

RECEIVED
LEGISLATIVE AUDITOR
00 FEB 11 PM 1:22

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
HAMMOND, LOUISIANA

REPORT ON AUDIT OF FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 16 2000

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
HAMMOND, LOUISIANA

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

CONTENTS

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	-	-	1 - 2
FINANCIAL STATEMENTS			
Statement of Financial Position	A	-	4
Statement of Activities	B	-	5 - 6
Statement of Cash Flows	C	-	7
Notes to Financial Statements	-	-	8 - 13
SUPPLEMENTARY INFORMATION			
Balance Sheet	-	1	15
Schedule of Revenues, Expenses and Changes In Fund Balance	-	2	16
OTHER INDEPENDENT AUDITOR'S REPORTS AND FINDINGS AND RECOMMENDATIONS			
Independent Auditor's Report on Compliance and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government</u> <u>Auditing Standards</u>			19 - 20
Current Year Audit Findings and Recommendations	-	-	22
Management Letter Recommendations	-	-	24 - 25
Corrective Action Plan for Current Year Audit Findings	-	-	27
Summary Schedule of Prior Audit Findings	-	-	29



Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA
Bryon C. Garrety, CPA

Member
American Institute of
Certified Public Accountants

Charles D. Mathews, CPA
Jessie Travis-Gill, CPA
Charles F. Dismukes, Jr., CPA

Member
Society of Louisiana
Certified Public Accountants

January 6, 2000

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southeastern Development Foundation, Inc.
Post Office Box 293, University Station
Hammond, Louisiana 70402

We have audited the accompanying statement of financial position of Southeastern Development Foundation, Inc. (a nonprofit organization) as of June 30, 1999, 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 generally accepted auditing standards, 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 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 Southeastern Development Foundation, Inc. as of June 30, 1999, and the results of its activities and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Foundation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2000, on our consideration of Southeastern Development Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

Durnin & James
DURNIN & JAMES, CPA'S

FINANCIAL STATEMENTS

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

EXHIBIT A

STATEMENT OF FINANCIAL POSITION

June 30, 1999

ASSETS

Cash and Cash Equivalents	\$ 422,384
Investments:	
Certificates of Deposit	2,002,629
Debt Instruments	1,284,261
Equity Securities	1,912,643
Invested Cash and Cash Equivalents	1,305,446
Real Estate	5,913
U.S. Government Securities	879,330
Donated Land	1,775,782
Other Receivables	<u>14,464</u>
 TOTAL ASSETS	 \$ <u>9,602,852</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accrued Liabilities	\$ 63,000
Agency Funds	<u>1,159,754</u>
 Total Liabilities	 <u>1,222,754</u>
Net Assets:	
Unrestricted	290,818
Temporarily Restricted	3,348,489
Permanently Restricted	<u>4,740,791</u>
 Total Net Assets	 <u>8,380,098</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>9,602,852</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

EXHIBIT B

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 18,778	-	-	\$ 18,778
Scholarships, Assistantships, Awards	-	155,520	480,924	636,444
Departmental Programs	-	294,890	-	294,890
Fund Raising	50,137	900,208	-	900,208
Interest and Dividends	93,211	35,425	-	85,562
Unrealized Gains on Investments	(2,749)	-	203,270	296,481
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	1,484,072	(1,239,586)	(244,486)	-
Unrealized Gains on Investments	(33,631)	(762,129)	795,760	-
Total Revenues and Support	\$ 1,609,818	\$ (615,672)	\$ 1,485,397	\$ 2,479,543
EXPENSES				
Restricted Expenditures:				
Scholarships, Assistantships, Awards	\$ 91,670	-	-	\$ 91,670
Departmental Programs	875,916	-	-	875,916
Fund Raising	262,451	-	-	262,451
Endowment Expenditures:	9,548	-	-	9,548
Scholarships, Assistantships, Awards	244,486	-	-	244,486
Salaries	31,244	-	-	31,244
Payroll Taxes	4,805	-	-	4,805
Professional Fees	55,250	-	-	55,250
Fund Raising	29,466	-	-	29,466
Interest Expense	-	-	-	-
Other Operating Expenses	13,750	-	-	13,750
Total Expenses	\$ 1,618,586	\$ -	\$ -	\$ 1,618,586

(CONTINUED)

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

EXHIBIT B (CONTINUED)

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase (Decrease) in net Assets Before Prior Period Adjustments	\$ (8,768)	\$ (615,672)	\$ 1,485,397	\$ 860,957
Prior Period Adjustments				
Correction of Contributions	\$ 1,736	\$ -	\$ -	\$ 1,736
Total Prior Period Adjustments	\$ 1,736	\$ -	\$ -	\$ 1,736
Change in Net Assets	\$ (7,032)	\$ (615,672)	\$ 1,485,397	\$ 862,693
Net Assets, Beginning of Year	297,850	3,964,161	3,255,394	7,517,405
Net Assets, End of Year	\$ 290,818	\$ 3,348,489	\$ 4,740,791	\$ 8,380,098

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

EXHIBIT C

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1999

Cash Flows From Operating Activities	
Changes in Net Assets	\$ 950,378
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Change in Unconditional Promises to Give	-
Change in Other Receivables	(54)
Change in Accounts Payable	(10,000)
Change in Accrued Expenses	63,000
Change in Agency Funds	86,366
Change in Unrealized Gains on Investments	(247,180)
Correction of Contributions	<u>1,736</u>
Net Cash Provided (Used) by Operating Activities	<u>844,246</u>
Cash Flows From Investing Activities	
Purchases of Investments	<u>(644,032)</u>
Net Cash Provided (Used) by Investing Activities	<u>(644,032)</u>
Cash Flows From Financing Activities	
Repayments of Short-Term Borrowings	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>
Net Increase (Decrease) in Cash	200,214
Cash, Beginning of Year	<u>222,170</u>
Cash, End of Year	<u>\$ 422,384</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

	<u>PAGE</u>
INTRODUCTION	9
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
A. BASIS OF ACCOUNTING	9
B. BASIS OF PRESENTATION	9
C. CASH AND CASH EQUIVALENTS	10
D. UNCONDITIONAL PROMISES TO GIVE	10
E. CONDITIONAL PROMISES TO GIVE	10
F. INVESTMENTS	10
G. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS	10
H. PROPERTY, PLANT, AND EQUIPMENT	10
I. DONATED SERVICES	11
J. AGENCY FUNDS	11
K. INCOME TAX STATUS	11
2. INVESTMENTS	11
3. RECEIVABLES	11
4. NET ASSETS	12
5. RELATED PARTY TRANSACTIONS	12
6. CONTINGENCIES	13
7. CONCENTRATIONS OF CREDIT RISK	13
8. PRIOR PERIOD ADJUSTMENTS	13
9. YEAR 2000 ISSUE	13

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

INTRODUCTION

Southeastern Development Foundation, Inc. (the Foundation) was incorporated April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as a nonprofit corporation. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) as a nonprofit organization. As such, only unrelated business income as defined by Section 512(a)(2) of the Code is subject to Federal income tax. The Foundation was formed to promote and support, on all levels, the Southeastern Louisiana University (SLU) program, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The accompanying financial statements of Southeastern Development Foundation, Inc. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. BASIS OF PRESENTATION

Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Permanently restricted assets are primarily comprised of the original endowment gift given to the Foundation by donors. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

D. UNCONDITIONAL PROMISES TO GIVE

The Foundation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Made" (SFAS 116), effective July 1, 1995. SFAS 116 requires the Foundation to record certain promises to give as revenue when the promise is made.

E. CONDITIONAL PROMISES TO GIVE

Pursuant with the Foundation's policy and in conformity with SFAS 116, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

F. INVESTMENTS

The Foundation adopted Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (SFAS 124), effective July 1, 1996. SFAS 124 requires the Foundation to record certain investments at estimated fair value.

Investments are carried at fair value. The fair value of equity and debt instruments are based on the quoted market price of the underlying securities. Real estate investments which were received by gift are carried at an independently appraised market value as of the date of acquisition. Gains and losses realized on the sale of investments are determined using an average cost method for securities and the specific identification method for real estate and other investments. Gains and losses are realized on the trade date for investments.

G. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

H. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets utilized by the Foundation are not recorded on the financial statements of the foundation as these assets are owned by Southeastern Louisiana University.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

I. DONATED SERVICES

A significant portion of the Foundation's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirement for recognition under SFAS No. 116.

J. AGENCY FUNDS

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

K. INCOME TAX STATUS

Under provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. Since the Foundation had no net unrelated business income during the year ended June 30, 1999, no provision for income tax was made.

2. INVESTMENTS

Investments are recorded at fair value. The value assigned to investments received by gift is the market value at the date of donation. Amortized cost and fair value of investments at June 30, 1999 were as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain(Loss)</u>
Certificates of Deposit	\$2,005,491	\$2,002,628	\$ (2,863)
Debt Instruments	1,302,790	1,284,262	(18,528)
Equity Securities	1,250,129	1,912,643	662,514
Invested Cash and Cash Equivalents	1,305,774	1,305,446	(328)
Real Estate	5,913	5,913	-
U.S. Government Securities	<u>892,015</u>	<u>879,330</u>	<u>(12,685)</u>
Total	<u>\$6,762,112</u>	<u>\$7,390,222</u>	<u>\$ 628,110</u>

3. RECEIVABLES

Receivables at June 30, 1999 were as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Due from SLU	\$ -	\$ 10,000	\$ -	\$ 10,000
Due from FNBC Trust	<u>-</u>	<u>-</u>	<u>4,464</u>	<u>4,464</u>
Total	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 4,464</u>	<u>\$ 14,464</u>

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

4. NET ASSETS

As of June 30, 1999, temporarily restricted net assets consisted of the following:

Scholarships and University Program Support	\$ 1,576,363
University Affiliated Research Program	<u>1,772,126</u>
Total	<u>\$ 3,348,489</u>

As of June 10, 1999, permanently restricted net assets consisted of the following:

Endowed Gifts to be Held in Perpetuity with Income to be Used for Scholarships	<u>\$ 4,740,791</u>
---	---------------------

During the course of the fiscal year ended June 30, 1999, net assets whose use by the Foundation was subject to donor-imposed restrictions were fulfilled by actions of the Foundation, pursuant to those restrictions, the expiration of time, or the designation of law. These assets are shown in the statement of activities as net assets released from restrictions, and consist of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Satisfaction of Program Restrictions	\$1,239,586	\$ 244,486	\$1,484,072
Unrealized Gains on Investments	<u>762,129</u>	<u>(795,760)</u>	<u>(33,631)</u>
Total	<u>\$2,001,715</u>	<u>\$(551,274)</u>	<u>\$1,450,441</u>

5. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 1999, the Foundation occupied offices in a building constructed by the Southeastern Louisiana University Alumni Association, Inc. Under the terms of a lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University, including the space housing the Southeastern Development Foundation, Inc. Since the value of the facilities used by the Foundation was not reasonably determinable, no related donation or expense is recorded. In accordance with Louisiana Revised Statutes 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the university. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the University.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

6. CONTINGENCIES

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the Foundation holds as agent for SLU funds for an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount of June 30 of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 1999, the endowment base is \$1,038,360 and the fair value of the account is \$1,159,754.

7. CONCENTRATIONS OF CREDIT RISK

Statement of Financial Accounting Standards No. 105 identifies deposits maintained at financial institutions in excess of federally insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At June 30, 1999, the Foundation's uninsured demand and time deposit balances total \$320,983 (collected bank balances).

At June 30, 1999, other financial instruments that subject the Foundation to credit risk consist principally of investments in money market funds, certificates of deposit, debt instruments, equity securities, and U.S. government securities. Management believes that the diversified nature of these investments limits the amount of credit exposure in any one investment.

8. PRIOR PERIOD ADJUSTMENTS

During the fiscal year, adjustments of \$1,736 adjust contributions to actual.

9. YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Foundation's operations as early as fiscal year 1999.

The Foundation has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting the Foundation's operations. Based on this inventory, the Foundation is in the remediation stage in that hardware and software have been acquired believed to be year 2000 compliant for the financial reporting systems. Testing and validation of the systems have been completed.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Foundation is or will be year 2000 ready, that the Foundation's remediation efforts will be successful in whole or in part, or that parties with whom the Foundation does business will be year 2000 ready.

SUPPLEMENTARY INFORMATION

Southeastern Development Foundation, Inc.

SCHEDULE 1

BALANCE SHEET

For the Year Ended June 30, 1999

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Agency Fund</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 100	\$ 422,284	\$ -	\$ -	\$ 422,384
Investments:					
Certificates of Deposit	-	261,566	1,743,926	-	2,005,492
Debt Instruments	-	-	902,789	390,501	1,293,290
Equity Securities	1,276	-	948,853	343,169	1,293,298
Invested Cash and Equivalents	-	484,761	394,929	426,084	1,305,774
Real Estate	-	-	5,913	-	5,913
U.S. Government Securities	-	-	892,015	-	892,015
Donated Land	-	1,772,126	3,656	-	1,775,782
Interfund Receivables	289,403	657,084	-	-	946,487
Other Receivables	-	10,000	4,464	-	14,464
Total Assets	<u>\$ 290,779</u>	<u>\$ 3,607,821</u>	<u>\$ 4,896,545</u>	<u>\$ 1,159,754</u>	<u>\$ 9,954,899</u>
Liabilities and Fund Balance					
Liabilities:					
Accrued Liabilities	\$ -	\$ 63,000	\$ -	\$ -	\$ 63,000
Agency Funds	-	-	-	1,159,754	1,159,754
Interfund Payables	-	196,332	750,155	-	946,487
Total Liabilities	<u>-</u>	<u>259,332</u>	<u>750,155</u>	<u>1,159,754</u>	<u>2,169,241</u>
Fund Balance:					
Unrestricted	290,779	-	-	-	290,779
Restricted	-	3,348,489	-	-	3,348,489
Endowment	-	-	4,146,390	-	4,146,390
Total Fund Balance	<u>290,779</u>	<u>3,348,489</u>	<u>4,146,390</u>	<u>-</u>	<u>7,785,658</u>
Total Liabilities and Fund Balance	<u>\$ 290,779</u>	<u>\$ 3,607,821</u>	<u>\$ 4,896,545</u>	<u>\$ 1,159,754</u>	<u>\$ 9,954,899</u>

Note: Investments are presented at amortized cost for the unrestricted, restricted, and endowment funds, and at fair value for the agency fund.

See auditor's report.

SCHEDULE 2

Southeastern Development Foundation, Inc.
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
 For the Year Ended June 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Revenues				
Contributions	\$ 18,778	\$ -	\$ -	\$ 18,778
Scholarships, Assistantships, Awards	-	155,520	480,924	636,444
Departmental	-	294,890	-	294,890
Programs	-	900,208	-	900,208
Fund Raising	50,137	35,425	-	85,562
Interest and Dividends	<u>93,211</u>	-	<u>203,270</u>	<u>296,481</u>
Total Revenues	<u>\$ 162,126</u>	<u>\$ 1,386,043</u>	<u>\$ 684,194</u>	<u>\$ 2,232,363</u>
Expenses				
Restricted Expenditures:				
Scholarships, Assistantships, Awards	\$ -	\$ 91,670	\$ -	\$ 91,670
Departmental	-	875,916	-	875,916
Programs	-	262,451	-	262,451
Fund Raising	-	9,548	-	9,548
Endowment Expenditures:				
Scholarships, Assistantships, Awards	-	-	244,486	244,486
Salaries	31,244	-	-	31,244
Payroll Taxes	4,805	-	-	4,805
Professional Fees	55,250	-	-	55,250
Fund Raising	29,466	-	-	29,466
Interest Expense	-	-	-	-
Other Operating Expenses	<u>13,750</u>	-	-	<u>13,750</u>
Total Expenses	<u>\$ 134,515</u>	<u>\$ 1,239,585</u>	<u>\$ 244,486</u>	<u>\$ 1,618,586</u>
Excess Revenues (Expenses)	<u>\$ 27,611</u>	<u>\$ 146,458</u>	<u>\$ 439,708</u>	<u>\$ 1,157,477</u>
Fund Balance, Beginning of Year	\$ 259,882	\$ 3,203,647	\$ 3,706,616	\$ 7,170,145
Adjustments to Fund Balance				
Prior Period Adjustment	<u>3,286</u>	<u>(1,616)</u>	<u>66</u>	<u>1,736</u>
Restated Fund Balance, Beginning of Year	<u>\$ 263,168</u>	<u>\$ 3,202,031</u>	<u>\$ 3,706,682</u>	<u>\$ 7,171,881</u>
Fund Balance, End of Year	<u>\$ 290,779</u>	<u>\$ 3,348,489</u>	<u>\$ 4,146,390</u>	<u>\$ 7,785,658</u>

See auditor's report.

OTHER INDEPENDENT AUDITOR'S REPORTS
AND FINDINGS AND RECOMMENDATIONS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

HAMMOND, LA • AMITE, LA

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

John N. Durnin, CPA
Dennis E. James, CPA
Bryon C. Garrety, CPA

Charles D. Mathews, CPA
Jessie Travis-Gill, CPA
Charles F. Dismukes, Jr., CPA

January 6, 2000

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southeastern Development Foundation, Inc.
Post Office Box 293, University Station
Hammond, Louisiana 70402

We have audited the financial statements of Southeastern Development Foundation, Inc. (a nonprofit organization), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 6, 2000. We conducted our audit in accordance with generally accepted auditing standards, 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 Southeastern Development Foundation, Inc.'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 one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and recommendations as item number 99-1.

Internal control over Financial Reporting

In planning and performing our audit, we considered Southeastern Development Foundation, Inc.'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

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.

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. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Southeastern Development Foundation, Inc. in a separate letter dated January 6, 2000.

This report is intended for the information of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,


DURNIN & JAMES CPA'S

FINDINGS AND RECOMMENDATIONS

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 1999

FINDINGS AND RECOMMENDATIONS

COMPLIANCE

99-1 - AUDIT REPORT DUE DATE

Finding

State law, LSA-R.S. 24:513(A)(5)(a), requires state government agencies and "quasi-public" agencies to complete and submit a copy of the final audit report to the Louisiana Legislative Auditor within six months of the end of the fiscal year. The auditor and the Foundation did not file the Southeastern Development Foundation audit report with the Louisiana Legislative Auditor's office by December 31, 1999, as required by LSA-R.S. 24:513. This year was the first time the independent auditor had worked on the Foundation's audit engagement. During the course of the audit, the auditor encountered unexpected problems in reconciling prior year fund balances due to adjustments made to fund balances by the Foundation staff. Because the audit was not begun until later in the fall, the auditor was not able to satisfactorily reconcile these fund balances in time to deliver the completed audit report by December 31st.

Recommendation

The Foundation should assist the external auditor to complete the audit report by the due date of December 31st.

Management's Response

In management's corrective action plan dated January 17, 2000, management indicated that they will assist the external auditors to meet the required audit report deadline in the future.

INTERNAL CONTROL OVER FINANCIAL REPORTING

None.

MANAGEMENT LETTER RECOMMENDATIONS



Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

HAMMOND, LA • AMITE, LA

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

John N. Durnin, CPA
Dennis L. James, CPA
Bryon C. Garrety, CPA

Charles D. Mathews, CPA
Jessie Travis-Gill, CPA
Charles F. Dismukes, Jr., CPA

January 6, 2000

MANAGEMENT LETTER RECOMMENDATIONS

To the Board of Directors
Southeastern Development Foundation, Inc.
Post Office Box 293, University Station
Hammond, Louisiana 70402

We have audited the financial statements of Southeastern Development Foundation, Inc. as of and for the year ended June 30, 1999, and have issued our report thereon dated January 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As part of our examination, we became aware of the following matters which represent suggestions for improved internal controls.

Suggestion 99-2 - General Ledger Reporting System

During our audit and review of the accounting records and reports, we noted the Foundation's present general ledger system does not produce summarized financial reports to facilitate the preparation of financial statements in accordance with generally accepted accounting principals (GAAP). The Foundation's audited financial statements prepared in accordance with generally accepted accounting principles are required to be reported in three separate fund-types; (1) Unrestricted, (2) Temporarily Restricted and (3) Permanently Restricted. Furthermore, within each fund-type the revenues and expenses are required to be classified into distinct program categories to include; (1) Contributions, (2) Scholarships, Assistantships, Awards, (3) Departmental, (4) Programs, and (5) Fund Raising. While the present general ledger system can produce financial statements by fund-type, it does not produce a report to classify the revenue and expenses into the necessary program classifications. Because of this limitation in the general ledger system, the auditor is required to prepare the grouping by program classification manually. Since the general ledger currently consists of over three thousand individual accounts the preparation of this manual grouping consumes a tremendous amount of unnecessary time by the auditor. Improvement is needed in this area to make sure the Foundation accounting staff can produce financial statements by program classification as required. The cause of this condition appears to be Foundation personnel were not properly notified that such a grouping of revenue and expense accounts was needed and the appropriate software written to develop this grouping by computer. As a result, an extraordinary amount of time is needed to create the reports required to produce financial statements in accordance with generally accepted accounting standards.

Recommendation: We recommend the present general ledger system be updated and the appropriate computer software written to give the Foundation the ability to sort financial statements by program classification. This may be accomplished with the present general ledger account mask or may require a revision to the account mask be developed to facilitate this type of computer sorting capability. We would be happy to assist your programmers in developing any revisions to your present account mask and provide a list of standard reports to be generated to facilitate the production of financial statements in accordance with these program classifications.

Management's Response: In management's corrective action plan dated January 17, 2000, management indicated that it will consult the University's computer software programmer to produce the reports to sort financial statements in the format required by auditors. The University is presently converting to a new computer system which is expected to be operational within the next year. The Foundation staff will work with programmers on the implementation of the new software system to produce the reports required by the auditors.

Suggestion 99-3 - Fund Balance Journal Entries


During our audit and substantive tests of accounts, we noted the accounting staff made numerous journal entries affecting fund balance. One entry for \$137,836 was material to the financial statements. Entries to fund balances are considered "Prior Period Adjustments" and should only be recorded when special conditions are met. Journal entries affecting fund balance should only be made under the advice and approval of the independent auditor. Improvement is needed in this area to make sure that only appropriate prior period adjustments are made after the advice and approval from your independent auditor. The cause of this condition appears to be the accounting staff was not notified that prior period adjustments should not be made except by the independent auditor. As a result, it was extremely difficult and time consuming to properly reconcile fund balance with the prior year audited amount due to the number and nature of these fund balance adjustments recorded by the Foundation accounting staff.

Recommendation: We recommend the Foundation's accounting staff not make any fund balance journal entries without the advice and consent of the independent auditor.

Management's Response: In management's corrective action plan dated January 17, 2000, management agreed to not make any fund balance entries except on the advice of their auditor.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

Respectfully submitted,


DURNIN & JAMES, CPA'S

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended June 30, 1999

<u>Ref.#</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>COMPLIANCE</u>				
99-1	Late audit report.	Complete audit on time.	Dr. Joseph H. Miller, Jr.	02/15/00
<u>INTERNAL CONTROL OVER FINANCIAL REPORTING</u>				
None.				
<u>MANAGEMENT LETTER SUGGESTIONS</u>				
99-2	General ledger reports.	Implement new accounting system for University.	Dr. Joseph H. Miller, Jr.	12/31/00
99-3	Fund balance entries.	Will not record fund balance entries.	Dr. Joseph H. Miller, Jr.	06/30/00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
Hammond, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 1999

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken	Additional Explanation
-------	---	-------------------------	-------------------------	--	------------------------

COMPLIANCE

None.

INTERNAL CONTROL OVER FINANCIAL REPORTING

None.

MANAGEMENT LETTER SUGGESTIONS

None.