

GRAMBLING UNIVERSITY FOUNDATION, INC.

(Audited Financial Statements and Other Reports)

GRAMBLING, LOUISIANA

JUNE 30, 2016

GRAMBLING UNIVERSITY FOUNDATION, INC.

GRAMBLING, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 31, 2016

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Grambling University Foundation, Inc., which comprise the statement of financial position as of June 30, 2016, 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 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.

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www.hmvcpa.com WEB ADDRESS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grambling University Foundation, Inc. as of June 30, 2016, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016 on our consideration of Grambling University Foundation, 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 Grambling University Foundation, Inc.'s internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Cash and cash equivalents	1,137,722
Certificates of deposit-unrestricted	44,532
Certificates of deposit-temporarily restricted	554,737
Certificates of deposit-restricted	4,062,408
Accounts receivable-Grambling State University	<u>143,069</u>
Total assets	<u>5,942,468</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	-
Due to Grambling State University	<u>4,106,877</u>
Total liabilities	4,106,877

Net assets:

Unrestricted:	
Undesignated	196,280
Temporarily restricted-for specific purposes	667,901
Permanently restricted-endowment	<u>971,410</u>
Total net assets	<u>1,835,591</u>

Total liabilities and net assets	<u>5,942,468</u>
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The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, gains and other support:</u>				
Contributions	171,060	208,724	31,735	411,519
Contributed services	40,000	-	-	40,000
Bayou Classic operations	-	175,675	-	175,675
Port City Gala operations	-	8,625	-	8,625
GSU Band Campaign	-	-	-	-
President's Dinner Theater	-	-	-	-
Other revenues	22,449	5,562	-	28,011
Professorship	-	-	50,099	50,099
Roaring Tiger	-	31,510	-	31,510
Scholarships	-	11,340	64,051	75,391
Investment income	176	2,188	16,022	18,386
	<u>233,685</u>	<u>443,624</u>	<u>161,907</u>	<u>839,216</u>
Net assets released from restrictions	<u>389,973</u>	<u>(299,933)</u>	<u>(90,040)</u>	<u>-</u>
Total revenues, gains and support	623,658	143,691	71,867	839,216
<u>Expenses:</u>				
Institutional support	114,612	-	-	114,612
<u>Special events:</u>				
Bayou Classic operations	159,736	-	-	159,736
Port City Gala				
GSU Band Campaign				
President's Dinner Theater				
Roaring Tiger	22,288	-	-	22,288
Scholarship expense	98,520	-	-	98,520
General and administrative services	40,000	-	-	40,000
Other expenses	103,403	-	-	103,403
Professorship expenses	70,578	-	-	70,578
Total expenses	<u>609,137</u>	<u>-</u>	<u>-</u>	<u>609,137</u>
Assets dedicated to Grambling State University	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Change in net assets</u>	14,521	143,691	71,867	230,079
<u>Net assets-beginning of year</u>	<u>181,759</u>	<u>524,210</u>	<u>899,543</u>	<u>1,605,512</u>
<u>Net assets-end of year</u>	<u>196,280</u>	<u>667,901</u>	<u>971,410</u>	<u>1,835,591</u>

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

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

<u>Cash flows from operating activities:</u>	
Change in net assets	230,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
<i>(Increase) decrease in assets:</i>	
Accounts receivable	-
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	-
Net cash provided by operating activities	<u>230,079</u>
<u>Cash flows from investing activities:</u>	
Purchases of certificates of deposit	(164,850)
Redemptions of certificates of deposit	-
Interest capitalized to certificates of deposit	(18,386)
Due to Grambling State University	<u>122,149</u>
Net cash (provided) by investing activities	<u>(61,087)</u>
<u>Net increase in cash and cash equivalents</u>	168,992
<u>Cash and cash equivalents-beginning of year</u>	<u>968,730</u>
<u>Cash and cash equivalents-end of year</u>	<u>1,137,722</u>

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

GRAMBLING UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

a. Organization

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

b. Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

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

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as, reclassifications between the applicable classes of net assets.

d. ***Contributions***

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

e. ***Investment Income***

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

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

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

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

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

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

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

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

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

h. In-Kind Gifts

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

i. In-Kind Revenue and Expenses

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

j. Accounts Receivable

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

k. Investments

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

l. Tax Status

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

The Foundation has elected to adopt the provisions of FASB Interpretation #48, "Accounting for Uncertainties in Income Taxes." It has not adopted any uncertain tax positions with respect to those amounts reported in the financial statements. The Foundation files a federal Form 990 return for information purposes. The returns for income tax years 2013 and subsequent remain subject to examination by the Internal Revenue Service.

m. Funds Functioning as Endowment

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

n. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

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

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

o. Reclassifications

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

2. **Investments**

Fair values and unrealized appreciation/ (depreciation) or capitalized interest on investments (certificates of deposit) as of June 30, 2016 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate #944808	30,065	30,185	120
Certificate #953723	642,758	645,555	2,797
Certificate #953890	659,037	661,905	2,868
Certificate #962446	332,231	333,560	1,329
Certificate #974232	107,147	107,575	429
Certificate #979086	958,094	961,937	3,843
Certificate #988605	104,990	105,410	420
Certificate #989268	288,721	289,876	1,155
Certificate #991223	314,656	315,915	1,259
Certificate #6002879	312,954	314,209	1,255
Certificate #6009500	662,903	665,555	2,652
Certificate #6230142	114,850	114,850	-
Certificate #6495720	50,000	50,000	-
Certificate #9932170	64,885	65,145	259
	<u>4,643,291</u>	<u>4,661,677</u>	<u>18,386</u>

The following schedule summarizes the investment return and its classification in the statement of activities as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	-	-	18,386	18,386
Net realized gains	-	-	-	-
	<u>-</u>	<u>-</u>	<u>18,386</u>	<u>18,386</u>

3. **Transactions with Grambling State University**

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

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

Funds administered by the Foundation on behalf of Grambling State University are not commingled with funds belonging to the Foundation. Funds classified as amounts due to Grambling State University at June 30, 2016 are related to certain endowed professorships and chairs matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to Grambling State University.

4. **Concentrations of Credit Risk**

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

5. **Collection of Artwork**

The Foundation received a collection of Aboriginal Indigenous art from an independent donor during the year ended June 30, 2008. The collection was appraised by an independent third party appraisal firm at approximately \$318,000 at the time of donation. In accordance with **FASB ASC #958**, "*Not-for-Profit Entities*," the Foundation does not capitalize the collection of artwork in its financial statements as it is held for public exhibition, education, or research in furtherance of public service rather than financial gain. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items, and no additional items were purchased for or removed from the collection in fiscal year ended June 30, 2016.

6. **Endowed Net Assets**

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Private endowed contributions received for professorships and chairs are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions. Once the match is received, the private endowed funds along with the matching endowed funds are transferred to the Due to Grambling State University liability account. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

7. **Fair Value of Financial Instruments**

The financial instruments consist of cash and certificates of deposit, accounts receivable, accounts payable and other liabilities whose carrying values approximated fair value.

8. **Subsequent Events**

In accordance with FASB Accounting Standards Codification (**FASB ASC #855**) "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through December 31, 2016 and noted no subsequent events requiring disclosure.

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 31, 2016

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

Independent Auditor's 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 Grambling University Foundation, Inc., which comprise the statement of financial position as of June 30, 2016, 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 December 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grambling University Foundation, 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 Grambling University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Grambling University Foundation, 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 Grambling University Foundation, 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GRAMBLING UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

We have audited the financial statements of Grambling University Foundation, Inc. as of and for the year ended June 30, 2016, and have issued our report thereon dated December 31, 2016. 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, 2016 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

- a. Auditor's report expresses an unmodified opinion on the basic financial statements of Grambling University Foundation, Inc.
- b. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control – No significant deficiencies or material weaknesses were noted, no management letter was issued.

Compliance – No material noncompliance was noted.

- c. Federal Awards – Grambling University Foundation, Inc. was not subject to a federal single-audit for the period ended June 30, 2016.

Section II - Financial Statement Findings

2016 Current Year Findings: There are no current year findings noted.

GRAMBLING UNIVERSITY FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2016

2015 – Prior Year Findings: There were no prior year findings noted.