SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
ISSUED MARCH 25, 2015

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

February 19, 2015

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 represent 2.9%, 1.5%, and 0.6%, respectively, of the assets, net position, and revenues of the System. We also did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. Those financial statements 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 solely 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 from material misstatement. The financial statements of the SUSLA Facilities, Inc., which were audited by other auditors upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1-R to the basic financial statements, the implementation of the Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal year 2015, will require the System to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 10 to the financial statements. Though the System's proportionate share of these plans' pension liabilities is currently unknown, the impact on the System's net position is expected to be significant. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15 and the Schedule of Funding Progress for Other Postemployment Benefits Plan on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information combining financial schedules on pages 66 through 75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:EFS:ch

SUS 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) for the Southern University Agricultural & Mechanical (A&M) College System, hereafter referred to as the System, discusses the System's financial performance and presents a narrative overview and analysis of the System's financial activities and statements for the year ended June 30, 2014. The System is geographically located in Baton Rouge, Louisiana, and has three campuses located in Baton Rouge, Louisiana, on the Baton Rouge Campus land mass; one campus located in New Orleans, Louisiana; and one campus located in Shreveport-Bossier, Louisiana. 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 the System. The primary financial statements presented in this MD&A are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the System.

GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 39*, issued in November 2010, modifies certain requirements for determining if a component unit is included in the System's financial statements. The System also applies GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* to determine which component units should be presented in the System's financial statements. The State of Louisiana has set a threshold for including component units if the component unit's total assets equal 3% or more of the total assets of the System. The System has two component units presented in its 2014 financial statements, namely the Southern University System Foundation, hereafter referred to as the Foundation, and the SUSLA Facilities, Inc. The Foundation is a nonprofit organization chartered in 1968 to promote the educational and cultural welfare of the System and to develop, expand, and improve the System's facilities. The Foundation is reported as a discretely presented component unit. SUSLA Facilities, Inc., a nonprofit organization chartered in 2006 was organized to promote, assist, and benefit the mission of Southern University at Shreveport and to develop, renovate, repair, rehabilitate, manage, and lease various facilities for the Shreveport campus. SUSLA Facilities, Inc., is reported in the accompanying financial statements as a blended component unit. For more detailed information on this blended component unit, the financial statement reader is referred to note 28, "Segment Information."

Based on comparative data for the fall semesters of 2012 and 2013, the System experienced a modest enrollment increase. Enrollment increased from 13,346 students in fall 2012 to 13,417 students in fall 2013. This increase is attributable to higher enrollment at the Baton Rouge and Shreveport campuses.

FINANCIAL HIGHLIGHTS

The System's net position reflects an increase of $10.7 million or 8%.

The System's operating revenues increased by $4.6 million or 3.9%. This increase is primarily attributable to increases in tuition and fees, state and local grants and contract revenues, and auxiliary enterprise revenues.

Nonoperating revenues increased by $16.7 million or 17.8%. This increase is primarily attributable to an increase in state appropriated funds and federal nonoperating revenues. State appropriation revenues reflect an increase of $9.7 million or 18% and federal Pell grant revenues increased by $1.6 million or 4.7% in fiscal year 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

BASIC FINANCIAL STATEMENTS

The **Statement of Net Position** (pages 16-17) presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** (pages 20-21) presents information that shows how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The **Statement of Cash Flows** (pages 23-24) presents information showing how the System's cash changed as a result of the current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement 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 financial statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

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

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

The Statement of Net Position provides information to the financial statement reader regarding the available assets of the System, the liabilities or amounts owed to vendors, students, or other System constituents, and the net position of resources (net investment in capital assets, restricted, or unrestricted) and their availability for use by the System.

Current assets total $64.3 million and include cash and cash equivalents, net receivables, federal government receivables, prepaid expenses and advances, inventories, other current assets, and the current portion of amounts due from the state treasury.

Current liabilities total $34.4 million and primarily consist of accounts payable, accrued liabilities, unearned revenues, amounts held in custody for others, other current liabilities, and the current portion of long-term debt obligations for capital leases, bonds payable, claims and litigation payable, and estimated liabilities for compensated absences.

Noncurrent assets total $323.8 million and are comprised primarily of capital assets of $299.8 million. Also included in this section of the report are restricted assets for cash and cash equivalents, investments, and other noncurrent assets.

Noncurrent liabilities total $209.3 million and include the long-term portion of noncurrent liabilities for capital lease obligations, estimated liabilities for compensated absences and other post employment benefits (OPEB), claims and litigation payable, bonds payable, and notes payable.

Categories of Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the total investment in property, plant, and equipment net of accumulated depreciation and outstanding debt obligations. The second net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The restricted expendable net position category is available to the System for legally and contractually-obligated expenditures and must be spent for the purposes that are designated by external donors or entities that have placed time or purpose restrictions on the use of the assets. The final net position category is unrestricted, which is available to the System to be used for any lawful purposes.

The **net investment in capital assets** category totals $200.7 million and includes capital investments, net of related debt for land, buildings, equipment, infrastructure, improvements, construction-in-progress, library holdings, and intangibles.

The **restricted nonexpendable net position** category totals $12.7 million and consists of endowment funds that have been restricted by the donor with a stipulation that as a condition of the award the principal is to remain intact and invested for the purpose of producing current and future income that may be either expended or added to the principal.

The **restricted expendable net position** category totals $27.5 million and includes resources for which an external or third-party agency has imposed a legal or contractual obligation on the use of the funds that stipulates the manner in which these funds are to be spent by the System.

The **unrestricted net position** category totals a negative $96.6 million and includes resources that are under the control of the System's governing board. This category is comprised of the unfunded estimated liability for OPEB of negative $98.7 million and compensated absences of negative $11.8 million. Also included are auxiliary enterprise funds and other unrestricted funds under the control of the System's governing board.

The assets, liabilities, and net position for fiscal years 2014 and 2013 are presented in Table 1 as follows:

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

	2014	2013 (Restated)	Change	Percentage Change
Assets				
Current assets	$64,254,248	$55,214,435	$9,039,813	16.4%
Capital assets, net	299,825,147	283,534,029	16,291,118	5.7%
Other noncurrent assets	23,964,385	27,904,103	(3,939,718)	(14.1%)
Total assets	388,043,780	366,652,567	21,391,213	5.8%
Liabilities				
Current liabilities	34,417,671	29,429,764	4,987,907	16.9%
Noncurrent liabilities	209,325,840	203,664,650	5,661,190	2.8%
Total liabilities	243,743,511	233,094,414	10,649,097	4.6%
Net Position				
Net investment in capital assets	200,680,434	184,411,162	16,269,272	8.8%
Restricted:				
Nonexpendable	12,737,892	12,510,885	227,007	1.8%
Expendable	27,469,790	32,583,568	(5,113,778)	(15.7%)
Unrestricted	(96,587,847)	(95,947,462)	(640,385)	0.7%
Total net position	$144,300,269	$133,558,153	$10,742,116	8.0%

The above schedules are prepared using the System's Statement of Net Position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Total assets of the System increased by $21.4 million or 5.8%. Total liabilities of the System reflect an increase of $10.6 million or 4.6%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all operations of the System to better serve the instruction, research, and public service mission of the System.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position, as presented in the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received and expenses paid by the 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 Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2014, reports a net operating loss of $116.1 million which includes expenses but does not include revenues for state appropriations of $63.8 million, federal nonoperating revenues of $36.2 million, gifts of $0.3 million, investment income of $0.9 million, and other nonoperating revenues of $9.0 million. After adjusting for these revenues in the Nonoperating Revenues (Expenses) section of the report and adjusting for interest expense of $3.7 million, the net loss before other revenues totals $9.5 million.

The operating revenues are received for providing goods and services to the various customers and constituents of the System. Operating revenues total $122.3 million and consist of net tuition and fee revenues, federal, state, and nongovernmental grants and contracts revenues, net auxiliary enterprise revenues and other operating revenues.

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 mission of the System. Operating expenses are reported at $238.4 million for the year and includes education and general expenses by functional breakdown, depreciation, net auxiliary expenses, and other operating expenses.

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 System even though the Legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are reported in the Statement of Revenues, Expenses, and Changes in Net Position as federal nonoperating revenues. Also included in this section are net federal student loan receipts and disbursements for the William D. Ford Federal Direct Loan Program. Net nonoperating revenues (expenses) total $106.6 million for fiscal year 2014.

The Statement of Revenues, Expenses, and Changes in Net Position reflect a positive change of $10.7 million for the year. Federal nonoperating (Pell) grants reflect an increase of $1.6 million or 4.7% and state appropriations reflect an increase of $9.7 million or 18%.

The detailed Statement of Revenues, Expenses, and Changes in Net Position for the System are shown on page 12.

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

	2014	2013 (Restated)	Change	Percentage Change
Operating revenues:				
Student tuition and fees, net of scholarship allowances	$48,478,201	$46,219,157	$2,259,044	4.9%
Federal appropriations	3,401,068	3,384,248	16,820	0.5%
Federal grants and contracts	38,446,831	39,458,715	(1,011,884)	(2.6%)
State and local grants and contracts	3,377,952	4,082,779	(704,827)	(17.3%)
Nongovernmental grants and contracts	110,299	429,899	(319,600)	(74.3%)
Auxiliary revenues, net of scholarship allowances	23,286,549	19,371,130	3,915,419	20.2%
Other operating revenues	5,235,744	4,829,476	406,268	8.4%
Total operating revenues	122,336,644	117,775,404	4,561,240	3.9%
Nonoperating revenues:				
State appropriations	63,804,463	54,079,856	9,724,607	18.0%
Federal nonoperating revenues	36,241,752	34,608,731	1,633,021	4.7%
ARRA revenues		470,955	(470,955)	(100.0%)
Gifts	337,276	617,537	(280,261)	(45.4%)
Investment income	933,536	440,326	493,210	112.0%
State and local grants and contracts	100,000		100,000	100.0%
Other nonoperating revenues	8,898,166	3,414,332	5,483,834	160.6%
Total nonoperating revenues	110,315,193	93,631,737	16,683,456	17.8%
Total revenues	232,651,837	211,407,141	21,244,696	10.0%
Operating expenses:				
Educational and general:				
Instruction	52,943,329	51,860,676	1,082,653	2.1%
Research	7,794,791	8,574,441	(779,650)	(9.1%)
Public service	7,574,404	8,934,936	(1,360,532)	(15.2%)
Academic support	27,076,542	26,149,954	926,588	3.5%
Student services	16,216,793	18,006,700	(1,789,907)	(9.9%)
Institutional support	47,540,920	43,081,439	4,459,481	10.4%
Operation and maintenance of plant	20,777,689	17,942,514	2,835,175	15.8%
Depreciation	14,139,583	14,281,259	(141,676)	(1.0%)
Scholarships and fellowships	21,576,520	23,080,597	(1,504,077)	(6.5%)
Auxiliary enterprises	22,104,500	16,954,599	5,149,901	30.4%
Other operating expenses	667,754	1,016,487	(348,733)	(34.3%)
Total operating expenses	238,412,825	229,883,602	8,529,223	3.7%
Nonoperating expenses - interest expense	3,694,958	3,595,575	99,383	2.8%
Total nonoperating expenses	3,694,958	3,595,575	99,383	2.8%
Total expenses	242,107,783	233,479,177	8,628,606	3.7%
Loss before other revenues	(9,455,946)	(22,072,036)	12,616,090	(57.2%)
Capital appropriations	3,603,597	3,569,813	33,784	0.9%
Capital grants and gifts	16,339,465	5,814,416	10,525,049	181.0%
Additions to permanent endowment	255,000	109,702	145,298	132.4%
Other revenues	20,198,062	9,493,931	10,704,131	112.7%
Change in net position	10,742,116	(12,578,105)	23,320,221	(185.4%)
Net position at beginning of year, restated	133,558,153	146,136,258	(12,578,105)	(8.6%)
Net position at end of year	$144,300,269	$133,558,153	$10,742,116	8.0%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As shown in the table below, the System invested $299.8 million in capital assets which is shown net of accumulated depreciation. The table below depicts an increase in the total cost of capital assets of $29.8 million or 5.0%. Accumulated depreciation for the same period increased by $13.5 million or 4.3% resulting in an overall net increase of approximately $16.3 million or 5.7%. The System's capital assets (including additions, transfers and retirements, net of accumulated depreciation) is comprised of buildings, improvements, equipment, infrastructure, and library holdings. Also included are intangible assets for computer software and non-depreciable assets for land and construction-in-progress.

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

	2014	2013 (Restated)	Change	Percentage Change
Capital assets not being depreciated	$45,160,653	$30,811,267	$14,349,386	46.6%
Other capital assets:				
Infrastructure	32,844,713	32,844,713	0	0.0%
Land Improvements	14,876,730	14,485,562	391,168	2.7%
Buildings	387,895,399	374,507,186	13,388,213	3.6%
Equipment (including library books)	135,801,960	134,146,754	1,655,206	1.2%
Software	7,294,803	7,317,561	(22,758)	(0.3%)
Total other capital assets	578,713,605	563,301,776	15,411,829	2.7%
Total cost of capital assets	623,874,258	594,113,043	29,761,215	5.0%
Less - accumulated depreciation	(324,049,111)	(310,579,014)	(13,470,097)	4.3%
Capital assets, net	$299,825,147	$283,534,029	16,291,118	5.7%

This year's major additions include construction-in-progress projects for repairs to buildings damaged by Hurricane Katrina in New Orleans and by Hurricane Gustav in Baton Rouge, renovations and repairs to other various buildings, and the repair of the ravine sloughing project on the Baton Rouge Campus land mass. Other capital asset increases during the fiscal year include various projects for land and building improvements. Also, the $8.3 million Millennium Intramural Complex was completed on the Baton Rouge Campus.

For additional information concerning Capital Assets, the financial statement reader can refer to note 6 in the accompanying notes to the financial statements.

LONG-TERM DEBT

The System retired $117,916 in bonds payable during the 2014 fiscal year. The total amount of long-term debt at June 30, 2014, is $212.7 million as shown in the table below. Of this amount, $3.4 million is reported as current and is expected to be paid within one year.

Description	Amount	Current Portion
Compensated absences	$11,763,051	$784,944
Notes payable	39,663,943	1,268,000
Capital lease obligation	49,089,229	940,233
Bonds payable	12,653,932	145,000
OPEB obligation	98,724,568	0
Claims and litigation payable	829,814	260,520
Total	$212,724,537	$3,398,697

For additional information relating to changes in and the composition of long-term liabilities and capital leases, the financial statement reader can refer to notes 9, and 12 through 17 in the accompanying notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

Enrollment challenges, changes in tuition and fees and cumulative reductions in state and federal funding continue to have a significant impact on the System's operations and financial position. Although the System has recently absorbed significant cuts in state appropriations, the state authorized an increase of $10.675 million for fiscal year 2013-14, including one-time appropriations, self-generated fees, and interagency transfers that were allocated to campus' operating budgets and system-wide strategic initiatives. Also, the 2013-14 fiscal year marks the first time since fiscal year 2008-09 that the State did not impose mid-year cuts on higher education systems. While there have been some economic factors that have placed a strain on already limited resources, the System is addressing these issues through prudent and careful management of available resources.

Despite continuing budgetary and economic challenges, the System leadership has continued to maintain balanced operating budgets and sustain stable financial positions. The State has advised the System leadership of a forthcoming budget reduction in state appropriations of $12.1 million or 21% for fiscal year 2014-15. The System leadership also anticipates a $2 million allocation for Southern's campuses from the newly approved Workforce Innovations for a Stronger Economy (WISE) fund to better align higher education production with the state's workforce needs. The System leadership has strategically positioned itself to implement approved budgetary measures to ensure that current operations are sustained and the mission and goals of the System are preserved.

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

CONTACTING THE 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 for the money it receives. If you have questions about this report or the need for additional financial information, contact the System Vice President for Finance and Business Affairs, Mr. Kevin Appleton, located on the 4th Floor of the J. S. Clark Administration Building, Baton Rouge, Louisiana, 70813; phone number 225-771-5550; e-mail - kevin_appleton@sus.edu.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$24,271,208
Investments (note 3)	528,780
Receivables, net (note 4)	15,647,590
Due from federal government	18,257,174
Due from state treasury	1,321,237
Inventories	378,143
Prepaid expenses and advances	3,562,661
Notes receivable, net (note 5)	326,109
Other current assets	(38,654)
Total current assets	64,254,248
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	12,230,253
Restricted investments (note 3)	11,553,551
Capital assets, net (note 6)	299,825,147
Other (note 17)	180,581
Total noncurrent assets	323,789,532
Total assets	388,043,780
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 7)	15,316,687
Unearned revenues (note 8)	9,518,995
Compensated absences (notes 9 and 15)	784,944
Capital lease obligations (notes 14 and 15)	940,233
Amounts held in custody for others	1,115,332
Claims and litigation payable (notes 13 and 15)	260,520
Notes payable (notes 15 and 16)	1,268,000
Bonds payable (notes 15 and 17)	145,000
Other current liabilities	5,067,960
Total current liabilities	34,417,671

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Position
June 30, 2014

LIABILITIES (CONT.)	
Noncurrent liabilities:	
Compensated absences (notes 9 and 15)	$10,978,107
Capital lease obligations (notes 14 and 15)	48,148,996
Claims and litigation payable (note 13 and 15)	569,294
Notes payable (notes 15 and 16)	38,395,943
Other postemployment benefits payable (notes 12 and 15)	98,724,568
Bonds payable (notes 15 and 17)	12,508,932
Total noncurrent liabilities	209,325,840
Total liabilities	243,743,511
NET POSITION	
Net investment in capital assets	200,680,434
Restricted for:	
Nonexpendable (note 18)	12,737,892
Expendable (note 18)	27,469,790
Unrestricted	(96,587,847)
TOTAL NET POSITION	$144,300,269

(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, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$6,607,235
Accounts receivable (note 4)	5,449
Capital lease receivable (note 4)	1,160,000
Pledges receivable, net (note 4)	646,703
Due from affiliate (note 4)	248,367
Prepaid expenses	23,054
Prepaid bond insurance (note 17)	32,945
Bond issuance costs (note 17)	27,855
Total current assets	8,751,608
Noncurrent assets:	
Investments (note 3)	6,849,718
Fixed assets (note 6)	1,432,357
Capital lease receivable (note 4)	57,459,066
Prepaid bond insurance (note 17)	790,688
Bond issuance costs (note 17)	696,573
Total noncurrent assets	67,228,402
TOTAL ASSETS	$75,980,010

(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, 2013

LIABILITIES	
Current liabilities:	
Accounts payable	$301,788
Retainage payable	156,385
Accrued interest payable	431,964
Due to affiliate (note 22)	5,673,533
Loans payable	110,226
Bonds payable and premium, net (note 17)	1,226,157
Total current liabilities	7,900,053
Noncurrent liabilities:	
Loans payable	175,028
Rental deposit fund (note 23)	1,876,013
Bonds payable and premium (note 17)	55,357,780
Total noncurrent liabilities	57,408,821
Total liabilities	65,308,874
NET ASSETS	
Unrestricted	1,314,649
Temporarily restricted	6,721,141
Permanently restricted (note 18)	2,635,346
Total net assets	10,671,136
TOTAL LIABILITIES AND NET ASSETS	$75,980,010

(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 Position
For the Fiscal Year Ended June 30, 2014

OPERATING REVENUES	
Student tuition and fees	$73,236,106
Less scholarship allowances	(24,757,905)
Net student tuition and fees	48,478,201
Federal appropriations	3,401,068
Federal grants and contracts	38,446,831
State and local grants and contracts	3,377,952
Nongovernmental grants and contracts	110,299
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 17)	24,815,152
Less scholarship allowances	(1,528,603)
Net auxiliary revenues	23,286,549
Other operating revenues	5,235,744
Total operating revenues	122,336,644
OPERATING EXPENSES	
Educational and general:	
Instruction	52,943,329
Research	7,794,791
Public service	7,574,404
Academic support	27,076,542
Student services	16,216,793
Institutional support	47,540,920
Operation and maintenance of plant	20,777,689
Depreciation (note 6)	14,139,583
Scholarships and fellowships	21,576,520
Auxiliary enterprises	22,104,500
Other operating expenses	667,754
Total operating expenses	238,412,825
OPERATING LOSS	(116,076,181)

(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 Position
For the Fiscal Year Ended June 30, 2014

NONOPERATING REVENUES (Expenses)	
State appropriations	$63,804,463
Federal nonoperating revenues	36,241,752
Gifts	337,276
Investment income	933,536
Interest expense	(3,694,958)
State and local grants and contracts	100,000
Other nonoperating revenues	8,898,166
Net nonoperating revenues	106,620,235
LOSS BEFORE OTHER REVENUES	(9,455,946)
Capital appropriations	3,603,597
Capital grants and gifts	16,339,465
Additions to permanent endowment	255,000
CHANGE IN NET POSITION	10,742,116
NET POSITION - BEGINNING OF YEAR (restated) (note 19)	133,558,153
NET POSITION - END OF YEAR	$144,300,269

(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, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND OTHER SUPPORT				
Contributions and other support	$554,539	$1,156,963	$57,800	$1,769,302
Rental income	2,647,025			2,647,025
Bayou Classic revenues	1,313,264			1,313,264
Scoreboard sponsorships	150,000	336,960		486,960
Athletic sponsorships and support		232,810		232,810
Contributed Services	241,500			241,500
Interest income	1,185			1,185
Realized/unrealized investment gains, net of losses		18,856		18,856
Other income	67,679			67,679
Net assets released from restrictions - (note 25)	1,756,162	(1,756,162)		
Total revenues and other support	6,731,354	(10,573)	57,800	6,778,581
EXPENSES				
Program services	6,462,100			6,462,100
Support services	352,489			352,489
Total expenses	6,814,589	NONE	NONE	6,814,589
Changes in net assets	(83,235)	(10,573)	57,800	(36,008)
Net assets - beginning of year (restated) (note 19)	1,397,884	6,731,714	2,577,546	10,707,144
Net assets - end of year	$1,314,649	$6,721,141	$2,635,346	$10,671,136

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$47,510,725
Federal appropriations	3,401,068
Grants and contracts	41,264,762
Payments to suppliers	(49,654,306)
Payments for utilities	(7,648,057)
Payments to employees	(98,861,819)
Payments for benefits	(39,039,132)
Payments for scholarships and fellowships	(21,486,982)
Loans issued to students	(326,108)
Collection on loans issued to students	371,736
Auxiliary enterprise charges	22,813,033
Other receipts	5,967,578
Net cash used by operating activities	(95,687,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	62,759,170
State and local grants and contracts	100,000
Gifts and grants for other than capital purposes	33,285,080
Private gifts for endowment purposes	255,000
TOPS receipts	2,635,447
TOPS disbursements	(2,634,831)
Implicit loan reduction from other campuses	(5,647,702)
Implicit loan reduction to other campuses	4,647,702
Direct lending receipts	104,277,150
Direct lending disbursements	(104,277,150)
Federal Family Education Loan program receipts	1,085,921
Federal Family Education Loan program disbursements	(1,085,921)
Other receipts	8,538,989
Net cash provided by noncapital financing activities	103,938,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital appropriations received	1,449,566
Capital grants and gifts received	(84,534)
Purchases of capital assets	(4,870,835)
Principal paid on capital debt and leases	(968,480)
Interest paid on capital debt and leases	(3,620,725)
Other sources	1,704,988
Net cash used by capital and related financing activities	(6,390,020)

(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, 2014

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$4,043,859
Interest received on investments	594,825
Purchase of investments	(4,822,112)
Net cash used by investing activities	(183,428)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,677,905
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,823,556
CASH AND CASH EQUIVALENTS AT END OF YEAR	$36,501,461
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($116,076,181)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	14,139,583
Changes in assets and liabilities:	
Increase in accounts receivable, net	(2,147,591)
Increase in inventories	(50,161)
Increase in due from federal government	(406,194)
Decrease in prepaid expenses	5,953
Decrease in notes receivable	45,628
Decrease in other assets	43,632
Increase in accounts payable	3,819,731
Decrease in unearned revenue	(701,247)
Decrease in claims and litigation	(253,020)
Decrease in compensated absences	(382,305)
Increase in other postemployment benefits payable	6,405,885
Decrease in other liabilities	(131,215)
Net cash used by operating activities	($95,687,502)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	$24,271,208
Cash and cash equivalents classified as noncurrent assets	12,230,253
Cash and cash equivalents at the end of the year	$36,501,461
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital appropriations for construction of capital assets	$2,154,031
Capital gifts and grants	$16,421,589
Capital lease	$8,176,338
Net increase in the fair value of investments	$785,932
Loss on disposal of capital assets	($1,983)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University System (System) is a publicly supported institution of higher education. The System is a component unit of the state of Louisiana, within the executive branch of government. The System 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 System'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 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 degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the System's Law Center. During the summer, fall, and spring semesters of the 2013-2014 fiscal year, the System conferred 2,096 degrees and student enrollment was approximately 29,136. The System has 517 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The 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 Foundation, originally chartered in 1968, is a nonprofit corporation organized to promote the educational and cultural welfare of the System and to provide scholarships and awards for a student to continue his or her studies at any campus within the System. 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. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred. All significant intra-system transactions have been eliminated.

The SUSLA Facilities, Inc., a nongovernmental blended component unit, and the Southern University System Foundation (Foundation), a discrete component unit, report under the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (ASC), FASB Topic 958. 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.

D. BUDGET PRACTICES

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

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 Position. There are no formally adopted policies to further limit interest rate risk, credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

The requirements of state law are not applicable to the investments held by SUSLA Facilities, Inc. 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 SUSLA Facilities, Inc., are classified as current assets in the Statement of Net Position, 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 System's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Any infrastructure exceeding $3 million is also capitalized. Computer software purchased for internal use with depreciable costs of $1 million or more is 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. UNEARNED REVENUES

Unearned (formerly deferred) revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to subsequent accounting periods. Unearned 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 or termination 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 nonclassified 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 which 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.

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, and other postemployment benefits that will not be paid within the next fiscal year.

L. NET POSITION

The System's net position is classified in the following components:

(a) *Net investment in capital assets* consists 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 student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and most federal, state, and local grants and contracts and federal appropriations.

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

- *Operating expenses* generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services; payments to employees for services; and 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 Position. 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. 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.

P. 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Q. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2014, the System implemented the following accounting standards:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. This Statement had no significant impact on the financial statements other than limiting the use of the term "deferred" only for deferred outflows or inflows of resources as defined in the statement. Therefore, *deferred charges and prepaid expenses* are now reported as *prepaid expenses and advances*, and *deferred revenues* are reported as *unearned revenues*.

- GASB Statement No. 66, *Technical corrections-2012 – an amendment of GASB Statements No. 10 and No. 62*, amends the aforementioned GASB statements and resolves conflicting guidance that resulted from the issuance of GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of Statement No. 66 had no significant impact on the financial statements.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, addresses issues related to governments' recognition of a liability when extending nonexchange financial guarantees. This statement had no impact on the financial statements.

R. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, was issued in June 2012 and is effective for fiscal years beginning after June 15, 2014. Statement No. 68 addresses accounting and financial reporting for pensions that are provided to employees of state and local governmental employers through pension plans administered through trusts, and establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. In addition, Statement No. 68 addresses note disclosures and required supplementary information for pensions. Most significantly, the System will be required to recognize a liability for its proportionate share of the net pension liability of the defined benefit pension plans presented in note 10. Though the System's proportionate share of these plans' pension liabilities is currently unknown, the impact on the System's net position is expected to be significant.

FOUNDATION

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND PURPOSE

The Foundation is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and A&M College System and to develop, expand, and improve the System's facilities.

The consolidated financial statements of the Foundation include:

(1) 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. BASIS OF ACCOUNTING

The Foundation financial statement presentation follows the recommendations of the FASB in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets according to external (donor) imposed restrictions.

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

- *Unrestricted* - net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net position.
- *Temporarily restricted* - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time.
- *Permanently restricted* - net assets subject to donor-imposed restriction that they be maintained permanently by the Foundation.

C. USE OF ESTIMATES

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates that were used.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, and all highly liquid instruments with an original maturity of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with endowment investments.

E. ENDOWMENT INVESTMENTS

Endowment investments are in short-term money market securities, equity investments, and fixed income investment. Endowment investments are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

F. PLEDGES

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. 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 System.

H. CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. 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/or supporting services benefited.

J. TAX EXEMPTION STATUS

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

K. 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.

L. 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 Millennium for the construction projects.

M. NONCURRENT LIABILITIES

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

N. PRINCIPLES OF CONSOLIDATION

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

2. CASH AND CASH EQUIVALENTS

At June 30, 2014, the System has cash and cash equivalents (book balances) totaling $36,501,461 as follows:

Demand deposits	$30,872,288
Time certificates of deposit	5,627,473
Petty cash	1,700
Total	$36,501,461

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

Current assets	$24,271,208
Noncurrent assets - restricted	12,230,253
Total	$36,501,461

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 System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the System has $29,939,392 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

FOUNDATION CASH AND CASH EQUIVALENTS

As of December 31, 2013, cash and cash equivalents consisted of $3,817,451 unrestricted and $2,789,784 restricted.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

The Foundation's cash balances are held in savings and trust, as well as investment institutions. Cash and cash equivalents exceeded federally insured limits by $166,829 as of December 31, 2013.

3. INVESTMENTS

At June 30, 2014, the System has investments totaling $12,082,331 as follows:

	Fair Value June 30, 2014	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$1,787,944	1.76	
U.S. government agencies	529,181	2.98	
Government obligations	101,435	5.04	
U.S. government obligations	80,230	1.50	
Common and preferred stock	3,210,218	Not Applicable	
Mutual funds	447,054	Not Applicable	
Subtotal - held by private foundation	6,156,062		Not Rated
Louisiana Asset Management Pool	2,424,561	Not Applicable	AAAm
Equities	995,961	Not Applicable	Not Applicable
Mutual funds (debt securities)	488,451	7.38	Not Rated
Money market mutual fund	29,618	Not Applicable	Not Rated
Subtotal	3,938,591		
SUSLA Facilities, Inc.	1,987,678		
Total	$12,082,331		

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

Current assets	$528,780
Noncurrent assets - restricted	11,553,551
Total	$12,082,331

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

The investments in U.S. government obligations totaling $80,230 are generally not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. There is no formal adopted investment policy regarding custodial credit risk.

Investments totaling $6,156,062 are held by a private foundation in external investment pools and managed in accordance with the terms outlined in management agreements executed between the System and the Foundation. The System is a voluntary participant. The foundation holds and manages funds received by the System as state matching funds for the Endowed Chairs and Endowed Professorship programs. All of these investments are held by the System's discretely presented component unit.

At June 30, 2014, the Facilities has bond funds totaling $1,987,678 on deposit with its bond trustee. These deposits consist of 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 FASB ASC Topic 958. 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 (fair value) in accordance with FASB ASC Topic 958-320, *Accounting for Certain Investments Held by Non-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, 2013:

Description	Carrying Value	Fair Value
Publicly traded securities	$3,071,639	$3,721,954
Fixed income investments	3,131,043	3,127,764
Total	$6,202,682	$6,849,718

The above total represents the amount of investments that are maintained and managed on behalf of the System. These amounts are classified as non-current restricted assets in the Statement of Financial Position.

FOUNDATION CONCENTRATIONS OF CREDIT RISK

Funds which are being held by investment institutions are protected by the Securities Investor Protection Corporation (SIPC). The SIPC provides insurance coverage limited to $500,000 per customer, including up to $250,000 for cash. As of December 31, 2013, cash investments exceeded SIPC coverage by $206,071, and publicly-traded securities and fixed-income investments exceeded the SIPC limit by $5,055,789. Management believes there is minimal risk related to the insolvency of the financial instutions.

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	$8,721,107	($2,086,581)	$6,634,526
Auxiliary enterprises	2,840,436	(704,433)	2,136,003
State and private grants and contracts	2,315,460		2,315,460
Accrued interest receivable	24,351		24,351
Due from Office of Facility Planning	3,656,923	(115,968)	3,540,955
Other	1,115,949	(135,039)	980,910
SUSLA Facilities, Inc.	15,385		15,385
Total	$18,689,611	($3,042,021)	$15,647,590

There is no noncurrent portion of accounts receivable.

FOUNDATION RECEIVABLES

As of December 31, 2013, accounts receivable totaled $5,449. Management believes all receivables to be collectible; therefore, no allowance for doubtful collection is recorded.

Unconditional pledges receivable are due as follows on December 31, 2013:

Expected to be collected in:	
Less than one year	$251,590
One to five years	517,302
Gross pledges receivable	768,892
Less - allowance for doubtful accounts	(122,189)
Pledges receivable, net	$646,703

The Foundation entered into a cooperative agreement with the System's Board to lease the projects included in the bond issuance. The System's 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 System during the next fiscal year totals $1,160,000. The total amount due for succeeding years totals $57,459,066. The total Capitalized Lease Receivable balance at December 31, 2013, totaled $58,619,066.

The Foundation has certain receivables due from the System. The receivables due from the System were as follows at December 31, 2013:

Reimbursable costs pertaining to bond projects due from the Baton Rouge campus	$80,270
Reimbursable costs pertaining to bond projects due from the Shreveport campus	168,097
Total due from affiliate	$248,367

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 efforts are still made to collect 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, 2014. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan Program (A&M and SUSLA)	$1,981,136	($1,981,136)	
Student Government Association loans (SUNO)	326,109		$326,109
Long-term student loans (SUSLA)	98,931	(98,931)	
Total	$2,406,176	($2,080,067)	$326,109

6. CAPITAL ASSETS

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

	Balance June 30, 2013	Prior Period Adjustments	Adjusted Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:							
Land	$6,609,696		$6,609,696				$6,609,696
Non-depreciable land improvements	139,640		139,640				139,640
Software-development in progress	NONE		NONE				NONE
Construction-in-progress	24,061,931		24,061,931	$19,946,738	($5,597,352)		38,411,317
Total capital assets not being depreciated	$30,811,267	NONE	$30,811,267	$19,946,738	($5,597,352)	NONE	$45,160,653
Capital assets being depreciated:							
Infrastructure	$32,844,713		$32,844,713				$32,844,713
Less accumulated depreciation	(24,528,734)		(24,528,734)	($241,518)			(24,770,252)
Total infrastructure	8,315,979	NONE	8,315,979	(241,518)	NONE	NONE	8,074,461
Land improvements	14,485,562		14,485,562		391,168		14,876,730
Less accumulated depreciation	(6,170,763)	($14,531)	(6,185,294)	(512,912)			(6,698,206)
Total land improvements	8,314,799	(14,531)	8,300,268	(512,912)	391,168	NONE	8,178,524
Buildings	374,507,186		374,507,186	8,182,030	5,206,183		387,895,399
Less accumulated depreciation	(153,359,498)		(153,359,498)	(8,672,415)			(162,031,913)
Total buildings	221,147,688	NONE	221,147,688	(490,385)	5,206,183	NONE	225,863,486
Equipment (including library books)	134,081,184	65,570	134,146,754	2,326,675		($671,469)	135,801,960
Less accumulated depreciation	(123,385,653)	(61,046)	(123,446,699)	(3,667,373)		669,486	(126,444,586)
Total equipment	10,695,531	4,524	10,700,055	(1,340,698)	NONE	(1,983)	9,357,374
Software (internally generated and purchased)	7,317,561		7,317,561	(22,758)			7,294,803
Other intangibles							
Accumulated amortization - other intangibles							
Accumulated amortization - software	(3,058,789)		(3,058,789)	(1,045,365)			(4,104,154)
Total intangibles	4,258,772	NONE	4,258,772	(1,068,123)	NONE	NONE	3,190,649
Total capital assets being depreciated	$252,732,769	($10,007)	$252,722,762	($3,653,636)	$5,597,351	($1,983)	$254,664,494
Capital assets summary:							
Capital assets not being depreciated	$30,811,267	NONE	$30,811,267	$19,946,738	($5,597,352)	NONE	$45,160,653
Capital assets being depreciated	563,236,206	$65,570	563,301,776	10,485,947	5,597,351	($671,469)	578,713,605
Total cost of capital assets	594,047,473	65,570	594,113,043	30,432,685	(1)	(671,469)	623,874,258
Less accumulated depreciation	(310,503,437)	(75,577)	(310,579,014)	(14,139,583)	NONE	669,486	(324,049,111)
Capital assets, net	$283,544,036	($10,007)	$283,534,029	$16,293,102	($1)	($1,983)	$299,825,147

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, 2014, total interest paid on capital debt was $2,838,122.

Buildings with a carrying value of $210,505 are idle at June 30, 2014.

FOUNDATION FIXED ASSETS

Land, building, and equipment as of December 31, 2013, are summarized as follows:

Land and improvements	$1,005,193
Building	172,125
Office equipment	24,725
Scoreboard equipment	2,555,612
Furniture and fixtures	79,994
Software	84,855
Subtotal	3,922,504
Less - accumulated depreciation	(2,761,146)
Total	$1,161,358

Depreciation expense totaled $39,670 for the year ended December 31, 2013.

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 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. Certain facilities have been completed and are being leased back to the Board. Other facilities are still in the process of being constructed. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totaled $270,999 at December 31, 2013.

7. ACCOUNTS PAYABLE AND ACCRUALS

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

Vendor payables	$7,413,187
Accrued salaries and payroll deductions	6,112,983
Accrued interest	1,785,448
Other payables	5,069
Total	$15,316,687

8. UNEARNED REVENUES

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

Prepaid tuition and fees	$3,202,953
Prepaid athletic ticket sales	446,981
Prepaid room and board	160,174
Grants and contracts	5,708,887
Total	$9,518,995

9. COMPENSATED ABSENCES

At June 30, 2014, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of $5,493,841; $6,054,343; and $214,867, 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 and 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. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy - The contribution requirements of plan members and the 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 Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2014, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% for LASERS employees hired after July 1, 2006). For fiscal year 2014, the state is required to contribute 26.5% of covered salaries to TRSL and 31.3% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the university, funds the employer contribution. The System's employer contributions to TRSL for the years ended June 30, 2014, 2013, and 2012 were $12,348,151; $10,903,717; and $11,103,793, respectively, and to LASERS for the years ended June 30, 2014, 2013, and 2012 were $5,772,070; $5,765,955; $5,624,820, 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 26.5% of the covered payroll for fiscal year 2014. The participant's contribution of 8% for fiscal year 2014, 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 $5,510,139 and $1,663,356, respectively, for the fiscal year ended June 30, 2014.

12. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

ARC	$11,745,100
Interest on net OPEB obligation	3,692,700
ARC adjustment	(3,527,700)
Annual OPEB cost	11,910,100
Contributions made - current year retiree premiums	(5,504,215)
Increase in net OPEB obligation	6,405,885
Beginning net OPEB obligation at June 30, 2013	92,318,683
Ending net OPEB obligation at June 30, 2014	$98,724,568

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$12,769,901	43.0%	$85,310,344
June 30, 2013	$12,548,300	30.3%	$92,318,683
June 30, 2014	$11,910,100	46.2%	$98,724,568

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

Actuarial accrued liability (AAL)	$169,921,700
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$169,921,700
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$76,275,333
UAAL as percentage of covered payroll	222.8%

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

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

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

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

13. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund that is operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The System is involved in 11 lawsuits at June 30, 2014, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the System will incur a liability in one of the cases is probable and the amount of $7,500 is reflected on the financial statements. The amount of settlements paid in the last three years did not exceed insurance coverage. For the claims and litigation not being handled by the Office of Risk Management, the System's campuses pay for settlements out of available funds.

14. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2014, total operating lease expenditures were $3,584,359. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

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 obligation is associated with the capital lease agreement described at 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, 2014:

Fiscal Year Ended June 30,	
2015	$3,727,819
2016	3,724,837
2017	3,724,093
2018	3,725,334
2019	3,724,987
2020-2024	18,620,153
2025-2029	18,623,631
2030-2034	18,626,387
2035-2039	18,627,045
Total mimimum payments	93,124,286
Less - amount representing interest	(44,035,057)
Present value of net minimum lease payments	$49,089,229

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2014, totals $54,788,083 and includes buildings, land improvements, and equipment of $51,064,216; $2,739,916; and 983,951 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, 2014:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	$1,151,745	($496,944)	$654,801
Buildings	3,748,358	(3,276,394)	471,964
Total	$4,900,103	($3,773,338)	$1,126,765

The following is a schedule, by fiscal years, of the minimum future rentals on noncancelable operating leases as of June 30, 2014:

Nature of Operating Lease	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2032	Total Minimum Future Rentals
Office space	$1,601,700	$1,589,200	$1,608,600	$1,645,600					$6,445,100
Equipment	7,500								7,500
Land	39,600	39,600	39,600	39,600	$36,600	$18,000	$18,000	$6,300	237,300
Other	71,270	59,270	50,000	50,000	50,000	150,000			430,540
Total	$1,720,070	$1,688,070	$1,698,200	$1,735,200	$86,600	$168,000	$18,000	$6,300	$7,120,440

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. For fiscal year ended June 30, 2014, contingent rentals for office space amounted to $118,933.

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, 2014:

	Balance, June 30, 2013	Additions	Reductions	Balance, June 30, 2014	Amounts Due Within One Year
Compensated absences payable	$12,145,356	$374,238	($756,543)	$11,763,051	$784,944
Capital lease obligations	47,767,527	2,172,266	(850,564)	49,089,229	940,233
Claims payable	1,232,834		(403,020)	829,814	260,520
Notes payable	40,813,943		(1,150,000)	39,663,943	1,268,000
OPEB payable	92,318,683	13,461,008	(7,055,123)	98,724,568	
Revenue bonds payable	12,771,848		(117,916)	12,653,932	145,000
Pollution Remediation Obligation	11,968		(11,968)		
Total long-term liabilities	$207,062,159	$16,007,512	($10,345,134)	$212,724,537	$3,398,697

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 (University) 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.

On March 29, 2013, the Secretary of the U.S. Department of Education (the Secretary) modified the terms and conditions of the Gulf Hurricane Disaster loan made to the University under the Historically Black College and University Capital Financing Program. The loan modification is required by statute to be on such terms as the Secretary, the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interests of both the United States and the University and necessary to mitigate the economic effects of the hurricanes, provided that the modification does not result in any net cost to the federal government.

The loan modification has three principal components: payment forbearance, expense-base repayment, and debt adjustment. The University will receive a five-year forbearance commencing April 1, 2013, during which no principal, interest, or servicing fees will be required to be paid. During the forbearance period, the Secretary will pay the required principal and interest payments, and the servicing fee. At the end of the forbearance period, the accrued interest, the servicing fees, and the insurance fee will be capitalized with the principal balance, and a reamortized debt service plan will be developed.

Beginning 60 days after execution of the loan modification documents, and every February thereafter, the University will provide the Secretary with a detailed operating plan and performance data addressing goals agreed to by the University and the Secretary. The content required to be submitted as a part of the operating plan includes financial statements, budgets, census information on employees and students, and short-term and long-term strategies regarding enrollment, auxiliary services income, and the academic core.

If the Secretary determines that the University’s submission for the first four years of forbearance reflect a good faith effort to devise and implement a reasonable strategic plan, and that the performance data reflect reasonable progress in the circumstances towards the benchmarks adopted, the Secretary will designate the University as eligible for Expense-Based Repayments (EBR).

Once the five-year forbearance has ended, the EBR will be based on the University’s adjusted unrestricted fund operating expenses. The EBR will be set at the lesser of the reamortized scheduled payments (plus servicing and Federal Financing Bank (FFB) fees) or three percent (3%) of the adjusted Unrestricted Current Funds’ operating expenses. If the EBR is less than the reamortized scheduled payment, the University will pay the EBR and the Secretary will pay the difference. However, the amounts paid by the Secretary will not reduce the amount owed by the University.

Upon approval by the Secretary, if the University has made payments in the amounts and at the times specified in the loan documents, any loan amounts outstanding due to the difference between the EBR payment amounts and the reamortized scheduled payment amounts will be forgiven at the maturity date of June 1, 2037. The Secretary reserves the right to deny forgiveness if the University has breached, falsified, or misrepresented any covenants, representations, or any information relative to the loan and related documents.

During the fiscal year ended June 30, 2014, the System reported $39,663,943 on the Statement of Net Position as Notes Payable.

The following is a summary of future minimum payments as of June 30, 2014:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	$1,265,284	$393,545	$1,658,829
2016	1,363,074	380,648	1,743,722
2017	1,459,866	366,773	1,826,639
2018	1,607,549	351,815	1,959,364
2019	1,631,498	335,684	1,967,182
2020-2024	8,410,944	1,429,661	9,840,605
2025-2029	8,839,025	999,574	9,838,599
2030-2034	9,292,053	547,505	9,839,558
2035-2039	5,794,650	101,941	5,896,591
Total	$39,663,943	$4,907,146	$44,571,089

17. BONDS PAYABLE

Bonds payable consisted of the following for the fiscal year ended June 30, 2014:

Issue	Date of Issue	Original Issue	Principal Outstanding June 30, 2013	Issued (Redeemed)	Principal Outstanding June 30, 2014	Final Fiscal Year Maturity	Interest Rates	Future Interest Payments June 30, 2014
A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993	November 1, 1993	$650,000	$10,000	($10,000)	$0	2014	8.50%	$0
SUSLA Facilities, Inc., Revenue Bonds:								
Series 2007A	July 25, 2007	12,795,000	12,795,000	(90,000)	12,705,000	2040	5.75%	12,338,778
Series 2007B	July 25, 2007	205,000	20,000	(20,000)	0	2014	9.0%	0
Total			12,825,000	(120,000)	12,705,000			$12,338,778
Accumulated amortization of premium			78,411	(3,075)	75,336			
Accumulated amortization of discount			(131,563)	5,159	(126,404)			
Bonds payable, net			$12,771,848	($117,916)	$12,653,932			

The scheduled maturities of the bonds at June 30, 2014, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	$145,000	$726,368	$871,368
2016	180,000	717,025	897,025
2017	215,000	705,668	920,668
2018	245,000	692,444	937,444
2019	260,000	677,925	937,925
2020-2024	1,545,000	3,140,219	4,685,219
2025-2029	2,045,000	2,627,031	4,672,031
2030-2034	2,705,000	1,949,107	4,654,107
2035-2039	3,575,000	1,051,528	4,626,528
2040	1,790,000	51,463	1,841,463
Total	$12,705,000	$12,338,778	$25,043,778
Unamortized premium/discount, net	($51,068)		
Bonds payable reported on the Statement of Net Position	$12,653,932		

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, 2014:

	Costs	Prior Year Accumulated Amortization	Current Year Amortization	Costs, net of Accumulated Amortization
Bond issuance costs	$230,528	($42,263)	($7,684)	$180,581

The System had 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 track at A.W. Mumford Stadium located on the Baton Rouge campus. The bonds were payable solely from the fee and were payable through fiscal year 2014. The final principal and interest payments on the bonds required less than 3.08% of net revenues. The total principal and interest remaining to be paid on the bonds is $0, with the final payment made during the year ended June 30, 2014. Principal and interest paid for the current year and total fees collected were $10,425 and $3,850, respectively.

The following is a summary of the debt service reserve requirements of the bond issues outstanding at June 30, 2014:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
SUSLA Facilities, Inc., Series 2007A	$948,488	$948,488	

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 A&M 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 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 Foundation is required to submit certain prescribed documentation within 180 days after the last day of each fiscal year to the bond insurer and the trust officer. These documents include financial reports certified by independent certified public accountants, a copy of the budget, a no default certificate, a copy of the developer’s certificate, and a copy of the disclosure certificate. While conducting the annual account review of the Foundation, the bond trustee determined that the Foundation failed to comply with the terms of the indenture by not submitting the required documents in a timely manner. The Foundation has been working with the bond trustee to furnish the required documentation and regain compliance.

The requirements to amortize the bonds are as follows:

Year Ended December 31,	Principal
2014	$1,160,000
2015	1,215,000
2016	1,275,000
2017	1,340,000
2018	1,410,000
2019 and thereafter	48,530,000
Total	$54,930,000

Interest expense for the year ended December 31, 2013, totaled $2,571,660. Total bonds payable net of bond premium totaled $56,583,937.

The Foundation has a capitalized lease receivable due from the System in the amount of $58,619,066. Payments are made to the Foundation totaling the amount of annual principal and interest due to service the Foundation's bond repayments. A loss in students or funding to the System could potentially result in the Foundation defaulting on their bond obligations. There is currently no cause for concern regarding the System's ability to repay the capitalized lease.

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	(396,943)
Current year amortization	(66,157)
Total accumulated amortization	(463,100)
Ending balance, December 31, 2013	$1,653,937

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, 2013
Bond issuance costs	$927,291	($172,743)	($30,120)	$724,428
Prepaid bond insurance	$1,054,250	($195,473)	($35,144)	$823,633

18. RESTRICTED NET POSITION

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

Nonexpendable - endowments	$12,737,892
Expendable:	
Gifts, grants, and contracts	$579,849
Restricted funds	873,051
Endowment income	4,814,867
Student fees, faculty and staff funds	8,836,692
Student loans	1,065,583
University plant projects	9,630,925
Debt service requirements	1,661,707
General Fund	7,116
Total expendable	$27,469,790

Of the total net assets reported in the Statement of Net Position as of June 30, 2014, a total of $8,541,280 is restricted by enabling legislation.

FOUNDATION RESTRICTED NET ASSETS

Net assets that were permanently restricted as of December 31, 2013, consisted of a $2,635,346 scholarship endowment fund.

19. RESTATEMENT OF BEGINNING NET POSITION

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

Net Position at June 30, 2013	$131,546,931
Capital asset adjustment	9,558
Due from State Treasury	4,735
Deferred revenue adjustment	11,091
Accounts payable adjustment	204,587
Revenue reclassification	3,021,711
Expense reclassification/adjustment	984
Accounts receivable adjustment	(184,124)
Federal receivable adjustment	(574,231)
Restate fund balance at beginning of year	(485,499)
Pollution Remediation Obligation	2,410
Net Position at June 30, 2013, as restated	$133,558,153

The restatements increased the System's beginning net position by $2,011,222. Had these changes been included in the June 30, 2013, Statement of Revenues, Expenses, and Changes in Net Position, total operating expenses would have increased by $112,507.

FOUNDATION NET ASSET RESTATEMENT

The Foundation made an adjustment to temporarily restricted beginning net assets for the year ended December 31, 2013, to properly reflect endowments that became fully funded during the period under review. Six endowments totaling $360,000 were transferred to the System. Temporarily restricted net assets were also reduced by $30,625 as the result of pledges that were previously recorded as being due to the Foundation, but were actually due to the Southern University at New Orleans campus. The Foundation also made adjustments to net assets for the over accrual of bond interest payable and premium in the prior period totaling $441,170. The following schedule summarizes the adjustments to beginning net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unadjusted unrestricted beginning net assets	$1,397,884	$6,681,169	$2,577,546	$10,656,599
Accrued interest payable		375,013		375,013
Bond payable premium		66,157		66,157
Transfer of pledges		(30,625)		(30,625)
Transfer of endowments		(360,000)		(360,000)
Restated unrestricted beginning net assets	$1,397,884	$6,731,714	$2,577,546	$10,707,144

20. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2014, net appreciation of $4,814,867 is available to be spent, of which $4,447,794 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

FOUNDATION – ENDOWMENTS

The Foundation's endowments consist of individual funds established for Endowed Chairs, Endowed Professorships, and Endowed Scholarships. The Foundation's endowments include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2013, the Foundation's endowment ending balance was $6,849,718.

21. RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2014, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor with the System to promote activities of the Southern University Athletic Department and coordinates the auxiliary activities of the Bayou Classic weekend. Southern University and A&M College also obtained financing for various capital projects through a third-party financing arrangement with its affiliate, the Southern University System Foundation, Millennium Housing, L.L.C. The System also has a cooperative endeavor agreement with the Foundation to manage certain endowments on the System's behalf.

The Southern University Law Center, Southern University at New Orleans, and Southern University at Shreveport also had a relationship with the Foundation during the fiscal year ending June 30, 2014. The three campuses, as well as Southern University and A&M College, invest funds with the Foundation. See note 3 for details. In addition, Southern University at Shreveport has obtained financing for various projects in previous years through a third-party arrangement with the Foundation.

Certain board members of the System are also board members of the Foundation. The System provides certain payroll management functions, as well as office space, meeting space, utilities and use of office furniture and equipment to the Foundation for a nominal monthly fee.

The Chancellor and Vice Chancellor for Finance at Southern University at Shreveport also serve as ex-officio members of SUSLA Facilities, Inc., a nonprofit that operates campus housing on the Shreveport campus. 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.

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 has 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 and interest paid during the year ended December 31, 2013, totaled $3,752,025. The schedule of rent payment coincides with the debt service payments.

The System provides to the Foundation without cost, services for the administration of the Foundation in the form of personnel. In addition, the System provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to the System. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services expenses in the financial statements. The value of these services was estimated as $241,500 for the year ended December 31, 2013.

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.

FOUNDATION DISCLOSURE – AFFILIATION AGREEMENT

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the System. Because of the close association of the Foundation with the System, an affiliation agreement was entered into by both parties on January 25, 2002. During the year ended December 31, 2013, the Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amounts of $3,383,143.

FOUNDATION DISCLOSURE – DUE TO/FROM AFFILIATE

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The Endowed Chairs for Eminent Scholars endowment funds are established for $1,000,000 with $600,000 of private contributions and $400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for $100,000 with $60,000 of private contributions and $40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the System as of December 31, 2013, for the Endowed Chair and Professorship program totaled $5,673,533.

23. COOPERATIVE ENDEAVOR AGREEMENT

In 2006, the Board of Supervisors of Southern University Agricultural and Mechanical College (the Board) entered into a Cooperative Endeavor and Lease Agreement with the Foundation, Millennium Housing, L.L.C. to obtain financing for various capital projects.

FOUNDATION RENTAL DEPOSIT FUND

The Bond Trust Indenture 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 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 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 Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At December 31, 2013, the balance of the Rental Deposit Fund is $1,876,013.

FOUNDATION GROUND LEASE

Pursuant to the Cooperative Endeavor and Lease Agreement between the Foundation and the Board, the Foundation (the Lessee) will lease the land on which student housing facilities and certain auxiliary student facilities are being constructed and/or renovated for the Board (the

Lessor). The annual rents will total $100 and the term is equal to the term of the Series 2006 Bonds, terminating on the date of payment in full or defeasance of the 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 website at www.lla.la.gov.

25. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by the donors for the year ended December 31, 2013:

Scholarships and educational assistance	$475,058
University events, programs, and support	1,281,104
Total	$1,756,162

26. SUBSEQUENT EVENTS

The state of Louisiana continues to experience decreases in state revenues that has resulted in decreased funding for the 2015 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 2014-2015 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.

On August 23, 2014, the Board of Supervisors voted to not extend the System President's contract, which expires on June 30, 2015.

27. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the state. The System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2014, the cost of providing those benefits for 35 voluntary terminations totaled $398,543. During fiscal year ending June 30, 2014, the System offered a retirement incentive plan, in accordance with Southern University System Board of Supervisors policies and Civil Service rules 17.2 and 17.9, to classified employees and unclassified faculty and staff of the Southern University and A&M College campus and Southern University Board and System, who were eligible to retire. The plan offered employees a lump-sum payment provided that the employees retired by July 31, 2013. The lump-sum payment amounted to 25% of the employees' annual salary for 2012-2013, with a cap that could not exceed $25,000. The System did not report any involuntary terminations for the 2014 fiscal year.

28. SEGMENT INFORMATION

SUSLA Facilities, Inc., 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.

Condensed financial information for the blended component unit follows:

Condensed Statement of Net Position

	Segment/Blended Component Unit
Assets	
Current assets	$610,475
Capital assets	8,815,974
Other assets	1,639,479
Total assets	11,065,928
Liabilities	
Current liabilities	791,930
Long-term liabilities	12,508,932
Total liabilities	13,300,862
Net Position	
Net investment in capital assets	(1,669,699)
Unrestricted	(565,235)
Total net position	($2,234,934)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Segment/Blended Component Unit
Operating revenues	$1,597,584
Operating expenses	(626,589)
Depreciation expense	(409,806)
Net operating income	561,189
Nonoperating revenues (expenses):	
Investment income	177
Interest expense	(732,622)
Changes in net position	(171,256)
Net position at beginning of year	(2,063,678)
Net position at end of year	($2,234,934)

Condensed Statement of Cash Flows

	Segment/Blended Component Unit
Net cash flows provided (used) by:	
Operating activities	$938,956
Capital and related financing	(888,433)
Investing activities	(30,391)
Net increase in cash	20,132
Cash, beginning of year	23,078
Cash, end of year	$43,210

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the
Other Postemployment Benefits Plan

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

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2011	NONE	$156,334,101	$156,334,101	0%	$75,405,451	207.3%
July 1, 2012	NONE	$173,573,500	$173,573,500	0%	$74,707,245	232.3%
July 1, 2013	NONE	$169,921,700	$169,921,700	0%	$76,275,333	222.8%

SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF NET POSITION, BY CAMPUS

Schedule 2 presents the Combining Schedule of Net Position, by Campus.

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

Schedule 3 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus.

COMBINING SCHEDULE OF CASH FLOWS, BY CAMPUS

Schedule 4 presents the Combining Schedule of Cash Flows, by Campus.

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Net Position, by Campus, June 30, 2014

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
ASSETS			
Current assets:			
Cash and cash equivalents	$16,378	$12,120,696	$1,000,000
Investments			
Receivables, net	46	6,445,281	298,389
Due from federal government		9,909,593	3,624,885
Due from other campuses	3,746,234	6,258,230	307,866
Due from State Treasury		570,584	163,078
Inventories		378,143	
Prepaid expenses and advances	69,512	3,074,442	147,498
Notes receivable, net			
Other current assets	5,669	3,174	
Total current assets	3,837,839	38,760,143	5,541,716
Noncurrent assets:			
Restricted cash and cash equivalents	87,850	5,143,651	1,300,582
Restricted investments	413,655	7,283,190	434,455
Capital assets, net	51,577	165,071,872	7,389,266
Other			
Total noncurrent assets	553,082	177,498,713	9,124,303
Total assets	4,390,921	216,258,856	14,666,019
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	734,028	11,035,154	441,141
Due to other campuses			1,000,000
Unearned revenues		5,097,809	590,021
Compensated absences	10,496	509,811	24,877
Capital lease obligations		912,074	
Amounts held in custody for others		544,764	
Claims and litigation payable		7,500	
Notes payable			
Bonds payable			
Other current payables		1,762,896	98,543
Total current liabilities	744,524	19,870,008	2,154,582
Noncurrent liabilities:			
Compensated absences	662,791	5,224,810	1,120,915
Capital lease obligations		46,707,007	
Claims and litigation payable			
Notes payable			
OPEB payable	4,511,598	54,251,129	9,511,861
Bonds payable			
Total noncurrent liabilities	5,174,389	106,182,946	10,632,776
Total liabilities	5,918,913	126,052,954	12,787,358
NET POSITION			
Net investment in capital assets	51,577	117,452,791	7,389,266
Restricted for:			
Nonexpendable	360,000	6,698,753	1,518,750
Expendable	1,014,527	15,961,398	3,646,030
Unrestricted	(2,954,096)	(49,907,040)	(10,675,385)
TOTAL NET POSITION	($1,527,992)	$90,205,902	$1,878,661

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	ELIMINATIONS	TOTAL SYSTEM
	$6,445,532	$4,688,602		$24,271,208
		528,780		528,780
$660,695	5,362,588	2,880,591		15,647,590
2,530,571	1,370,618	821,507		18,257,174
			($10,312,330)	
382,139	152,079	53,357		1,321,237
				378,143
		271,209		3,562,661
	326,109			326,109
	(67,966)	20,469		(38,654)
3,573,405	13,588,960	9,264,515	(10,312,330)	64,254,248
	4,959,887	738,283		12,230,253
	1,584,945	1,837,306		11,553,551
4,886,556	100,361,706	22,064,170		299,825,147
		180,581		180,581
4,886,556	106,906,538	24,820,340		323,789,532
8,459,961	120,495,498	34,084,855	(10,312,330)	388,043,780
354,706	1,673,895	1,077,763		15,316,687
480,537	3,260,940	5,570,853	(10,312,330)	
17,444	3,129,433	684,288		9,518,995
19,442	74,756	145,562		784,944
		28,159		940,233
	246,645	323,923		1,115,332
		253,020		260,520
	1,268,000			1,268,000
		145,000		145,000
	2,129,645	1,076,876		5,067,960
872,129	11,783,314	9,305,444	(10,312,330)	34,417,671
818,343	1,967,767	1,183,481		10,978,107
		1,441,989		48,148,996
		569,294		569,294
	38,395,943			38,395,943
7,167,800	13,677,061	9,605,119		98,724,568
		12,508,932		12,508,932
7,986,143	54,040,771	25,308,815		209,325,840
8,858,272	65,824,085	34,614,259	(10,312,330)	243,743,511
4,980,688	60,697,763	10,108,349		200,680,434
	3,556,983	603,406		12,737,892
741,645	6,599,080	(492,890)		27,469,790
(6,120,644)	(16,182,413)	(10,748,269)		(96,587,847)
($398,311)	$54,671,413	($529,404)	NONE	$144,300,269

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus
For the Fiscal Year Ended June 30, 2014

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
OPERATING REVENUES			
Student tuition and fees		$42,775,114	$9,259,062
Less scholarship allowances		(14,746,251)	(305,345)
Net student tuition and fees	NONE	28,028,863	8,953,717
Federal appropriations			
Federal grants and contracts		18,451,362	2,827,517
State and local grants and contracts		1,675,601	
Nongovernmental grants and contracts		72,600	
Auxiliary enterprise revenues (including revenue used to secure debt)		18,499,103	
Less scholarship allowances		(1,220,904)	
Net auxiliary revenues	NONE	17,278,199	NONE
Other operating revenues		2,593,266	117,428
Total operating revenues	NONE	68,099,891	11,898,662
OPERATING EXPENSES			
Educational and general:			
Instruction		31,422,522	5,988,460
Research		3,396,972	
Public service		1,921,770	126,425
Academic support	$271,856	20,686,162	3,170,888
Student services		6,482,792	1,448,648
Institutional support	9,258,680	10,862,495	3,576,424
Operation and maintenance of plant		15,037,188	640,237
Depreciation	5,690	8,485,198	988,240
Scholarships and fellowships	98,446	9,717,102	307,552
Auxiliary enterprises		17,552,941	
Other operating expenses	91,698	(51,689)	
Total operating expenses	9,726,370	125,513,453	16,246,874
OPERATING LOSS	(9,726,370)	(57,413,562)	(4,348,212)
NONOPERATING REVENUES (Expenses)			
State appropriations	6,317,138	29,045,515	5,963,974
Federal nonoperating revenues	81,870	17,025,810	
Gifts		171,890	3,500
Investment income	209	606,648	30,700
Interest expense		(2,837,807)	
State and local grants and contracts			100,000
Other nonoperating revenues (expenses)	199,523	7,988,090	16,593
Net nonoperating revenues	6,598,740	52,000,146	6,114,767

(Continued)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$12,782,723	$8,419,207	$73,236,106
	(3,393,629)	(6,312,680)	(24,757,905)
NONE	9,389,094	2,106,527	48,478,201
$3,401,068			3,401,068
2,125,923	7,603,107	7,438,922	38,446,831
479,056	595,307	627,988	3,377,952
	37,699		110,299
	3,905,886	2,410,163	24,815,152
	(200,752)	(106,947)	(1,528,603)
NONE	3,705,134	2,303,216	23,286,549
201,243	289,047	2,034,760	5,235,744
6,207,290	21,619,388	14,511,413	122,336,644
	10,429,122	5,103,225	52,943,329
3,644,986	357,863	394,970	7,794,791
4,749,503	263,340	513,366	7,574,404
	1,914,203	1,033,433	27,076,542
	3,586,602	4,698,751	16,216,793
2,545,060	11,946,181	9,352,080	47,540,920
1,217,158	2,126,565	1,756,541	20,777,689
277,570	2,892,083	1,490,802	14,139,583
104,975	6,063,092	5,285,353	21,576,520
	2,604,752	1,946,807	22,104,500
	1,156	626,589	667,754
12,539,252	42,184,959	32,201,917	238,412,825
(6,331,962)	(20,565,571)	(17,690,504)	(116,076,181)
7,172,379	8,038,737	7,266,720	63,804,463
	8,433,767	10,700,305	36,241,752
	161,886		337,276
	240,202	55,777	933,536
	(40,531)	(816,620)	(3,694,958)
			100,000
469,809	(279,853)	504,004	8,898,166
7,642,188	16,554,208	17,710,186	106,620,235

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Revenues, Expenses, and Changes in Net Position, by Campus, 2014

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
INCOME (Loss) BEFORE OTHER REVENUES	($3,127,630)	($5,413,416)	$1,766,555
Capital appropriations		3,603,597	
Capital grants and gifts		53	
Additions to permanent endowment		175,000	40,000
Other additions, net	4,089,771	1,031,418	(1,571,187)
CHANGE IN NET POSITION	962,141	(603,348)	235,368
NET POSITION - BEGINNING OF YEAR (Restated)	(2,490,133)	90,809,250	1,643,293
NET POSITION - END OF YEAR	($1,527,992)	$90,205,902	$1,878,661

(Concluded)

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
$1,310,226	($4,011,363)	$19,682	($9,455,946)
			3,603,597
	16,339,412		16,339,465
	40,000		255,000
(1,555,157)	(1,314,020)	(680,825)	
(244,931)	11,054,029	(661,143)	10,742,116
(153,380)	43,617,384	131,739	133,558,153
($398,311)	$54,671,413	($529,404)	$144,300,269

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by Campus
For the Fiscal Year Ended June 30, 2014

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees		$27,765,073	$9,057,193
Federal appropriations			
Grants and contracts		19,523,128	1,139,676
Payments to suppliers	($3,245,535)	(24,641,111)	(1,860,899)
Payments for utilities		(5,429,395)	
Payments to employees	(4,021,721)	(53,167,038)	(9,142,954)
Payments for benefits	(1,432,406)	(20,765,224)	(2,892,831)
Payments for scholarships and fellowships	(98,446)	(9,683,209)	(325,740)
Loans issued to students			
Collections on loans issued to students			
Auxiliary enterprise charges		16,952,788	
Other receipts (payments)	297	2,593,266	1,117,428
Net cash used by operating activities	(8,797,811)	(46,851,722)	(2,908,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State appropriations	6,317,138	28,551,431	5,809,248
State and local grants and contracts			100,000
Gifts and grants for other than capital purposes	81,870	13,903,752	3,500
Private gifts for endowment purposes		175,000	40,000
TOPS receipts		2,536,634	
TOPS disbursements		(2,536,018)	
Implicit loan reduction from other campuses	(1,847,804)		(85,856)
Implicit loan reduction to other campuses		4,647,702	
Direct lending receipts		51,054,724	16,750,274
Direct lending disbursements		(51,054,724)	(16,750,274)
Federal Family Education Loan program receipts		1,085,921	
Federal Family Education Loan program disbursements		(1,085,921)	
Other receipts (payments)	4,289,295	4,351,609	(1,946,265)
Net cash provided by noncapital financing sources	8,840,499	51,630,110	3,920,627
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital appropriations received		1,449,566	
Capital grants and gifts received		53	
Purchases of capital assets	(43,667)	(1,986,582)	(391,670)
Principal paid on capital debt and leases		(833,911)	
Interest paid on capital debt and leases		(2,804,105)	
Other sources		1,175,423	391,670
Net cash used by capital and related financing activities	(43,667)	(2,999,556)	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		2,531,345	
Interest received on investments	208	572,971	30,701
Purchase of investments	(121)	(3,208,207)	(70,702)
Net cash provided (used) by investing activities	87	(103,891)	(40,001)

(Continued)

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	$9,310,292	$1,378,167	$47,510,725
$3,401,068			3,401,068
2,496,783	8,567,075	9,538,100	41,264,762
(3,497,895)	(8,679,608)	(7,729,258)	(49,654,306)
(60,219)	(1,361,122)	(797,321)	(7,648,057)
(5,695,681)	(14,684,702)	(12,149,723)	(98,861,819)
(2,059,808)	(7,433,952)	(4,454,911)	(39,039,132)
(116,868)	(5,965,973)	(5,296,746)	(21,486,982)
	(326,108)		(326,108)
	371,736		371,736
	3,619,485	2,240,760	22,813,033
201,243	378,034	1,677,310	5,967,578
(5,331,377)	(16,204,843)	(15,593,622)	(95,687,502)
6,901,622	7,958,523	7,221,208	62,759,170
			100,000
	8,595,653	10,700,305	33,285,080
	40,000		255,000
	(73,906)	172,719	2,635,447
	73,906	(172,719)	(2,634,831)
(157,515)	(1,933,085)	(1,623,442)	(5,647,702)
			4,647,702
	22,505,768	13,966,384	104,277,150
	(22,505,768)	(13,966,384)	(104,277,150)
			1,085,921
			(1,085,921)
(1,223,243)	2,936,186	131,407	8,538,989
5,520,864	17,597,277	16,429,478	103,938,855
			1,449,566
	(84,587)		(84,534)
(327,382)	(1,838,468)	(283,066)	(4,870,835)
		(134,569)	(968,480)
		(816,620)	(3,620,725)
137,895			1,704,988
(189,487)	(1,923,055)	(1,234,255)	(6,390,020)
		1,512,514	4,043,859
	12,748	(21,803)	594,825
		(1,543,082)	(4,822,112)
NONE	12,748	(52,371)	(183,428)

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Combining Schedule of Cash Flows, by Campus, 2014

	BOARD AND SYSTEM	AGRICULTURAL & MECHANICAL COLLEGE	LAW CENTER
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($892)	$1,674,941	$972,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	105,120	15,589,406	1,328,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	$104,228	$17,264,347	$2,300,582
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	($9,726,370)	($57,413,562)	($4,348,212)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	5,690	8,485,198	988,240
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	297	(1,348,090)	(77,508)
(Increase) in inventories		(50,161)	
(Increase) decrease in due from federal government			(1,687,841)
(Increase) decrease in prepaid expenses		115,001	(83,529)
Decrease in notes receivable			
(Increase) decrease in other assets	(28,681)		
Increase (decrease) in accounts payable	429,077	1,920,152	1,260,456
Increase (decrease) in unearned revenue		(583,796)	30,347
Decrease in claims & litigation			
Increase (decrease) in compensated absences	91,698	(644,358)	73,086
Increase in OPEB payable	430,478	2,799,109	936,834
Decrease in other liabilities		(131,215)	
Net cash used by operating activities	($8,797,811)	($46,851,722)	($2,908,127)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents classified as current assets	$16,378	$12,120,696	$1,000,000
Cash and cash equivalents classified as noncurrent assets	87,850	5,143,651	1,300,582
Cash and cash equivalents at the end of the year	$104,228	$17,264,347	$2,300,582
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital appropriations for construction of capital assets		$2,154,031	
Capital gifts and grants			
Capital lease		$8,176,338	
Net increase in the fair value of investments		$561,198	$30,701
Loss on disposal of capital assets		($1,983)	

(Concluded)

Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	($517,873)	($450,770)	$1,677,905
	11,923,292	5,877,655	34,823,556
NONE	$11,405,419	$5,426,885	$36,501,461
($6,331,962)	($20,565,571)	($17,690,504)	($116,076,181)
277,570	2,892,083	1,490,802	14,139,583
(81,234)	91,880	(732,936)	(2,147,591)
			(50,161)
(44,386)	305,119	1,020,914	(406,194)
(11,893)		(13,626)	5,953
	45,628		45,628
	70,515	1,798	43,632
233,048	115,551	(138,553)	3,819,731
17,444	(212,016)	46,774	(701,247)
		(253,020)	(253,020)
(31,789)	128,085	973	(382,305)
641,825	923,883	673,756	6,405,885
			(131,215)
($5,331,377)	($16,204,843)	($15,593,622)	($95,687,502)
	$6,445,532	$4,688,602	$24,271,208
	4,959,887	738,283	12,230,253
	$11,405,419	$5,426,885	$36,501,461
			$2,154,031
	$16,421,589		$16,421,589
			$8,176,338
	$194,033		$785,932
			($1,983)

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 19, 2015

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

Independent Auditor's Report

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Southern University System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 19, 2015. Our report was modified to include an emphasis of matter paragraph regarding a new accounting standard not yet effective.

Our report includes references to other auditors who audited the financial statements of the Southern University System Foundation, the only discretely presented component unit of the System, and SUSLA Facilities, Inc., a blended component unit of the System, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the SUSLA Facilities, Inc., which were audited by other auditors upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

Untimely Financial Reporting

The System filed its Annual Fiscal Report (AFR) with the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP), approximately two months late and did not provide timely information to auditors, thereby jeopardizing the timely issuance of the state's Comprehensive Annual Financial Report (CAFR). In addition, the AFR, when finally completed, contained numerous errors and omissions, further delaying the completion of the System's audit. Specific problems are as follows:

- The System's deadline for submitting its AFR was September 19, 2014; however, the AFR was not submitted until November 17, 2014, following two OSRAP deadline extensions. Meeting OSRAP's initial deadline is important to ensure that the CAFR is issued by December 31.

- During our audit work, we experienced numerous delays obtaining information, with more than a third of our audit requests taking more than two weeks to fulfill and some taking more than three months. These delays occurred even though we provided a detailed timeline to the System in September and constantly updated the System on late requests. The timeliness of the System's responses to our audit requests is important to ensure that the System's audit report is issued while the information is still relevant.

- The final AFR included various errors, such as misclassifications and omissions. The accuracy of the AFR is important, not just for the System's audit report, but also for the state's CAFR.

The System has represented that it had major transitions in leadership and management roles, turnover and vacancies in key financial management positions, technical difficulties, and long-term, unplanned absences of several key employees that contributed to a delay in completion of the AFR.

We recommend that the System take appropriate measures to ensure it has adequate accounting personnel available for next year's AFR compilation. We further recommend that the System hold its staff accountable for responding to audit requests in a timely manner. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Compliance and Other Matters

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

Other Reports

We also audited the Southern University Law Center (Law Center) as of June 30, 2014, for SACS accreditation. The report contains an internal control finding relating to the Law Center. Management's response is also included in the report. That report was issued December 24, 2014, and can be found on the Internet at www.lla.la.gov.

System's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:EFS:ch

SUS 2014

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

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February 6, 2015

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RE: Response to 6/30/14 audit finding - Untimely Financial Reporting

We concur with the finding referenced above. Several factors, including major transitions in leadership and management roles, turnover and vacancies in key financial management positions, technical difficulties, and long-term, unplanned absences of several key employees contributed to a delay in completion of the report. We are reviewing our processes, procedures, systems, structures, and staffing levels to ensure that we address challenges related to financial reporting. The Southern University System is fully committed to the principles of timely, accurate and complete financial reporting, and we will utilize our best efforts to ensure that we adhere to these principles and standards. The system's Vice President for Finance and Business, along with the Chief Financial Officers of the campuses, will be responsible for implementing corrective actions.

Thank you for your assistance and support.

Sincerely,

Ronald Mason, Jr., JD
President
Southern University System