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GRAMBLING BLACK AND GOLD FOUNDATION, INC.

GRAMBLING, LOUISIANA

JUNE 30, 2006

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 4/22/09

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

GRAMBLING, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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October 31, 2008

The Board of Directors
Grambling Black and Gold Foundation, Inc.
Grambling, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Grambling Black and Gold Foundation, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the five months then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Grambling Black and Gold Foundation, Inc. as of June 30, 2006, and its changes in net assets and its cash flows for the five months then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy & Vestal, LLP

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GRAMBLING BLACK AND GOLD FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

ASSETS

Cash and cash equivalents	91,834
Accounts receivable	<u>-</u>
Total assets	<u>91,834</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	1,960
Due to Grambling State University	<u>-</u>
Total liabilities	1,960

Net assets:

Unrestricted	62,874
Temporarily restricted-for specific purposes	27,000
Permanently restricted-endowment	<u>-</u>
Total net-assets	<u>89,874</u>

Total liabilities and net assets	<u>91,834</u>
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The accompanying notes are an integral part of the financial statements.

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE FIVE MONTHS ENDED JUNE 30, 2006

	2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, gains and other support:</u>				
Contributions	14,667	2,000	-	16,667
Contributions services	36,000	-	-	36,000
Bayou Classic operations	-	-	-	-
Eddie G. Robinson Museum	-	-	-	-
Grambling band	-	31,348	-	31,348
Other	1,590	-	100	1,690
	<u>52,257</u>	<u>33,348</u>	<u>100</u>	<u>85,705</u>
 Net assets released from restrictions	<u>4,209</u>	<u>(4,009)</u>	<u>(200)</u>	<u>-</u>
 Total revenues, gains and other support	56,466	29,339	(100)	85,705
 <u>Expenses:</u>				
Institutional support	9,612	-	-	9,612
Academic support	1,590	-	-	1,590
Bayou Classic operations	11,907	-	-	11,907
Eddie G. Robinson Museum	12,405	-	-	12,405
Grambling band	-	24,439	-	24,439
General administrative services	36,000	-	-	36,000
Fundraising	1,960	-	-	1,960
Total expenses	<u>73,474</u>	<u>24,439</u>	<u>-</u>	<u>97,913</u>
 Assets dedicated to Grambling State University	<u>(686,393)</u>	<u>-</u>	<u>-</u>	<u>(686,393)</u>
 <u>Change in net assets</u>	<u>(703,401)</u>	<u>4,900</u>	<u>(100)</u>	<u>(698,601)</u>
 <u>Net assets-beginning of period</u>	<u>766,275</u>	<u>22,100</u>	<u>100</u>	<u>788,475</u>
 <u>Net assets-end of period</u>	<u>62,874</u>	<u>27,000</u>	<u>-</u>	<u>89,874</u>

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

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE FIVE MONTHS ENDED JUNE 30, 2006

<u>Cash flows from operating activities:</u>	
Change in net assets	(698,601)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
<i>(Increase) decrease in assets:</i>	
Accounts receivable	686,393
Contributions receivable, net	-
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	(14,793)
Accrued expenses	(571)
Net cash (used) by operating activities	<u>(27,572)</u>
<u>Cash flows from investing activities:</u>	
(Decrease) in due to Grambling State University	<u>(50,000)</u>
Net cash (used) by investing activities	<u>(50,000)</u>
<u>Net (decrease) in cash and cash equivalents</u>	(77,752)
<u>Cash and cash equivalents-beginning of period</u>	<u>169,406</u>
<u>Cash and cash equivalents-end of period</u>	<u>91,834</u>

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

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. Organization and Summary of Significant Accounting Policies.

a. Organization

The Grambling Black and Gold 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.

b. Basis of Financial Statements

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.

Financial statement presentation follows the requirements for the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation, and/or by the passage of time. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on the related investments for general or specific purposes.

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

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 and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation by law.

c. *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.

d. *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.

e. *Investment Income*

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

as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;

as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;

increases in unrestricted net assets in all other cases.

f. *Temporarily Restricted Net Assets*

With respect to temporarily restricted net assets, 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.

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.

g. *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.

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

h. 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.

i. 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.

j. 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.

k. 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.

l. 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). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal years audited.

m. 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 unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would be creating an endowment.

n. 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.

o. 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.

OTHER REPORTS

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October 31, 2008

The Board of Directors
Grambling Black and Gold Foundation, Inc.
Grambling, Louisiana

**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 the financial statements of Grambling Black and Gold Foundation, Inc. as of and for the five months ended June 30, 2006 and have issued our report thereon dated October 31, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grambling Black and Gold Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Our consideration of the internal control over financial reporting included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Pursuant to the requirements of **Statement on Auditing Standards, No. 112**, "Communicating Internal Control Related Matters Identified in an Audit" (SAS 112), we believe the following deficiency to be a significant deficiency which is also a material weakness.

Financial Reporting

As is common in small operations, management has chosen to engage the auditors to prepare year-end adjusting entries and to prepare the Foundation's financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established, nor has management demonstrated an ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered a material weakness in internal controls.

Recently issued Statements on Auditing Standards #112 (SAS #112) requires that we report the above condition as a control deficiency. SAS 112 does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. We agree with the objective of SAS #112, to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the above control deficiency helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. In other words, if the organization is not able to prepare, without the auditors' involvement, complete financial statements with notes, in accordance with generally accepted accounting principles, and free of material misstatement, that inability is a symptom of a material weakness in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Foundation are free of 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*.

This report is intended solely for the information and use of the board of directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE PERIOD ENDED JUNE 30, 2006

We have audited the financial statements of Grambling Black and Gold Foundation, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated October 31, 2008. 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, 2006 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control – One significant deficiency was noted which is also a material weakness. It is fully explained in our report.

Compliance – No material noncompliance was noted.

- b. Federal Awards – Grambling Black and Gold Foundation, Inc. was not subject to a federal single audit for the period ended June 30, 2006.

Section II - Financial Statement Findings

No matters were reported.

GRAMBLING BLACK AND GOLD FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE PERIOD ENDED JUNE 30, 2006

No prior year findings were reported.