

GRAMBLING UNIVERSITY FOUNDATION, INC.

(Audited Financial Statements and Other Reports)

GRAMBLING, LOUISIANA

JUNE 30, 2020

GRAMBLING UNIVERSITY FOUNDATION, INC.

GRAMBLING, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 30, 2020

The Board of Directors
Grambling University Foundation, Inc.
Grambling, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Grambling University Foundation, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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.

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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grambling University Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Grambling University Foundation, Inc.'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 Grambling University Foundation, Inc.'s internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

Cash and cash equivalents	1,871,836
Certificates of deposit	4,795,173
Investment-Argent Trust	<u>404,910</u>
Total assets	<u><u>7,071,919</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Note payable-Stadium Project	1,636,020
Due to Grambling State University	<u>4,285,554</u>
Total liabilities	5,921,574

Net assets:

<u>Without donor restrictions:</u>	
Undesignated	(2,254,766)
<u>With donor restrictions:</u>	
Restricted for specific purposes	1,156,834
Restricted in perpetuity (endowment)	<u>2,248,277</u>
Total net assets-with donor restrictions	<u>3,405,111</u>
Total net assets	<u><u>1,150,345</u></u>

Total liabilities and net assets	<u><u>7,071,919</u></u>
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The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Revenues, gains and other support:</u>			
Contributions	760,250	420,187	1,180,437
Contributed services	21,606	-	21,606
Operational fund revenue	54,916	-	54,916
Bayou Classic operations	-	28,820	28,820
GSU Band campaign	-	507	507
Other revenues	34,259	286,406	320,665
Roaring Tiger	-	24,700	24,700
Scholarships	-	100,245	100,245
Net investment income	<u>4,579</u>	<u>33,300</u>	<u>37,879</u>
	875,610	894,165	1,769,775
Net assets released from restrictions	<u>822,765</u>	<u>(822,765)</u>	<u>-</u>
Total revenues, gains and support	1,698,375	71,400	1,769,775
<u>Expenses:</u>			
<u>Program services:</u>			
Institutional support	884,235	-	884,235
<u>Support services:</u>			
Bayou Classic operations	12,039	-	12,039
GSU band campaign	3,015	-	3,015
Roaring Tiger	-	-	-
Scholarship expense	67,899	-	67,899
General and administrative services	21,606	-	21,606
Contribution-GSU Stadium Project	141,580	-	141,580
Interest expense	<u>91,434</u>	<u>-</u>	<u>91,434</u>
Total expenses	1,221,808	-	1,221,808
Assets dedicated to Grambling State University	<u>-</u>	<u>-</u>	<u>-</u>
<u>Change in net assets</u>	476,567	71,400	547,967
<u>Net assets-beginning of year</u>	<u>(2,731,333)</u>	<u>3,333,711</u>	<u>602,378</u>
<u>Net assets-end of year</u>	<u>(2,254,766)</u>	<u>3,405,111</u>	<u>1,150,345</u>

The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

		<u>Support Services</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Special Events</u>
<u>Program services:</u>			
Institutional support	884,235	-	-
<u>Support services:</u>			
Bayou Classic operations	-	-	12,039
GSU band campaign	-	-	3,015
Scholarship expense	-	-	67,899
General and administrative services	-	21,606	-
Contribution-GSU Stadium Project	-	-	141,580
Interest expense	-	91,434	-
Total expenses	<u>884,235</u>	<u>113,040</u>	<u>224,533</u>

The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

<u>Cash flows from operating activities:</u>	
Change in net assets	547,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
<i>(Increase) decrease in assets:</i>	
Accounts receivable	-
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	<u>(176,565)</u>
Net cash provided (used) by operating activities	371,402
<u>Cash flows from investing activities:</u>	
Change in certificates of deposit	(31,545)
Interest capitalized to certificates of deposit	(37,879)
Change in investment-Argent Trust	(404,910)
Increase in due to Grambling State University	<u>208,938</u>
Net cash provided (used) by investing activities	<u>(265,396)</u>
<u>Cash flows from financing activities:</u>	
Repayments of long-term debt-Stadium Project	<u>(180,846)</u>
Net cash provided (used) by investing activities	<u>(180,846)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	(74,840)
<u>Cash and cash equivalents-beginning of year</u>	<u>1,946,676</u>
<u>Cash and cash equivalents-end of year</u>	<u>1,871,836</u>

The accompanying notes are an integral part of the financial statements.

GRAMBLING UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. Organization and Summary of Significant Accounting Policies

Organization

The Grambling University Foundation, Inc. (the Foundation) was organized as of April 28, 2005 to solicit, receive, hold, invest and transfer funds for the benefit of Grambling State University. Additionally, the Foundation assists Grambling State University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Grambling State University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Grambling State University. The Foundation is a separate legal entity and not included as part of the reporting entity of Grambling State University.

Basis of Accounting

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and under the financial reporting framework of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. This includes funds that are designated for discretionary use by the Foundation and board-designated funds functioning as endowments.

With Donor Restrictions – 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. This includes annuity and life income funds, term endowments, the present value of contributions receivable, and earnings on investments. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use a portion of the income earned on the related investments for specified purposes.

1. Organization and Summary of Significant Accounting Policies (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released between the applicable classes of net assets. Revenues with donor restrictions that are used in the year of receipt are classified as net assets with donor restrictions and released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income and realized and unrealized net gains or losses on investments are reported as follows:

Without Donor Restrictions – As increases or decreases in net assets if the terms of the gift are not considered to have donor restrictions.

With Donor Restrictions – As increases or decreases in net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the timing or the use of the income or by law.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment – Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net Assets Released from Restrictions

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, reclassifications between the applicable classes of net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, if any, are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

1. Organization and Summary of Significant Accounting Policies (Continued)

Net Assets-With Donor Restrictions

With respect to net assets-with donor restrictions, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Cash and Cash Equivalents

Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

In-Kind Gifts

Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

In-Kind Revenue and Expenses

Grambling State University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel costs, rent, utilities, and the use of office equipment. These services are valued at an estimated cost to Grambling State University. The amounts for these services have been reflected as contributed services revenue and general and administrative expenses in the accompanying financial statements. Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

Accounts Receivable

Accounts receivable consists of amounts due from outside parties. Management evaluates the collectability and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and to determine whether in fact it is a tax-exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

1. Organization and Summary of Significant Accounting Policies (Continued)

The Foundation has elected to adopt the provisions of **FASB Interpretation #48**, “*Accounting for Uncertainties in Income Taxes*.” It has not adopted any uncertain tax positions with respect to those amounts reported in the financial statements. The Foundation files a federal Form 990 return for information purposes. The returns for income tax years 2016 and subsequent remain subject to examination by the Internal Revenue Service.

Funds Functioning as Endowment

The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as net assets-without donor restrictions; however, the Foundation restricts the use of the funds in the same manner as a donor would be creating an endowment.

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 significantly from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the program services and management and general expenses.

New and Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers*,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the impact of the adoption of this new accounting standard on financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “*Leases*” (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity’s leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

1. Organization and Summary of Significant Accounting Policies (Continued)

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2022, and interim periods within fiscal years beginning after December 15, 2021. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the potential impact of adopting this guidance on its financial statements.

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities,” with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. The Foundation has adopted the standard during the prior year and the changes are reflected within the financial statements.

Reclassifications

Certain amounts previously reported in the Foundation’s financial statements have been reclassified to conform to current classifications, with no effect on previously reported net assets or changes in net assets.

2. Investments

Fair values and unrealized appreciation / (depreciation) or capitalized interest on investments (certificates of deposit) as of June 30, 2020 are summarized as follows:

	<u>Fair Value</u>
Certificate #974232	109,417
Certificate #979086	977,443
Certificate #988605	107,431
Certificate #989268	295,434
Certificate #991223	321,651
Certificate #6002879	319,475
Certificate #6009500	678,316
Certificate #6230142	116,774
Certificate #6495720	50,838
Certificate #9932170	66,327
Certificate #6246456	1,369
Certificate #6215185	451
Certificate #6048556	3,916
Certificate #6704798	879
Certificate #6835019	107,027
Certificate #6496399	107,027
Certificate #6001650	107,027
Certificate #6902698	11,305
Certificate #6590213	616
Certificate #6086813	131,180
Certificate #6347256	9,538

2. Investments (Continued)

	<u>Fair Value</u>
Certificate #6362891	26,567
Certificate #6466978	129,565
Certificate #6628470	1,032,574
Certificate #6826849	4,772
Certificate #6993478	13,282
Certificate #6561270	12,710
Certificate #10018692	<u>52,262</u>
	<u>4,795,173</u>

3. Liquidity and Availability

Cash and cash equivalents consist of money market funds and certificates of deposit in the amount of \$4,795,173 at June 30, 2020. These funds are exposed to custodial credit risk because the money market funds and certificates of deposit are uninsured and collateralized with securities held by the custodial Bank.

4. Transactions with Grambling State University

Grambling State University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Grambling State University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their estimated cost to Grambling State University. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

Funds administered by the Foundation on behalf of Grambling State University are not commingled with funds belonging to the Foundation. Funds classified as amounts due to Grambling State University at June 30, 2020 are related to certain endowed professorships and chairs matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation.

5. Concentrations of Credit Risk

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits. The **Financial Accounting Standards Board**, "*Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk*," identifies these items as a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

6. Collection of Artwork

The Foundation received a collection of Aboriginal Indigenous art from an independent donor during the year ended June 30, 2008. The collection was appraised by an independent third party appraisal firm at approximately \$318,000 at the time of donation. In accordance with **FASB ASC #958**, "*Not-for-Profit Entities*," the Foundation does not capitalize the collection of artwork in its financial statements as it is held for public exhibition, education, or research in furtherance of public service rather than financial gain. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items, and no additional items were purchased for or removed from the collection in fiscal year ended June 30, 2020.

7. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Private endowed contributions received for professorships and chairs are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions. Once the match is received, the private endowed funds along with the matching endowed funds are transferred to the Due to Grambling State University liability account. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate is approved by the Board for the fiscal year ended June 30, 2020. Prior state law dictated that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending. However, in June 2010, the state legislature passed the Uniform Prudential Management of Institutional Funds Act (UPMIFA). This act changed the law regarding spending in endowments, to allow for a portion of the corpus to be spent.

The Foundation classifies the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

	Restricted for Specific <u>Purpose</u>	Restricted in Perpetuity <u>Endowment</u>	<u>Total</u>
Endowment net assets, June 30, 2019	1,232,149	2,101,562	3,333,711
Contributions	420,187	-	420,187
Contributions-other	116,811	169,595	286,406
Income (loss) on investments	13,568	19,732	33,300
Other income	54,027	-	54,027
Scholarships	100,245	-	100,245
Released from restriction	<u>(780,153)</u>	<u>(42,612)</u>	<u>(822,765)</u>
Endowment net assets, June 30, 2020	<u>1,156,834</u>	<u>2,248,277</u>	<u>3,405,111</u>

8. Fair Value of Financial Instruments

The Foundation adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

8. Fair Value of Financial Instruments (Continued)

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The financial instruments consist of cash and certificates of deposit, accounts receivable, accounts payable and other liabilities whose carrying values approximated fair value.

9. Notes Payable and Long-Term Debt

Origin Bank, construction permanent note payable original amount of \$2,100,250, bearing interest at 4.95%, dated September 2, 2017 and maturing March 1, 2023, payable as interest only payments until March 1, 2019, then in annual installments of \$272,279 until maturity, with a balloon payment at maturity of balance, secured by certificates of deposit.	1,636,020
Total debt	1,636,020
<u>Less-current portion of long-term debt</u>	<u>(184,029)</u>
Long-term debt, less current portion	<u>1,451,911</u>

Maturities of long-term obligations for the next five (5) years are as follows:

2021	184,029
2022	193,265
2023	1,258,726
	<u>1,636,020</u>

10. Subsequent Events

In accordance with FASB Accounting Standards Codification (**FASB ASC #855**) "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through November 30, 2020 and noted the following subsequent event(s) requiring disclosure.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it a pandemic. Actions taken to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closures types of public facilities and businesses. The coronavirus, and actions taken to mitigate it, have had and are expected to continue to have, an adverse impact on the economic and financial markets, including the area in which the Foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, to date, the Foundation has not seen a material impact to its operations. Future potential impacts to the

10. Subsequent Events (Continued)

Foundation included, but are not limited to, disruptions or restrictions on the employee's ability to work, lack of demand for their services provided, and/or the customer's ability to repay under the terms of the service agreement. Changes in the operating environment may also be impacted such as labor and supply shortages, discontinued operations, difficulty meeting debt covenants, significant changes in the fair value of assets or liabilities, losses in investments, areas having direct contact with the customer, and valuation risks. The future effects of the above issues are currently unquantifiable and unknown at this time.

OTHER REPORTS

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November 30, 2020

The Board of Directors
Grambling University Foundation, Inc.
Grambling, Louisiana

**Independent Auditor's 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***

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 Grambling University Foundation, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grambling University Foundation, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grambling University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Grambling University Foundation, Inc.'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grambling University Foundation, Inc.'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*.

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 results 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GRAMBLING UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

We have audited the financial statements of Grambling University Foundation, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated November 30, 2020. 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. Our audit of the financial statements as of June 30, 2020 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

- a. Auditor's report expresses an unmodified opinion on the basic financial statements of Grambling University Foundation, Inc.
- b. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control – No material weaknesses were noted, no management letter was issued.

Compliance – No material instances of noncompliance were noted in the financial statements.
- c. Federal Awards – Grambling University Foundation, Inc. was not subject to a federal single-audit for the period ended June 30, 2020.

Section II - Financial Statement Findings

2020 - Current Year Findings: There are no current year findings noted.

GRAMBLING UNIVERSITY FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

2019 – Prior Year Findings: There were no prior year findings noted.