# SOUTHERN UNIVERSITY SYSTEM
# A COMPONENT UNIT OF THE STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED APRIL 20, 2011

**LEGISLATIVE AUDITOR**
**1600 NORTH THIRD STREET**
**POST OFFICE BOX 94397**
**BATON ROUGE, LOUISIANA 70804-9397**



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Our procedures at the Southern University System (System) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- Based on our audit and the reports of other auditors, the System's financial statements presented fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

- For the fourth consecutive year, the System did not have adequate controls over the financial information included in the System's annual fiscal report (AFR) to ensure that the System's AFR and related note disclosures were prepared timely and accurately.

- The System's campuses do not have adequate control procedures in place to ensure that employee leave records reflect accurate leave balances. This is the third consecutive year for the Baton Rouge campus and a second consecutive year for the New Orleans campus to have this finding.

  A review of leave records from the Baton Rouge campus reveal employees with negative balances, inaccurate beginning leave balances, and leave entries that were posted up to six months late.

  For the New Orleans and Shreveport campuses, management did not ensure that employees' leave records were adequately posted and leave balances were adequately maintained. Therefore, the correct employee leave balances for approximately 306 New Orleans campus employees and 278 Shreveport campus employees could not be determined as of and for the year ending June 30, 2010.

- For the fifth consecutive year, the System did not maintain adequate internal control over student and federal receivables. The Shreveport campus' federal receivables totaling $1,832,104 had not had any collection activity for over two years. The Shreveport campus did not request reimbursement from federal programs timely and may have lost its ability to claim those federal funds that were not requested within the federal programs' period of availability. Because the federal programs are operated on a reimbursement basis, the campus has been using its existing resources to operate the programs without drawing the proper source of funds.

- The findings identified in our prior report on the System, dated April 5, 2010, on internal control over financial reporting and on compliance and other matters performed in accordance with *Governmental Auditing Standards* relating to ineffective internal audit function, uncollateralized bank accounts, and noncompliance with Louisiana procurement code have been resolved by management.

This report is a public report and has been distributed to state officials. We appreciate the System's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
**DARYL G. PURPERA, CPA, CFE**

March 3, 2011

Independent Auditor's Report

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southern University System's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of SUSLA Facilities, Inc., a blended component unit which represents 3.4%, 6.4%, 0.7%, and 0.6%, respectively, of the assets, liabilities, net assets, and revenues of the Southern University System. We also did not audit the Southern University System Foundation, which represents the only discretely presented component unit of the System. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for SUSLA Facilities, Inc., and the Southern University System Foundation, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of SUSLA Facilities, Inc., and the Southern University System Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern University System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southern University System as of June 30, 2010, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011, on our consideration of the Southern University System'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 7 through 21 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 75 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern University System's basic financial statements. The accompanying supplementary information schedules of per diem paid board members and combining financial schedules on pages 79 through 93 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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SU 2010

Management's Discussion and Analysis of the Southern University System's (System) financial performance presents a narrative overview and analysis of the System's financial activities and statements for the fiscal year ended June 30, 2010. The System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College, Southern University Law Center, and Southern University Agricultural Research and Extension Center in Baton Rouge; Southern University at New Orleans; and Southern University at Shreveport. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the Southern University System.

## FINANCIAL HIGHLIGHTS

The System's net assets changed from $162,688,846 to $157,018,529, a decrease of 3.5% from June 30, 2009, to June 30, 2010. The decrease is caused in part by the third year implementation of an accounting change mandated by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual other postemployment benefit obligation increased by $15,241,545 or 30.1% from June 30, 2009, to June 30, 2010.

Based on comparative data for the fall semesters 2008 and 2009, the System institutions experienced an overall increase in enrollment. Enrollment increased from 13,733 to 14,372; an increase of 4.7%. The reasons for this change are attributed to the following:

- Southern University and Agricultural and Mechanical College at Baton Rouge experienced a slight decline in enrollment of .65% for fall 2009 when compared to the fall 2008. The campus attributes the decline in enrollment partially to the implementation of higher selective admission standards. However, as expected the annual decline has continued to reflect a downward trend since initial implementation of the higher selective admission standards. Campus management projects the trend to make a positive turn in the 2010-11 academic year. The Baton Rouge campus enrolled 7,619 students for fall 2009 as compared to 7,669 students for fall 2008.

- Southern University at New Orleans experienced a 1.2% increase in enrollment during the fall 2009 semester. Southern University at New Orleans enrolled 3,141 students during the fall 2009 as compared to 3,104 for fall 2008. This increase is directly attributed to ongoing and continuing recruitment and retention efforts. The New Orleans campus implemented a new Health Management Program that also attributed to the increase in enrollment.

- Southern University at Shreveport experienced an enrollment increase of 24.1% for fall 2009 as compared to fall 2008. Student enrollment for Southern University at Shreveport increased from 2,429 in fall 2008 to 3,014 in fall 2009. This increase is attributed to increased recruitment and retention efforts.

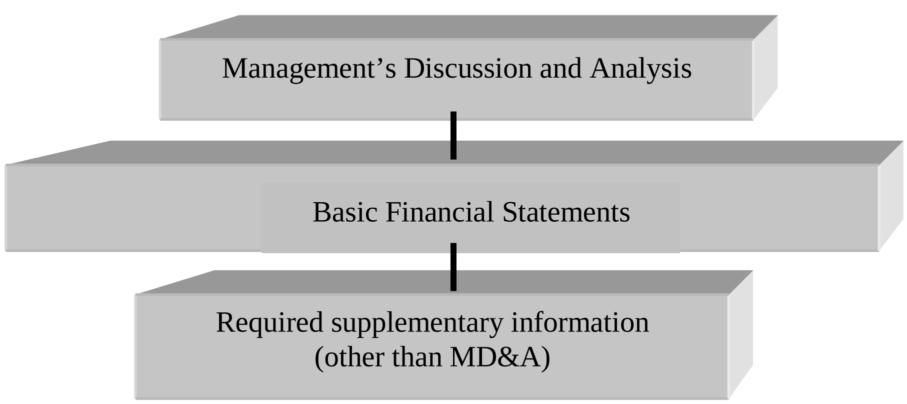
- Southern University Law Center's enrollment increased by 12.6%; the Law Center enrolled 598 students for fall 2009, as compared to 531 students for fall 2008. This increase is attributed to an increase in the enrollment of the Law Center's first-year and part-time day and evening students.

The System's operating revenues changed from $102,579,729 to $107,880,945, an increase of 5.17% from June 30, 2009, to June 30, 2010. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University's Board of Supervisors. Operating expenses, however, declined by 4.0% from $260,349,879 for the fiscal year ended June 30, 2009, to $250,038,186 for the fiscal year ended June 30, 2010. The decline in operating expenses is attributed to a reduction in programs and services resulting from state-mandated initial and mid-year budget reductions in state appropriations. The System's initial operating budget was reduced at the beginning of the fiscal year and again at mid-year resulting in an overall reduction in state funding of approximately $14.3 million for the 2009-10 fiscal year.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Included under the category of non-operating revenues are Pell grants, state appropriations and gifts. Net nonoperating revenues (expenses) including capital appropriations, and capital gifts and grants reflect a decrease of 8.6% from $148,724,795 in 2009 to $135,971,524 in 2010. This decrease is directly attributed to a decline in state appropriation revenues of $27,505,753 or 29.4% from $93,706,423 in 2009 to $66,200,670 in 2010.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



This financial report consists 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 System 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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

**Statement of Net Assets**

The Statement of Net Assets (pages 21-22) presents the current and noncurrent assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the System. The financial statement readers are also able to determine how much the System's institutions owe vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the System's institutions.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 25-26) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

**Statement of Cash Flows**

The Statement of Cash Flows (pages 29-30) presents information showing how the System's cash changed as a result of 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 System'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 financial statements for the System are prepared on an accrual basis 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

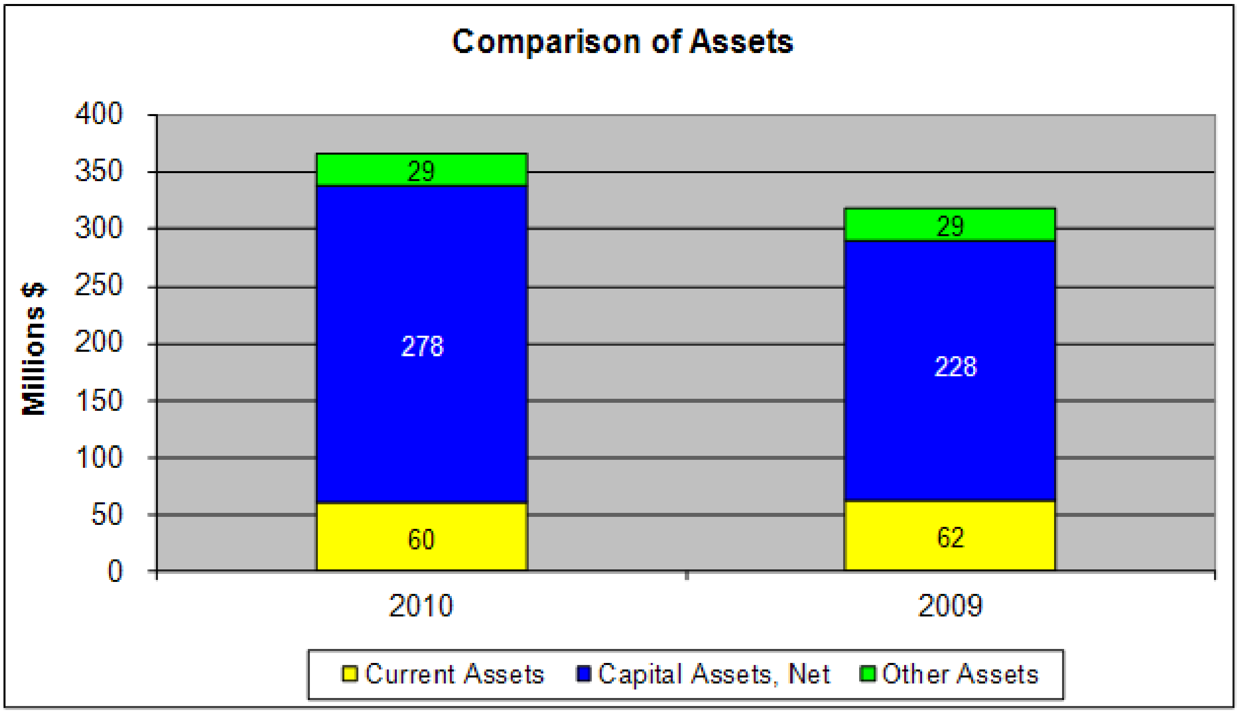
Assets. All assets and liabilities associated with the operation of the university are included in the Statement of Net Assets.

**Categories of Net Assets**

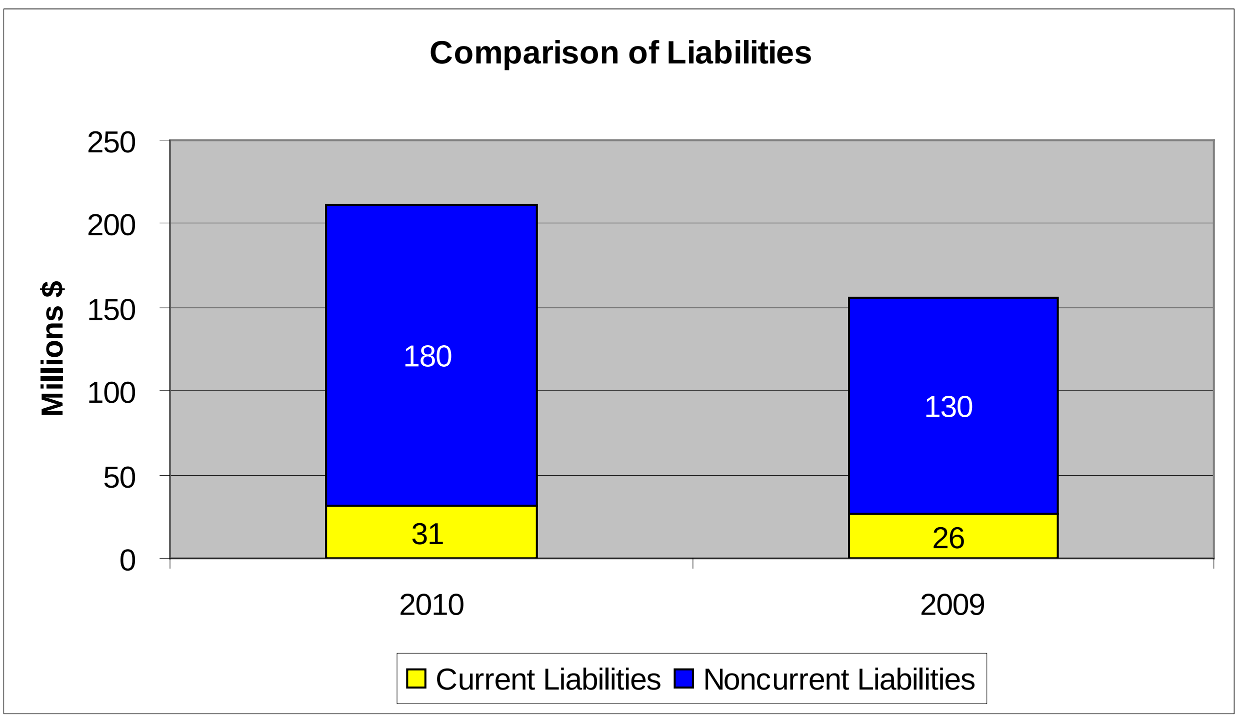
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the various institutions 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 assets. The final category is unrestricted net assets, which are available to the institutions of the System to be used for any lawful purpose.

**Comparative Statement of Net Assets**
**For the Fiscal Years as of**
**June 30, 2010 and 2009**

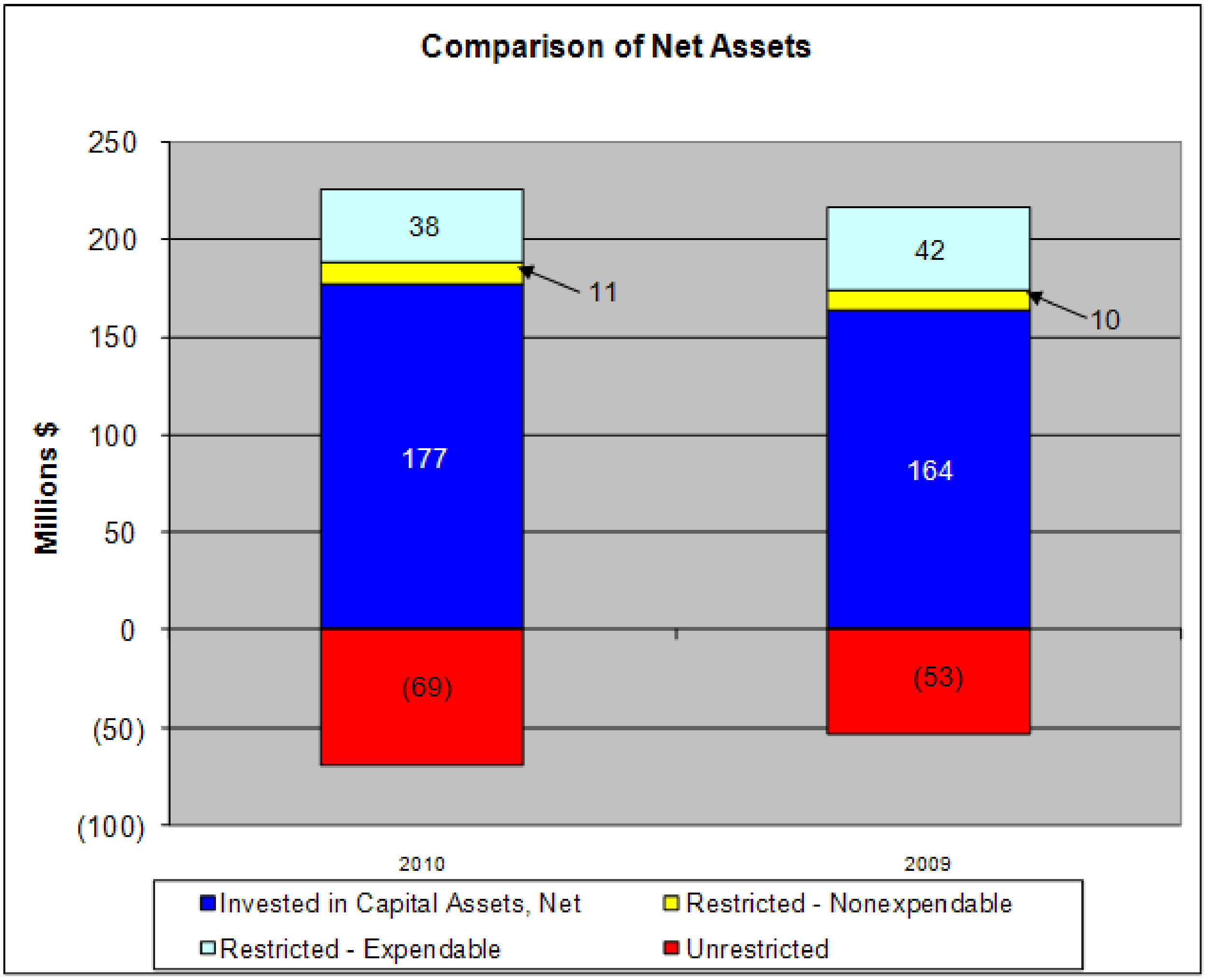
| | 2010 | 2009 (Restated) | Percentage Change |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $60,463,075 | $62,309,378 | (3.0%) |
| Capital assets, net | 277,743,352 | 227,616,303 | 22.0% |
| Other noncurrent assets | 29,264,070 | 28,818,625 | 1.5% |
| Total assets | 367,470,497 | 318,744,306 | 15.3% |
| **Liabilities** | | | |
| Current liabilities | 30,792,466 | 26,198,949 | 17.5% |
| Noncurrent liabilities | 179,659,502 | 129,856,511 | 38.4% |
| Total liabilities | 210,451,968 | 156,055,460 | 34.9% |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 177,026,530 | 163,584,512 | 8.2% |
| Restricted: | | | |
| Nonexpendable | 10,872,898 | 10,352,498 | 5.0% |
| Expendable | 38,390,597 | 41,745,771 | (8.0%) |
| Unrestricted | (69,271,496) | (52,993,935) | 30.7% |
| **Total net assets** | $157,018,529 | $162,688,846 | (3.5%) |



Comparison of Assets
Millions $
400
350
300
250
200
150
100
50
0
29
278
60
29
228
62
2010
2009
Current Assets
Capital Assets, Net
Other Assets

Comparison of Liabilities
Millions $
250
200
150
100
50
0
180
31
130
26
2010
2009
Current Liabilities
Noncurrent Liabilities




These schedules are prepared from the System's Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The total assets of the System increased by $48,726,191, an increase of approximately 15.3%. The total liabilities of the System increased by $54,396,508 or 34.9%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all institutions of the System to better serve the instruction, research and public service missions of these institutions.

**Statement of Revenues, Expenses, and Changes in Net Assets**

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

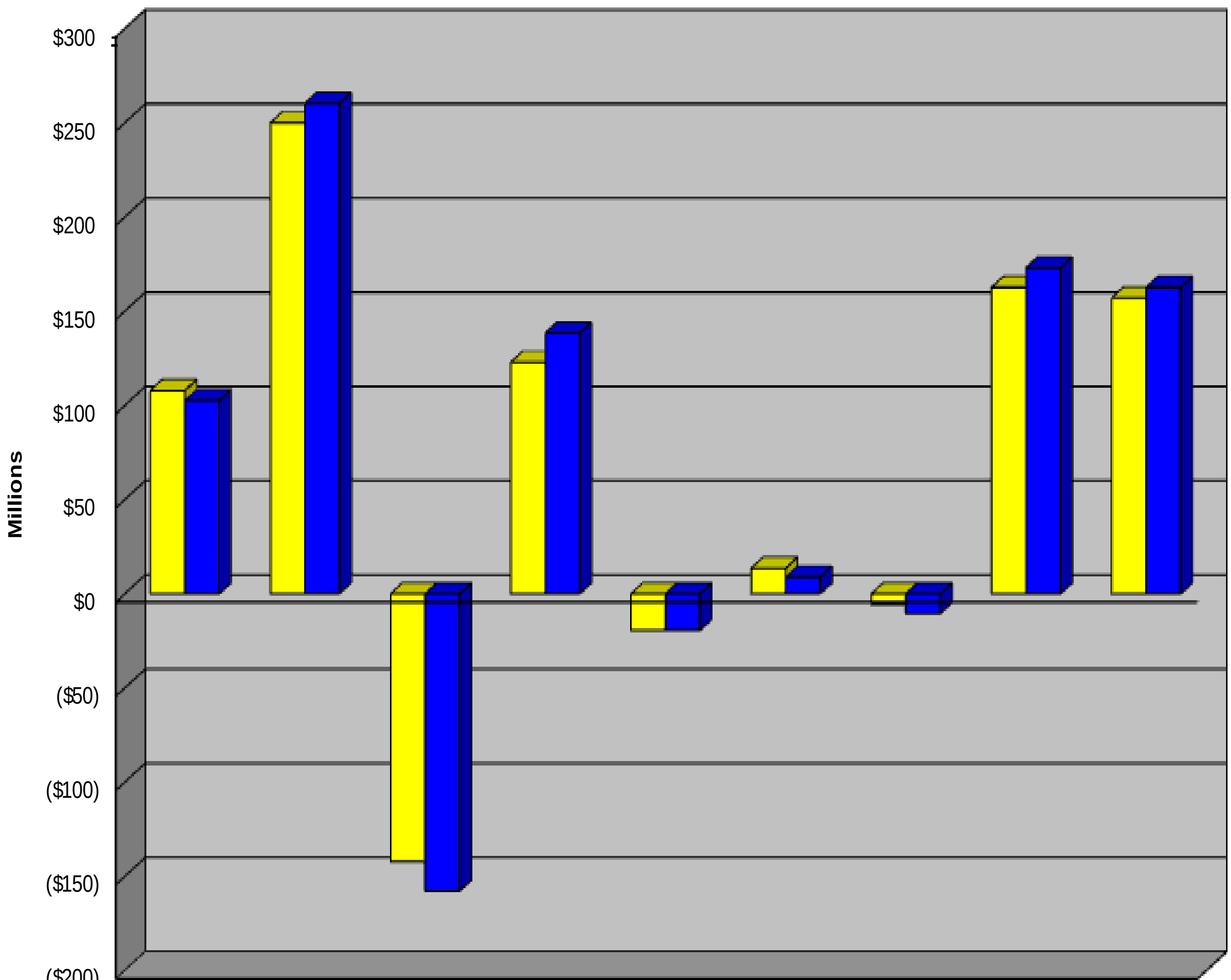
The operating revenues are received for providing goods and services to the various customers and constituencies of the System. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are considered nonoperating revenues and are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as nonoperating federal grants.

**Comparative Statement of Revenues,**
**Expenses, and Changes in Net Assets**
**For the Fiscal Years Ended**
**June 30, 2010 and 2009**

| | 2010 | 2009 (Restated) | Percentage Change |
|---|---|---|---|
| Operating revenues: | | | |
| Student tuition and fees, net of scholarship allowances | $32,042,591 | $33,494,480 | (4.3%) |
| Federal appropriations | 3,347,993 | 3,036,209 | 10.3% |
| Federal grants and contracts | 46,039,180 | 41,056,470 | 12.1% |
| State and local grants and contracts | 4,717,711 | 5,963,653 | (20.9%) |
| Nongovernmental grants and contracts | | 45,375 | |
| Auxiliary revenues, net of scholarship allowances | 16,538,168 | 14,860,688 | 11.3% |
| Other operating revenues | 5,195,302 | 4,122,854 | 26.0% |
| Total operating revenues | 107,880,945 | 102,579,729 | 5.2% |
| Nonoperating revenues: | | | |
| State appropriations | 66,200,670 | 93,706,423 | (29.4%) |
| Federal nonoperating revenues | 39,652,030 | 42,039,350 | (5.7%) |
| American Recovery and Reinvestment Act revenues | 12,896,725 | | |
| Gifts | 700,159 | 900,655 | (22.3%) |
| Investment income (loss) | 582,168 | (31,348) | (1,957.1%) |
| Other nonoperating revenues | 7,374,278 | 4,215,824 | 74.9% |
| Total nonoperating revenues | 127,406,030 | 140,830,904 | (9.5%) |
| Total revenues | 235,286,975 | 243,410,633 | (3.3%) |

| | 2010 | 2009 (Restated) | Percentage Change |
|---|---|---|---|
| Operating expenses: | | | |
| Educational and general: | | | |
| Instruction | $57,590,977 | $64,809,933 | (11.1%) |
| Research | 8,805,376 | 9,270,984 | (5.0%) |
| Public service | 8,589,247 | 9,584,237 | (10.4%) |
| Academic support | 35,724,063 | 39,179,877 | (8.8%) |
| Student services | 21,523,378 | 21,042,018 | 2.3% |
| Institutional support | 43,354,363 | 48,765,267 | (11.1%) |
| Operation and maintenance of plant | 17,484,978 | 18,588,888 | (5.9%) |
| Depreciation | 12,597,225 | 10,676,337 | 18.0% |
| Scholarships and fellowships | 27,541,818 | 20,745,706 | 32.8% |
| Auxiliary enterprises | 16,342,770 | 16,556,347 | (1.3%) |
| Other operating expenses | 483,991 | 1,130,285 | (57.2%) |
| Total operating expenses | 250,038,186 | 260,349,879 | (4.0%) |
| Nonoperating expenses - interest expense | 4,489,150 | 2,348,732 | 91.1% |
| Total expenses | 254,527,336 | 262,698,611 | (3.1%) |
| Loss before other revenues | (19,240,361) | (19,287,978) | (23.1%) |
| Capital appropriations | 5,873,898 | 7,441,004 | (21.1%) |
| Capital grants and gifts | 7,180,746 | 2,801,619 | 156.3% |
| Additions to permanent endowment | 515,400 | 416,896 | 23.6% |
| Extraordinary item - loss on impairment of capital assets | | (1,780,270) | |
| Other revenues | 13,570,044 | 8,879,249 | 52.8% |
| Change in net assets | (5,670,317) | (10,408,729) | (45.5%) |
| Net assets at beginning of year, restated | 162,688,846 | 173,097,575 | (6.0%) |
| Net assets at end of year | $157,018,529 | $162,688,846 | (3.5%) |

**Comparative Graph of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2010 and 2009**




| | Operating Revenues | Operating Expenses | Operating Income (Loss) | Non-operating Revenue (Expenses) | Expenses, Gains, and Losses | Other Additions, Net | Increase (Decrease) in Net Assets | Net Assets at Beginning of Year | Net Assets at End of Year |
|---|---|---|---|---|---|---|---|---|---|
| 2010 | $108 | $250 | $(142) | $123 | $(19) | $14 | $(6) | $163 | $157 |
| 2009 | $103 | $260 | $(158) | $138 | $(19) | $9 | $(10) | $173 | $163 |

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. The net assets decreased by $5,670,317 or 3.5% in 2010 compared to a decrease of $10,408,729 or 6.0% in fiscal year 2009. This is largely attributable to the reporting of the annual Other Postemployment Benefits (OPEB) obligation as required by GASB 45, effective with the 2008 fiscal year. The System is in the third year of implementation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The annual net change of $15,241,545 in the other postemployment obligation is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the information that have a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Beginning the 2001 fall semester, the System implemented selective admission standards. In fall 2006, the System implemented additional selective admission criteria. As expected, the Baton Rouge campus experienced a decline in enrollment. Anticipating this decline, budget adjustments were made to offset the reduction in revenues to maintain a balanced budget. The impact on enrollment as a result of the implementation of the selective admission standard is trending downward.

- The Southern University Law Center implemented a three-year tuition and fee increase plan approved by the state legislature in 2008, with an effective implementation date beginning in fiscal year 2009. The approved $1,500 tuition increase will be implemented over a three-year period.

- The Southern University Law Center received Board approval to increase its out-of-state tuition by $500 per semester.

- The Agricultural Research and Extension Center was appropriated $1,000,000 from the State Tobacco Tax Funds. These funds were used to support Youth Development and Nutritional Awareness Programs, International Programs, and the Southern University Museum of Art.

- The New Orleans campus began providing residential housing in January 2010. Also, this same period, and for the first time, a major food service contract was signed to provide meal services seven days a week.

- State-mandated mid-year budget cuts of $14.3 million in 2010 required management to implement cost reduction measures to proactively address budget cuts and reduce operating costs. The 2010 budget reductions impacted the System in the following ways: furloughs, layoffs, and reductions in staff were enforced; vacant positions were frozen; cost reduction measures were implemented; outreach activities were scaled back; library and technology needs were reduced; research capabilities; and the ability to leverage external funding to match United States Department of Agriculture (USDA) formula grants were reduced. Management of the System implemented restructuring plans and other cost savings measures to ensure sustainable operations were maintained and deficit spending was avoided. The System leadership will continue to ensure that the mission, goals, and core values of the university remain strong.

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The System provided significant investments in its physical facilities during the 2010 fiscal year. The combined total of capital assets, net of accumulated depreciation at the 2010 year-end, is $277,743,352 as compared to $227,616,303 at the 2009 year-end, reflecting an increase of 22%. The following narrative presents a brief overview of capital asset activity for the System:

- The A.W. Mumford Athletic Field House located on the Baton Rouge campus was completed.
- The new Student Residential Housing Facility located on the New Orleans campus was completed in the summer of 2010. These facilities are financed through a special $44 million HBCU Capital Financing Program at 1% interest. The construction was approximately 91% complete at June 30, 2010.
- The New Orleans campus has substantially completed the new Information Technology Center on the Lake Campus at a cost of $2.4 million.
- Construction began in the spring of 2010 on the new College of Business and Public Administration facility on the New Orleans, Lake campus at an estimated cost of $4 million.
- The System obtained financing for various capital projects through a cooperative endeavor financing agreement with Millennium Housing, LLC, through its owner, the Southern University System Foundation. Construction has begun and has been completed on five of the projects; the total budget for the various projects is $52,234,455. The total funds borrowed to finance the various projects were $59,990,000, which includes capitalized interest. This venture included the following projects:
    - 600 bed, 3-story dormitories (Baton Rouge campus)
    - Student Intramural Center (Baton Rouge campus)
    - Baseball Field House (Baton Rouge campus)
    - Mumford Stadium (Baton Rouge campus)
    - Football Field Restoration (Baton Rouge campus)
    - Reflections Bookstore (proposed usage - storage of athletic equipment) (Baton Rouge campus)
    - 610 Texas Street Building (Shreveport campus)

- Renovation of 610 Texas Street Property (Shreveport campus)
- Travis Street Parking Lot (Shreveport campus)

Six of these projects have been completed, including the 600 bed, 3-story dormitories; purchase of Reflections Bookstore; football field restoration; purchase of a building at 610 Texas Street; the Travis Street parking lot; and the Mumford Stadium project. A capital lease obligation in the amount of $50,041,517 has been recorded on the Statement of Net Assets for the completed projects. The Mumford Stadium project on the Baton Rouge campus was completed during fiscal year 2010. All other projects were completed in prior fiscal years.

- The Agricultural Research and Extension Center is planning the construction of a multipurpose building at the experiment station. Also, the purchase of an office building for the Southwest Center for Rural Initiatives is still being processed by the State Office of Planning and Facility Services.

- The Baton Rouge campus entered into a $2,117,705, 3½-year lease purchase agreement with Carousel Industries during the 2010 fiscal year for the purchase and installation of campus-wide telephone equipment. The lease purchase agreement provides for equipment, installation and support required to upgrade the existing Centrex based telephone system to the Avaya Hybrid VOID/digital system. A total of $1,167,055 is reported in the 2010 financial statements as capital lease obligation for telephone equipment.

The System's institutions retired $52,916 in bonds payable during the fiscal year. The total amount of long-term debt is $182,824,349 as detailed below. Of this amount, $3,164,847 is reported as current and is expected to be paid within one year.

- Compensated absences - $13,629,799
- Capital lease obligations - $51,208,571
- Claims payable - $462,062
- Notes payable - $38,559,997
- OPEB payable - $65,928,325
- Bonds payable - $13,035,595

For additional information concerning capital assets and debt amortization, refer to notes 6 and 14 through 17 in the notes to the financial statements.

## ECONOMIC OUTLOOK - SHORT-TERM

Despite impending budget cuts, management of the System projects that the overall financial position will remain stable. The current economic downturn is a global concern and is not unique to the System. The State of Louisiana has advised of another forthcoming budget reduction for the 2011 fiscal year because of a decrease in state revenues. Management of the System has implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are preserved. Management will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt and positive manner.

The institutions within the System are accredited by the Southern Association of Colleges and Schools (SACS). All institutions have either gone through a SACS reaccreditation review in 2010 or will undergo one in 2011. The Baton Rouge campus and Agricultural Research and Extension Center have completed the reaffirmation of accreditation by both the on-site and off-site committees and are currently responding to recommendations made by the on-site committee. The preliminary outcome looks favorable. The Law Center is currently preparing to submit an application for accreditation after decoupling from the Baton Rouge campus in 2010. The reaffirmation site visit for the New Orleans campus is scheduled for March 2011. The Shreveport campus has submitted its off-site report with minimal recommendations. The on-site visit is scheduled for fall 2011. Management on these campuses remain optimistic about the upcoming visits and their outcome.

The System is currently migrating from the SCT Plus Legacy administrative system to SunGard Higher Education (SGHE) Banner Unified Digital Campus (UDC) administrative system. The Banner Finance and HR modules of the comprehensive unified digital campus solution have been implemented and went live July 2010. The Finance and HR modules are hosted by the Baton Rouge campus. The Student module consisting of admissions, registrar's office, financial aid, housing, and student accounts receivable is scheduled to go live in the fall of 2011. The New Orleans and Shreveport campuses will host separate instances of the student module. The Student module is up and running on the Shreveport campus. The New Orleans campus is currently implementing the Student module and is expected to go live in the fall of 2011. The "State of the Art" Banner System will add value to the System's administrative processes through improved efficiency and effectiveness of the administrative support services to our students, faculty, staff, and other constituencies.

## ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The System continues to take aggressive steps in its enrollment management and student retention programs and activities at each of the institutions that have academic programs.

The approval of House Bill 1171 - LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) provided autonomy to the institutions' governing boards to approve tuition increases per certain performance standards. This approval provides flexibility to the System leadership in improving its enrollment management programs and activities.

The Baton Rouge campus is continuing in its efforts to strengthen the campus' enrollment management programs and activities. Effective with the 2010-2011 fiscal year, the campus restructured and realigned the enrollment management functions to streamline business processes and improve overall performance and accountability for recruitment and retention of current and prospective students. The position of the Associate Vice Chancellor for Enrollment Management was approved by the Board of Supervisors and a manager has been hired to lead this unit. This newly restructured unit is under the auspices of the Vice Chancellor for Academic Affairs/Provost.

The Southern University Board of Supervisors approved two tuition increases for the campuses, 5% as allowed per legislative authority and 5% per implementation of the LA GRAD Act effective fall 2010 semester.

The Shreveport campus was authorized to increase fees by 3% in 2010 and 8% in 2011, effective fall 2010 semester.

## CHANGES IN SOUTHERN UNIVERSITY SYSTEM MANAGEMENT

The System has experienced several changes in key management positions in fiscal years ending June 30, 2010 and 2011. Dr. Kassie Freeman was appointed Interim President in 2010 and Dr. Ronald R. Mason was later appointed System President after a national search with a five-year contract. Mr. Kevin Appleton will replace long-time Vice President for Finance and Business Affairs and Comptroller Tolor White as the chief finance officer for the System.

## ECONOMIC OUTLOOK - LONG-TERM

The long-term outlook for the System is uncertain due to dwindling state revenues and a stagnant economy on both the state and national levels. Additional budget cuts remain a threat to the viability of the System's programs and services.

A major portion of the Agricultural Research and Extension Center's base funding comes from federal appropriations which have a state matching requirement. Currently, both the amount of the federal appropriation and the percent of matching requirement established by the federal government have remained stable. The matching requirement has gone from zero dollars in fiscal year 1999 to not less than 100% of the federal funds received for agricultural research and extension initiatives. If state funds continue to decrease, federal formula funds (requiring 100% match) will be in jeopardy along with the Center's ability to secure grants requiring state matching funds.

The limited availability of funding from the state, a volatile economy, and the anticipated withdrawal of the American Recovery and Reinvestment Act (ARRA) funding in fiscal year 2011-2012 paints a dismal picture for the future. However, management of the System remains optimistic that the economy will improve and our enrollment will continue to grow, allowing 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 SOUTHERN UNIVERSITY SYSTEM'S MANAGEMENT

The accompanying System financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the System's finances and to show the System's accountability and oversight for the money it receives. Questions about this report or the need for additional financial information can be addressed by contacting the following management personnel of the Southern University System:

### System Contact

Mr. Kevin Appleton, System Vice President for Finance and Business Affairs and Comptroller, Southern University and A & M College System, 4th Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana, 70813, phone number 225-771-5550

### Campus Contacts

Mr. Flandus McClinton, Jr. Vice Chancellor for Finance and Administration at Southern University and A & M College (Baton Rouge Campus), 3rd Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5021

Dr. Adell Brown, Vice Chancellor for Finance and Administration at Southern University and A & M College Agricultural Research and Extension Center, Ashford O. Williams Building, Baton Rouge, Louisiana 70813, phone number 225-771-2242

Mr. Terry Hall, Associate Vice Chancellor for Financial Affairs at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2506

Mr. Woodie White, Vice Chancellor for Administration and Finance at Southern University at New Orleans, 6400 Press Drive, New Orleans, Louisiana 70126, phone number 504-286-5117

Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration at Southern University at Shreveport, 3050 Martin Luther King Jr. Drive, Shreveport, Louisiana 71107, phone number 318-670-6481

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**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

**Statement of Net Assets**
**June 30, 2010**

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents (note 2) | $19,018,850 |
| Investments (note 3) | 789,965 |
| Receivables, net (note 4) | 18,307,842 |
| Due from federal government (note 4) | 15,936,469 |
| Due from state treasury | 665,435 |
| Inventories | 483,215 |
| Deferred charges and prepaid expenses | 4,825,665 |
| Notes receivable, net (note 5) | 146,987 |
| Other current assets | 288,647 |
| Total current assets | 60,463,075 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents (note 2) | 22,848,337 |
| Restricted investments (note 3) | 6,204,415 |
| Capital assets, net (note 6) | 277,743,352 |
| Other | 211,318 |
| Total noncurrent assets | 307,007,422 |
| Total assets | 367,470,497 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accruals (note 7) | 11,445,788 |
| Deferred revenues (note 8) | 11,015,980 |
| Compensated absences (notes 9 and 15) | 794,017 |
| Capital lease obligations (notes 14 and 15) | 1,162,062 |
| Amounts held in custody for others | 740,447 |
| Claims and litigation payable (note 13) | 243,079 |
| Notes payable (notes 15 and 16) | 898,273 |
| Bonds payable (notes 15 and 17) | 82,916 |
| Other current payables | 4,409,904 |
| Total current liabilities | 30,792,466 |

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Statement of Net Assets**
**June 30, 2010**

| | |
|---|---|
| **LIABILITIES (CONT.)** | |
| Noncurrent liabilities: | |
| Compensated absences (notes 9 and 15) | $12,835,782 |
| Capital lease obligations (notes 14 and 15) | 50,046,509 |
| Claims and litigation payable (note 13) | 234,483 |
| Notes payable (notes 15 and 16) | 37,661,724 |
| Other postemployment benefits payable (notes 12 and 15) | 65,928,325 |
| Bonds payable (notes 15 and 17) | 12,952,679 |
| Total noncurrent liabilities | 179,659,502 |
| Total liabilities | 210,451,968 |
| | |
| **NET ASSETS** | |
| Invested in capital assets, net of related debt | 177,026,530 |
| Restricted for: | |
| Nonexpendable (note 18) | 10,872,898 |
| Expendable (note 18) | 38,390,597 |
| Unrestricted | (69,271,496) |
| | |
| **TOTAL NET ASSETS** | $157,018,529 |

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**
**Statement of Financial Position**
**December 31, 2009**

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents (note 2) | $368,800 |
| Investments (note 3) | 2,319,487 |
| Bayou Classic receivable (note 4) | 206,223 |
| Capital lease receivable (note 4) | 3,748,725 |
| Other receivable | 24,151 |
| Due from affiliate (note 4) | 382,327 |
| Unconditional promises to give (net allowance of $21,094) (note 4) | 148,709 |
| Prepaid bond insurance (note 17) | 32,945 |
| Bond issuance costs (note 17) | 28,978 |
| Total current assets | 7,260,345 |
| | |
| Noncurrent assets: | |
| Restricted cash and cash equivalents (note 2) | 12,150,736 |
| Restricted investments (note 3) | 4,147,075 |
| Fixed assets (net of accumulated depreciation of $1,903,881) (note 6) | 4,869,145 |
| Capital lease receivable (note 4) | 49,932,423 |
| Prepaid bond insurance (net of accumulated amortization of $96,637) (note 17) | 924,668 |
| Bond issuance costs (net of accumulated amortization of $86,933) (note 17) | 811,380 |
| Total noncurrent assets | 72,835,427 |
| | |
| **TOTAL ASSETS** | $80,095,772 |

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**SOUTHERN UNIVERSITY SYSTEM FOUNDATION**
**Statement of Financial Position**
**December 31, 2009**

| | |
|---|---|
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accruals | $297,812 |
| Accrued interest payable | 466,914 |
| Other payables | 175,000 |
| Due to affiliate (note 22) | 4,147,153 |
| Notes payable (note 16) | 255,539 |
| Deferred revenue (note 23) | 4,508,000 |
| Bonds payable and premium (note 17) | 1,036,157 |
| Total current liabilities | 10,886,575 |
| | |
| Noncurrent liabilities: | |
| Rental deposit fund (note 23) | 1,876,011 |
| Notes payable (note 16) | 570,346 |
| Bonds payable and premium | |
| (net of accumulated amortization of $198,472) (note 17) | 59,947,408 |
| Total noncurrent liabilities | 62,393,765 |
| Total liabilities | 73,280,340 |
| | |
| **NET ASSETS** | |
| Unrestricted | 2,965,130 |
| Temporarily restricted | 2,009,893 |
| Permanently restricted | 1,840,409 |
| Total net assets | 6,815,432 |
| | |
| **TOTAL LIABILITIES AND NET ASSETS** | $80,095,772 |

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and Changes in Net Assets**
**For the Fiscal Year Ended June 30, 2010**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Student tuition and fees | $54,430,095 |
| Less scholarship allowances | (22,387,504) |
| Net student tuition and fees | 32,042,591 |
| Federal appropriations | 3,347,993 |
| Federal grants and contracts | 46,039,180 |
| State and local grants and contracts | 4,717,711 |
| Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17) | 17,341,485 |
| Less scholarship allowances | (803,317) |
| Net auxiliary revenues | 16,538,168 |
| Other operating revenues | 5,195,302 |
| **Total operating revenues** | 107,880,945 |
| | |
| **OPERATING EXPENSES** | |
| Educational and general: | |
| Instruction | 57,590,977 |
| Research | 8,805,376 |
| Public service | 8,589,247 |
| Academic support | 35,724,063 |
| Student services | 21,523,378 |
| Institutional support | 43,354,363 |
| Operation and maintenance of plant | 17,484,978 |
| Depreciation (note 6) | 12,597,225 |
| Scholarships and fellowships | 27,541,818 |
| Auxiliary enterprises | 16,342,770 |
| Other operating expenses | 483,991 |
| **Total operating expenses** | 250,038,186 |
| | |
| **OPERATING LOSS** | (142,157,241) |

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Statement of Revenues, Expenses, and Changes in Net Assets**
**For the Fiscal Year Ended June 30, 2010**

| | |
|---|---|
| **NONOPERATING REVENUES (Expenses)** | |
| State appropriations | $66,200,670 |
| Federal nonoperating revenues | 39,652,030 |
| American Recovery and Reinvestment Act revenues (note 25) | 12,896,725 |
| Gifts | 700,159 |
| Investment income | 582,168 |
| Interest expense | (4,489,150) |
| Other nonoperating revenues | 7,374,278 |
| **Net nonoperating revenues** | 122,916,880 |
| **LOSS BEFORE OTHER REVENUES** | (19,240,361) |
| Capital appropriations | 5,873,898 |
| Capital grants and gifts | 7,180,746 |
| Additions to permanent endowment | 515,400 |
| **DECREASE IN NET ASSETS** | (5,670,317) |
| **NET ASSETS - BEGINNING OF YEAR (Restated) (note 19)** | 162,688,846 |
| **NET ASSETS - END OF YEAR** | $157,018,529 |

(Concluded)

The accompanying notes are an integral part of this statement.

## SOUTHERN UNIVERSITY SYSTEM
## STATE OF LOUISIANA

## SOUTHERN UNIVERSITY SYSTEM FOUNDATION
## Statement of Activities
## For the Year Ended December 31, 2009

| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL |
|---|---|---|---|---|
| **REVENUES AND OTHER SUPPORT** | | | | |
| Contributions and other support | $4,602 | $1,120,436 | $125,650 | $1,250,688 |
| Event revenues | 2,408,076 | | | 2,408,076 |
| Scoreboard sponsorships | 220,000 | | | 220,000 |
| Athletic sponsorships and support | 339,233 | | | 339,233 |
| Interest income | 26,376 | 19,175 | | 45,551 |
| Rental income | 3,745,016 | | | 3,745,016 |
| Realized/unrealized investment gains, net of losses | 52,243 | 45,457 | | 97,700 |
| Net assets released from restrictions - satisfaction of program restrictions (note 26) | 241,212 | (241,212) | | |
| Total revenues and other support | 7,036,758 | 943,856 | 125,650 | 8,106,264 |
| **EXPENSES** | | | | |
| Program services | 6,329,638 | | | 6,329,638 |
| Support services | 265,299 | | | 265,299 |
| Total expenses | 6,594,937 | NONE | NONE | 6,594,937 |
| **Changes in net assets** | 441,821 | 943,856 | 125,650 | 1,511,327 |
| **Net assets - beginning of year** | 2,523,309 | 1,066,037 | 1,714,759 | 5,304,105 |
| **Net assets - end of year** | $2,965,130 | $2,009,893 | $1,840,409 | $6,815,432 |

The accompanying notes are an integral part of this statement.

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## SOUTHERN UNIVERSITY SYSTEM
## STATE OF LOUISIANA

## Statement of Cash Flows
## For the Fiscal Year Ended June 30, 2010

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Tuition and fees | $33,333,573 |
| Federal appropriations | 3,347,993 |
| Grants and contracts | 49,379,964 |
| Payments to suppliers | (46,900,150) |
| Payments for utilities | (7,197,686) |
| Payments to employees | (108,979,892) |
| Payments for benefits | (30,933,306) |
| Payments for scholarships and fellowships | (32,968,572) |
| Loans issued to students and employees | (146,987) |
| Payments on loans issued to students and employees | 153,214 |
| Auxiliary enterprise charges | 16,332,964 |
| Other receipts | 4,583,517 |
| **Net cash (used) by operating activities** | (119,995,368) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | |
| State appropriations | 66,218,262 |
| Gifts and grants for other than capital purposes | (677,051) |
| Private gifts for endowment purposes | 515,400 |
| Tuition Opportunity Program for Students receipts | 1,741,115 |
| Tuition Opportunity Program for Students disbursements | (1,735,337) |
| Pell grant receipts | 39,645,760 |
| Implicit loan from other campuses | 4,836,025 |
| Implicit loan to other campuses | (4,836,025) |
| Federal Family Education Loan program receipts | 90,076,862 |
| Federal Family Education Loan program disbursements | (90,076,862) |
| American Recovery and Reinvestment Act | 12,896,725 |
| Other payments | 2,929 |
| **Net cash provided by noncapital financing activities** | 118,607,803 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | |
| Proceeds from capital debt | 14,228,879 |
| Capital grants and gifts received | 2,803,218 |
| Purchases of capital assets | (25,019,372) |
| Principal paid on capital debt and leases | (1,607,990) |
| Interest paid on capital debt and leases | (2,198,673) |
| Other sources | 5,367,408 |
| **Net cash (used) by capital and related financing activities** | (6,426,530) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Proceeds from sales and maturities of investments | 4,563,231 |
| Interest received on investments | 514,318 |
| Purchase of investments | (5,084,938) |
| **Net cash (used) by investing activities** | (7,389) |

(Continued)

The accompanying notes are an integral part of this statement.

# SOUTHERN UNIVERSITY SYSTEM
# STATE OF LOUISIANA
## Statement of Cash Flows
## For the Fiscal Year Ended June 30, 2010

| | |
|---|---|
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | ($7,821,484) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 49,688,671 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $41,867,187 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:** | |
| Operating loss | ($142,157,241) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation expense | 12,597,225 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable, net | (5,094,652) |
| Decrease in notes receivable | 6,227 |
| (Increase) in inventories | (61,624) |
| (Increase) in prepaid expenses | (440,768) |
| (Increase) in other assets | (8,270) |
| (Decrease) in accounts payable | (654,473) |
| Increase in deferred revenue | 930,880 |
| (Decrease) in compensated absences | (1,096,781) |
| Increase in other postemployment benefits payable | 15,241,545 |
| Increase in other liabilities | 742,564 |
| **Net cash (used) by operating activities** | ($119,995,368) |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:** | |
| Cash and cash equivalents classified as current assets | $19,018,850 |
| Cash and cash equivalents classified as noncurrent assets | 22,848,337 |
| **Cash and cash equivalents at the end of the year** | $41,867,187 |
| **NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES** | |
| Capital appropriations for construction of capital assets | $5,873,898 |
| Capital gifts and grants | 4,414,136 |
| Net increase in the fair value of investments | 261,510 |
| Loss on disposal of capital assets | (30,338) |
| New capital leases | 25,132,172 |

(Concluded)

The accompanying notes are an integral part of this statement.

## INTRODUCTION

The Southern University System (System) is a publicly supported institution of higher education. The university 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 the 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 Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The Southern University 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 universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master’s degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 2009-2010 fiscal year, the university conferred 1,971 degrees and student enrollment was approximately 33,811. Southern University has 588 full-time and adjunct 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 the GASB. The accompanying financial statements have been prepared in accordance with such principles.

The System applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The System has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected not to apply FASB pronouncements issued after the applicable date. However, the SUSLA Facilities, Inc., a nongovernmental blended component unit, and the Southern University System Foundation, a discrete component unit, follow the not-for-profit model of financial reporting as set forth in the FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. With the exception of necessary presentation adjustments, no modifications have been made to their financial information in the System's financial statements for these differences.

## B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The System is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a 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 System.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

Criteria described in GASB Codification Section 2100 were used to evaluate whether potential component units should be blended with the System, discretely presented, disclosed in the notes to the financial statements, or excluded from the reporting entity. This evaluation was made to identify those component units for which the System is financially accountable and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the financial statements of the System to be misleading or incomplete.

- The Southern University System Foundation (Foundation), originally chartered in 1968, is a nonprofit corporation organized to promote the educational and cultural welfare of the System and to develop, expand, and improve the System's facilities. The Foundation, which has a December 31 year-end, is being included as a discretely presented component unit of the System in the accompanying financial statements. To obtain a copy of the Foundation's audit report, write to:

Southern University System Foundation
Post Office Box 2468
Baton Rouge, Louisiana 70821

- SUSLA Facilities, Inc. (Facilities), originally chartered in 2006, is a nonprofit corporation organized to promote, assist, and benefit the mission of Southern University at Shreveport through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, and leasing residential, classroom, administrative, and other facilities on the campus of Southern University at Shreveport. The Facilities, which has a June 30 year-end, has been blended into the accompanying financial statements of the System. To obtain a copy of the Facilities' audit report, write to:

  SUSLA Facilities, Inc.
  3050 Martin Luther King Drive
  Shreveport, Louisiana 71107

## C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

## 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; (4) inventories are recorded as expenditures at the time of purchase; and (5) carry forward of prior year funds is recognized as revenue in the current year. The other funds of the System, 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 System 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 System 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 Assets include all certificates of deposit, regardless of maturity. 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. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The System uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.

## G. 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. Some cash and all university investments are classified as noncurrent assets in the Statement of Net Assets.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System 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 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 Assets.

The requirements of state law are not applicable to the investments held by the Facilities. However, the official statement for its bonds limits investments to insured or collateralized cash deposits; direct obligations of the United States of America; obligations of various federal agencies whose obligations are backed by the full faith and credit of the United States of America; direct obligations of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank System; insured and collateralized deposit accounts, federal funds, and bankers' acceptances with domestic commercial banks; commercial paper; money market funds; public sector investment pools; noncallable bonds and other obligations of any state of the United States of America or of any agency, instrumentality, or local government unit of any such state; general obligations of states; and investment agreements. Short-term investments of the Facilities are classified as current assets in the Statement of Net Assets, except for those being used to fund the debt service reserve accounts which are being classified as noncurrent assets as a result of long-term restricted use.

**H. CAPITAL ASSETS**

The System 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 institution'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.

**I. DEFERRED REVENUES**

Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**J. 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 nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified 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, 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 and the Louisiana State Employees' Retirement System, 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.

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with maturities greater than one year, estimated amounts for accrued compensated absences, capital lease obligations with contractual maturities greater than one year, federal disallowed costs, and other postemployment benefits that will not be paid within the next fiscal year.

**L. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

(a) *Invested in capital assets, net of related debt* consist of the System's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(b) *Restricted - nonexpendable* consist 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.

(c) *Restricted - expendable* consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System 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 System's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

**M. CLASSIFICATION OF REVENUES AND EXPENSES**

The System 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 (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) 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.

**N. 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 Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services (tuition and fees) provided by each university and the amount that is paid by students and/or third parties making payments on the students' behalf.

## O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2010, the System implemented the following accounting standards:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The intangible assets should be recognized in the Statement of Net Assets only if it is considered identifiable. The implementation of Statement No. 51 did not identify any intangible assets by the System.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the recognition, measurement, and disclosure of information regarding derivative instruments. The implementation of Statement No. 53 had no impact on the financial statements or notes.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, had no impact on the financial statements or notes.

## P. USE OF ESTIMATES

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

## Q. ELIMINATING INTERFUND ACTIVITY

Activities among the departments, campuses, and auxiliary units of the System are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

## FOUNDATION

## ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. ORGANIZATION AND PURPOSE

The Southern University System Foundation (Foundation) is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the university's facilities.

The consolidated financial statements of the Foundation include:

(1) Southern University System Foundation as described above; and

(2) Millennium Housing, LLC (Millennium), a nonprofit corporation organized under the laws of the State of Louisiana and owned by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the System.

Throughout the notes to the consolidated financial statements, the Foundation and Millennium will be collectively referred to as the Foundation. The financial statements of the Foundation and Millennium have been consolidated as they are under common management.

### B. TAX EXEMPTION STATUS

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

### C. BASIS OF REPORTING

The Foundation is a nonprofit organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### D. FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted the provision of FASB's Statement of Financial Accounting Standards (SFAS) No. 116, *Account for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

> *Unrestricted net assets* include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of the Foundation are included in this category.
>
> *Temporarily restricted net assets* include realized gains and losses, investment income, and gifts and contributions for which donor-imposed restrictions (capital improvements, et cetera) have not been met.
>
> *Permanently restricted net assets* are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until used for donor-imposed restrictions.

**E. PROMISES TO GIVE**

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at the present value of their estimated future cash flows if they are expected to be collected in more than one year. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**F. INVESTMENT AND INVESTMENT INCOME**

Investments in equity securities and mutual funds are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the university.

**G. CONTRIBUTIONS**

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

### H. CASH AND CASH EQUIVALENTS

Cash consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

### I. FIXED ASSETS

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed $1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are five to 39 years.

### J. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### K. RESTRICTED ASSETS

Cash and cash equivalents, certificates of deposit, and investments that are held on behalf of the System are classified as restricted assets in the Statement of Financial Position along with assets held by the bond trustee on behalf of the Millennium for the construction projects.

### L. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

### M. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Foundation and the Millennium. All material intercompany transactions have been eliminated.

## 2. CASH AND CASH EQUIVALENTS

At June 30, 2010, the System has cash and cash equivalents (book balances) totaling $41,867,187 as follows:

| | |
|---|---|
| Demand deposits | $33,869,023 |
| Time certificates of deposit | 7,996,464 |
| Petty cash | 1,700 |
| Total | $41,867,187 |

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

| | |
|---|---|
| Current assets | $19,018,850 |
| Noncurrent assets - restricted | 22,848,337 |
| Total | $41,867,187 |

Custodial credit risk is the risk that in the event of a bank failure, the System'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, 2010, the university has $48,136,404 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

### FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by $118,800 as of December 31, 2009.

## 3. INVESTMENTS

At June 30, 2010, the System has investments totaling $6,994,380 as follows:

| | Fair Value June 30, 2010 | Investment Maturities (Years) | Credit Quality Rating |
|---|---|---|---|
| Investments held by private foundation: | | | |
| Corporate bonds | $832,701 | 3.9 | |
| U.S. government agencies | 1,966,972 | 4.5 | |
| U.S. government obligations | 91,756 | 7.7 | |
| Equities | 1,064,331 | Not Applicable | |
| Money market mutual fund | 251,461 | Not Applicable | |
| Subtotal - external investment pool | 4,207,221 | | Not Rated |
| U.S. government obligations | 37,981 | 0.3 | Not Applicable |
| Equities | 467,213 | Not Applicable | Not Applicable |
| Mutual funds (debt securities) | 467,100 | 6.9 | Not Rated |
| Money market mutual fund | 53,539 | Not Applicable | Not Rated |
| Subtotal | 5,233,054 | | |
| SUSLA Facilities, Inc. | 1,761,326 | | |
| | $6,994,380 | | |

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

| | |
|---|---|
| Current assets | $789,965 |
| Noncurrent assets - restricted | 6,204,415 |
| Total | $6,994,380 |

The investments are reported at fair value as required by GASB Statement No. 31.

The investments in U.S. government obligations totaling $37,981 are exposed to custodial credit risk since the securities are uninsured, not registered in the name of the System, and are held by the counterparty. There is no formally adopted investment policy regarding custodial credit risk.

Investments held by the Foundation are in an external investment pool, which is not SEC registered, but is managed in accordance with the terms outlined in a management agreement executed between the System and the Foundation. The System is a voluntary participant in the agreement and the fair value of the System's position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling $4,207,221 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by the Louisiana Board of Regents states that the overall average credit quality rating of the fixed income securities must be at least AA. In addition, the Board of Regent's investment policy states that investments in foreign stocks are limited to 15% of the fund. The System's investment policy limits its investments of fixed income securities in investments of federal government and agency issues and to corporate issues having credit ratings of A to AAA. There are no formally adopted investment policies regarding interest rate risk or custodial credit risk.

At June 30, 2010, the Facilities has bond funds totaling $1,761,326 on deposit with its bond trustee. These deposits consist of cash equivalents, money market investments, and securities that are primarily issued by the U.S. Government and various other financial instruments. The financial statements and notes to the financial statements of the Facilities were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the Facilities do not reflect the requirements of GASB Statement No. 3, as revised by GASB Statement No. 40.

## FOUNDATION INVESTMENTS

Investments are stated at market value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Net appreciation (depreciation) in the fair value of investments, which consists of realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the Statement of Activities. Investments consist of the following at December 31, 2009:

| | Carrying Value | Fair Value |
|---|---|---|
| Stocks and other publicly traded securities | $1,138,718 | $1,432,409 |
| U.S. Governmental Agencies/Term Bond/ Fixed Income funds | 3,345,583 | 3,405,185 |
| Cash and cash equivalents/money market | 1,628,968 | 1,628,968 |
| Total | $6,113,269 | $6,466,562 |

A total of $4,147,075 of investments is maintained and managed on behalf of the System. These amounts are classified as noncurrent restricted assets in the Statement of Financial Position. The remaining $2,319,487 is classified as current assets. The total fair value of investments at December 31, 2009, total $6,466,562. Management of the Foundation was unable to summarize the investment return and its classification in the Statement of Activities by the related categories for the year ended December 31, 2009.

## 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 | $6,719,706 | ($2,813,263) | $3,906,443 |
| Auxiliary enterprises | 818,097 | (716) | 817,381 |
| Federal grants and contracts | 17,768,573 | (1,832,104) | 15,936,469 |
| State and private grants and contracts | 8,284,393 | (17,985) | 8,266,408 |
| Accrued interest receivable | 33,091 | | 33,091 |
| Due from Office of Facility Planning | 4,387,308 | | 4,387,308 |
| Other | 905,180 | (7,969) | 897,211 |
| Total | $38,916,348 | ($4,672,037) | $34,244,311 |

There is no noncurrent portion of accounts receivable.

### FOUNDATION RECEIVABLES

The Foundation entered into a cooperative agreement with the Southern Board to lease the projects included in the bond issuance. The Southern Board will lease certain facilities from the Foundation under the facility lease and pay rent, subject to the appropriation, in an amount which will be sufficient to pay the principal and interest on the Series 2006 Bonds. The lease was determined to meet the requirements of a capital lease and as such, as projects are completed, they are transferred from construction-in-progress to Capitalized Lease Receivable. The total lease payments due from the university during the next fiscal year totals $3,748,725. The total amount due for succeeding years totals $49,932,423. The total Capitalized Lease Receivable balance at December 31, 2009, totals $53,681,148.

The Foundation has entered into an agreement with the Southern University at Baton Rouge campus to jointly promote the ancillary activities of the Bayou Classic with a representative organization from Grambling State University. The promoters share joint revenues and expenses equally. The promoters engaged the services of a third party event manager to handle game management as well as sponsor solicitation. The event manager collects event proceeds and incurs expenses on behalf of the promoters and remits the net proceeds to the Foundation after the final event settlement is completed. Bayou Classic receivables total $206,223 at December 31, 2009. The amounts due from Bayou Classic related events were collected from the third party manager in the subsequent fiscal year.

The Foundation has certain receivables due from the System. The receivables due from the System are as follows at December 31, 2009:

| | |
|---|---|
| Reimbursable costs pertaining to the bond projects due from the Baton Rouge campus | $201,658 |
| Reimbursable costs pertaining to the bond projects due from the Shreveport campus | 180,669 |
| Total due from affiliate | $382,327 |

Unconditional promises to give as of December 31, 2009, total $169,803. All unconditional promises to give are expected to be collected within the next fiscal year. Based on the history of prior year collections, the Foundation has recorded an allowance for doubtful collections of $21,094, as such unconditional promises to give, net of allowance totals $148,709 at December 31, 2009.

## 5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and Student Government Association loans. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. Student Government Association loans are funded from self-assessed student fees and are available to qualified students for books and emergency financial needs.

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2010. These receivables are composed of the following:

| | Notes Receivable | Allowance for Doubtful Accounts | Notes Receivable, Net |
|---|---|---|---|
| Federal Perkins Loan program | $2,009,276 | ($2,009,276) | |
| Student Government Association loans (SUNO) | 146,987 | | $146,987 |
| Long-term student loans (SUSLA) | 98,951 | (98,951) | |
| Total | $2,255,214 | ($2,108,227) | $146,987 |

## 6. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2010, is as follows:

| | Balance June 30, 2009 | Prior Period Adjustments | Adjusted Balance June 30, 2009 | Additions | Transfers | Retirements | Balance June 30, 2010 |
|---|---|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | | | |
| Land | $6,609,696 | | $6,609,696 | | | | $6,609,696 |
| Construction-in-progress | 48,375,942 | $267 | 48,376,209 | $29,456,472 | ($13,579,317) | | 64,253,364 |
| Total capital assets not being depreciated | $54,985,638 | $267 | $54,985,905 | $29,456,472 | ($13,579,317) | NONE | $70,863,060 |
| Capital assets being depreciated: | | | | | | | |
| Infrastructure | $29,091,529 | | $29,091,529 | $1 | $3,753,184 | | $32,844,714 |
| Less accumulated depreciation | (23,214,903) | | (23,214,903) | (415,398) | | | (23,630,301) |
| Total infrastructure | 5,876,626 | NONE | 5,876,626 | (415,397) | 3,753,184 | NONE | 9,214,413 |
| Land improvements | 5,909,554 | | 5,909,554 | 1,560,164 | | | 7,469,718 |
| Less accumulated depreciation | (4,461,275) | | (4,461,275) | (184,727) | | | (4,646,002) |
| Total land improvements | 1,448,279 | NONE | 1,448,279 | 1,375,437 | NONE | NONE | 2,823,716 |
| Buildings | 274,204,700 | $461,786 | 274,666,486 | 23,768,181 | 9,826,133 | | 308,260,800 |
| Less accumulated depreciation | (120,960,513) | | (120,960,513) | (7,047,684) | | | (128,008,197) |
| Total buildings | 153,244,187 | 461,786 | 153,705,973 | 16,720,497 | 9,826,133 | NONE | 180,252,603 |
| Equipment | 30,923,419 | 73,748 | 30,997,167 | 6,775,549 | | ($434,831) | 37,337,885 |
| Less accumulated depreciation | (22,439,621) | (38,224) | (22,477,845) | (3,345,791) | | 401,710 | (25,421,926) |
| Total equipment | 8,483,798 | 35,524 | 8,519,322 | 3,429,758 | NONE | (33,121) | 11,915,959 |
| Library books | 90,593,724 | | 90,593,724 | 1,197,025 | | (647,829) | 91,142,920 |
| Less accumulated depreciation | (87,513,523) | | (87,513,523) | (1,603,625) | | 647,829 | (88,469,319) |
| Total library books | 3,080,201 | NONE | 3,080,201 | (406,600) | NONE | NONE | 2,673,601 |
| Total capital assets being depreciated | $172,133,091 | $497,310 | $172,630,401 | $20,703,695 | $13,579,317 | ($33,121) | $206,880,292 |
| Capital assets summary: | | | | | | | |
| Capital assets not being depreciated | $54,985,638 | $267 | $54,985,905 | $29,456,472 | ($13,579,317) | NONE | $70,863,060 |
| Capital assets being depreciated | 430,722,926 | 535,534 | 431,258,460 | 33,300,920 | 13,579,317 | ($1,082,660) | 477,056,037 |
| Total cost of capital assets | 485,708,564 | 535,801 | 486,244,365 | 62,757,392 | NONE | (1,082,660) | 547,919,097 |
| Less accumulated depreciation | (258,589,835) | (38,224) | (258,628,059) | (12,597,225) | NONE | 1,049,539 | (270,175,745) |
| Capital assets, net | $227,118,729 | $497,577 | $227,616,306 | $50,160,167 | NONE | ($33,121) | $277,743,352 |

The System capitalizes interest expense incurred as a component of the cost of its capital assets constructed for its own use. Interest is capitalized from the time activities begin, such as planning and permitting, until such time as the project is complete. For the fiscal year ended June 30, 2010, total interest paid on capital debt was $3,782,100. Of this amount, $3,753,216 represents capitalized interest on completed projects under the Millennium Student Housing and Auxiliary Facilities Project, Series 2006.

Buildings with a carrying value of $1,782,198 are idle at June 30, 2010.

## FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2009, are summarized as follows:

| | |
|---|---|
| Land and improvements | $555,193 |
| Building | 172,125 |
| Office equipment | 22,966 |
| Scoreboard equipment | 2,555,611 |
| Furniture and fixtures | 79,993 |
| Software | 25,328 |
| Construction-in-progress | 3,361,810 |
| Subtotal | 6,773,026 |
| Less accumulated depreciation | (1,903,881) |
| Total | $4,869,145 |

Depreciation expense totaled $270,797 for the year ended December 31, 2009.

Construction-in-progress consists of development costs, direct and indirect construction costs, and capitalized interest. The costs are accounted for as construction-in-progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended December 31, 2006, the Foundation entered into an agreement with the Board of Supervisors of Southern University and Agricultural and Mechanical College (Board) to construct new student housing facilities and certain auxiliary student facilities.

The Foundation borrowed money and is in the process of constructing the facilities as specified by the Board. Once constructed, the facilities will be leased back to the Board. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totals $3,361,810 at December 31, 2009.

During the year ended December 31, 2009, projects totaling $25,712,453 have been completed and are currently being leased back to the Board; as such, $25,712,453 has been transferred from construction-in-progress and recorded as a capital lease receivable being due from the System as a result of the capitalized leasing arrangement.

## 7. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the System's payables and accruals at June 30, 2010:

| | |
|---|---|
| Vendor payables | $3,895,801 |
| Accrued salaries and payroll deductions | 5,639,327 |
| Accrued interest | 1,817,482 |
| Other | 93,178 |
| Total | $11,445,788 |

## 8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2010:

| | |
|---|---|
| Prepaid tuition and fees | $2,657,756 |
| Prepaid athletic ticket sales | 224,640 |
| Prepaid room and board | 129,373 |
| Grants and contracts | 8,004,211 |
| Total | $11,015,980 |

## 9. COMPENSATED ABSENCES

At June 30, 2010, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $6,179,934; $7,275,065; and $174,800, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

## 10. PENSION PLANS

*Plan Description.* Substantially all employees of the System are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (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. Both plans 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 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 for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

*Funding Policy*. The contribution requirements of employee plan members and the System 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. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. For fiscal year 2010, the state is required to contribute 15.5% of covered salaries to TRSL and 18.6% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2010, 2009, and 2008 were $7,364,345; $7,843,748; and $8,363,883, respectively, and to LASERS for the years ended June 30, 2010, 2009, and 2008 were $4,762,979; $4,995,327; and $5,323,654, respectively, equal to the required contributions for each year.

## 11. 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 the 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 System equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the System are 15.5% of the covered payroll for fiscal year 2010. 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, the 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 the 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 $3,473,448 and $1,792,592, respectively, for the fiscal year ended June 30, 2010.

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*Plan Description* - Employees of the System voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the State of Louisiana's Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

*Funding Policy* - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans which are offered on a calendar year basis. During calendar year 2009 and 2010, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

Employees hired before January 1, 2002, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution based on the following schedule:

| Service | Contribution Percentage |
|---|---|
| Under 10 years | 81% |
| 10 - 14 years | 62% |
| 15 - 19 years | 44% |
| 20+ years | 25% |

Shown below are the total monthly premium rates in effect for the plan year 2009-2010.

| | PPO | EPO | HMO | Medical Home Health Plan |
|---|---|---|---|---|
| Active | | | | |
| Single | $559 | $581 | $536 | $532 |
| With Spouse | 1,187 | 1,234 | 1,139 | 1,130 |
| With Children | 681 | 709 | 654 | 649 |
| Family | 1,251 | 1,301 | 1,201 | 1,192 |
| Retired No Medicare & Re-employed Retiree | | | | |
| Single | $1,039 | $1,081 | $998 | $990 |
| With Spouse | 1,835 | 1,909 | 1,762 | 1,748 |
| With Children | 1,158 | 1,204 | 1,111 | 1,102 |
| Family | 1,826 | 1,899 | 1,753 | 1,739 |
| Retired with 1 Medicare | | | | |
| Single | $338 | $351 | $324 | $322 |
| With Spouse | 1,249 | 1,299 | 1,199 | 1,189 |
| With Children | 585 | 608 | 562 | 557 |
| Family | 1,664 | 1,730 | 1,597 | 1,584 |
| Retired with 2 Medicare | | | | |
| With Spouse | $607 | $632 | $583 | $578 |
| Family | 752 | 782 | 722 | 716 |

| | Medicare Advantage Plans - Calendar Year 2009 | | | | |
|---|---|---|---|---|---|
| | HMO | | | Private Fee-for-Service Plans | |
| | Humana | People's Health | Vantage | Humana | Secure Horizons |
| Retired, with 1 Medicare | | | | | |
| Single | $137 | $142 | $178 | $174 | $270 |
| Retired, with 2 Medicare | | | | | |
| With Spouse | $274 | $284 | $356 | $348 | $539 |

| | Medicare Advantage Plans - Calendar Year 2010 | | | | |
|---|---|---|---|---|---|
| | HMO | | | Private Fee-for-Service Plans | |
| | Humana | People's Health | Vantage | Humana | Secure Horizons |
| Retired, with 1 Medicare | | | | | |
| Single | $149 | $142 | $198 | $165 | $199 |
| Retired, with 2 Medicare | | | | | |
| With Spouse | $298 | $284 | $396 | $330 | $397 |

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

*Annual Other Postemployment Benefit Cost and Liability* - The System's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for fiscal year 2010 is $19,728,800.

| | |
|---|---|
| Normal cost | $9,638,100 |
| Interest | 758,800 |
| Amortization of the UAAL | 9,331,900 |
| Annual required contribution | $19,728,800 |

The following schedule presents the components of the System's annual OPEB cost for fiscal year 2010, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the OPEB plan:

| | |
|---|---|
| Annual required contribution | $19,728,800 |
| Interest on net OPEB obligation | 2,027,500 |
| ARC adjustment | (1,936,900) |
| Annual OPEB cost | 19,819,400 |
| Contributions made | (4,577,855) |
| Increase in net OPEB obligation | 15,241,545 |
| Beginning net OPEB obligation, June 30, 2009 | 50,686,780 |
| Ending net OPEB obligation, June 30, 2010 | $65,928,325 |

The System's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2010, and the preceding two fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2008 | $30,908,800 | 12.8% | $26,967,479 |
| June 30, 2009 | 28,153,017 | 15.7% | 50,686,780 |
| June 30, 2010 | 19,819,400 | 23.1% | 65,928,325 |

*Funded Status and Funding Progress* - Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2010, neither the System nor the State of Louisiana contributed to it. Since no contributions were made, the System's entire actuarial accrued liability (AAL) of $247,017,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2009, was as follows:

| | |
|---|---|
| AAL | $247,017,500 |
| Actuarial value of plan assets | NONE |
| UAAL | $247,017,500 |
| | |
| Funded ratio | 0% |
| Covered payroll (active plan members) | $78,841,452 |
| UAAL as a percentage of covered payroll | 313.3% |

*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 of the employer 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL 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 the AAL consistent with the long-term perspective of the calculations.

In the July 1, 2009, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 8.5% and 9.6% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 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.

## 13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The System is involved in 381 lawsuits and claims against it at June 30, 2010, of which 18 are handled by contracted attorneys. In the opinion of the contracted attorneys, for the 18 lawsuits and claims, there is a probable loss of $15,500 to the System. The remaining lawsuits and claims are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations. The amount of settlements paid in the last three years did not exceed insurance coverage.

In April 2009, the Shreveport campus signed a repayment plan with the U. S. Department of Education to repay disallowed federal costs in the amount of $682,939. These costs were related to programs administered during the period July 1, 2005, through June 30, 2006. The first of three payments was made in fiscal year 2010, consisting of principal and interest payments of $238,896. The remaining principal payments of $462,062 together with the probable loss of $15,500 discussed in the preceding paragraph are shown on the Statement of Net Assets current and noncurrent portion as claims and litigation payable. The following is a summary of future minimum payments as of June 30, 2010:

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $227,579 | $11,317 | $238,896 |
| 2012 | 234,483 | 4,413 | 238,896 |
| Total | $462,062 | $15,730 | $477,792 |

## 14. LEASE OBLIGATIONS

### Operating Leases

For the fiscal year ended June 30, 2010, total operating lease expenditures was $3,129,905. The following is a schedule by fiscal years of 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, 2010:

| Nature of Operating Lease | 2011 | 2012 | 2013 | 2014 | Total Minimum Payments Required |
|---|---|---|---|---|---|
| Office space | $121,987 | $121,987 | $121,987 | $121,987 | $487,948 |

The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

### Capital Leases

The System records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 6. The capital lease agreement is described in more detail in note 23. The capital lease obligation reported by the System does not equal the capital lease receivable reported by the Foundation due to its fiscal year ending on December 31. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2010:

| Fiscal Year Ended June 30, | |
|---|---|
| 2011 | $4,075,001 |
| 2012 | 4,076,141 |
| 2013 | 3,818,241 |
| 2014 | 3,563,095 |
| 2015 | 3,562,858 |
| 2016-2020 | 17,797,943 |
| 2021-2025 | 17,796,897 |
| 2026-2030 | 17,801,883 |
| 2031-2035 | 17,801,693 |
| 2036-2039 | 14,242,134 |
| Total mimimum payments | 104,535,886 |
| Less - amount representing interest | (53,327,315) |
| Present value of net minimum lease payments | $51,208,571 |

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2010, totals include buildings, land improvements, equipment, and land of $50,966,833; $2,314,413; $3,101,656; and $455,438, respectively.

**Lessor Leases**

The System's leasing operations consist primarily of leasing property for providing food services to students and bookstore operations. The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2010:

| Nature of Lease | Cost | Accumulated Depreciation | Carrying Amount |
|---|---|---|---|
| Office space | $6,656,825 | ($3,478,115) | $3,178,710 |

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2010:

| Nature of Operating Lease | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 | Total Minimum Future Rentals |
|---|---|---|---|---|---|---|---|
| Office space | $1,094,040 | $942,000 | $960,500 | $975,000 | $983,000 | $3,161,000 | $8,115,540 |
| Equipment | 15,000 | 15,000 | 15,000 | 15,000 | | | 60,000 |
| Land | 2,400 | | | | | | 2,400 |
| Other | 80,015 | 76,730 | 27,255 | 20,760 | 14,760 | | 219,520 |
| Total | $1,191,455 | $1,033,730 | $1,002,755 | $1,010,760 | $997,760 | $3,161,000 | $8,397,460 |

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals for office space amounted to $192,599 for the fiscal year ended June 30, 2010.

## FOUNDATION LEASE OBLIGATIONS

### Lease Agreement

On May 15, 2003, the Foundation (lessor) entered into an equipment lease agreement with the Board of Supervisors for Southern University and Agricultural and Mechanical College (the lessee) to lease the football and basketball scoreboards, twin signs located on either side of the baseball scoreboard, and a front entrance marquee with all ancillary equipment. This lease shall be and continued in full force and effect for a term beginning on the effective date of the agreement and ending upon termination of the premises lease, at which time the lessee shall be granted all rights, title, and interest as owner in and to the equipment in accordance with the premises lease. The lease calls for rent of $1 per year.

## 15. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the System's long-term liabilities for the fiscal year ended June 30, 2010:

| | Balance, June 30, 2009 | Prior Period Adjustments | Restated Balance, June 30, 2009 | Additions | Reductions | Balance, June 30, 2010 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|
| Compensated absences payable | $14,869,017 | ($142,436) | $14,726,581 | $311,334 | ($1,408,116) | $13,629,799 | $794,017 |
| Capital lease obligations | 27,707,873 | | 27,707,873 | 25,132,172 | (1,631,474) | 51,208,571 | 1,162,062 |
| Claims payable | 682,939 | | 682,939 | | (220,877) | 462,062 | 227,579 |
| Notes payable | 24,331,118 | | 24,331,118 | 14,228,879 | | 38,559,997 | 898,273 |
| OPEB payable | 50,686,780 | | 50,686,780 | 21,756,300 | (6,514,755) | 65,928,325 | |
| Revenue bonds payable | 13,088,511 | | 13,088,511 | | (52,916) | 13,035,595 | 82,916 |
| Total long-term liabilities | $131,366,238 | ($142,436) | $131,223,802 | $61,428,685 | ($9,828,138) | $182,824,349 | $3,164,847 |

## 16. NOTES PAYABLE

The Board of Supervisors of Southern University and Agricultural and Mechanical College with and on behalf of Southern University at New Orleans entered into an agreement with the U.S. Department of Education to borrow $44,000,000 in June 2007 to construct student housing. Pursuant to Section 2601 of Title II of the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006,* the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita. The loan program provides for a loan at one percent interest and one percent origination fees to be made by the U.S. Department of Education to Southern University at New Orleans for the purpose of financing residential housing. Funds are available through a line of credit whereby a liability is not incurred until funds are advanced. During the fiscal year ended June 30, 2010, the System recorded advances in the amount of $38,559,997 and is reported on the Statement of Net Assets as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2010:

| Fiscal Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $898,273 | $383,356 | $1,281,629 |
| 2012 | 902,654 | 374,365 | 1,277,019 |
| 2013 | 910,542 | 365,303 | 1,275,845 |
| 2014 | 1,007,818 | 355,966 | 1,363,784 |
| 2015 | 1,111,229 | 345,629 | 1,456,858 |
| 2016-2020 | 6,771,661 | 1,540,656 | 8,312,317 |
| 2021-2025 | 7,460,483 | 1,181,540 | 8,642,023 |
| 2026-2030 | 7,840,825 | 800,050 | 8,640,875 |
| 2031-2035 | 8,243,076 | 399,030 | 8,642,106 |
| 2036-2037 | 3,413,436 | 42,771 | 3,456,207 |
| Total | $38,559,997 | $5,788,666 | $44,348,663 |

### FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2009:

| | |
|---|---|
| Note payable to a bank, secured by the income generated from scoreboard advertisements, with an interest rate of 5.00%, with a maturity date of March 15, 2012. | $689,918 |
| Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013. | 135,967 |
| Total notes payable | 825,885 |
| Less - current portion | (255,539) |
| Total long-term portion | $570,346 |

Scheduled principal payments due on these notes payable subsequent to December 31, 2009, are as follows:

| Year Ended December 31, | |
|---|---|
| 2010 | $255,539 |
| 2011 | 258,093 |
| 2012 | 290,752 |
| 2013 | 21,501 |
| Total | $825,885 |

Interest expense for the year ended December 31, 2009, totaled $37,655.

## 17. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2010:

| Issue | Date of Issue | Original Issue | Principal Outstanding June 30, 2009 | Issued (Redeemed) | Principal Outstanding June 30, 2010 | Final Fiscal Year Maturity | Interest Rates | Future Interest Payments June 30, 2010 |
|---|---|---|---|---|---|---|---|---|
| A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993 | November 1, 1993 | $650,000 | $150,000 | ($55,000) | $95,000 | 2014 | 7.95-8.5% | $12,329 |
| SUSLA Facilities, Inc., Revenue Bonds: | | | | | | | | |
| Series 2007A | July 25, 2007 | 12,795,000 | 12,795,000 | | 12,795,000 | 2040 | 5.75% | 15,279,044 |
| Series 2007B | July 25, 2007 | 205,000 | 205,000 | | 205,000 | 2014 | 9% | 33,975 |
| Total | | | 13,150,000 | (55,000) | 13,095,000 | | | $15,325,348 |
| Accumulated amortization of discount | | | 90,710 | (3,075) | 87,635 | | | |
| Accumulated amortization of premium | | | (152,199) | 5,159 | (147,040) | | | |
| Bonds payable, net | | | $13,088,511 | ($52,916) | $13,035,595 | | | |

The scheduled maturities of the bonds at June 30, 2010, are as follows:

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $85,000 | $758,329 | $843,329 |
| 2012 | 85,000 | 750,976 | 835,976 |
| 2013 | 100,000 | 742,813 | 842,813 |
| 2014 | 120,000 | 734,450 | 854,450 |
| 2015 | 145,000 | 726,368 | 871,368 |
| 2016-2020 | 1,175,000 | 3,455,606 | 4,630,606 |
| 2021-2025 | 1,635,000 | 3,048,794 | 4,683,794 |
| 2026-2030 | 2,160,000 | 2,506,137 | 4,666,137 |
| 2031-2035 | 2,860,000 | 1,789,113 | 4,649,113 |
| 2036-2040 | 4,730,000 | 812,762 | 5,542,762 |
| Total | $13,095,000 | $15,325,348 | $28,420,348 |

On July 25, 2007, the Louisiana Public Facilities Authority issued $13,000,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2007A and 2007B) to the Facilities. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of residence facilities for use by Southern University at Shreveport, including all equipment, furnishings, fixtures and facilities, incidental or necessary in connection therewith. The proceeds will also be used to purchase an apartment complex and to pay the costs associated with the issuance of the bonds. The underlying property on which the housing project is located is leased to the Facilities by a Ground and Facilities Lease Agreement dated March 1, 2007, between the Facilities and the Board of Supervisors of Southern University and Agricultural and Mechanical College. The agreement calls for annual rent of $1 as well as the constructing of the residence hall as outlined in the agreement by the Facilities. The Facilities is responsible for all costs of the construction, as well as the annual repair and maintenance for the term of the lease. The lease terminates when the bonds and all associated debts are paid or the exercise by the Board of the option to purchase the project.

Costs incurred in connection with the issuance of the Facilities bonds, Series 2007A and 2007B, are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled $230,528. Bond issuance costs net of accumulated amortization are as follows for the fiscal year ended June 30, 2010:

| | Costs | Prior Year Accumulated Amortization | Current Year Amortization | Costs, net of Accumulated Amortization |
|---|---|---|---|---|
| Bond issuance costs | $230,528 | ($11,526) | ($7,684) | $211,318 |

The System has pledged the Intercollegiate Athletic Facilities fee to repay the A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993. Proceeds from the bonds provided financing for the planning and constructing additions to and resurfacing the running tract at A.W. Mumford Stadium located on the Baton Rouge campus. The bonds are payable solely from the fee and are payable through fiscal year 2014. Annual principal and interest payments on the bonds are expected to require less than 11% of net revenues. The total principal and interest remaining to be paid on the bonds is $107,329. Principal and interest paid for the current year and total fees collected were $64,966 and $397,976, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2010:

| | Cash/ Investment Reserves Available | Reserve Requirements | Excess |
|---|---|---|---|
| A.W. Mumford track project | $42,646 | $41,416 | $1,230 |
| SUSLA Facilities, Inc., Series 2007A | 971,361 | 948,488 | 22,873 |

## FOUNDATION REVENUE BONDS PAYABLE

On December 13, 2006, the Louisiana Public Facilities Authority issued $59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Foundation. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and Agricultural and Mechanical College in Baton Rouge, Louisiana (SUBR), (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium and refinancing a loan for the football field restoration at SUBR, (c) all equipment, furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR, and (d) acquiring a building to be used by Southern University at Shreveport, Louisiana (SUSLA) (collectively, the Project); (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds; (iii) pay costs of issuance including premium on the Bond Insurance Policy; (iv) fund a reserve fund; and (v) pay capitalized interest during construction of the Project.

The requirements to amortize the bonds are as follows:

| Year Ended December 31, | Principal |
|---|---|
| 2010 | $970,000 |
| 2011 | 1,010,000 |
| 2012 | 1,050,000 |
| 2013 | 1,105,000 |
| 2014 | 1,160,000 |
| Subsequent to 2014 | 53,770,000 |
| Total | $59,065,000 |

Interest expense for the year ended December 31, 2009, totaled $2,751,110, of which $1,107,170 was capitalized and $1,643,940 expensed at December 31, 2009. Total bonds payable net of bond premium totaled $60,983,565.

The bond premium received upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method. Total bond premium at issuance totaled $2,117,037. Annual amortization will be charged against “Interest Expense.” The bond premium is shown net of accumulated amortization.

| | |
|---|---|
| Beginning balance | $2,117,037 |
| Prior year accumulated amortization | (132,314) |
| Current year amortization | (66,158) |
| Total accumulated amortization | (198,472) |
| Ending balance, December 31, 2009 | $1,918,565 |

Cost incurred in connection with the issuance of the bonds and the prepaid bond insurance are amortized using the straight-line method over the life of the bonds. Bond issuance costs incurred through the bond issuance totaled $927,291 and prepaid bond insurance totaled $1,054,250. These costs will be shown net of accumulated amortization.

| | Costs | Prior Years Accumulated Amortization | Current Year Amortization | Costs, Net of Accumulated Amortization at December 31, 2009 |
|---|---|---|---|---|
| Bond issuance costs | $927,291 | ($56,833) | ($30,100) | $840,358 |
| Prepaid bond insurance | 1,054,250 | (63,691) | (32,946) | 957,613 |

## 18. RESTRICTED NET ASSETS

The System has the following restricted net assets at June 30, 2010:

| | |
|---|---|
| Nonexpendable - endowments | $10,872,898 |
| | |
| Expendable: | |
| Gifts, grants, and contracts | $6,250,722 |
| Endowment income | 2,601,057 |
| Student fees | 4,540,077 |
| Student loans | 989,573 |
| University plant projects | 20,146,792 |
| Debt service requirements | 3,862,376 |
| Total expendable | $38,390,597 |

Of the total net assets reported in the Statement of Net Assets as of June 30, 2010, a total of $10,567,668 is restricted by enabling legislation.

## 19. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement C have been restated to reflect the following adjustments:

| | |
|---|---|
| Net Assets at June 30, 2009 | $166,861,148 |
| Accrued interest adjustment | (212) |
| Capital asset adjustment | 497,577 |
| Compensated absences adjustment | 142,436 |
| Deferred revenue adjustment | (3,314,407) |
| Endowment adjustment | (3,401) |
| Millennium project adjustment | 28,396 |
| Prepayment adjustment | (1,082,735) |
| Receivables adjustment | (400,414) |
| Revenue/expense reclassification | (39,542) |
| Net Assets at June 30, 2009, as restated | $162,688,846 |

## 20. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the 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, 2010, net appreciation of donor restricted endowments is equal to $1,367,205, which is available to be spent for restricted purposes. The System limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

## 21. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2010, the System had a relationship with the Foundation. The Foundation promotes activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

In addition, SUSLA had a lease agreement with a nonprofit organization, SUSLA Facilities, Inc., whereby a third-party developer, Ambling Development Group, was to build a student housing complex. SUSLA Facilities, Inc., was created for the purpose of issuing bonds for the construction of facilities and dormitories. For the purpose of financial reporting, SUSLA Facilities, Inc., is considered a blended unit of the System. The SUSLA Chancellor and the Vice Chancellor for Finance and Administration serve as ex officio (non-voting) members on the board of directors for SUSLA Facilities, Inc.

## 22. FOUNDATIONS

The accompanying financial statements include the accounts of the Foundation but do not include the accounts of the Southern University Shreveport Foundation or the Southern University New Orleans Foundation. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars Program endowment funds and Endowed Professorship Program endowment funds. The Endowed Chairs for Eminent Scholars Program endowment funds are established for $1,000,000 each, with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program endowment funds are established for $100,000 each, with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled $3,775,515. At June 30, 2010, the Foundation holds in custody $4,207,221 of Endowed Chairs for Eminent Scholars Program and Endowed Professorship Program endowment funds invested for the System. Because the Foundation's fiscal year-end of December 31, 2009, differs from the System's fiscal year-end, the amounts reported as due to the System by the Foundation do not agree to the amounts reported as invested by the System.

Certain operating expenses of the Foundation for the year (assumed by the System and included in expenses, Statement C) are summarized as follows:

| | |
|---|---|
| Salaries and related benefits | $178,869 |
| Other | 9,954 |
| Total | $188,823 |

**FOUNDATION DISCLOSURE**

The System has contracted with the Foundation to invest the university's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The amount due to the System as of December 31, 2009, totaled $4,147,076. There was also an additional amount of $77 that was due to the Baton Rouge campus at December 31, 2009.

## 23. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board), to lease to the Board certain student housing facilities and certain auxiliary student facilities. The Board made an initial payment to the Foundation in the amount of $4,500,000 on December 13, 2006. The initial payment was deposited in the Foundation to be used for a student intramural sports complex and north-end seating in Mumford Stadium at Southern University Baton Rouge campus.

After the initial payment, the Board shall make annual payments to the Foundation starting November 1, 2008, and terminating on November 1, 2038, unless the Louisiana Public Facilities Authority (LPFA) Series 2006 bonds are paid in full or legally defeased before that date. The Board payments are designed to be sufficient to pay the principal of and interest on the LPFA Series 2006 bonds. Deferred revenue also includes a prepayment for services to be rendered in 2010; the amount deferred relating to these services totals $8,000. The base rental payments are as follows:

| Fiscal Year Ended June 30, | Base Rent |
|---|---|
| 2011 | $3,748,725 |
| 2012 | 3,749,925 |
| 2013 | 3,749,525 |
| 2014 | 3,752,025 |
| 2015 | 3,751,775 |
| 2016-2020 | 18,741,663 |
| 2021-2025 | 18,740,563 |
| 2026-2030 | 18,745,813 |
| 2031-2035 | 18,745,613 |
| 2036-2039 | 14,997,313 |
| Total | $108,722,940 |

The portion of the above payments representing completed projects are reported by the System as capital lease obligations (note 14). Until a project is complete, the System reports the payments relating to them as prepayments.

In addition to the base rental payments, the Board is also required to pay to the Foundation as additional rent, all amounts expended by the Foundation for the procurement of insurance coverage; fees and expenses of the Foundation or its trustee in performing the requirements of the Trust Indenture and Loan Agreement; and administrative expenses in connection with reports and other tasks required in connection with the Foundation's obligations under the Agreement. The Baton Rouge and Shreveport campuses provide the revenue streams used to make the base rental and other required payments.

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the LPFA Series 2006 Bonds. The Rental Deposit Fund was funded by the Board in an amount equal to 50% of the maximum principal and interest requirements coming due on the LPFA Series 2006 bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond Fund to pay principal and interest on the LPFA Series 2006 bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the LPFA Series 2006 bonds. On the final maturity date of the LPFA Series 2006 bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the LPFA Series 2006 Bond on such final maturity date. At December 31, 2009, and June 30, 2010, the balance in the Rental Deposit Fund is $1,876,011.

Pursuant to the Agreement, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Lessor). The payment by the Lessee is $100 per year and the term is equal to the term of the LPFA Series 2006 bonds, terminating on the date of payment in full or defeasance of the LPFA Series 2006 bonds.

## 24. DEFERRED COMPENSATION PLAN

Certain employees of the System 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 Web site at www.lla.la.gov.

## 25. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act (ARRA) expenses incurred in fiscal year 2010 consisted of the following programs and amounts:

| | |
|---|---|
| Program: | |
| State Fiscal Stabilization Fund | $12,202,908 |
| TRANS - NIH Recovery Act Research Support | 11,981 |
| TRANS - NSF Recovery Act Research Support | 128,430 |
| ARRA - Ecological Services | 203,354 |
| TRANS NIH - Recovery Act Research Support | 107,902 |
| ARRA - Scholarship for Disadvantaged Students | 98,588 |
| Federal Work Study Program | 143,562 |
| Total | $12,896,725 |

## 26. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2009:

| | |
|---|---|
| Scholarships and educational assistance | $175,792 |
| University events, programs, and support | 65,420 |
| Total | $241,212 |

## 27. FOUNDATION - RELATED PARTY TRANSACTIONS

Certain board members of the Foundation are also board members of the System Board. The System provides certain payroll management functions as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The value of these services have not been determined by the System. The System has also entered into a cooperative endeavor agreement with the Foundation to manage certain endowments on its behalf. The Foundation is allowed to charge the System an administration fee for these services. In addition to the aforementioned agreement, the Foundation entered into a cooperative endeavor agreement with the System to construct certain housing facilities as well as other projects through a bond issuance. The System has agreed to pay certain rents to the

Foundation for these services. The total amount of rent paid during the year ended December 31, 2009, totaled $3,745,016. The schedule of rent payment coincides with the debt service payments.

Two board members of the Foundation are officers of an affiliate 501(C)(3) nonprofit organization that provides game radio broadcasting services of athletic events at the Southern University Baton Rouge campus. The affiliate organization also makes financial contributions to the Southern University Athletic Department throughout the year. The total amount paid by the Foundation to the affiliate organization during the year ended December 31, 2009, totaled $36,255.

During the year ended December 31, 2008, the Foundation recorded a receivable from a Foundation board member in the amount of $138,000. The receivable consisted of amounts due from a contract for the rental of a stadium suite in Mumford Football Stadium for the 2006, 2007, and 2008 football seasons. The board member indicated that in light of other contributions made to the System, the receivable was actually forgiven simultaneously as the contract was signed, resulting in no amounts being due from the board member. However, there was no supporting documentation to support the forgiveness. At a 2009 board meeting, the Foundation board voted to ratify the forgiveness of the debt, and as such, the debt was written off as of December 31, 2008, and the board member issued a 1099 in accordance with Internal Revenue Service regulations.

## 28. SUBSEQUENT EVENTS

The State of Louisiana has continued to experience decreases in state revenues that have resulted in decreased funding for the 2011 fiscal year. The System institutions have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are not negatively impacted. Management does not anticipate that the 2010-2011 mandated budget cuts will significantly impact the System’s overall mission and goals. Management will continue to closely monitor available resources to ensure the System’s ongoing ability to react to known and unknown internal and external issues in a prompt manner.

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## 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.

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**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

## Schedule of Funding Progress for the Other Postemployment Benefits Plan For the Fiscal Year Ended June 30, 2010

| 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, 2007 | NONE | $332,758,900 | $332,758,900 | 0% | $81,508,249 | 408.3% |
| July 1, 2008 | NONE | 330,666,000 | 330,666,000 | 0% | 82,571,124 | 400.5% |
| July 1, 2009 | NONE | 247,017,500 | 247,017,500 | 0% | 78,841,452 | 313.3% |

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## SUPPLEMENTARY INFORMATION

### SCHEDULE OF PER DIEM PAID BOARD MEMBERS

Schedule 2 presents the per diem paid board members for the fiscal year ended June 30, 2010. Members of the Southern University Board of Supervisors receive $50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

### COMBINING SCHEDULE OF NET ASSETS, BY CAMPUS

Schedule 3 presents the Combining Schedule of Net Assets, by Campus.

### COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, BY CAMPUS

Schedule 4 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus.

### COMBINING SCHEDULE OF CASH FLOWS, BY CAMPUS

Schedule 5 presents the Combining Schedule of Cash Flows, by Campus.

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**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members**
**For the Fiscal Year Ended June 30, 2010**

| Name | Amount |
|---|---|
| Caiton, Richard | $900 |
| Hunter, Raushanna | 750 |
| Nash, Murphy Jr. | 600 |
| Scott, Randale | 100 |
| Total | $2,350 |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

## Combining Schedule of Net Assets, by Campus, June 30, 2010

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $969,540 | $10,692,668 | |
| Investments | | | |
| Receivables, net | 138,709 | 8,207,574 | $127,422 |
| Due from federal government | | 7,334,879 | 4,444,837 |
| Due from other campuses | | 4,836,025 | |
| Due from state treasury | | 283,830 | 30,986 |
| Inventories | | 483,215 | |
| Deferred charges and prepaid expenses | 10,404 | 4,497,118 | 22,624 |
| Notes receivable, net | | | |
| Other current assets | | 208,779 | |
| Total current assets | 1,118,653 | 36,544,088 | 4,625,869 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 498,255 | 11,516,122 | 1,285,192 |
| Restricted investments | | 3,858,169 | 185,669 |
| Capital assets, net | | 165,251,115 | 8,675,181 |
| Other | | | |
| Total noncurrent assets | 498,255 | 180,625,406 | 10,146,042 |
| Total assets | 1,616,908 | 217,169,494 | 14,771,911 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable and accruals | 57,473 | 9,231,854 | 324,895 |
| Due to other campuses | | | 2,056,212 |
| Deferred revenues | 50,272 | 7,189,526 | 432,663 |
| Compensated absences | 86,743 | 374,493 | 109,884 |
| Capital lease obligations | | 1,139,554 | |
| Amounts held in custody for others | | 465,168 | |
| Claims and litigation payable | | 15,500 | |
| Notes payable | | | |
| Bonds payable | | 35,000 | |
| Other current payables | 250 | 1,700,222 | |
| Total current liabilities | 194,738 | 20,151,317 | 2,923,654 |
| Noncurrent liabilities: | | | |
| Compensated absences | 299,448 | 7,238,740 | 1,008,856 |
| Capital lease obligations | | 48,500,961 | |
| Claims and litigation payable | | | |
| Notes payable | | | |
| OPEB payable | 2,840,710 | 38,180,176 | 5,214,656 |
| Bonds payable | | 60,000 | |
| Total noncurrent liabilities | 3,140,158 | 93,979,877 | 6,223,512 |
| Total liabilities | 3,334,896 | 114,131,194 | 9,147,166 |

(Continued)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | ELIMINATIONS | TOTAL SYSTEM |
|---|---|---|---|---|
| $805,254 | $6,551,388 | | | $19,018,850 |
| | | $789,965 | | 789,965 |
| 1,229,515 | 5,909,343 | 2,695,279 | | 18,307,842 |
| 766,757 | 1,812,666 | 1,577,330 | | 15,936,469 |
| | | | ($4,836,025) | |
| 240,454 | 81,129 | 29,036 | | 665,435 |
| | | | | 483,215 |
| 6,369 | | 289,150 | | 4,825,665 |
| | 146,987 | | | 146,987 |
| | 325 | 79,543 | | 288,647 |
| 3,048,349 | 14,501,838 | 5,460,303 | (4,836,025) | 60,463,075 |
| | | | | |
| | 8,840,465 | 708,303 | | 22,848,337 |
| | 987,852 | 1,172,725 | | 6,204,415 |
| | 77,836,347 | 25,980,709 | | 277,743,352 |
| | | 211,318 | | 211,318 |
| NONE | 87,664,664 | 28,073,055 | NONE | 307,007,422 |
| 3,048,349 | 102,166,502 | 33,533,358 | (4,836,025) | 367,470,497 |
| | | | | |
| 128,444 | 1,189,443 | 513,679 | | 11,445,788 |
| | | 2,779,813 | (4,836,025) | |
| 2,920 | 2,196,248 | 1,144,351 | | 11,015,980 |
| 36,940 | 127,192 | 58,765 | | 794,017 |
| | | 22,508 | | 1,162,062 |
| | 38,650 | 236,629 | | 740,447 |
| | | 227,579 | | 243,079 |
| | 898,273 | | | 898,273 |
| | | 47,916 | | 82,916 |
| | 1,580,324 | 1,129,108 | | 4,409,904 |
| 168,304 | 6,030,130 | 6,160,348 | (4,836,025) | 30,792,466 |
| | | | | |
| 788,306 | 1,747,646 | 1,752,786 | | 12,835,782 |
| | | 1,545,548 | | 50,046,509 |
| | | 234,483 | | 234,483 |
| | 37,661,724 | | | 37,661,724 |
| 4,335,332 | 9,290,870 | 6,066,581 | | 65,928,325 |
| | | 12,892,679 | | 12,952,679 |
| 5,123,638 | 48,700,240 | 22,492,077 | NONE | 179,659,502 |
| 5,291,942 | 54,730,370 | 28,652,425 | (4,836,025) | 210,451,968 |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Combining Schedule of Net Assets, by Campus, June 30, 2010**

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | | $115,515,600 | $8,675,181 |
| Restricted for: | | | |
| Nonexpendable | $360,000 | 5,851,340 | 1,303,750 |
| Expendable | 757,514 | 23,355,458 | 1,693,589 |
| Unrestricted | (2,835,502) | (41,684,098) | (6,047,775) |
| **TOTAL NET ASSETS** | ($1,717,988) | $103,038,300 | $5,624,745 |

(Concluded)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | ELIMINATIONS | TOTAL SYSTEM |
|---|---|---|---|---|
| | $39,276,350 | $13,559,399 | | $177,026,530 |
| | 2,897,808 | 460,000 | | 10,872,898 |
| $459,543 | 10,608,872 | 1,515,621 | | 38,390,597 |
| (2,703,136) | (5,346,898) | (10,654,087) | | (69,271,496) |
| ($2,243,593) | $47,436,132 | $4,880,933 | NONE | $157,018,529 |

## SOUTHERN UNIVERSITY SYSTEM
## STATE OF LOUISIANA

## Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus
## For the Fiscal Year Ended June 30, 2010

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Student tuition and fees | | $33,707,520 | $4,808,557 |
| Less scholarship allowances | | (14,703,303) | (265,490) |
| Net student tuition and fees | NONE | 19,004,217 | 4,543,067 |
| Federal appropriations | | | |
| Federal grants and contracts | | 26,797,424 | 3,784,326 |
| State and local grants and contracts | | 2,766,167 | |
| Auxiliary enterprise revenues (including revenue used to secure debt) | | 15,178,710 | |
| Less scholarship allowances | | (730,234) | |
| Net auxiliary revenues | NONE | 14,448,476 | NONE |
| Other operating revenues | | 2,816,983 | 89,753 |
| **Total operating revenues** | NONE | 65,833,267 | 8,417,146 |
| **OPERATING EXPENSES** | | | |
| Educational and general: | | | |
| Instruction | | 38,325,804 | 4,947,044 |
| Research | | 5,840,248 | |
| Public service | $41,952 | 3,453,786 | 476,179 |
| Academic support | 433 | 24,494,230 | 2,207,117 |
| Student services | 22,503 | 7,355,589 | 2,150,804 |
| Institutional support | 6,646,023 | 16,246,264 | 3,407,758 |
| Operation and maintenance of plant | | 13,671,242 | 294,797 |
| Depreciation | | 8,579,993 | 1,136,134 |
| Scholarships and fellowships | 93,949 | 12,208,533 | 744,134 |
| Auxiliary enterprises | | 14,807,043 | |
| Other operating expenses | | | |
| **Total operating expenses** | 6,804,860 | 144,982,732 | 15,363,967 |
| **OPERATING LOSS** | (6,804,860) | (79,149,465) | (6,946,821) |
| **NONOPERATING REVENUES (Expenses)** | | | |
| State appropriations | 2,701,832 | 37,335,715 | 5,226,946 |
| Federal nonoperating revenues | | 20,482,198 | |
| American Recovery and Reinvestment Act revenues | | 8,349,921 | 1,077,517 |
| Gifts | 278,316 | 312,686 | 14,142 |
| Investment income | 3,554 | 278,853 | 26,310 |
| Interest expense | | (3,721,490) | (1,043) |
| Other nonoperating revenues (expenses) | 70,637 | 6,134,245 | 277,888 |
| **Net nonoperating revenues** | 3,054,339 | 69,172,128 | 6,621,760 |

(Continued)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | TOTAL SYSTEM |
|---|---|---|---|
| | $10,012,015 | $5,902,003 | $54,430,095 |
| | (3,467,450) | (3,951,261) | (22,387,504) |
| NONE | 6,544,565 | 1,950,742 | 32,042,591 |
| $3,347,993 | | | 3,347,993 |
| 1,600,557 | 5,623,354 | 8,233,519 | 46,039,180 |
| 539,688 | 1,051,182 | 360,674 | 4,717,711 |
| | 1,429,479 | 733,296 | 17,341,485 |
| | (70,012) | (3,071) | (803,317) |
| NONE | 1,359,467 | 730,225 | 16,538,168 |
| 107,693 | 306,035 | 1,874,838 | 5,195,302 |
| 5,595,931 | 14,884,603 | 13,149,998 | 107,880,945 |
| | 8,394,545 | 5,923,584 | 57,590,977 |
| 2,066,481 | 512,112 | 386,535 | 8,805,376 |
| 2,593,765 | 767,315 | 1,256,250 | 8,589,247 |
| 650,882 | 6,876,153 | 1,495,248 | 35,724,063 |
| | 4,154,379 | 7,840,103 | 21,523,378 |
| 5,150,589 | 6,576,686 | 5,327,043 | 43,354,363 |
| 59,962 | 1,977,237 | 1,481,740 | 17,484,978 |
| | 1,501,279 | 1,379,819 | 12,597,225 |
| | 9,385,863 | 5,109,339 | 27,541,818 |
| | 896,484 | 639,243 | 16,342,770 |
| | | 483,991 | 483,991 |
| 10,521,679 | 41,042,053 | 31,322,895 | 250,038,186 |
| (4,925,748) | (26,157,450) | (18,172,897) | (142,157,241) |
| 4,500,801 | 10,328,399 | 6,106,977 | 66,200,670 |
| | 10,614,722 | 8,555,110 | 39,652,030 |
| | 2,256,318 | 1,212,969 | 12,896,725 |
| | 95,015 | | 700,159 |
| | 124,593 | 148,858 | 582,168 |
| | (68,732) | (697,885) | (4,489,150) |
| 128,547 | 864,730 | (101,769) | 7,374,278 |
| 4,629,348 | 24,215,045 | 15,224,260 | 122,916,880 |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus, 2010**

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **INCOME (Loss) BEFORE OTHER REVENUES** | ($3,750,521) | ($9,977,337) | ($325,061) |
| Capital appropriations | | 5,047,574 | |
| Capital grants and gifts | | 1,175,056 | 1,553 |
| Additions to permanent endowment | | 195,400 | 100,000 |
| Other additions, net | 3,249,422 | 661,127 | (1,388,979) |
| **INCREASE (Decrease) IN NET ASSETS** | (501,099) | (2,898,180) | (1,612,487) |
| **NET ASSETS - BEGINNING OF YEAR (Restated)** | (1,216,889) | 105,936,480 | 7,237,232 |
| **NET ASSETS - END OF YEAR** | ($1,717,988) | $103,038,300 | $5,624,745 |

(Concluded)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | TOTAL SYSTEM |
|---|---|---|---|
| ($296,400) | ($1,942,405) | ($2,948,637) | ($19,240,361) |
| | | 826,324 | 5,873,898 |
| | 6,004,137 | | 7,180,746 |
| | 60,000 | 160,000 | 515,400 |
| (972,274) | (1,014,511) | (534,785) | |
| (1,268,674) | 3,107,221 | (2,497,098) | (5,670,317) |
| (974,919) | 44,328,911 | 7,378,031 | 162,688,846 |
| ($2,243,593) | $47,436,132 | $4,880,933 | $157,018,529 |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**

## Combining Schedule of Cash Flows, by Campus
## For the Fiscal Year Ended June 30, 2010

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Tuition and fees | | $19,271,832 | $4,688,525 |
| Federal appropriations | | | |
| Grants and contracts | $71,522 | 30,301,983 | 1,486,612 |
| Payments to suppliers | (1,691,722) | (26,782,435) | (2,191,710) |
| Payments for utilities | | (5,729,333) | |
| Payments to employees | (3,748,043) | (63,706,684) | (8,088,087) |
| Payments for benefits | (918,095) | (18,759,979) | (1,786,513) |
| Payments for scholarships and fellowships | (110,535) | (17,753,350) | (516,250) |
| Loans issued to students and employees | | | |
| Payments on loans issued to students and employees | | | |
| Auxiliary enterprise charges | | 14,389,297 | |
| Other receipts (payments) | (133,523) | 2,832,483 | 89,753 |
| **Net cash (used) by operating activities** | (6,530,396) | (65,936,186) | (6,317,670) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | |
| State appropriations | 2,701,832 | 37,333,358 | 5,226,273 |
| Gifts and grants for other than capital purposes | 278,316 | (1,134,973) | 14,142 |
| Private gifts for endowment purposes | | 195,400 | 100,000 |
| TOPS receipts | | 1,592,991 | |
| TOPS disbursements | | (1,587,213) | |
| Pell grant receipts | | 20,475,928 | |
| Implicit loan from other campuses | | | 2,056,212 |
| Implicit loan to other campuses | | (4,836,025) | |
| Federal Family Education Loan program receipts | | 65,142,130 | |
| Federal Family Education Loan program disbursements | | (65,142,130) | |
| ARRA | | 8,349,921 | 1,077,517 |
| Other receipts (payments) | 3,320,059 | 297,982 | (1,946,711) |
| **Net cash provided by noncapital financing sources** | 6,300,207 | 60,687,369 | 6,527,433 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | |
| Proceeds from capital debt | | | |
| Capital grants and gifts received | | 1,175,056 | 1,553 |
| Purchases of capital assets | | (4,580,879) | (869,676) |
| Principal paid on capital debt and leases | | (1,665,140) | |
| Interest paid on capital debt and leases | | (1,432,056) | |
| Other sources (uses) | | 4,486,829 | 852,648 |
| **Net cash provided (used) by capital and related financing activities** | NONE | (2,016,190) | (15,475) |

(Continued)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | TOTAL SYSTEM |
|---|---|---|---|
| | $6,708,702 | $2,664,514 | $33,333,573 |
| $3,347,993 | | | 3,347,993 |
| 2,309,965 | 6,615,689 | 8,594,193 | 49,379,964 |
| (3,228,469) | (6,243,775) | (6,762,039) | (46,900,150) |
| | (999,507) | (468,846) | (7,197,686) |
| (5,715,146) | (15,393,260) | (12,328,672) | (108,979,892) |
| (1,489,485) | (4,753,689) | (3,225,545) | (30,933,306) |
| (92,477) | (9,386,621) | (5,109,339) | (32,968,572) |
| | (146,987) | | (146,987) |
| | 153,214 | | 153,214 |
| | 1,213,442 | 730,225 | 16,332,964 |
| 105,867 | 306,035 | 1,382,902 | 4,583,517 |
| (4,761,752) | (21,926,757) | (14,522,607) | (119,995,368) |
| | | | |
| 4,518,998 | 10,329,547 | 6,108,254 | 66,218,262 |
| | | 165,464 | (677,051) |
| | 60,000 | 160,000 | 515,400 |
| | 87,476 | 60,648 | 1,741,115 |
| | (87,476) | (60,648) | (1,735,337) |
| | 10,614,722 | 8,555,110 | 39,645,760 |
| | | 2,779,813 | 4,836,025 |
| | | | (4,836,025) |
| | 20,646,104 | 4,288,628 | 90,076,862 |
| | (20,646,104) | (4,288,628) | (90,076,862) |
| | 2,256,318 | 1,212,969 | 12,896,725 |
| (877,116) | (111,131) | (680,154) | 2,929 |
| 3,641,882 | 23,149,456 | 18,301,456 | 118,607,803 |
| | | | |
| | 14,228,879 | | 14,228,879 |
| | 1,626,609 | | 2,803,218 |
| | (19,308,642) | (260,175) | (25,019,372) |
| | | 57,150 | (1,607,990) |
| | (68,732) | (697,885) | (2,198,673) |
| 33,389 | | (5,458) | 5,367,408 |
| 33,389 | (3,521,886) | (906,368) | (6,426,530) |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Combining Schedule of Cash Flows, by Campus, 2010**

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Proceeds from sales and maturities of investments | | $1,801,435 | $9,574 |
| Interest received on investments | $3,605 | 276,316 | 27,251 |
| Purchase of investments | | (2,018,714) | (10,784) |
| **Net cash provided (used) by investing activities** | 3,605 | 59,037 | 26,041 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (226,584) | (7,205,970) | 220,329 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1,694,379 | 29,414,760 | 1,064,863 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $1,467,795 | $22,208,790 | $1,285,192 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:** | | | |
| Operating loss | ($6,804,860) | ($79,149,465) | ($6,946,821) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Depreciation expense | | 8,579,993 | 1,136,134 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable, net | (114,214) | (3,194,759) | (2,420,545) |
| Decrease in notes receivable | | | |
| (Increase) in inventories | | (61,624) | |
| (Increase) decrease in prepaid expenses | (7,079) | (548,530) | 11,125 |
| (Decrease) in other assets | | | |
| Increase (decrease) in accounts payable | (21,376) | 140,988 | 254,870 |
| Increase (decrease) in deferred revenue | 50,272 | 386,074 | 268,988 |
| Increase (decrease) in compensated absences | (328,444) | (840,137) | (23,865) |
| Increase in OPEB payable | 695,305 | 8,744,987 | 1,402,444 |
| Increase (decrease) in other liabilities | | 6,287 | |
| **Net cash (used) by operating activities** | ($6,530,396) | ($65,936,186) | ($6,317,670) |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:** | | | |
| Cash and cash equivalents classified as current assets | $969,540 | $10,692,668 | |
| Cash and cash equivalents classified as noncurrent assets | 498,255 | 11,516,122 | $1,285,192 |
| **Cash and cash equivalents at the end of the year** | $1,467,795 | $22,208,790 | $1,285,192 |

(Continued)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | TOTAL SYSTEM |
|---|---|---|---|
| | | $2,752,222 | $4,563,231 |
| | $58,288 | 148,858 | 514,318 |
| | | (3,055,440) | (5,084,938) |
| NONE | 58,288 | (154,360) | (7,389) |
| ($1,086,481) | (2,240,899) | 2,718,121 | (7,821,484) |
| 1,891,735 | 17,632,752 | (2,009,818) | 49,688,671 |
| $805,254 | $15,391,853 | $708,303 | $41,867,187 |
| ($4,925,748) | ($26,157,450) | ($18,172,897) | ($142,157,241) |
| | 1,501,279 | 1,379,819 | 12,597,225 |
| (837,749) | 1,015,656 | 456,959 | (5,094,652) |
| | 6,227 | | 6,227 |
| | | | (61,624) |
| (170) | | 103,886 | (440,768) |
| | (325) | (7,945) | (8,270) |
| 44,866 | (677,488) | (396,333) | (654,473) |
| (36,294) | 124,079 | 137,761 | 930,880 |
| (101,625) | 177,002 | 20,288 | (1,096,781) |
| 1,096,794 | 1,921,596 | 1,380,419 | 15,241,545 |
| (1,826) | 162,667 | 575,436 | 742,564 |
| ($4,761,752) | ($21,926,757) | ($14,522,607) | ($119,995,368) |
| $805,254 | $6,551,388 | | $19,018,850 |
| | 8,840,465 | $708,303 | 22,848,337 |
| $805,254 | $15,391,853 | $708,303 | $41,867,187 |

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
**Combining Schedule of Cash Flows, by Campus, 2010**

| | BOARD AND SYSTEM | AGRICULTURAL & MECHANICAL COLLEGE | LAW CENTER |
|---|---|---|---|
| **NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:** | | | |
| Capital appropriations for construction of capital assets | | $5,047,574 | |
| Capital gifts and grants | | | |
| Net increase in the fair value of investments | | 191,879 | $1,210 |
| Loss on disposal of capital assets | | (3,742) | (17,028) |
| Capital lease | | 25,132,172 | |

(Concluded)

| AGRICULTURAL RESEARCH & EXTENSION CENTER | NEW ORLEANS CAMPUS | SHREVEPORT CAMPUS | TOTAL SYSTEM |
|---|---|---|---|
| | | $826,324 | $5,873,898 |
| | $4,414,136 | | 4,414,136 |
| | 66,306 | 2,115 | 261,510 |
| | (10,959) | 1,391 | (30,338) |
| | | | 25,132,172 |

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**OTHER REPORT REQUIRED BY**

***GOVERNMENT AUDITING STANDARDS***

The following pages contain our 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 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.

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LOUISIANA LEGISLATIVE AUDITOR
**DARYL G. PURPERA, CPA, CFE**

March 3, 2011

# 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*

**SOUTHERN UNIVERSITY SYSTEM**
**STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and the discretely presented component unit, which collectively comprise the basic financial statements of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 3, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., as described in our report on the System's financial statements. The financial statements of the Southern University System Foundation and SUSLA Facilities, Inc., were not audited in accordance with *Government Auditing Standards*.

## Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or 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. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

**Inaccurate Annual Fiscal Report Preparation**

For the fourth consecutive year, the Southern University System (System) did not have adequate controls over the financial information included in the System's annual fiscal report (AFR) to ensure that its AFR and related note disclosures were prepared timely and accurately. Louisiana Revised Statute (R.S.) 39:79 authorizes the commissioner of administration to establish the format for obtaining each agency's financial information. Good internal control includes establishing formal written procedures for compiling financial information included in the AFR and developing an adequate review process to ensure that financial statements are prepared accurately and submitted timely.

The Office of Statewide Reporting and Accounting Policy (OSRAP) designed an AFR to obtain this information, which requires a signed affidavit from each agency or university system that the financial statements present fairly the financial information of the System. OSRAP uses the university systems' AFRs during its compilation of the state's Comprehensive Annual Financial Report (CAFR). For the fiscal year ended June 30, 2010, the System's AFR was due to OSRAP by September 21, 2010. The System's AFR was submitted 35 days late on October, 26, 2010.

A review of the fiscal year ending June 30, 2010, financial information included the following errors and omissions:

The Statement of Net Assets included the following errors:

- The New Orleans campus understated receivables and deferred revenue by $1,216,651 for funds due from the Division of Administration, Office of Facility Planning.

- The Shreveport campus overstated federal receivables by $400,414. The receivables have been outstanding for over 24 months and it is uncertain whether these receivables can be collected since the period of availability has elapsed.

- The New Orleans campus misclassified $1,349,267 of noncurrent cash and cash equivalents as current.

The Statement of Cash Flows included the following errors:

- The New Orleans campus incorrectly reported $1,027,669 of Pell grant payments as a payment for supplies and services and incorrectly reported federal receivables of $1,027,699 as cash flow from tuition and fees.

The financial statement's related note disclosures included the following errors:

- The Shreveport campus did not disclose its related party transaction with its blended component unit (SUSLA Facilities, Inc.).

- The New Orleans campus did not disclose a lessor lease for office space with a carrying amount of $2,128,533 in note P.

- The New Orleans campus incorrectly included investments totaling $987,852 in certificates of deposit in note C.1. In addition, it included the Building Use Fee savings account of $436,189 in certificates of deposit instead of cash.

- The Shreveport campus did not disclose $487,948 in FY11-14 future rental payments pertaining to SUSLA's office space lease with Shreveport Airport Authority in note P.

- The Shreveport campus understated interest outstanding as of June 30, 2010, for the SUSLA Facilities, Inc., bonds by $14,935,938 in Schedule 1-A.

- The Shreveport campus overstated the net receivables due on several federal grants by $400,414 in note D. In addition, SUSLA understated its doubtful accounts in note D by $1,832,104 and understated gross accounts receivables by $1,431,690.

The System did not provide detailed supporting schedules for the information listed below resulting in alternate audit procedures being performed to compensate for the lack of support.

- Book balance amounts reported in note C.1
- Receivables amounts related to the New Orleans campus that were reported in note D
- Restricted expendable net assets as reported in note Q

During our test for unrecorded payables for the period ending June 30, 2010, we noted the following for the New Orleans campus:

- Three checks out of five (60%) tested represented payables that existed at June 30, 2010, but were not recorded on the Statement of Net Assets. These exceptions were for transactions totaling $137,296.

Management of the System has not placed sufficient emphasis on ensuring that financial information included in the AFR is properly prepared and reviewed for errors or omissions. Currently, each campus is responsible for its financial statement and note disclosure preparation and each uses different Financial Record System reports and/or different methods for using the information in those reports. In addition, management failed to timely provide detailed supporting schedules that agreed to the System's AFR and related note disclosures. Failure to provide accurate and timely financial information to the auditors and OSRAP results in audit delays and increased audit procedures and could result in a misstatement of the state's CAFR.

System management should develop procedures to include written instructions, a timetable for compiling the required financial information with detailed supporting schedules that each campus adheres to, and a system-level supervisory review of the financial information and note disclosures submitted by each campus to detect and correct material errors in the campuses' financial information before it is included in the System's AFR. Management should also ensure that adjustments presented in previous audits are reviewed to ensure the same errors do not reoccur in subsequent years. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

**Insufficient Control Over Leave Records**

For the third consecutive year, the Southern University - Baton Rouge campus does not have adequate control procedures in place to ensure that employee leave records reflect accurate leave balances. In addition, the Southern University - New Orleans campus, for the second consecutive year, and the Southern University - Shreveport campus do not have adequate control procedures in place to ensure that employee leave records are being properly maintained. Good internal control includes adequate supervisory and review procedures to ensure that (1) leave records are timely and accurately updated; (2) leave balances are carried forward accurately; and (3) leave records are maintained in accordance with the campus' established procedures. R.S. 17:2149 and 17:3312 permit the campus to advance sick leave with pay in an amount not exceeding 176 hours. The Louisiana Constitution, Article VII, Section 14(A) prohibits the campus from loaning, pledging, or donating funds or things of value to any person. The advancing of annual leave or sick leave without approval may constitute a loan and violation of the provisions of Article VII, Section 14(A). In addition, Civil Service Rule 11.13(a) and R.S. 17:2149(A)1 only permit the use of sick leave for illness or injury and medical, dental, or other optical consultation or treatment.

We reviewed seven employees that were included in the list of prior year exceptions provided to management in fiscal year 2009 that had misstated leave balances in excess of 1,000 hours each. Of the seven employees, the misstated leave balances for five employees were not corrected in the current year. The misstatements of the five employees ranged from an understatement of 2,000 hours of leave to an overstatement of 5,395.8 hours of leave. For one employee, whose balance was corrected during fiscal year 2010, the employee's leave balance at December 31, 2008, was 5,938. However, if the employee earned leave at the maximum accrual rate every pay period of his/her employment duration and never used any leave, his/her leave balance at December 31, 2008, should have been approximately 4,370 hours.

During our review of 15 Baton Rouge campus' employee leave records for the period July 2009 through May 2010, the following errors were noted:

- Two employees (13%) reviewed had negative leave balances without proper advance approval.
- Five employees (33%) reviewed had beginning leave balances that were misstated because of incorrect balances being carried forward into calendar year 2010.
- Four employees were also included in the list of prior year exceptions provided to management in fiscal year 2009; however, three of these four employees still had misstated leave balances that were not corrected in the current year.
- Six employees (40%) reviewed had leave entries that were posted late. One exception was posted six months after the leave was taken.

While requesting leave records from the New Orleans campus, it was noted that management did not ensure that employees' leave records were adequately posted and leave balances were adequately maintained for the period July 1, 2009, through June 30, 2010. Therefore, the correct employee leave balances for approximately 306 employees could not be determined as of and for the period ending June 30, 2010.

While requesting leave records from the Shreveport campus, it was noted that management did not ensure that employees' leave records were adequately posted and leave balances were adequately maintained for the period July 1, 2009, through June 30, 2010. In addition, the Shreveport campus did not use the same method of maintaining employee leave records as used by the other campuses in the System. The Shreveport campus uses the Human Resource System (HRS) instead of Excel spreadsheets. However, HRS does not accurately maintain leave amounts. Therefore, the correct employee leave balances for approximately 278 employees could not be determined as of and for the period ending June 30, 2010.

At all three campuses, no evidence existed of supervisory review of the changes made to the leave records to ensure that the leave records were being properly updated on a regular basis. In addition, because employees and their supervisors were not provided with detailed periodic reports of leave balances and changes thereto, they were not provided with sufficient information to make decisions about whether leave was available or to determine whether their leave balances are being properly updated each pay period. Furthermore, time sheets are due for processing approximately 11 to 21 days before each pay period ends. Therefore, employees must estimate their leave usage far in advance. As a result, numerous adjustments are made to employee leave records every pay period to record the leave used by employees after time sheets were processed. The delay in recording leave usage causes employee leave records to reflect inaccurate balances, which contributes to the improper maintenance of the employee leave records.

The lack of adequate supervisory review over leave records at all three campuses resulted in misstated leave balances and the advancing of leave inappropriately. Misstated leave balances could result in employees receiving the benefits of paid leave or payment of leave upon termination of employment when none is available and also results in misstating the compensated leave liability in the System's AFR. In addition, retirement benefits could be calculated erroneously because an employee's remaining leave balance at retirement is converted to retirement service credit in the calculation of those benefits. The advance of annual leave or unapproved advance of sick leave could be considered a violation of state law and the constitution.

Management of the campuses should ensure that all leave records are mathematically accurate and should implement adequate supervisory and review procedures to ensure that accurate leave records are maintained by the personnel assigned this responsibility. In addition to ensuring that annual leave is not advanced to any employee, management of the campuses should ensure that sick leave is not advanced unless it is approved and documented in advance. Management of the campuses should also begin providing detailed periodic reports of leave balances to employees and their supervisors for review and should consider adjusting their payroll process to eliminate the submission of time sheets so far in advance of the end of the pay period. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

**Insufficient Control Over Receivables**

For the fifth consecutive year, the System did not maintain adequate internal control over student and federal receivables. Good internal control requires regular monitoring and the periodic reconciliation of accounts receivable general ledger balances to the subsidiary ledger balances to ensure that (1) federal receivables are collected timely; (2) errors and or fraud are detected timely; and (3) financial information is fairly presented.

Our audit revealed the following:

- The Shreveport campus' federal receivables totaling $1,832,104 had not had any collection activity for over two years. According to the general ledger system, of this amount, $51,060 was established from two to three years ago; $447,327 was established from three to four years ago; $184,618 was established four to five years ago; and $1,149,098 was established more than five years ago. Because the federal programs are operated on a reimbursement basis, the campus has been using its existing resources to operate the programs without drawing the proper source of funds. This contributed to the campus accumulating a negative cash balance of $2.8 million at June 30, 2010.

- At June 30, 2010, the New Orleans campus' general ledger balances for the doubtful accounts allowances, which total $307,157, are not reconciled to the subsidiary ledger's reserve accounts.

The Shreveport campus did not have adequate internal control procedures in place to ensure that timely requests for reimbursement from federal programs were made. As a result, the Shreveport campus did not request reimbursement from federal programs timely and may have lost its ability to claim those federal funds that were not requested within the federal programs' period of availability. In addition, the New Orleans' campus management did not ensure that the System's policies and procedures requiring the reconciliation of the general ledger accounts to the subsidiary ledgers were performed accurately and timely. When accounts receivable are not regularly monitored, analyzed, collected, and reconciled timely, assets are placed at greater risk of fraud and/or misappropriation and financial records and/or financial statements may not represent the true financial condition of the entity.

Management of the Shreveport campus should implement adequate procedures to ensure that all federal receivables are adequately monitored and that requests for reimbursement are made timely. The campus should also analyze its federal receivables and pursue collection of all outstanding federal receivables. In addition, management of the New Orleans campus should ensure that a periodic reconciliation of the subsidiary ledgers for the doubtful account allowance accounts to the general ledger balances are performed timely and accurately. Management should review those reconciliations to ensure that all reconciling items are properly supported. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

**Compliance and Other Matters**

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

Other external auditors audited the Southern University System Foundation and SUSLA Facilities, Inc. To obtain a copy of those reports, you may write to:

Southern University System Foundation
Post Office Box 2468
Baton Rouge, Louisiana 70821

SUSLA Facilities, Inc.
3050 Martin Luther King Drive
Shreveport, Louisiana 71107

The System's responses to the findings identified previously are attached in Appendix A. We did not audit the System's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the System, its board of directors, its management, others within the university, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be and should not be used by anyone other than these specified parties. 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

JPT:BH:EFS:THC:dl

SU 2010

# Management's Corrective Action Plans and Responses to the Findings and Recommendations

**SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM**
J.S. CLARK ADMINISTRATION BUILDING
BATON ROUGE, LOUISIANA 70813

Office of the President
(225) 771-4680

Fax Number:
(225) 771-5522

February 18, 2011

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

RE: Response to 6/30/10 Audit Finding –AFR Preparation

Dear Mr. Purpera:

We concur with this finding and have or will institute the following measures to resolve the issues:

- Management will enhance procedures to ensure timeliness, accuracy and completeness in the development and submission of the Annual Financial Report (AFR), and related disclosures. Such enhancements will include written procedures and instructions, timetables for compiling financial information, along with campus-level and system-level supervisory reviews.

- Management will review adjustments from previous years to ensure that errors do not reoccur in subsequent years.

The Vice Chancellors for Finance and Administration and Chancellors will have primary responsibility for these efforts on their respective campuses, while the Vice President for Finance and Business Affairs will have responsibility for coordination and oversight on the system level.

Thank you for your assistance and support.

Respectfully,

Dr. Ronald Mason, Jr.
President

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November 9, 2010

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

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RE: Response to 6/30/10 Audit Finding – Insufficient Control Over Leave Records

Dear Mr. Purpera:

We concur with this finding and have or will institute the following measures to resolve the issues:

- Staff at all campuses are currently focused on reviewing and correcting, where necessary, all leave records in preparation for implementation of the Banner Web-Time and Leave Entry System. This will replace many of the manual processes we currently utilize, automate the calculation and accrual of leave within the ERP system, and provide detailed periodic reports of leave balances to employees and supervisors.
- Managers who approve leave will be provided training regarding the particulars of payroll coordination and leave processing.
- The system will review, coordinate and revise, as necessary, policies and procedures to prevent negative leave balances.

While the Human Resources Directors will have primary responsibility for coordination and implementation of these corrective actions, my office will monitor their efforts for timely correction of the findings.

Thank you for your assistance and support.

Respectfully,

Dr. Ronald Mason, Jr.
President

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February 18, 2011

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

RE: Response to 6/30/10 Audit Finding –Control Over Receivables

Dear Mr. Purpera:

We concur with this finding and have or will institute the following measures to resolve the issues:

- We will enhance procedures to monitor receivables and ensure that collection activities and requests for reimbursements are pursued in a timely manner.

The Vice Chancellors for Finance and Administration and Chancellors will have primary responsibility for these efforts on their respective campuses, while the Vice President for Finance and Business Affairs will have responsibility for coordination and oversight on the system level.

Thank you for your assistance and support.

Respectfully,

Dr. Ronald Mason, Jr.
President