

BLACK & GOLD FACILITIES, INC.
FINANCIAL AUDIT TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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 **APR 17 2013**

Sean M. Bruno
Certified Public Accountants

BLACK & GOLD FACILITIES, INC.
TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2012	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012	5
NOTES TO FINANCIAL STATEMENTS	6
 <u>SUPPLEMENTARY INFORMATION:</u>	
STATEMENT OF NET ASSETS AS OF JUNE 30, 2012	20
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012	21

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012	22
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION	23
SCHEDULE OF CAPITAL ASSETS	24
SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES	25
SCHEDULE OF BONDS PAYABLE	26
SCHEDULE OF BOND AMORTIZATION.....	27
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PHASE.....	28

Sean M. Bruno
Certified Public Accountants

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of **Black & Gold Facilities, Inc. (the Facilities)** as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **the Facilities'** management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Facilities** as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

To the Board of Directors
Black & Gold Facilities, Inc.
Grambling, Louisiana – Page 2

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the report (shown on pages 20 through 28) is presented for the purpose of additional analysis and is not a required part of the financial statements of **the Facilities**. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS

August 24, 2012

BLACK & GOLD FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012

ASSETS

Current assets	
Cash and cash equivalents (NOTE 2)	\$ 1,401,487
Investments - bond reserves (NOTE 6)	6,133,627
Prepaid insurance	<u>177,960</u>
Total current assets	<u>7,713,074</u>
Non-current assets	
Investments - bond reserves (NOTE 6)	14,147,965
Fixed assets, net of accumulated depreciation of \$12,774,024 (NOTES 2 and 3)	74,678,571
Prepaid bond insurance costs, net of accumulated amortization of \$547,977 (NOTE 4)	2,829,804
Bond issuance costs, net of accumulated amortization of \$468,829 (NOTE 4)	<u>1,853,331</u>
Total non-current assets	<u>93,509,671</u>
Total assets	<u>\$ 101,222,745</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Taxable bonds payable (NOTE 8)	\$ 1,590,000
Interest payable	2,455,620
Due to affiliate	42,718
Accounts payable	<u>483,735</u>
Total current liabilities	<u>4,572,073</u>
Long-term liabilities:	
Bonds payable	
Taxable bonds payable (NOTES 8)	6,755,000
Tax-exempt bonds payable (NOTES 8)	<u>94,850,000</u>
Total bonds payable	<u>101,605,000</u>
Bond discount, net of accumulated amortization of \$26,561 (NOTE 9)	(188,232)
Bond premium, net of accumulated amortization of \$85,260 (NOTE 9)	<u>665,783</u>
Bond discount / premium, net	<u>477,551</u>
Total long-term liabilities	<u>102,082,551</u>
Total liabilities	<u>106,654,624</u>
Net assets, unrestricted (NOTE 2)	<u>(5,431,879)</u>
Total liabilities and net assets	<u>\$ 101,222,745</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, 2012

<u>Operating revenues</u>	
Student housing income	\$ 10,222,494
Rental income	<u>409,320</u>
Total operating revenues	<u>10,631,814</u>
<u>Operating expenses</u>	
Amortization expense	188,252
Depreciation / amortization expense	3,128,014
Interest expense	5,055,586
Contract labor	440,694
Professional fees	29,244
Travel	4,662
Repairs and maintenance	705,476
University support	26,822
Administrative expense	66,295
Utilities expense	642,922
Management fees	560,000
Property insurance	182,012
Telephone and internet	607,301
Security services	113,722
Trustee fees	<u>33,000</u>
Total operating expenses	<u>11,784,002</u>
Change in net assets from operating activities	<u>(1,152,188)</u>
<u>Non-Operating Activities</u>	
Cash distribution to affiliate (NOTE 10)	959,138
Investment income	<u>(2,060)</u>
Change in net assets from non-operating activities	<u>(957,078)</u>
Change in net assets	<u>(2,109,266)</u>
Net assets	
Beginning of year	<u>(3,322,613)</u>
End of year	<u>\$ (5,431,879)</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, 2012

Operating activities:	
Change in net assets	\$ (2,109,266)
Adjustments to reconcile change in net assets to	
Net cash used in operating activities:	
Depreciation and amortization expense	3,316,266
Amortization of bond premium / discount	(9,335)
Increase in accounts payable	173,958
Increase in prepaid insurance	(20,515)
Decrease in interest payable	<u>(37,153)</u>
Net cash provided by operating activities	<u>1,313,955</u>
Investing activities:	
Purchase of investments	(21,091,821)
Sale of investments	21,435,490
Fixed assets purchase	<u>(185,014)</u>
Net cash used in investing activities	<u>158,655</u>
Financing activities:	
Repayment of bonds payable	<u>(1,445,000)</u>
Net cash used in financing activities	<u>(1,445,000)</u>
Net increase in cash and cash equivalents	<u>27,610</u>
Cash and cash equivalents	
Beginning of year	<u>1,373,877</u>
End of year	<u>\$ 1,401,487</u>
Interest paid in cash	<u>\$ 4,948,393</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 that was formed to promote, assist, and benefit the mission of Grambling State University through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, leasing, assessing, lessee, mortgaging, and/or converting residential, classroom, administrative, and other facilities on the campus of Grambling State University.

The Facilities participated in a bond issuance by borrowing money from the Louisiana Public Facility Authority (the Issuer) who issued \$65,000,000 in revenue bonds (Series 2006) and \$41,925,000 in revenue bonds (series 2007) which will be payable solely from the revenues of **the Facilities**. The revenue bonds are 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 are 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** 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 Grambling State University (the University).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards

Basis of Accounting

The financial statements and the supplemental schedules are prepared in accordance with accounting principles generally accepted in the United States and are prepared on the accrual basis.

Basis of Reporting

FASB ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **the Facilities** are included in this category. **The Facilities** has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of **the Facilities**, and therefore, **the Facilities's** policy is to record these net assets as unrestricted.

Temporarily restricted net assets include realized gains and losses, investment income and gifts, appropriations and contributions for which donor-imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Reporting

At June 30, 2012, **the Facilities** did not have any temporarily or permanently restricted net assets.

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 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'** 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. As of June 30, 2012, cash and cash equivalents totaled \$1,401,487 of which Operating and Facilities cash balances approximated \$388,595 and \$1,012,892, respectively.

Fixed Assets

Fixed assets are capitalized at cost and are 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. **The Facilities** capitalizes all fixed assets that exceed \$1,000, per item. Depreciation in buildings 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

Income Taxes

The Facilities is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is recorded in the accompanying financial statements. **The Facilities** files as a tax-exempt organization. Should that status be challenged in the future, **the Facilities'** tax returns for the past three years remain open for examination by the Internal Revenue Service

Fair Value

FASB ASC Top 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. Further, ASC Top 820 requires **the Facilities** to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements.

Operating and Non-operating Activities

The Statement of Activities report the change in net assets from **the Facilities'** operating and non-operating activities. Operating activities exclude cash contributions to the University and investment income.

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04 which provided authoritative guidance related to fair value measurements as a result of the FASB and the International Accounting Standards Board (IASB) working together to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards (IFRS). ASU 2011-04 will add new disclosures with a particular focus on Level 3 measurements. The objective of ASU 2011-04 is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The amendments are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The University is evaluating the impact on its financial position, changes in net assets and cash flows.

NOTE 3 - FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 334,029	\$ -0-	\$ -0-	\$ 334,029
Building	79,394,768	88,563	-0-	79,483,331
Furniture and equipment	3,361,460	96,451	-0-	3,457,911
Leasehold improvements	4,177,324	-0-	-0-	4,177,324
Accumulated depreciation/ amortization	<u>(9,646,010)</u>	<u>(3,128,014)</u>	<u>-0-</u>	<u>(12,774,024)</u>
	<u>\$ 77,621,571</u>	<u>\$ (2,943,000)</u>	<u>\$ -0-</u>	<u>\$ 74,678,571</u>

Depreciation/amortization expense totaled \$3,128,014 for the year ended June 30, 2012.

NOTE 4 - BOND ISSUANCE COSTS / PREPAID BOND INSURANCE COSTS

Cost incurred in connection with the issuance of the bonds and prepaid bond insurance are amortized using the straight-line method over the lives of the bonds. These costs are shown as follows:

	<u>Costs</u>	<u>P/Y Accumulated Amortization</u>	<u>C/Y Amortization</u>	<u>Total Accumulated Amortization</u>	<u>Costs, net of Accumulated Amortization</u>
Prepaid bond insurance	\$ 3,377,781	\$ (436,896)	\$ (111,081)	\$ (547,977)	\$ 2,829,804
Bond issuance costs	\$ 2,322,160	\$ (391,658)	\$ (77,171)	\$ (468,829)	\$ 1,853,331

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

NOTE 5 - 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 \$250,000. Management monitors the soundness of these financial institutions and feels **the Facilities'** 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.

The Facilities also has credit risk principally related to partially secured amounts for student accounts receivable. However, such risk is mitigated by the requirements of students to pay security deposits and the inability of student to obtain college transcripts if amounts are owed to **the Facilities**.

NOTE 6 - 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.

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 as 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.

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 coverages.

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

NOTE 6 - INVESTMENTS - BOND RESERVES, CONTINUED:

Investments-bond reserve accounts consist of the following at June 30, 2012:

	<u>Reserve Requirements</u>	<u>Reserve Balances</u>
Debt Service	\$ 7,500,890	\$ 7,593,369
Maintenance	5,370,766	6,554,596
Other Accounts	<u>-0-</u>	<u>6,133,627</u>
Total	<u>\$ 12,871,656</u>	<u>\$ 20,281,592</u>

The investment-bond reserves account balances total \$20,281,592 in short-term investments and cash equivalents, with \$6,133,627 being classified as current assets and \$14,147,965 being classified as non-current assets. Those investments that are being utilized to fund the maintenance and debt service reserve accounts are being classified as non-current assets as a result of their long-term restricted use.

NOTE 7 - 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).

NOTE 8 - BONDS PAYABLE

On October 1, 2006 and December 1, 2007, the Louisiana Public Facilities Authority issued \$65,000,000 and \$41,925,000, respectively, of Louisiana Public Facilities Authority Revenue Bonds (Series 2006 and 2007) to **the Facilities**. The proceeds of the bonds were 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 were also used to purchase an apartment complex and to pay the costs associated with the issuance of the bonds and funding the required reserve accounts

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

NOTE 8 - BONDS PAYABLE, CONTINUED.

The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.79% to 5.80% per annum.

The balances of the bonds payable at June 30, 2012 totaled the following:

\$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.	\$ 55,705,000
\$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.	865,000
\$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.	5,330,000
\$39,330,000 tax exempt term bonds payable dated December 1, 2007; due at various intervals through July 1, 2039; payable in annual installments of interest and annual installments of principal; average coupon rate of 4.00% - 5.00%; secured by leasehold deed and assignment of rents.	39,330,000
\$2,595,000 taxable term bonds payable dated December 1, 2007, due at various intervals through July 1, 2015; payable in annual installments of interest and annual installments of principal; average coupon rate of 5.72%; secured by leasehold deed and assignment of rents.	<u>1,965,000</u>
Total bonds payable	<u>103,195,000</u>
Less: current maturities	<u>1,590,000</u>
Total long-term bonds payable	<u>\$ 101,605,000</u>

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

NOTE 8 - BONDS PAYABLE, CONTINUED

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

2013	1,590,000
2014	1,750,000
2015	1,900,000
2016	2,155,000
2017	2,255,000
2018-2040	<u>93,545,000</u>
Total	<u>\$ 103,195,000</u>

Bonds funds totaling \$ 20,281,592 have been deposited with the bond trustee at June 30, 2012.

NOTE 9 - BONDS PREMIUM /DISCOUNT

The bond premium and discount received upon the issuance of the bonds are 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 \$223,516, respectively. Annual amortization will be charged against "Interest Expense".

	<u>Bond Premium</u>	<u>Bond Discount</u>
Beginning balance	\$ <u>767,784</u>	\$ <u>(223,516)</u>
Prior year accumulated amortization	(85,260)	27,878
Current year amortization	<u>(16,741)</u>	<u>7,406</u>
Total accumulated amortization	<u>(102,001)</u>	<u>35,284</u>
Ending Balance	\$ <u>665,783</u>	\$ <u>(188,232)</u>

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

NOTE 10 - RELATED PARTY TRANSACTION / DUE TO AFFILIATE:

The Facilities entered into an affiliation agreement with the University to acquire, renovate, rehabilitate, repair, construct, develop, manage, lease as lessor or lessee, mortgage, and/or convey residential, classrooms, administrative and other facilities on the campus of Grambling State University. **The Facilities** operates and manages the housing facilities constructed with the bond proceeds and leases the rooms to the students of the University. The University collects all room and boards, on behalf of **the Facilities**, and remits all amounts collected to the Bond Trustee.

The Facilities also entered into an agreement with the University to lease and renovate the food court in the Student Union. Upon completion of the renovation, the Facilities leased the food court back to the University. The lease calls for the University to remit the rent(debt service payments) to the trustee as amounts are due. Total rental income paid to the Facilities by the University totaled \$409,320 for the year ended June 30, 2012.

The University also charges **the Facilities** for its portion of utilities, telephone, and internet charges on a monthly basis. The total amount charged to and paid by **the Facilities** to the University totaled \$1,146,139 for the year ended June 30, 2012. The University also provides administrative office space, utilities, University personnel, and the use of office furniture and equipment. The value of these services has not been recorded in the financial statements since the related amounts have not been determined.

During the year ended June 30, 2012, **the Facilities** transferred surplus funds totaling \$959,138 to the University from excess funds generated from the properties. The transfer is in accordance with the bond indenture as all bond requirements have been satisfied by **the Facilities**. The evaluation of surplus funds is made on an annual basis by the Trustee.

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

NOTE 11 - FAIR VALUE MEASUREMENTS:

In accordance with FASB ASC Topic 820, fair value is defined as the price that **the Facilities** would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. FASB ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of **the Facilities** assets or liabilities. The inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. **The Facilities'** assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

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

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED:

Federated Treasury obligations will generally be valued based upon inputs other than quoted prices that are observable for the asset or industry recognized modeling techniques. Federated treasury obligations are generally categorized in Level 2 of the fair value hierarchy.

ASU No. 2010-06 requires disclosures and clarifies existing disclosure requirements about fair value measurements. ASU 2010-06 requires (a) disclosure of gross significant transfers in and/or out between Levels 1 and 2 and the reasons for those transfers, (b) disclosure of all transfers in/out of Level 3 (significant transfers to be presented gross) and the reason for those transfers, and (c) purchases, sales, issuances and settlements to be disclosed separately (i.e. gross) within the Level 3 roll-forward. ASU 2010-06 also clarifies (a) the levels of disaggregation in presenting fair value disclosures for each class of assets and liabilities and (b) the disclosure about valuation techniques and inputs that are required for fair value measurements that fall within either Level 2 or 3.

The following tables summarize the valuation of the Facilities' investments measured at fair value by the above ASC Topic 820 fair value hierarchy levels as of June 30, 2012.

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Federate treasury obligations	\$ <u>-0-</u>	\$ <u>20,281,592</u>	\$ <u>-0-</u>	\$ <u>20,281,592</u>

The carrying value and the estimated fair values of the Facilities financial instruments at June 30, 2012 are as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,401,487	\$ 1,401,487
Investments	\$ 20,281,592	\$ 20,281,592
Bonds payable	\$ 103,195,000	\$ 103,600,000

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

NOTE 12 - FAIR VALUE OPTION

FASB ASC Topic 825 provides the Facilities with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between organizations that choose different measurement attributes for similar types of assets and liabilities. Currently, the Facilities has not adopted the guidelines of ASC Topic 825 and continues to evaluate whether or not it will in future periods based on industry participant elections and financial reporting consistency with other educational institutions.

NOTE 13 - DEFICIT IN NET ASSETS

The Facilities has a ending deficit net asset balance which totals \$5,431,879 at June 30, 2012. Included in the net asset balance is accumulated depreciation of fixed assets and amortization of deferred charges totaling a combined \$13,790,830.

Additionally, the Facilities has established operations and maintenance cash reserves of approximately \$12,688,223.

It is in the opinion of management that the Facilities has sufficient operating revenues that will enable it to continue to exist.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Managing Agent Agreement

On October 1, 2006, the Facilities entered into a contractual arrangement with a third party management company to manage and maintain Tiger Village and the Steeple's Glen Apartments, pay operating costs and maintain accounting records. The manager is reimbursed for all operating costs monthly from the Trustee. The total amount paid to the manager for the year ended June 30, 2012 totaled \$560,000.

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

NOTE 15 - SUBSEQUENT EVENTS

ASC Topic 855-10, requires the disclosure of the date through which **the Facilities** has evaluated subsequent events and the reason for selecting that date. **The Facilities** evaluated subsequent events from July 1, 2012 to August 24, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BLACK & GOLD FACILITIES, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,401,487
Investments	6,133,627
Prepaid insurance	<u>177,960</u>
Total current assets	<u>7,713,074</u>
Noncurrent Assets	
Investments	14,147,965
Capital assets, net	74,678,571
Other noncurrent assets	<u>4,683,135</u>
Total noncurrent assets	<u>93,509,671</u>
Total assets	<u><u>\$ 101,222,745</u></u>

LIABILITIES

Current Liabilities	
Bonds payable, current	\$ 1,590,000
Other current liabilities	<u>2,982,073</u>
Total current liabilities	<u>4,572,073</u>
Noncurrent Liabilities	
Bonds payable, net	<u>102,082,551</u>
Total noncurrent liabilities	<u>102,082,551</u>
Total liabilities	<u><u>106,654,624</u></u>

NET ASSETS

Unrestricted	<u>(5,431,879)</u>
Total Net Assets	<u><u>\$ 101,222,745</u></u>

BLACK & GOLD FACILITIES, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

Other operating revenues \$ 10,631,814

Total operating revenues 10,631,814

OPERATING EXPENSES

Depreciation and amortization 3,128,014

Other operating expenses 3,600,402

Total operating expenses 6,728,416

Operating income 3,903,398

NONOPERATING REVENUES AND (EXPENSES)

Net investment income 2,060

Interest expense (5,055,586)

Cash distributions to affiliate (959,138)

Net nonoperating expenses (6,012,664)

Decrease in net assets (2,109,266)

Net assets at beginning of year (3,322,613)

Net assets at end of year \$ (5,431,879)

BLACK AND GOLD FACILITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Other receipts	\$ 10,631,814
Other payments	<u>(4,371,526)</u>
Net cash provided by operating activities	<u>6,260,288</u>
Cash flows from Investing activities:	
Purchase of investments	(21,091,821)
Proceeds from sale of investments	21,435,490
Investment income received on investments	2,060
Fixed assets purchases	<u>(185,014)</u>
Net cash provided by investing activities	<u>160,715</u>
Cash flows from capital financing activities:	
Interest paid on capital debt	(4,948,393)
Principal paid on capital debt	<u>(1,445,000)</u>
Net cash used in capital financing activities	<u>(6,393,393)</u>
Net increase in cash and cash equivalents	<u>27,610</u>
Cash and cash equivalents	
Beginning of year	<u>1,373,877</u>
End of year	<u>\$ 1,401,487</u>
Reconciliation of changes in net assets to net cash used in operating activities	
Change in net assets, adjusted	\$ 2,837,067
Depreciation and amortization	3,316,266
Amortization of bond premium/discount	(9,335)
Decrease in interest payable	(37,153)
Increase in prepaid insurance	(20,515)
Increase in accounts payable	<u>173,958</u>
Net cash provided by operating activities	<u>\$ 6,260,288</u>

OTHER SUPPLEMENTARY INFORMATION

BLACK & GOLD FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

ORGANIZATION

The Grambling Black and Gold Facilities Inc is a legally separate, tax-exempt organization supporting the University of Louisiana System, specifically Grambling State University. This foundation was included in the University's financial statements because its assets equaled 3% or more of the assets of Grambling State University.

During the year ended June 30, 2012, Grambling Black and Gold Facilities, Inc made a distribution of \$959,138 to Grambling State University. The distribution represented the transfer of surplus funds in accordance with the bond agreement.

Complete financial statements for Grambling Black and Gold Facilities, Inc can be obtained from the President's Office at 403 Main Street, Grambling, LA 71245.

The Grambling Black and Gold Facilities Inc. is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which is codified in FASB ASC Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

BLACK & GOLD FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

	Balance 6/30/2011	Prior Period Adjustment	Restated Balance 6/30/2011	Additions	*Transfers	**Retirements	Balance 6/30/2012
Capital assets not being depreciated							
Land	\$ 334,029	\$ -	\$ 334,029	\$ -	\$ -	\$ -	\$ 334,029
Non-depreciable land improvements	-	-	-				-
Capitalized collections			-				-
Livestock			-				-
Construction in progress	-		-	-	-	-	-
Total capital assets not being depreciated	\$ 334,029	\$ -	\$ 334,029	\$ -	\$ -	\$ -	\$ 334,029
Depreciable land improvements	4,177,324	-	4,177,324	-			4,177,324
** Less accumulated depreciation	(487,354)	-	(487,354)	(139,244)			(626,598)
Total land improvements	3,689,970	-	3,689,970	(139,244)	-	-	3,550,726
Buildings	79,394,768		79,394,768	88,563	-		79,483,331
** Less accumulated depreciation	(8,106,441)	-	(8,106,441)	(2,647,801)			(10,754,242)
Total buildings	71,288,327	-	71,288,327	(2,559,238)	-	-	68,729,089
Equipment	3,361,460		3,361,460	96,451			3,457,911
** Less accumulated depreciation	(1,052,215)		(1,052,215)	(340,969)			(1,393,184)
Total equipment	2,309,245	-	2,309,245	(244,518)	-	-	2,064,727
Total other capital assets	\$ 77,287,542	\$ -	\$ 77,287,542	\$ (2,943,000)	\$ -	\$ -	\$ 74,344,542
Capital Asset Summary.							
Capital assets not being depreciated	\$ 334,029	\$ -	\$ 334,029	\$ -	\$ -	\$ -	\$ 334,029
Other capital assets, at cost	86,933,552	-	86,933,552	185,014	-	-	87,118,566
Total cost of capital assets	87,267,581	-	87,267,581	185,014	-	-	87,452,595
Less accumulated depreciation	(9,646,010)	-	(9,646,010)	(3,128,014)	-	-	(12,774,024)
Capital assets, net	\$ 77,621,571	\$ -	\$ 77,621,571	\$ (2,943,000)	\$ -	\$ -	\$ 74,678,571

BLACK & GOLD FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance			Balance at	Amounts
	July 1, 2011	Additions	Reductions	June 30, 2012	due within
					one year
Bonds & notes payable:					
Bonds payable	\$ 104,640,000	\$ -	\$ (1,445,000)	\$ 106,085,000	\$ 1,590,000
Notes payable	-	-	-	-	-
Total bonds and notes payable	<u>104,640,000</u>	<u>-</u>	<u>(1,445,000)</u>	<u>106,085,000</u>	<u>1,590,000</u>
Other liabilities:					
Amounts held in custody for others	-	-	-	-	-
Total other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 104,640,000</u>	<u>\$ -</u>	<u>\$ (1,445,000)</u>	<u>\$ 106,085,000</u>	<u>\$ 1,590,000</u>

BLACK & GOLD FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding 7/1/11	(Redeemed) Issued	Principal Outstanding 6/30/12	Interest Rates	Total Interest Outstanding 6/30/12
Louisiana Public Facilities Authority Revenue Bonds-							
Tax Exempt- Grambling Black and Gold Facilities, Inc Project- 2006A	10/1/06	\$ 55,705,000	\$ 55,705,000	\$ -	\$ 55,705,000	3.79% - 4.38%	\$ 43,218,750
Taxable- Grambling Black and Gold Facilities, Inc. Project- 2006B	10/1/06	3,595,000	1,865,000	(1,000,000)	865,000	5.32% - 5.41%	50,571
Taxable- Grambling Black and Gold Facilities, Inc Project- 2006C	6/25/07	5,700,000	5,420,000	(90,000)	5,330,000	5.15% - 5.80%	5,081,692
Tax Exempt- Grambling Black and Gold Facilities, Inc. Project- 2007A	7/25/07	39,330,000	39,330,000	-	39,330,000	4.00% - 5.00%	35,492,662
Taxable- Grambling Black and Gold Facilities, Inc. Project- 2007B	7/25/07	<u>2,595,000</u>	<u>2,320,000</u>	<u>(355,000)</u>	<u>1,965,000</u>	5.720%	<u>227,942</u>
Total		<u>\$ 106,925,000</u>	<u>\$ 104,640,000</u>	<u>\$ (1,445,000)</u>	<u>\$ 103,195,000</u>		<u>\$ 84,071,617</u>

BLACK & GOLD FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BOND AMORTIZATION:

Fiscal Year			
Ending	Principal	Interest	Total
2013	\$ 1,590,000	\$ 5,022,607	\$ 6,612,607
2014	1,750,000	4,939,862	6,689,862
2015	1,900,000	4,849,653	6,749,653
2016	2,155,000	4,747,203	6,902,203
2017	2,255,000	4,641,851	6,896,851
2018	2,380,000	4,532,991	6,912,991
2019	2,485,000	4,414,080	6,899,080
2020	2,615,000	4,285,915	6,900,915
2021	2,745,000	4,151,055	6,896,055
2022	2,895,000	4,009,410	6,904,410
2023	3,035,000	3,860,155	6,895,155
2024	3,185,000	3,703,740	6,888,740
2025	3,350,000	3,539,380	6,889,380
2026	3,515,000	3,366,700	6,881,700
2027	3,690,000	3,185,450	6,875,450
2028	3,875,000	2,995,130	6,870,130
2029	4,070,000	2,795,160	6,865,160
2030	4,280,000	2,584,945	6,864,945
2031	4,490,000	2,363,985	6,853,985
2032	4,720,000	2,138,658	6,858,658
2033	4,950,000	1,908,723	6,858,723
2034	5,180,000	1,667,603	6,847,603
2035	5,425,000	1,415,112	6,840,112
2036	5,685,000	1,150,665	6,835,665
2037	5,960,000	873,382	6,833,382
2038	6,200,000	582,790	6,782,790
2039	6,135,000	278,412	6,413,412
2040	<u>2,680,000</u>	<u>67,000</u>	<u>2,747,000</u>
TOTAL	<u>\$ 103,195,000</u>	<u>\$ 84,071,617</u>	<u>\$ 187,266,617</u>

BLACK & GOLD FACILITIES, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY PHASE
FOR FOR THE PERIOD OF JULY 1, 2011 TO JUNE 30, 2012

	<u>PHASE I</u>	<u>PHASE II</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
Student Housing Income	\$ 6,322,877	\$ 3,899,617	\$ 10,222,494
Rental Income	<u>401,072</u>	<u>8,248</u>	<u>409,320</u>
 Total Operating Revenues	 <u>6,723,949</u>	 <u>3,907,865</u>	 <u>10,631,814</u>
<u>OPERATING EXPENSES</u>			
Amortization expense	126,960	61,292	188,252
Depreciation / amortization expense	1,889,113	1,238,901	3,128,014
Interest expense	2,991,199	2,064,387	5,055,586
Contract labor	323,570	117,124	440,694
Professional fees	19,044	10,200	29,244
Travel	2,797	1,865	4,662
Repairs and maintenance	455,518	249,958	705,476
University support	26,822	-	26,822
Administrative expense	40,519	25,776	66,295
Utility expenses	487,421	155,501	642,922
Management fees	350,000	210,000	560,000
Property insurance	111,436	70,576	182,012
Telephone and internet	430,803	176,498	607,301
Security services	56,766	56,956	113,722
Trustee fees	<u>22,000</u>	<u>11,000</u>	<u>33,000</u>
 Total operating expenses	 <u>7,333,968</u>	 <u>4,450,034</u>	 <u>11,784,002</u>
 Change in assets from operating activities	 <u>\$ (610,019)</u>	 <u>\$ (542,169)</u>	 <u>(1,152,188)</u>
<u>NON-OPERATING ACTIVITIES</u>			
Cash distributions to affiliate	(639,903)	(319,235)	(959,138)
Investment income	<u>1,307</u>	<u>753</u>	<u>2,060</u>
 Change in net assets from non-operating activities	 <u>\$ (638,596)</u>	 <u>\$ (318,482)</u>	 <u>\$ (957,078)</u>
 Change in net assets	 <u>\$ (1,248,615)</u>	 <u>\$ (860,651)</u>	 <u>\$ (2,109,266)</u>