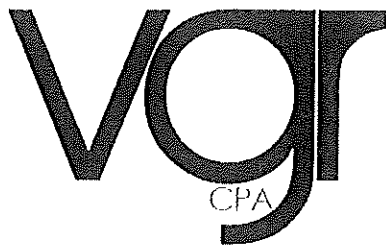


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BLACK & GOLD FACILITIES, INC.
FINANCIAL AUDIT TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014



BLACK & GOLD FACILITIES, INC.
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of **Black & Gold Facilities, Inc. (the Facilities)**, which comprise the statements of financial position as of June 30, 2014, and the related statements of activities, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Auditor's Responsibility, Continued

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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, 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 Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 23-31 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Other Information, Continued

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



VGR, CPA
CERTIFIED PUBLIC ACCOUNTANT
New Orleans, Louisiana

August 25, 2014

BLACK & GOLD FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents (NOTE 2)	\$ 1,585,038
Investments - bond reserves (NOTE 6)	6,631,856
Prepaid insurance	<u>174,491</u>
Total current assets	<u>8,391,385</u>
Non-current assets	
Investments - bond reserves (NOTE 6)	13,818,762
Fixed assets, net of accumulated depreciation of \$19,115,541 (NOTES 2 and 3)	69,095,611
Prepaid bond insurance costs, net of accumulated amortization of \$770,140 (NOTE 4)	2,607,641
Bond issuance costs, net of accumulated amortization of \$623,170 (NOTE 4)	<u>1,698,990</u>
Total non-current assets	<u>87,221,004</u>
Total assets	<u>\$ 95,612,389</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Taxable bonds payable (NOTE 8)	\$ 750,000
Tax-exempt bonds payable (NOTE 8)	1,150,000
Interest payable	2,373,001
Due to affiliate	42,718
Accounts payable	<u>750,639</u>
Total current liabilities	<u>5,066,358</u>
Long-term liabilities:	
Bonds payable:	
Taxable bonds payable (NOTES 8)	5,360,000
Tax-exempt bonds payable (NOTES 8)	<u>92,595,000</u>
Total bonds payable	<u>97,955,000</u>
Bond discount, net of accumulated amortization of \$50,096 (NOTE 9)	(173,420)
Bond premium, net of accumulated amortization of \$135,482 (NOTE 9)	<u>632,302</u>
Bond discount / premium, net	<u>458,882</u>
Total long-term liabilities	<u>98,413,882</u>
Total liabilities	<u>103,480,240</u>
Net assets, unrestricted (NOTE 2)	<u>(7,867,851)</u>
Total liabilities and net assets	<u>\$ 95,612,389</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, 2014

<u>Operating revenues</u>	
Student housing income	\$ 11,090,470
Rental income	<u>410,431</u>
Total operating revenues	<u>11,500,901</u>
<u>Operating expenses</u>	
Amortization expense	188,252
Depreciation / amortization expense	3,187,195
Interest expense	4,887,035
Contract labor	399,714
Professional fees	32,662
Travel	11,127
Repairs and maintenance	921,340
Office expense	43,094
Utilities expense	653,674
Management fees	596,338
Advertisement and promotions	20,505
Professional development	5,749
Property insurance	278,367
Telephone, cable and internet	561,756
Security services	122,946
Trustee fees	<u>32,500</u>
Total operating expenses	<u>11,942,254</u>
Change in net assets from operating activities	<u>(441,353)</u>
<u>Non-Operating Activities</u>	
Investment income	<u>2,140</u>
Change in net assets from non-operating activities	<u>2,140</u>
Change in net assets	<u>(439,213)</u>
Net assets	
Beginning of year	(6,636,207)
Adjustments to beginning net assets (NOTE 15)	<u>(792,431)</u>
Adjusted beginning net assets	<u>(7,428,638)</u>
End of year	\$ <u>(7,867,851)</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, 2014

Operating activities:	
Change in net assets	\$ (439,213)
Adjustments to reconcile change in net assets to	
Net cash used in operating activities:	
Depreciation and amortization expense	3,375,447
Amortization of bond premium / discount	(9,335)
Decrease in accounts payable	(249,465)
Decrease in prepaid insurance	45,712
Decrease in interest payable	<u>(41,172)</u>
Net cash provided by operating activities	<u>2,681,974</u>
Investing activities:	
Purchase and sales of investments, net	(562,250)
Fixed assets purchase	<u>(186,042)</u>
Net cash used in investing activities	<u>(748,292)</u>
Financing activities:	
Repayment of bonds payable	<u>(1,750,000)</u>
Net cash used in financing activities	<u>(1,750,000)</u>
Net increase in cash and cash equivalents	<u>183,682</u>
Cash and cash equivalents	
Beginning of year	<u>1,401,356</u>
End of year	\$ <u><u>1,585,038</u></u>
Interest paid in cash	\$ <u><u>4,937,542</u></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 assessor, 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 money 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**, 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

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, Continued

At June 30, 2014, 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, 2014, cash and cash equivalents totaled \$1,585,038 of which Operating, Facilities and the Reserve cash balances approximated \$111,727, \$1,011,586 and \$461,725, 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 assets 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 any cash distributions to the University from surplus funds and investment income.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 25, 2014 and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-05 which provided authoritative guidance related to the classification of the sale proceeds of donated financial assets in the Statement of Cash Flows. The amendments in the update are effective prospectively for fiscal years beginning after June 15, 2013.

In May, 2014, the FASB issued ASU 2014-09 which provided authoritative guidance for contracts entered into with customers that result in a transfer of goods or services or a transfer of nonfinancial assets, unless contracts are within the scope of other standards. The amendments in this update are effective for fiscal year beginning after December 15, 2016. **The Facilities** is evaluating the impact on its financial position, changes in net assets and its cash flows.

NOTE 3 - FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 334,029	\$ -0-	\$ -0-	\$ 334,029
Building	79,745,576	99,255	-0-	79,844,831
Furniture and equipment	3,768,181	86,787	-0-	3,854,968
Leasehold improvements	4,177,324	-0-	-0-	4,177,324
Accumulated depreciation	<u>(15,928,346)</u>	<u>(3,187,195)</u>	<u>-0-</u>	<u>(19,115,541)</u>
	<u>\$ 72,096,764</u>	<u>\$ (3,001,153)</u>	<u>\$ -0-</u>	<u>\$ 69,095,611</u>

Depreciation expense totaled \$3,187,195 for the year ended June 30, 2014.

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

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	\$ (659,059)	\$ (111,081)	\$ (770,140)	\$ 2,607,641
Bond issuance costs	\$ 2,322,160	\$ (545,999)	\$ (77,171)	\$ (623,170)	\$ 1,698,990

NOTE 5 - CONCENTRATION OF RISK

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. Periodically, **the Facilities** maintain deposits in excess of federally insured limits. 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. At June 30, 2014, **the Facilities** was in excess of insured limits of \$761,586.

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**.

Investment Risk

The Facilities' investments are managed by the Bond Trustee in accordance with Policy. The degree and concentration of credit risks varies by type of investment. Investment securities are exposed to various risks such as interest rates, credit and market risks.

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

NOTE 5 - CONCENTRATION OF RISK, CONTINUED:

Investment Risk, Continued:

The Facilities' investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the Facilities may decline in response to certain economic events including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations.

NOTE 6 - INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustee consist of 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 money 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, 2014:

	<u>Reserve Requirements</u>	<u>Reserve Balances</u>
Debt Service	\$ 7,205,390	\$ 7,234,042
Maintenance	5,370,766	6,584,720
Other Accounts	<u>-0-</u>	<u>6,631,856</u>
Total	<u>\$ 12,576,156</u>	<u>\$ 20,450,618</u>

The investment-bond reserves account balances total \$20,450,618 in short-term investments and cash equivalents, with \$6,631,856 being classified as current assets and \$13,818,762 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, 2014 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.	\$ 54,415,000
\$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.	5,135,000
\$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>975,000</u>
Total bonds payable	<u>99,855,000</u>
Less: current maturities	<u>1,900,000</u>
Total long-term bonds payable	<u>\$ 97,955,000</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:

2015	\$ 1,900,000
2016	2,155,000
2017	2,255,000
2018	2,380,000
2019	2,485,000
2020-2040	<u>88,680,000</u>
Total	\$ <u>99,855,000</u>

Bonds funds totaling \$ 20,450,618 have been deposited with the bond trustee at June 30, 2014.

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	(118,741)	42,690
Current year amortization	<u>(16,741)</u>	<u>7,406</u>
Total accumulated amortization	<u>(135,482)</u>	<u>50,096</u>
Ending Balance	\$ <u>632,302</u>	\$ <u>(173,420)</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 \$410,431 for the year ended June 30, 2014.

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 \$1,151,416 for the year ended June 30, 2014. 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, 2014, the **Facilities** did not transfer any surplus funds to the University from excess funds generated from the properties. Any transfer would be required to be in accordance with the bond indenture. 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 MEASUREMENT OF ASSETS AND LIABILITIES:

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 MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to **the Facilities** and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their hierarchy entirety based on the lowest level of input that is significant to the fair value measurements. **The Facilities** utilizes inputs in applying various valuation techniques that are assumptions which market participants used to make valuation decisions, including assumptions about risk. Inputs may include price information, fund and specific stock data, specific and broad credit data, liquidity statistics, recent transactions, discount rates and other factors. Underlying fund investments, whose values are based on quoted market prices in active markets, are therefore classified within Level 1.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models which are based on accepted industry modeling techniques. These investments include federated treasury obligations.

The Facilities obtains the majority of the prices used in the valuation of its investments from a pricing service that is utilized by the Trustee. The pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and benchmark securities as well as other relevant economic measures.

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

NOTE 11 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

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.

ASU 2011-04 requires additional disclosures with a particular focus on Level 3 measurements. ASU 2011-04 stipulates that quantitative information about significant unobservable inputs used in the Level 3 fair value measurement and a description of the Level 3 valuation processes be disclosed. Additionally, for nonfinancial assets, a nonpublic entity must disclose why the asset is being used in a manner different from its highest and best use. **The Facilities** did not have any Level 3 investments or assets being utilized in a manner differently from its highest and best use as of June 30, 2014.

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, 2014.

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Federated treasury obligations	\$ <u>-0-</u>	\$ <u>20,450,618</u>	\$ <u>-0-</u>	\$ <u>20,450,618</u>

ASC Topic 820 requires **the Facilities** to disclose fair value information for all financial instruments, whether or not recognized in the Statement of Financial Position, for which it is practicable to estimate fair value. **The Facilities'** financial instruments, other than bonds payable, are generally short-term in nature and contain minimal credit risk. These instruments consist of cash and cash equivalents, accounts and interest payable, and due to affiliates. The carrying value of these assets and liabilities in the Statement of Financial Position are assumed to approximate fair value.

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

NOTE 11 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

The estimated fair value of debt is determined based on rates currently available to **the Facilities** for debt with similar terms and remaining maturities. The carrying amount and estimated fair value of **the Facilities'** debt at June 30, 2014 is summarized as follows:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Bonds payable	\$ <u>99,855,000</u>	\$ <u>100,305,000</u>

The Facilities does not have a nonfinancial asset that is being utilized in a manner that differs from its highest and best use.

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 an ending deficit net asset balance which totals \$7,867,851 at June 30, 2014. Included in the net asset balance is accumulated depreciation of fixed assets and amortization of deferred charges totaling a combined \$20,508,851.

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

NOTE 13 - DEFICIT IN NET ASSETS, CONTINUED:

Additionally, **the Facilities** has established operations and maintenance cash reserves of approximately \$13,216,576.

It is in the opinion of management that **the Facilities** has sufficient operating revenues and reserves 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, 2014 totaled \$596,338.

NOTE 15 - NET ASSETS RESTATEMENT

In accordance with FASB ASC 250, **the Facilities** has made a prior period adjustment to restate the beginning net asset balance as well as the beginning fixed asset balances in the amount of \$792,431 in the current period. The restatement has no effect on net income of **the Facilities** for the current year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

BLACK & GOLD FACILITIES, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,585,038
Investments	6,631,856
Prepaid insurance	174,491

Total current assets 8,391,385

Noncurrent Assets

Investments	13,818,762
Capital assets, net	69,095,611
Other noncurrent assets	4,306,631

Total noncurrent assets 87,221,004

Total assets \$ 95,612,389

LIABILITIES

Current Liabilities

Bonds payable, current	\$ 1,900,000
Other current liabilities	3,166,358

Total current liabilities 5,066,358

Noncurrent Liabilities

Bonds payable, net	<u>98,413,882</u>
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Total noncurrent liabilities 98,413,882

Total liabilities 103,480,240

NET ASSETS

Unrestricted (7,867,851)

Total Net Assets \$ 95,612,389

BLACK & GOLD FACILITIES, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES	
Other operating revenues	\$ <u>11,500,901</u>
Total operating revenues	<u>11,500,901</u>
OPERATING EXPENSES	
Depreciation and amortization	3,187,195
Other operating expenses	<u>3,868,024</u>
Total operating expenses	<u>7,055,219</u>
Operating income	<u>4,445,682</u>
NONOPERATING REVENUES AND (EXPENSES)	
Net investment income	2,140
Interest expense	<u>(4,887,035)</u>
Net nonoperating expenses	<u>(4,884,895)</u>
Decrease in net assets	(439,213)
Net assets at beginning of year	(6,636,207)
Adjustments to beginning net assets	<u>(792,431)</u>
Adjusted beginning net assets	<u>(7,428,638)</u>
Net assets at end of year	<u>\$ (7,867,851)</u>

BLACK & GOLD FACILITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Other receipts	\$ 11,500,901
Other payments	<u>(7,383,525)</u>
Net cash provided by operating activities	<u>4,117,376</u>
Cash flows from Investing activities:	
Purchase and sales of investments, net	(562,250)
Investment income received on investments	2,140
Fixed assets purchases	<u>(186,042)</u>
Net cash used in provided by investing activities	<u>(746,152)</u>
Cash flows from capital financing activities:	
Interest paid on capital debt	(4,937,542)
Principal paid on capital debt	<u>1,750,000</u>
Net cash used in capital financing activities	<u>(3,187,542)</u>
Net increase in cash and cash equivalents	<u>183,682</u>
Cash and cash equivalents	
Beginning of year	<u>1,401,356</u>
End of year	<u>\$ 1,585,038</u>
Reconciliation of changes in net assets to net cash used in operating activities	
Change in net assets, adjusted	\$ 996,189
Depreciation and amortization	3,375,447
Amortization of bond premium/discount	(9,335)
Decrease in interest payable	(41,172)
Decrease in prepaid insurance	45,712
Decrease in accounts payable	<u>(249,465)</u>
Net cash provided by operating activities	<u>\$ 4,117,376</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, 2014, Grambling Black and Gold Facilities, Inc. did not make a distribution to Grambling State University.

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 6/30/2013	Adjustment	Restated Balance 6/30/2013	Additions	*Transfers	**Retirements	Balance 6/30/2014
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	<u>\$ 334,029</u>	<u>\$ -</u>	<u>\$ 334,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,029</u>
Depreciable land improvements	4,424,432	(247,108)	4,177,324	-	-	-	4,177,324
** Less accumulated depreciation	(674,256)	(91,946)	(766,202)	(139,244)	-	-	(905,446)
Total land improvements	<u>3,750,176</u>	<u>(339,054)</u>	<u>3,411,122</u>	<u>(139,244)</u>	-	-	<u>3,271,878</u>
Buildings	79,483,331	262,245	79,745,576	99,255	-	-	79,844,831
** Less accumulated depreciation	(12,834,120)	(573,535)	(13,407,655)	(2,666,793)	-	-	(16,074,448)
Total buildings	<u>66,649,211</u>	<u>(311,290)</u>	<u>66,337,921</u>	<u>(2,567,538)</u>	-	-	<u>63,770,383</u>
Equipment	3,582,012	186,169	3,768,181	86,787	-	-	3,854,968
** Less accumulated depreciation	(1,906,908)	152,419	(1,754,489)	(381,158)	-	-	(2,135,647)
Total equipment	<u>1,675,104</u>	<u>338,588</u>	<u>2,013,692</u>	<u>(294,371)</u>	-	-	<u>1,719,321</u>
Total other capital assets	<u>\$ 72,074,491</u>	<u>\$ (311,756)</u>	<u>\$ 71,762,735</u>	<u>\$ (3,001,153)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,761,582</u>
Capital Asset Summary:							
Capital assets not being depreciated	\$ 334,029	\$ -	\$ 334,029	\$ -	\$ -	\$ -	\$ 334,029
Other capital assets, at cost	<u>87,489,775</u>	<u>201,306</u>	<u>87,691,081</u>	<u>186,042</u>	-	-	<u>87,877,123</u>
Total cost of capital assets	<u>87,823,804</u>	<u>201,306</u>	<u>88,025,110</u>	<u>186,042</u>	-	-	<u>88,211,152</u>
Less accumulated depreciation	(15,415,284)	(513,062)	(15,928,346)	(3,187,195)	-	-	(19,115,541)
Capital assets, net	<u>\$ 72,408,520</u>	<u>\$ (311,756)</u>	<u>\$ 72,096,764</u>	<u>\$ (3,001,153)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,095,611</u>

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

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance			Balance at	Amounts
	July 1, 2013	Additions	Reductions	June 30, 2014	due within
					one year
Bonds & notes payable:					
Bonds payable	\$ 101,605,000	\$ -	\$ (1,750,000)	\$ 99,855,000	\$ 1,900,000
Notes payable	-	-	-	-	-
Total bonds and notes payable	<u>101,605,000</u>	<u>-</u>	<u>(1,750,000)</u>	<u>99,855,000</u>	<u>1,900,000</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>\$ 101,605,000</u>	<u>\$ -</u>	<u>\$ (1,750,000)</u>	<u>\$ 99,855,000</u>	<u>\$ 1,900,000</u>

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

SCHEDULE OF BONDS PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding 7/1/13	(Redeemed) Issued	Principal Outstanding 6/30/14	Interest Rates	Total Interest Outstanding 6/30/14
Louisiana Public Facilities Authority Revenue Bonds-							
Tax Exempt- Grambling Black and Gold Facilities, Inc. Project- 2006A	10/1/06	\$ 55,705,000	\$ 55,520,000	\$ (1,105,000)	\$ 54,415,000	3.79% - 4.38%	\$ 37,954,350
Taxable- Grambling Black and Gold Facilities, Inc. Project- 2006B	10/1/06	3,595,000	-	-	-	5.32% - 5.41%	-
Taxable- Grambling Black and Gold Facilities, Inc. Project- 2006C	6/25/07	5,700,000	5,235,000	(100,000)	5,135,000	5.15% - 5.80%	4,509,175
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%	31,598,862
Taxable- Grambling Black and Gold Facilities, Inc. Project- 2007B	7/25/07	<u>2,595,000</u>	<u>1,520,000</u>	<u>(545,000)</u>	<u>975,000</u>	5.720%	<u>46,761</u>
Total		<u>\$ 106,925,000</u>	<u>\$ 101,605,000</u>	<u>\$ (1,750,000)</u>	<u>\$ 99,855,000</u>		<u>\$ 74,109,148</u>

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

SCHEDULE OF BOND AMORTIZATION:

Fiscal Year			
Ending	Principal	Interest	Total
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>\$ 99,855,000</u>	<u>\$ 74,109,148</u>	<u>\$ 173,964,148</u>

BLACK & GOLD FACILITIES, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY PHASE
FOR FOR THE PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

	<u>PHASE I</u>	<u>PHASE II</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
Student Housing Income	\$ 6,960,010	\$ 4,130,460	\$ 11,090,470
Rental Income	410,431	-	410,431
 Total Operating Revenues	 <u>7,370,441</u>	 <u>4,130,460</u>	 <u>11,500,901</u>
<u>OPERATING EXPENSES</u>			
Amortization expense	126,960	61,292	188,252
Depreciation / amortization expense	1,917,958	1,269,237	3,187,195
Interest expense	2,879,276	2,007,759	4,887,035
Contract labor	325,625	74,089	399,714
Professional fees	19,662	13,000	32,662
Travel	5,527	5,600	11,127
Repairs and maintenance	649,993	271,347	921,340
Office expense	28,601	14,493	43,094
Utility expenses	496,474	157,200	653,674
Management fees	371,973	224,365	596,338
Advertising and promotions	11,874	8,631	20,505
Professional development	2,918	2,831	5,749
Property insurance	170,731	107,636	278,367
Telephone, cable and internet	382,156	179,600	561,756
Security services	61,966	60,980	122,946
Trustee fees	21,500	11,000	32,500
 Total operating expenses	 <u>7,473,194</u>	 <u>4,469,060</u>	 <u>11,942,254</u>
 Change in assets from operating activities	 <u>\$ (102,753)</u>	 <u>\$ (338,600)</u>	 <u>(441,353)</u>
<u>NON-OPERATING ACTIVITIES</u>			
Investment income	1,253	887	2,140
 Change in net assets from non-operating activities	 <u>1,253</u>	 <u>887</u>	 <u>2,140</u>
 Change in net assets	 <u>\$ (101,500)</u>	 <u>\$ (337,713)</u>	 <u>\$ (439,213)</u>