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Great Cities Universities Foundation, Inc.

***Financial Statements as of and for the
Years Ended June 30, 2004 and 2003 and
Independent Auditors' Report***

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 12-1-04

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

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Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Great Cities Universities Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Great Cities Universities Foundation, Inc. as of June 30, 2004 and 2003 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Great Cities Universities Foundation, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Great Cities Universities Foundation, Inc. as of June 30, 2004 and 2003 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004 on our consideration of Great Cities Universities Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

September 3, 2004

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2004 AND 2003

ASSETS	2004	2003
GRANTS RECEIVABLE	<u>\$ 167,291</u>	<u>\$ 152,960</u>
LIABILITIES		
LIABILITIES:		
Accounts payable	\$ 41,738	\$ 133,784
Due to the University of New Orleans Foundation	<u>125,553</u>	<u>19,176</u>
TOTAL LIABILITIES	<u>\$ 167,291</u>	<u>\$ 152,960</u>

See notes to financial statements.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES:				
Grants	\$ -	\$ 670,405	\$ -	\$ 670,405
Net assets released from restrictions—satisfaction of program restrictions	<u>670,405</u>	<u>(670,405)</u>	<u> </u>	<u> </u>
Total revenues	<u>670,405</u>	<u> </u>	<u> </u>	<u>670,405</u>
EXPENSES:				
Program services	620,745			620,745
General and administrative	<u>49,660</u>	<u> </u>	<u> </u>	<u>49,660</u>
Total expenses	<u>670,405</u>	<u> </u>	<u> </u>	<u>670,405</u>
CHANGE IN NET ASSETS				
BEGINNING NET ASSETS—July 1, 2003	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ENDING NET ASSETS—June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES:				
Grants	\$ -	\$ 811,768	\$ -	\$ 811,768
Net assets released from restrictions—satisfaction of program restrictions	811,768	(811,768)		
Total revenues	811,768			811,768
EXPENSES:				
Program services	751,637			751,637
General and administrative	60,131			60,131
Total expenses	811,768			811,768
CHANGE IN NET ASSETS				
BEGINNING NET ASSETS—July 1, 2002				
ENDING NET ASSETS—June 30, 2003	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING ACTIVITIES:		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Changes in assets and liabilities:		
Grants receivable	(14,331)	(8,179)
Accounts payable	(92,046)	83,056
Due to the University of New Orleans Foundation	<u>106,377</u>	<u>(74,877)</u>
Net cash provided by operating activities	<u> </u>	<u> </u>
INCREASE IN CASH		
CASH—Beginning of year	<u> </u>	<u> </u>
CASH—End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Cities Universities Foundation, Inc. (the "Foundation"), a registered non-profit corporation, is a coalition of eighteen urban public research universities located in major urban areas across the country. The Foundation has a mission of community service and academic excellence, and is committed to developing new and better ways to help solve the urgent challenges facing their surrounding urban communities. The Foundation is managed by the Universities' chancellors and presidents and involves all sectors of the Universities and communities. The coalition is uniquely positioned to effect long-term systemic change throughout its urban-based network.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below:

Basis of Presentation—The Foundation follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted**—Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.
- **Permanently Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. GRANTS

In 2002, the Department of Education awarded grants of \$638,000 and \$500,000 and the award period ended on August 31, 2003 and will end on June 30, 2005, respectively. In 2003, the Department of Education awarded grants of approximately \$589,000 and the award period will end on June 30, 2005. During the year ended June 30, 2004 and 2003, the Foundation recognized revenues of \$670,405 and \$811,768 under these grants, respectively.

3. RELATED PARTY TRANSACTIONS

The University of New Orleans Foundation, an entity affiliated with the University of New Orleans, a coalition member, administers the financial assets and maintains the financial records of the Foundation. Amounts due to the University of New Orleans Foundation represent the excess of expenditures made on behalf of the Foundation over funds collected for the Foundation's benefit.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Great Cities Universities Foundation, Inc.
New Orleans, Louisiana

We have audited the financial statements of Great Cities Universities Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 3, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Great Cities Universities Foundation, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of Great Cities Universities Foundation, Inc. (the "Foundation"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Foundation's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Great Cities Universities Foundation, Inc. as of June 30, 2004, and have issued our report thereon dated September 3, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of Great Cities Universities Foundation, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 3, 2004

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Grantor	Federal CFDA #	Federal Expenditures
Department of Education—Teachers Technology	84.342B	\$ 429,610
Department of Education—FIE Earmark Grant	84.215K	229,618
Department of Education—Directed Grants	84.116Z	<u>11,177</u>
Total		<u>\$ 670,405</u>

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying statement of selected grant activity has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when Great Cities Universities Foundation, Inc. (the “Foundation”), has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Accrued Reimbursement—Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year.

Payments to Subrecipients—There were no payments to subrecipients for the year ended June 30, 2004.

2. DESCRIPTION OF GRANTS

Federal Department of Education

The Department of Education provides the Foundation with funds on a reimbursement basis for expenditures incurred by the Foundation in connection with activities that meet requirements set forth in the grant agreement. Total grant awards were \$1,727,140 with \$811,768 being funded from July 2002 to June 2003. Funding from July 2003 to June 2004 amounted to \$670,405.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was expressed on the financial statements of the auditee.
- The statement that reportable conditions in internal controls were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal controls over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was expressed on compliance with major programs.
- There were no findings which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Major programs for the year ended June 30, 2004 were:
 - Department of Education – Teachers Technology
 - Department of Education – Directed Grants
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did qualify as a low risk auditee.
- No management letter was issued related to the financial statements for the year ended June 30, 2004.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2004.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the year ended June 30, 2004.

GREAT CITIES UNIVERSITIES FOUNDATION, INC.

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

There were no findings noted in prior year.