

BLACK & GOLD FACILITIES, INC.
FINANCIAL AUDIT TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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 12/19/07

BLACK & GOLD FACILITIES, INC
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Black & Gold Facilities, Inc.
Grambling, Louisiana

We have audited the accompanying statement of financial position of **Black & Gold Facilities, Inc. (the Facilities)** as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **the Facilities's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Black & Gold Facilities, Inc.** as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principle generally accepted in the United States of America.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2007

BLACK & GOLD FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2007

ASSETS

Current assets:	
Cash	\$ 1,407,401
Investments - bond reserves	26,494,891
Due from affiliate	<u>44,356</u>
Total current assets	<u>27,946,648</u>
Non-current assets	
Fixed assets:	
Property, net of accumulated depreciation of	1,292,068
Construction in progress	<u>42,188,337</u>
Total fixed assets	<u>43,480,405</u>
Other assets:	
Prepaid bond insurance	1,957,203
Cost of bond issuance, net	<u>1,544,702</u>
Total other assets	<u>3,501,905</u>
Total assets	<u>74,928,958</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	\$ 7,496,453
Retainage payable	<u>1,388,799</u>
Total current liabilities	<u>8,885,252</u>
Long-term liabilities:	
Taxable bonds payable	9,295,000
Tax-exempt bonds payable	55,705,000
Bond discount	(69,524)
Bond premium	<u>751,368</u>
Total long-term liabilities	<u>65,681,844</u>
Net assets, unrestricted	<u>361,862</u>
Total liabilities and net assets	<u>\$ 74,928,958</u>

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

BLACK & GOLD FACILITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Revenues	
Rent Revenue	\$ 67,752
Investment income	562,130
Interest income	<u>539,363</u>
Total revenues	<u>1,169,245</u>
Expenses	
Amortization expense	59,354
Depreciation expense	27,638
Bond insurance expenses	51,200
Bond interest expense	597,795
Donations	48,000
Building expense	<u>23,396</u>
Total expenses	<u>807,383</u>
Change in net assets	361,862
Net assets	
Beginning of the year	<u>-0-</u>
End of the year	<u>\$ 361,862</u>

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

BLACK & GOLD FACILITIES, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Operating activities	
Change in net assets	\$ 361,862
Depreciation and amortization	27,638
Amortization of bond premium	15,100
Increase in prepaid insurance	(1,957,203)
Increase in accounts payable and other accrued expenses	8,885,252
Due from affiliate	(44,356)
Other assets	<u>(1,544,702)</u>
Net cash provided by (used in) operating activities	<u>5,743,591</u>
Investing activities	
Investments - bond reserve	(26,494,891)
Increase in for construction in progress	<u>(43,508,043)</u>
Net cash provided by (used in) investing activities	<u>(70,002,934)</u>
Financial activities	
Proceeds from sale of bonds	
Net cash provided (used in) financing activities	<u>65,666,744</u>
Net increase (decrease) in cash and cash equivalents	<u>1,407,401</u>
Cash and cash equivalents	
Beginning of year	-0-
End of year	\$ <u>1,407,401</u>

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

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND

Black & Gold Facilities, Inc. (The Facilities) is a private nonprofit organization and is formed to promote, assist, and benefit the mission of Grambling State University through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, leasing as lessor, lessee, mortgaging, and/or conveying residential, classroom, administrative, and other facilities on the campus of Grambling State University.

The Facilities participated in bond issuance by borrowing money from the Louisiana Public Facility Authority (the Issuer) who has issued \$65,000,000 in revenue bonds (Series 2006) which will be payable solely from the revenues of **the Facilities**. The revenue bonds were issued pursuant to a Trust Indenture dated October 1, 2006, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds were loaned to **the Facilities** pursuant to a Loan Agreement dated as of October 1, 2006 between the Issuer and **the Facilities** and will be used to construct a new residence hall, acquisition of Steeple's Glen Apartments, related parking facilities, and related sewer and water lines on the campus of Grambling State University. To secure **the Facilities**'s obligations to repay the moneys loaned, **The Facilities** executed a Mortgage, Assignment of Leases and Security Agreement. **The Facilities** granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to **the Facilities** by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") under a facilities lease agreement. At such time as the financing for **the Facilities** is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the educational institution.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred,

Fair values of financial instruments

The following methods and assumptions were used by the Facilities in estimating its fair value disclosures for financial instruments.

Cash - The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Investments securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Unrestricted net assets

None of the Facilities's net assets are subjected to donor-imposed restrictions. Accordingly, all net are accounted for as unrestricted net assets in accordance with Statement of Financial Accounting Standards No.117, *Financial Statements for Not-For-Profit Organizations*.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the Facilities considers all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in the Facilities's investment account which are primarily held for investments in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Property

Property is capitalized at cost is being depreciated over the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. Depreciation is computed over the life of the bonds using the straight-line method.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property is comprised of the following at June 30, 2007:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Capital assets			
Building	\$ 1,367,706	\$ (75,638)	\$ 1,292,068
Construction in progress	<u>42,188,337</u>	<u>-0-</u>	<u>42,188,337</u>
Total capital asset	<u>\$ 43,556,043</u>	<u>\$ (75,638)</u>	<u>\$ 43,480,405</u>

Depreciation expense totaled \$75,638 for the year ended June 30, 2007.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended June 30, 2007, **the Facilities** entered into an agreement with the University to construct a new residence hall. **The Facilities** will borrow money and construct the facility as specified by the University and the facility will be lease back to the University. The revenues generated by this facility will be used to pay for the financing of the project. Construction in progress related to this project totaled to \$42,188,337 at June 30, 2007.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond issuance costs

Cost incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled \$1,612,850. These costs are shown net of accumulated amortization of \$68,148 at June 30, 2007.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Facilities maintains cash balances with creditworthy, high quality, financial institutions located in several states. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Periodically, the Facilities maintains deposits in excess of federally insured limits. At June 30, 2007, the Facilities's uninsured demand and time deposit balances totaled \$1,307,301. Management monitors the soundness of these financial institutions and feels the Facilities's risk is not significant. The balances in investments - bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments.

NOTE 4 - INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustee consist of cash, money market investments, securities that are primarily issued by the U.S. Government and various other financial instruments. These short-term investments are primarily stated at cost, which approximates market.

Under the terms of the various Trust Indentures or similar documents, various funds such a Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - INVESTMENTS - BOND RESERVES, Continued

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage's.

Investment income, to the extent it exceeds capitalized interest for the respective project, is reported as a change in net asset. Information necessary to report the proceeds of sales and purchases of investments for the statement of cash flows is not meaningful due to the nature of the investments and the large volume of transactions.

Investments-reserves consist of the following at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Investment - bond reserves		
Cash and Money Market Funds	\$ <u>1,407,401</u>	\$ <u>1,407,401</u>
Investment - bond reserves		
Short-term Investments	\$ <u>26,494,891</u>	\$ <u>26,494,891</u>

NOTE 5 - GROUND LEASE

Pursuant to a ground lease agreement between **the Facilities** and the Board of Supervisors of the University of Louisiana System, **the Facilities** (the Lessee) will lease the land on which the student housing is being constructed from the Board of Supervisors of the University of Louisiana System (the Lessor).

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - BONDS PAYABLE

On October 1, 2006, the Louisiana Public Facilities Authority issued \$65,000,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Facilities. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of residence facilities for use by Grambling State University, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds will also be utilized to purchase an apartment complex and to pay the costs associated with the issuance of the bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.79% to 5.41% per annum.

\$55,705,000 tax exempt term bonds payable dated October 1, 2006; due at various intervals through July 1, 2038; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 3.79% - 4.38%; secured by leasehold deed and assignment of rents.	<u>\$ 55,705,000</u>
\$3,595,000 taxable term bonds payable dated October 1, 2006; due at various intervals through July 1, 2012; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.32% - 5.41%; secured by leasehold deed and assignment of rents.	<u>3,595,000</u>
\$5,700,000 taxable term bonds payable dated October 1, 2006; due at various intervals through April 1, 2038; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.15% - 5.80%; secured by leasehold deed and assignment of rents.	<u>5,700,000</u>
	<u>\$ 65,000,000</u>
Less current maturities	<u>-0-</u>
Total bonds payable	<u>\$ 65,000,000</u>

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - BONDS PAYABLE, Continued

The outstanding bonds, which were purchased at premiums and a discount, are required to be repaid as follows over the next five years and thereafter:

2007	\$	-0-
2008		-0-
2009		925,000
2010		960,000
2011		1,085,000
2012-2038		<u>62,030,000</u>
Total	\$	<u>65,000,000</u>

Bonds funds totaling \$ 27,902,292 have been deposited with the bond trustee at June 30, 2007.

NOTE 7 - BONDS PREMIUM /DISCOUNT

The bond premium and discount received upon the issuance of the bonds is being amortized over the life of the bonds using the straight line method. Total bond premium and bond discount at issuance totaled \$767,784 and \$70,841, respectively. Annual amortization will be charge against "Interest Expense". The bond premium and discount is shown net of accumulated amortization of \$681,844.

BLACK & GOLD FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimates fair value of all significant instrument amounts have been determined by the **Facilities** using available market information and appropriated valuation methodologies. The following methods and assumptions were used to estimated the fair value of each class of financial instruments:

- Cash and cash equivalents and deposits with trustees - **The Facilities** considers the carrying amounts of these financial instruments to be fair value.
- Investments - The fair value for federal mortgage notes equal the related cost plus amortized discount.
- Bonds payable - The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

The carrying value and estimated fair values of the **Facilities** financial instruments at June 30, 2007 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash	\$ 1,407,401	\$ 1,407,401
Prepaid bond insurance	1,951,113	1,951,113
Investments	26,494,891	26,494,891
Bonds payable	65,681,735	65,681,735
Retainage payable	1,388,799	1,388,799
Accrued expenses	7,496,453	7,496,453