilities	12,787,358	10,486,635	2,300,723	21.9%
Net Position				
Investment in capital assets	7,389,266	7,985,836	(596,570)	(7.5%)
Restricted:				
Nonexpendable	1,518,750	1,478,750	40,000	2.7%
Expendable	3,646,030	1,483,725	2,162,305	145.7%
Unrestricted	(10,675,385)	(9,305,018)	(1,370,367)	14.7%
Total net position	$1,878,661	$1,643,293	$235,368	14.3%

CHANGE IN NET POSITION

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received and expenses paid by the Law Center for both operating and nonoperating purposes. The statement includes other revenues, gains, expenses, or losses that were realized or incurred by the Law Center during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the Law Center. The operating expenses are those expenses incurred to acquire or produce the goods and services. The Law Center's operating revenues decreased by $667,684, or (5.3%).

Nonoperating revenues increased by $1,922,043, or 45.8%. This increase is primarily attributable to a $1.8 million increase in state appropriations.

State appropriations increased from $4,164,110 to $5,963,974.

Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years as of June 30, 2014 and 2013

	2014	2013 restated	Change	Percentage Change
Operating revenues:				
Student tuition and fees, net	$8,953,717	$8,758,147	$195,570	2.2%
Federal grants and contracts	2,827,517	3,724,791	(897,274)	(24.1%)
Other operating revenues	117,428	83,408	34,020	40.8%
Total operating revenues	11,898,662	12,566,346	(667,684)	(5.3%)
Nonoperating revenues:				
State appropriations	5,963,974	4,164,110	1,799,864	43.2%
Gifts	3,500	3,100	400	12.9%
Net investment income	30,701	13,740	16,961	123.4%
Other nonoperating revenues	116,593	11,775	104,818	890.2%
Total nonoperating revenues	6,114,768	4,192,725	1,922,043	45.8%
Total revenues	$18,013,430	$16,759,071	$1,254,359	7.5%
Operating expenses:				
Educational and general:				
Instruction	$5,988,460	$6,006,381	($17,921)	(0.3%)
Public service	126,425	128,895	(2,470)	(1.9%)
Academic support	3,170,888	3,315,375	(144,487)	(4.4%)
Student services	1,448,648	1,408,914	39,734	2.8%
Institutional support	3,576,424	3,442,455	133,969	9.2%
Operation and maintenance of plant	640,237	264,370	375,867	142.2%
Depreciation	988,240	1,101,990	(113,750)	(10.3%)
Scholarships and fellowships	307,552	525,093	(217,541)	(41.4%)
Total operating expenses	16,246,874	16,193,473	53,401	0.3%
Total expenses	$16,246,874	$16,193,473	$53,401	0.3%
Income (loss) before additions and transfers	$1,766,556	$565,598	$1,200,958	212.3%
Additions to permanent endowments	40,000	59,450	(19,450)	(32.7%)
Transfers to System	(1,571,188)	(1,567,280)	(3,908)	0.2%
Change in net position	235,368	(942,232)	1,177,600	(125.0%)
Net position at beginning of year, as restated	1,643,293	2,585,525	(942,232)	(36.4%)
Net position at end of year	$1,878,661	$1,643,293	$235,368	14.3%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2014, the Law Center has $7,389,266 investment in capital assets, net of accumulated depreciation. This amount includes land, buildings and improvements, equipment, and infrastructure (see table below). This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $596,570, or 7.5%, over the previous fiscal year. More detailed information about the Law Center's capital assets is presented in note 5 to the financial statements.

Capital Assets at Year-End
(Net of depreciation/amortization)

	2014	2013	Change	Percentage Change
Capital assets not being depreciated	NONE	NONE		
Other capital assets:				
Buildings	$11,770,114	$11,770,114	$0	0.0%
Equipment (including library books)	36,506,089	36,140,753	365,336	1.0%
Intangible assets	463,339	463,339	0	0.0%
Total other capital assets	48,739,542	48,374,206	365,336	0.8%
Total cost of capital assets	48,739,542	48,374,206	365,336	0.8%
Less - accumulated depreciation	(41,350,276)	(40,388,370)	(961,906)	2.4%
Capital assets, net	7,389,266	7,985,836	(596,570)	(7.5%)

The Law Center recorded library books of $391,670 as major capital additions for the 2014 fiscal year.

DEBT ADMINISTRATION

Description	Amount
Compensated absences	$1,145,792
Other postemployment benefits payable	9,511,861
Total	$10,657,653

See notes 8 and 12 for details relating to changes in and the composition of long-term liabilities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently-known facts, decisions, or conditions are expected to have a significant effect on the Law Center's financial position or results of operations.

Despite the budgetary and economic challenges, the Law Center leadership has continued to maintain balanced operating budgets and sustain stable financial positions. Law Center leadership projects that fiscal year 2014-15 will be another lean year. The Law Center has strategically positioned itself to implement approved budgetary measures to ensure that current operations are sustained and the mission and goals of the Law Center are preserved.

The Law Center's on-site compliance certification is scheduled for February 2015 as part of the Southern Association of Colleges and Schools (SACS) accreditation process.

The long-term outlook for the Law Center remains strong and hopeful despite budgetary challenges. Environmental and economic risks continue to challenge the sustainability of institutional programs and services. However, Law Center leadership will continue to make the necessary budgetary adjustments to ensure the long-term viability of the Law Center. Confidence remains positive that the Law Center will accomplish its mission and goals. The Law Center's strategic plan outlines realistic and measurable goals and objectives for long-term growth and stability. System leadership remains confident that, in the long-term, improved economic conditions, stabilized enrollment trends, and continued autonomies provided by the LA Grad Act will allow the System to continue to achieve its goals and mission as a Historically Black College and University System of higher education in the State of Louisiana.

CONTACTING THE LAW CENTER'S MANAGEMENT

The accompanying Law Center financial report is designed to provide residents, taxpayers, customers, investors and creditors with a general overview of the Law Center's finances and to show the System's accountability and oversight for the money it receives. If you have questions about this report or the need for additional financial information, contact the Associate Vice Chancellor for Financial Affairs, Mr. Terry Hall, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2552, e-mail at thall@sulc.edu.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$1,000,000
Receivables, net (note 4)	298,389
Due from federal government	3,624,885
Due from State Treasury	163,078
Due from other campuses	307,866
Prepaid expenses and advances	147,498
Total current assets	5,541,716
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	1,300,582
Restricted investments (note 3)	434,455
Capital assets, net (note 5)	7,389,266
Total noncurrent assets	9,124,303
Total assets	14,666,019
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	441,141
Due to other campuses	1,000,000
Unearned revenues (note 7)	590,021
Compensated absences (notes 8 and 12)	24,877
Other current liabilities	98,543
Total current liabilities	2,154,582
Noncurrent liabilities:	
Compensated absences (notes 8 and 12)	1,120,915
Other postemployment benefits payable (notes 11 and 12)	9,511,861
Total noncurrent liabilities	10,632,776
Total liabilities	12,787,358
NET POSITION	
Investment in capital assets	7,389,266
Restricted:	
Nonexpendable (note 13)	1,518,750
Expendable (note 13)	3,646,030
Unrestricted	(10,675,385)
TOTAL NET POSITION	$1,878,661

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

OPERATING REVENUES	
Student tuition and fees	$9,259,062
Less scholarship allowances	(305,345)
Net student tuition and fees	8,953,717
Federal grants and contracts	2,827,517
Other operating revenues	117,428
Total operating revenues	11,898,662
OPERATING EXPENSES	
Educational and general:	
Instruction	5,988,460
Public service	126,425
Academic support	3,170,888
Student services	1,448,648
Institutional support	3,576,424
Operation and maintenance of plant	640,237
Depreciation (note 5)	988,240
Scholarships and fellowships	307,552
Total operating expenses	16,246,874
OPERATING LOSS	(4,348,212)
NONOPERATING REVENUES	
State appropriations	5,963,974
Gifts	3,500
State and local grants and contracts	100,000
Net investment income	30,701
Other nonoperating revenues	16,593
Net nonoperating revenues	6,114,768
INCOME BEFORE ADDITIONS AND TRANSFERS	1,766,556
Additions to permanent endowment	40,000
Transfers to System	(1,571,188)
CHANGE IN NET POSITION	235,368
NET POSITION - BEGINNING OF YEAR, as restated (note 17)	1,643,293
NET POSITION - END OF YEAR	$1,878,661

The accompanying notes are an integral part of this statement.

Statement C

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$9,057,193
Grants and contracts	1,139,676
Payments to suppliers	(1,860,899)
Payments to employees	(9,142,954)
Payments for benefits	(2,892,831)
Payments for scholarships and fellowships	(325,740)
Other receipts	1,117,428
Net cash used by operating activities	(2,908,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	5,809,248
State and local grants and contracts	100,000
Gifts and grants for other than capital purposes	3,500
Private gifts for endowment purposes	40,000
Implicit loan reduction from other campuses	(85,856)
Direct lending receipts	16,750,274
Direct lending disbursements	(16,750,274)
Other payments	(1,946,265)
Net cash provided by noncapital financing activities	3,920,627
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(391,670)
Other sources	391,670
Net cash used by capital and related financing activities	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	30,701
Purchase of investments	(70,702)
Net cash used by investing activities	(40,001)
NET INCREASE IN CASH AND CASH EQUIVALENTS	972,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,328,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	$2,300,582
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($4,348,212)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	988,240
Changes in assets and liabilities:	
Increase in accounts receivable, net	(77,508)
Increase in due from federal government	(1,687,841)
Increase in prepaid expenses and advances	(83,529)
Increase in accounts payable	1,260,456
Increase in unearned revenue	30,347
Increase in compensated absences	73,086
Increase in other postemployment benefits payable	936,834
Net cash used by operating activities	($2,908,127)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Net increase in the fair value of investments	$30,701

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University Law Center (Law Center) is a separate institution within the Southern University System (System), which is composed of several publicly-supported institutions of higher education. The System is a component unit of the State of Louisiana within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The Board of Supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of each university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street, and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport, and is managed by the Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The System is comprised of six agencies: Board and System Administration; Southern University and A&M College at Baton Rouge; Southern University Law Center; Southern University at New Orleans; Southern University at Shreveport; and Southern University Agricultural Research and Extension Center.

The Law Center offers a Juris Doctorate degree (J.D.) through a full-time and a part-time day and evening program. In addition, the Law Center also offers a joint Juris Doctorate and Master of Public Administration degree through the Law Center and the Southern University Nelson Mandela School of Public Policy and Urban Affairs. During the summer, fall, and spring semesters of the 2013-2014 fiscal year, the Law Center conferred 177 degrees, and enrollment was approximately 1,632 students. The Law Center had 39 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Law Center is part of the System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Law Center as authorized by Louisiana statutes and administrative regulations.

Annually, the state of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements within the System amounts. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Law Center is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the Law Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred.

D. BUDGET PRACTICES

The state of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase. The other funds of the Law Center, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

The System defines cash as cash-on-hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits and repurchase agreements. Under state law, the Law Center may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Law Center may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Position include all certificates of deposit, regardless of maturity. The Law Center considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. These terms are also used in preparing the Statement of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

F. RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as noncurrent restricted assets. Noncurrent restricted investments also include endowments and similar-type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. All cash and university investments are classified as noncurrent assets in the Statement of Net Position.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the Law Center is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the Southern University System Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. There are no formally adopted policies to further limit interest rate risk, custodial credit risk, credit risk, concentration of credit risk, or foreign currency risk.

G. CAPITAL ASSETS

The Law Center follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the Law Center's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million is also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

H. UNEARNED REVENUES

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and unclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS), upon application for retirement, the option of receiving an actuarially-determined lump-sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers' Retirement System of Louisiana (TRSL) and LASERS, but not for the Optional Retirement System.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other postemployment benefits that will not be paid within the next fiscal year.

K. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following components:

- *Investment in capital assets* consists of the Law Center's total investment in capital assets, net of accumulated depreciation. The Law Center does not have any outstanding debt obligations related to capital assets.

- *Restricted - nonexpendable* consists of endowments and similar-type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- *Restricted - expendable* consists of resources that the Law Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- *Unrestricted* consists of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the Law Center and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Law Center's policy is to first apply the expense toward unrestricted resources then toward restricted resources.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The Law Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- *Operating revenue* includes activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances and most federal, state, and local grants and contracts and federal appropriations.

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, gifts and contributions, investment income, and grants that do not have the characteristics of exchange transactions.

- *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

- *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services (tuition and fees) provided by the Law Center and the amount that is paid by students and/or third parties making payments on the students' behalf.

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

O. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, was issued in June 2012 and is effective for fiscal years beginning after June 15, 2014. Statement No. 68 addresses accounting and financial reporting for pensions that are provided to employees of state and local governmental employers through pension plans administered through trusts and establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. In addition, Statement No. 68 addresses note disclosures and required supplementary information for pensions. Most significantly, the Law Center will be required to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 9. Though the

Law Center's proportionate share of these plans' pension liabilities is currently unknown, the impact on the Law Center's net position is expected to be significant.

2. CASH AND CASH EQUIVALENTS

At June 30, 2014, the Law Center has cash and cash equivalents (book balances) totaling $2,300,582, as follows:

Demand deposits	$2,300,582

These cash and cash equivalents are reported on the Statement of Net Position as follows:

Current assets	$1,000,000
Noncurrent assets - restricted	1,300,582

Custodial credit risk is the risk that, in the event of a bank failure, the Law Center's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the Law Center has $2,300,582 in deposits (book balances) pooled with Southern University's General Operating Account, which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2014, the Law Center has investments totaling $434,455 as follows:

	Fair Value June 30, 2014	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$117,651	1.76	
U.S. government agencies	45,878	2.98	
Government obligations	7,168	0.20	
U.S. government obligations	5,648	0.05	
Equities	226,568	Not Applicable	
Money market mutual fund	31,542	Not Applicable	
Total	$434,455		Not Rated

These investments are reported on the Statement of Net Position as follows:

Noncurrent assets - restricted	$434,455

The investments are reported at fair value as required by GASB Statement No. 31. Investments totaling $434,455 are held by the Southern University System Foundation in an external investment pool and managed in accordance with the terms outlined in management agreements executed between the System and the Southern University System Foundation. The System is a voluntary participant. The Foundation holds and manages funds received by the university as state matching funds for the Endowed Chair and Endowed Professorships programs.

4. RECEIVABLES

Receivables as shown on Statement A, net of an allowance for doubtful accounts are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$130,970		$130,970
Accrued interest receivable	24,351		24,351
Other	143,068		143,068
Total	$298,389	NONE	$298,389

There is no noncurrent portion of accounts receivable.

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets being depreciated:					
Buildings	$11,770,114				$11,770,114
Less accumulated depreciation	(5,691,252)	($209,752)			($5,901,004)
Total buildings	6,078,862	(209,752)	NONE	NONE	5,869,110
Equipment (including library books)	36,140,753	391,670		($26,334)	36,506,089
Less accumulated depreciation	(34,498,545)	(712,297)		26,334	(35,184,508)
Total equipment	1,642,208	(320,627)	NONE	NONE	1,321,581
Software	463,339				463,339
Less accumulated depreciation	(198,573)	(66,191)			(264,764)
Total software	264,766	(66,191)	NONE	NONE	198,575
Total capital assets being depreciated	$7,985,836	($596,570)	NONE	NONE	$7,389,266
Capital assets summary:					
Capital assets not being depreciated	NONE				NONE
Capital assets being depreciated	$48,374,206	$391,670		($26,334)	$48,739,542
Total cost of capital assets	48,374,206	391,670	NONE	(26,334)	48,739,542
Less accumulated depreciation	(40,388,370)	(988,240)	NONE	26,334	(41,350,276)
Capital assets, net	$7,985,836	($596,570)	NONE	NONE	$7,389,266

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the Law Center's payables and accruals at June 30, 2014:

Vendor payables	$441,141

7. UNEARNED REVENUES

The following is a summary of unearned revenues at June 30, 2014:

Prepaid tuition and fees	$590,021

8. COMPENSATED ABSENCES

At June 30, 2014, employees of the Law Center have accumulated and vested annual leave, sick leave, and compensatory leave of $463,866; $681,070; and $856, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

Plan Description - Substantially all employees of the Law Center are members of two statewide, public employee retirement systems. Academic employees are generally members of TRSL, and classified and unclassified state employees are generally members of LASERS. Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan, and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer – the state of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The state of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly-available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy - The contribution requirements of plan members and the Law Center are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially-required employer contribution as set forth in R.S. 11:102. For fiscal year 2014, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% for LASERS employees hired after July 1, 2006). For fiscal year 2014, the state is required to contribute 26.5% of covered salaries to TRSL and 31.3% of covered salaries to LASERS. The state of Louisiana, through the annual appropriation to the university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2014, 2013, and 2012 were $1,138,308; $858,147; and $801,624, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012 were $539,131; $579,837; and $524,788, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and the Law Center equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the Law Center are 26.5% of the covered payroll for fiscal year 2014. The participant's contribution of 8%, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the state of Louisiana or TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $411,091 and $124,103, respectively, for the fiscal year ended June 30, 2014.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The Office of Group Benefits (OGB) administers the State of Louisiana Postemployment Benefit Plan (OPEB) – a defined benefit, agent multiple-employer other postemployment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees who participate in an OGB health plan while active are eligible for plan benefits if they retire under one of the state retirement systems. Benefit provisions are established under R.S. 42:821 for life insurance benefits and R.S. 42:851 for health insurance benefits.

As of January 1, 2014, OGB offers to both active and retired employees three self-insured healthcare plans and one fully-insured plan. Retired employees with Medicare Part A and Part B coverage have access to two self-insured plans, one fully-insured plan, and three Medicare Advantage plans. The contribution requirements of plan members and the Law Center are established and may be amended by R.S. 42:801-883.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer is based on the following schedule:

Service	Employee Contribution Percentage	Employer Contribution Percentage
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. The total monthly premium is approximately $1 per thousand dollars of coverage, of which the employer pays 50% of the individual retiree's premium.

OGB does not issue a publicly-available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy - The plan is funded on a "pay-as-you-go basis" under which contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, no plan assets had been accumulated as of June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation - The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at the end of the year for the OGB plan were as follows:

ARC	$1,082,798
Interest on net OPEB obligation	344,460
ARC adjustment	(329,071)
Annual OPEB cost	1,098,187
Contributions made - current-year retiree premiums	(161,353)
Increase in net OPEB obligation	936,834
Beginning net OPEB obligation, June 30, 2013	8,575,027
Ending net OPEB obligation, June 30, 2014	$9,511,861

The following table provides the Law Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$1,241,679	10.5%	$7,552,256
June 30, 2013	$1,155,147	11.5%	$8,575,027
June 30, 2014	$1,098,187	14.7%	$9,511,861

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$16,011,159
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$16,011,159
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$6,803,046
UAAL as a percentage of covered payroll	235.4%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in AALs consistent with the long-term perspective of the calculations.

In the July 1, 2013 OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare-eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP-2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. Assumptions also include a salary scale of 5% and payroll growth of 3%.

12. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the Law Center's long-term liabilities for the fiscal year ended June 30, 2014:

	Balance, June 30, 2013	Additions	Reductions	Balance, June 30, 2014	Amounts Due Within One Year
Compensated absences payable	$1,072,706	$104,511	($31,425)	$1,145,792	$24,877
OPEB payable	8,575,027	1,427,258	(490,424)	9,511,861	
Total long-term liabilities	$9,647,733	$1,531,769	($521,849)	$10,657,653	$24,877

13. RESTRICTED NET POSITION

The Law Center has the following restricted net position at June 30, 2014:

Nonexpendable - endowments	$1,518,750
Expendable:	
Gifts, grants, and contracts	($190,580)
Student fees	875,542
Student loans	10,170
Endowment income	179,058
University plant projects	2,734,611
Retirement of Indebtedness Plant Fund	37,229
Total expendable	$3,646,030

Of the total net position reported in the Statement of Net Position as of June 30, 2014, a total of $3,374,197 is restricted by enabling legislation.

14. DONOR-RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2014, net appreciation of $179,058 is available to be spent, of which $40,000 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

15. DEFERRED COMPENSATION PLAN

Certain employees of the Law Center participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately-issued audit report of the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

16. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2014, total operating lease expenditures were $70,146. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

17. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following adjustments:

Net Position at June 30, 2013	$2,764,581
Accounts payable for amounts paid in prior years	91,927
Receivables, net for amounts collected in prior years	(262,449)
Due from federal government for prior years amounts that were not liquidated	(950,766)
Net Position at June 30, 2013, as restated	$1,643,293

The restatements reduced the Law Center's beginning net position by $1,121,288. Had these changes been included in the June 30, 2013, Statement of Revenues, Expenses, and Changes in Net Positon, total operating expenses would have increased by $252,783.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the
Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2011	NONE	$15,620,059	$15,620,059	0%	$7,164,962	218.0%
July 1, 2012	NONE	$16,627,111	$16,627,111	0%	$6,792,616	244.8%
July 1, 2013	NONE	$16,011,159	$16,011,159	0%	$6,803,046	235.4%

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 22, 2014

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

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

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 the business-type activities of the Southern University Law Center (Law Center), a campus within the Southern University System (System), which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the Law Center's basic financial statements, and have issued our report thereon dated December 22, 2014. Our report was modified to include an emphasis of a matter paragraph regarding financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Law Center'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 the Law Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Law Center'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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Errors in Annual Financial Report

For the third consecutive year, the Law Center failed to complete an accurate Annual Financial Report (AFR). The AFR, which was completed more than six weeks late, included numerous errors, as follows:

- Federal Receivables were overstated by $950,766.
- Other Receivables were overstated by $289,402.
- Vouchers Payable was overstated by $91,927.
- Unearned Revenues were overstated by $92,307.
- Student Tuition and Fees were understated by $92,307.
- Beginning Net Position was overstated by $1,121,288.

Although management made entries into the Banner accounting system to correct for prior-year manual accounting entries, additional adjustments were needed. These AFR errors substantially increased the time and effort necessary for the auditors to complete their work and increased the risk that additional errors may remain undetected.

Good internal control requires Law Center management to analyze and reconcile federal grant activity to corresponding revenues and expenses and to offset receivables and payables when payments or collections occur. Good internal control also requires that management perform a thorough review of its completed AFR before submitting it to the System. Accordingly, we continue to recommend that the Law Center perform these activities prior to finalizing its AFR. We further recommend that the Law Center hire or contract with additional accounting personnel to correct existing errors in its general ledger and federal grant documentation. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Law Center'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*.

Law Center's Response to Finding

The Law Center's response to the finding identified in this report is attached in Appendix A. The Law Center's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 result 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:THC:ch

SULC 2014

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendations

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December 18, 2014

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to 06/30/2014 Audit Finding - Errors in Annual Financial Report

We concur with the finding Errors in the Annual Financial Report

Corrective Action

The management of the Law Center recognizes the importance of completing and filing an accurate and timely Annual Financial Report (AFR). We will attempt to better coordinate our efforts of compiling the report for a timely submission.

The Law Center's management will immediately seek to hire accounting personnel to establish a general accounting staff. The additional staff will primarily have responsibility for general ledger processes and procedures, and coordination of functions. As a result, better internal control, internal check, and oversight will exist over the general accounting processes and AFR preparation.

The Associate Vice Chancellor for Financial Affairs will have primary responsibility for these efforts.

Sincerely,

Freddie Pitcher, Jr.

Freddie Pitcher, Jr. (Judge Ret.)
Chancellor - SULC