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DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-17-04



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DELGADO COMMUNITY COLLEGE FOUNDATION, INC.

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Delgado Community College Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the Delgado Community College Foundation, Inc. (a nonprofit organization) (the Foundation) as of June 30, 2004, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delgado Community College Foundation, Inc. at June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Metairie, Louisiana
July 23, 2004

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

Current assets:

Cash and cash equivalents, restricted	\$ 37,966
Pledges receivable, net of discount \$2,140	18,960
Lease receivable - Student Life Center	70,000
Investments and endowment funds (note 3)	<u>516,933</u>
Total current assets	<u>643,859</u>

Non-current assets:

Investments - (note 3)	799,676
Pledges receivable, net of discount of \$1,111	13,889
Bond issuance costs, net	334,437
Lease receivable - Student Life Center	<u>3,795,079</u>
Total non-current assets	4,943,081

Total Assets **\$ 5,586,940**

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	11,881
Bonds payable, net of discount	70,000
Accrued interest payable	<u>60,121</u>
Total current liabilities	<u>142,002</u>

Long-term liabilities:

Bonds payable, net of discount	3,917,686
Due to Delgado, net	<u>452,946</u>
Total long-term liabilities	<u>4,370,632</u>

Total Liabilities **\$ 4,512,634**

Net assets:

Unrestricted	(189)
Temporarily restricted	1,040,323
Permanently restricted	<u>34,172</u>
Total net assets	<u>1,074,306</u>

Total Liabilities and Net Assets **\$ 5,586,940**

The accompanying notes are an integral part of this statement.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	25,624	4,593	-	30,217
Fundraising revenues	55,125		-	55,125
Lease rental revenue	-	268,577	-	268,577
Donated services and facilities	26,705	-	-	26,705
Dividends and interest	92	38,765	-	38,857
Realized gain on investments	-	1,152	-	1,152
Unrealized gain on investments	-	51,833	-	51,833
	<u>107,546</u>	<u>364,920</u>	<u>-</u>	<u>472,466</u>
Total support and revenues				
Net assets released from restriction	<u>307,367</u>	<u>(307,367)</u>	<u>-</u>	<u>-</u>
Total support, revenues and other support	<u>414,913</u>	<u>57,553</u>	<u>-</u>	<u>472,466</u>
Expenses				
Fundraising expenses	13,714	-	-	13,714
Scholarships	7,825	-	-	7,825
Other college support	33,559	-	-	33,559
Management and general expenses	69,031	-	-	69,031
Interest expense	245,916	-	-	245,916
	<u>370,045</u>	<u>-</u>	<u>-</u>	<u>370,045</u>
Total expenses				
Changes in net assets	44,868	57,553	-	102,421
Net assets				
Beginning of the year	<u>(45,057)</u>	<u>982,770</u>	<u>34,172</u>	<u>971,885</u>
End of the year	<u>\$ (189)</u>	<u>\$ 1,040,323</u>	<u>\$ 34,172</u>	<u>\$ 1,074,306</u>

The accompanying notes are an integral part of this statement.

DELGADO COMMUNITY COLLEGE FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 102,421
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Amortization of bond discount and bond issuance costs	9,281
net of discount accretion	5,807
Decrease in prepaid expenses	11,518
Decrease in accounts payable	(23,681)
Decrease in accrued interest payable	(805)
Net cash provided by operating activities	<u>104,541</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Realized and unrealized gains on investments	(52,985)
Sale of investments - net	10,614
Net cash used in investing activities	<u>(42,371)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Bond principal payments	(70,000)
Decrease in lease receivable	70,000
Decrease in due to Delgado, net	(41,338)
Net cash used in financing activities	<u>(41,338)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 20,832

CASH AND CASH EQUIVALENTS

Beginning of the year	<u>17,134</u>
End of the year	<u>\$ 37,966</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents, restricted	<u>\$ 37,966</u>
Total	<u>\$ 37,966</u>

DISCLOSURE OF NON-CASH ITEMS

In-kind donations to the Foundation	<u>\$ 26,705</u>
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OTHER DISCLOSURES:

Interest paid	<u>\$ 246,721</u>
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The accompanying notes are an integral part of this statement.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The Delgado Community College Foundation, Inc. (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana on June 1, 1988 to:

- Promote the educational and cultural welfare of the Delgado Community College (Delgado) and develop, expand and improve Delgado's facilities to provide broader educational advantages and opportunities, encourage research and increase Delgado's usefulness;
- Assist any student to continue his or her studies within Delgado; aid and facilitate any line of work or research in the areas embraced in the objects and purposes of Delgado; and generally, interpret the aims, objectives and needs of Delgado to the public with a view to better mutual understanding and progress; and
- Solicit and accept grants and bequests, including funds of all kinds, to provide scholarships, and activities in research, or such other designated benefits for Delgado and its facilities and students.

The Foundation is governed by a Board of Directors. Prior to the organization of the Foundation, the Delgado Community College Development Foundation (the Development Foundation) represented the support organization for Delgado. On June 13, 1988, the past Chairman and Liquidator of the Development Foundation and the Delgado Entertainment Group, Inc. (an affiliated entity) authorized the transfer of all funds of such entities to the Foundation. The Development Foundation had not maintained detailed records to document the assets, liabilities and unrestricted/restricted fund balances, but management of the Foundation believes that all funds maintained by the Development Foundation were transferred and that the funds transferred were not restricted as to use.

2. Summary of Significant Accounting Policies

Organization and Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. The Foundation is exempt from state and Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Basis of presentation

The accounts of the Foundation are maintained in accordance with the principles of fund accounting under which resources for various purposes are classified into funds according to specified activities or objectives. Net assets are available for the following purposes:

Unrestricted Net Assets -- This fund is used to account for unrestricted revenues and expenditures.

Temporarily Restricted Net Assets include the following:

Challenge Grant Endowment Net Assets -- This fund is used to account for a grant received from the U.S. Department of Education which is being administered by the Foundation.

Restricted Capital Development Net Assets -- This fund is used to account for contributions to the Foundation whose use has been restricted by donors for capital improvements.

Adopt-a-Prof Net Assets -- This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of obtaining endowed professorships. Once specified levels of donations are obtained, the funds are transferred to Delgado to be used in the endowment program.

Technology Learning Center -- This fund is used to account for contributions to the Foundation which the donor has re-designated for the purpose of creating and equipping a Technology Learning Center. These contributions were previously reported in the Literacy Center Fund.

GAP Scholarship - This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of scholarships to low and moderate income students that do not qualify for federal or state financial aid. The initial contribution represents the balance of the contributions previously reported in the Literacy Center Fund.

Permanently Restricted Net Assets include the following:

Overture Endowment Net Assets -- An endowment scholarship fund was established by the Foundation in accordance with the gift instruments from the Overture to the Cultural Arts. The corpus is permanently restricted; however, the interest income generated from the corpus is temporarily restricted.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies (continued)**

Cash and cash equivalents

For the purpose of the cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Amortization of the Bond Discount and Bond Issuance Costs

Both the Bond Discount and the Bond Issuance Costs are being amortized over the life of the bonds (30 years), utilizing a method which approximates the interest method. Bond discount accretion of \$4,650 is included as a component of management and general expenses within the accompanying statement of activities.

Contributions and revenue recognition

Contributions and pledges received are recognized as revenues in the period received at their fair values and contributions and pledges made are recognized as expenses in the period made at their fair values.

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Investments and Investment Income

Investments are reported at fair value, with the related gains and losses included in the statement of activities. Income 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3 Investments

As of June 30, 2004, the investments of the Foundation consisted of the following:

<u>Description</u>	<u>Fair</u> <u>Value</u>
Mutual funds	\$ 1,011,160
Fixed income	305,449
Total	<u>1,316,609</u>
Current assets	516,933
Long term assets	799,676
Total	\$ <u>1,316,609</u>

4. Student Life Center

During 1999, the Board of Directors approved a plan which resulted in the Foundation providing a vehicle for financing the design and construction of a Student Life Center on the Delgado campus. The transaction was structured as described below.

The Board of Trustees for State Colleges and Universities (the "Board of Trustees") entered into a Ground Lease Agreement with the Foundation for the site on which the proposed Student Life Center (the "Facility") was to be constructed. The Foundation selected a developer, entered into a design and construction contract with that developer and the developer commenced construction of the Facility on the land leased to the Foundation by the Board of Trustees during fiscal 2000.

Title to the Facility itself (but not the underlying land) is held by the Foundation. The Foundation has agreed to lease the Facility to Delgado pursuant to a Facility Lease Agreement under which Delgado will lease the building and has agreed to operate the Facility. The Facility Lease Agreement requires Delgado to pay rent in an amount sufficient to cover the operating costs of the Facility and the debt of service on the bonds issued on behalf of the Foundation (see discussion below) to fund the construction of the Facility. The Facility Lease Agreement has a 30 year term and it includes a provision which transfers the title of the Facility to Delgado at the end of its term.

The Foundation itself does not have the authority to be the issuer of the tax-exempt bonds. Therefore, a separate entity which is qualified to issue tax-exempt bonds was the issuer of the bonds. That issuer entered into a loan agreement with the Foundation pursuant to which the issuer loaned the proceeds of its bonds to the Foundation to pay for construction of the Facility and the Foundation expects to repay the

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Student Life Center (continued)

issuer with the rental proceeds it receives from Delgado under the Facility Lease Agreement. \$268,577 of such proceeds received during fiscal 2004 have been recorded as lease rental revenue representing amounts attributable to bond debt service and other related costs of the Facility, net of investment earnings generated from the excess proceeds provided by the bond issuance.

The estimated cost of the project was \$4,350,000, and the completion date was June 2001. The 30 year bonds were issued November 1, 1999 with interest rates ranging from 4.0% to 6.0%. Bond proceeds were \$4,256,075, net of a bond discount of \$138,925. Bond issuance costs were \$139,512. Bond debt service and other related Facility costs are to be funded through a special student assessment fee for Delgado's City Park Campus students only, assessed at the levels of \$15 per student for the fall and spring semesters and \$5 per student for the summer semester.

The transaction was approved by the Board of Trustees, the Louisiana State Bond Commission, and the City of New Orleans.

The Facility's lease to Delgado is considered a sales-type lease for reporting purposes, therefore the asset associated with the Facility is carried as a lease receivable net of unearned future lease income of approximately \$4 million. The lease receivable will be reduced over time as Delgado remits bond principle payment reimbursements to the Foundation.

As of June 30, 2004, Delgado had cumulatively remitted \$1,759,926 to the Foundation to cover the bond debt service and other related costs of the Facility. Of this amount, \$1,011,858 has been recognized as lease rental revenue, \$290,000 has been recognized as a reduction of the Student Life Center lease receivable and the remaining balance is carried as deferred revenue (shown as due to Delgado, net) as of June 30, 2004.

5. Auto Lease Payments

Included in Management and General Expenses are monthly lease payments and the related insurance on an automobile utilized for a portion of the year by the chancellor of Delgado, who is also a member of the Board of the Foundation, totaling \$6,203 for the year ended June 30, 2004. The automobile was returned in October of 2003.

THE DELGADO COMMUNITY FOUNDATION, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2004 were for the following purposes:

Technology learning center	\$	65,000
Scholarship fund		62,997
Capital development		382,327
Challenge grant		464,897
Adopt-a-professor		18,296
Other		46,806
	\$	<u>1,040,323</u>

7. Related Parties

Delgado Community College provides the Foundation with facilities and administrative personnel free of charge. The value of these services was approximately \$26,705 in fiscal year 2004.