

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**GRAMBLING STATE
UNIVERSITY FOUNDATION, INC.**

**Financial Statements
For the Year Ended December 31, 1996 and 1997**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAY 12 1999

**GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
DECEMBER 31, 1996 AND 1997**

INDEX

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6
 SUPPLEMENTARY INFORMATION 	
Schedule 1 – Analysis of Endowment Funds	15



Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

**Board of Trustees
Grambling State University Foundation, Inc.
Grambling, Louisiana**

We have audited the statement of financial position of **Grambling State University Foundation, Inc.** (the Foundation) as of December 31, 1996 and 1997, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 1996 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included as "Supplementary Information" in the Index is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been prepared assuming the Foundation will continue as a going concern. As further discussed in Note 12 to the financial statements, the Foundation has undergone certain financial difficulties, including significant operating losses in the Bayou Classic fund raiser in fiscal 1997; pledging of permanently restricted net assets to secure borrowings for activities unrelated to the endowment purposes and the subsequent liquidation of substantially all of the underlying assets in satisfaction of the debt; and cessation of current financial support from Grambling State University. These conditions create substantial doubt about the ability of the Foundation to continue as a going concern. The financial statements contain no adjustments that might result from the outcome of this uncertainty.

Luffey, Huffman & Monroe (APAC)

April 13, 1999

(318) 387-2672 FAX (318) 322-8866
1100 N 18th ST • PO Box 4745 • Monroe LA 71211-4745
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1996 AND 1997

	1996			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 4,948	\$ 230,226	\$ -	\$ 235,174
Certificates of Deposit	-	60,000	-	60,000
Pledges Receivable	300	182,078	-	182,378
Interfund Receivable	-	505,384	-	505,384
Investments	536,097	-	708,220	1,244,317
Total Current Assets	<u>541,345</u>	<u>977,688</u>	<u>708,220</u>	<u>2,227,253</u>
Property and Equipment				
Property and Equipment	835,185	-	-	835,185
Accumulated Depreciation	(276,625)	-	-	(276,625)
Net Depreciable Assets	<u>558,560</u>	<u>-</u>	<u>-</u>	<u>558,560</u>
Land	89,132	-	-	89,132
Total Property and Equipment	<u>647,692</u>	<u>-</u>	<u>-</u>	<u>647,692</u>
TOTAL ASSETS	<u>\$ 1,189,037</u>	<u>\$ 977,688</u>	<u>\$ 708,220</u>	<u>\$ 2,874,945</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts Payable	\$ 6,175	\$ 76,819	-	\$ 82,994
Payroll Taxes Payable	3,609	-	-	3,609
Interfund Payable	505,384	-	-	505,384
Notes Payable - Current Portion	598,000	-	-	598,000
Total Current Liabilities	<u>1,113,168</u>	<u>76,819</u>	<u>-</u>	<u>1,189,987</u>
Long-Term Liabilities				
Notes Payable - Non Current Portion	14,991	-	-	14,991
Scholarships Payable - Non Current	341,078	-	-	341,078
Total Long-Term Liabilities	<u>356,069</u>	<u>-</u>	<u>-</u>	<u>356,069</u>
Net Assets				
Unrestricted	(280,200)	-	-	(280,200)
Temporarily Restricted	-	900,869	-	900,869
Permanently Restricted	-	-	708,220	708,220
Total Net Assets	<u>(280,200)</u>	<u>900,869</u>	<u>708,220</u>	<u>1,328,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,189,037</u>	<u>\$ 977,688</u>	<u>708,220</u>	<u>\$ 2,874,945</u>

The accompanying notes are an integral part of these statements.

1997

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 5,812	\$ 4,847	\$ -	\$ 10,659
-	-	-	-
300	276,706	-	277,006
-	533,223	-	533,223
107,267	-	708,220	815,487
<u>113,379</u>	<u>814,776</u>	<u>708,220</u>	<u>1,636,375</u>
927,709	-	-	927,709
(333,111)	-	-	(333,111)
594,598	-	-	594,598
89,132	-	-	89,132
<u>683,730</u>	<u>-</u>	<u>-</u>	<u>683,730</u>
<u>\$ 797,109</u>	<u>\$ 814,776</u>	<u>\$ 708,220</u>	<u>\$ 2,320,105</u>

\$ 8,181	\$ 238,161	\$ -	\$ 246,342
12,920	-	-	12,920
533,223	-	-	533,223
473,275	-	-	473,275
<u>1,027,599</u>	<u>238,161</u>	<u>-</u>	<u>1,265,760</u>
28,952	-	-	28,952
341,078	-	-	341,078
<u>370,030</u>	<u>-</u>	<u>-</u>	<u>370,030</u>
(600,520)	-	-	(600,520)
-	576,615	-	576,615
-	-	708,220	708,220
<u>(600,520)</u>	<u>576,615</u>	<u>708,220</u>	<u>684,315</u>
<u>\$ 797,109</u>	<u>\$ 814,776</u>	<u>\$ 708,220</u>	<u>\$ 2,320,105</u>

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1997

	1996			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Contributions	\$ 4,090	\$ 318,133	\$ -	\$ 322,223
Dividends	598	-	-	598
Interest	16,895	-	28,037	44,932
Rental Income	98,076	-	-	98,076
Royalties	2,022	-	-	2,022
Fundraising	2,465	495,702	-	498,167
Gain (Loss) on Investments	(40,890)	-	-	(40,890)
Loss on sale of assets	(3,142)	-	-	(3,142)
Management Fee	21,707	-	-	21,707
Miscellaneous	5,379	8,959	-	14,338
Total	<u>107,200</u>	<u>822,794</u>	<u>28,037</u>	<u>958,031</u>
 Net Assets Released from Restrictions and Transfers	 <u>(4,806)</u>	 <u>32,843</u>	 <u>(28,037)</u>	 <u>-</u>
Total Support and Revenue	102,394	855,637	-	958,031
Expenses and Losses				
Program Services				
Student Scholarships and Awards	-	130,023	-	130,023
Departmental Expenses	-	239,670	-	239,670
R.W.E. Jones Complex Expenses	270,397	-	-	270,397
Total Program Services	<u>270,397</u>	<u>369,693</u>	<u>-</u>	<u>640,090</u>
Supporting Services				
Management and General	186,435	-	-	186,435
Fundraising	-	130,466	-	130,466
Total Supporting Services	<u>186,435</u>	<u>130,466</u>	<u>-</u>	<u>316,901</u>
Total Expenses	<u>456,832</u>	<u>500,159</u>	<u>-</u>	<u>956,991</u>
Loss on Impairment of Royalty Asset	<u>84,557</u>	<u>-</u>	<u>-</u>	<u>84,557</u>
Total Expenses and Losses	<u>541,389</u>	<u>500,159</u>	<u>-</u>	<u>1,041,548</u>
Increase (Decrease) in Net Assets	(438,995)	355,478	-	(83,517)
Net Assets at Beginning of Year	158,795	461,178	792,433	1,412,406
Other Changes in Net Assets				
Cumulative effect of change in accounting principle (Note 2)	<u>-</u>	<u>84,213</u>	<u>(84,213)</u>	<u>-</u>
NET ASSETS AT END OF YEAR	\$ <u>(280,200)</u>	\$ <u>900,869</u>	\$ <u>708,220</u>	\$ <u>1,328,889</u>

The accompanying notes are an integral part of this statement.

1997

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 6,173	\$ 124,244	\$ -	\$ 130,417
59	-	-	59
6,595	-	18,089	24,684
37,645	-	-	37,645
1,875	-	-	1,875
-	649,904	-	649,904
1,145	-	-	1,145
-	-	-	-
27,603	-	-	27,603
25,604	-	-	25,604
<u>106,699</u>	<u>774,148</u>	<u>18,089</u>	<u>898,936</u>
<u>(2,650)</u>	<u>18,987</u>	<u>(16,337)</u>	<u>-</u>
104,049	793,135	1,752	898,936
-	98,886	-	98,886
-	196,326	-	196,326
187,937	-	-	187,937
<u>187,937</u>	<u>295,212</u>	<u>-</u>	<u>483,149</u>
236,432	-	1,752	238,184
-	822,177	-	822,177
<u>236,432</u>	<u>822,177</u>	<u>1,752</u>	<u>1,060,361</u>
<u>424,369</u>	<u>1,117,389</u>	<u>1,752</u>	<u>1,543,510</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>424,369</u>	<u>1,117,389</u>	<u>1,752</u>	<u>1,543,510</u>
(320,320)	(324,254)	-	(644,574)
(280,200)	900,869	708,220	1,328,889
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (600,520)</u>	<u>\$ 576,615</u>	<u>\$ 708,220</u>	<u>\$ 684,315</u>

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1997

	1996					Total
	Program Services			Management and General	Fundraising	
	Student Scholarships and Awards	Departmental Expenses	R.W.E. Jones Complex Expenses			
Salaries	-	-	44,561	35,940	-	80,501
Payroll Taxes	-	-	5,088	2,504	-	7,592
Total Salaries and Related Expenses	-	-	49,649	38,444	-	88,093
Departmental Expenses	-	239,670	-	-	-	239,670
Dues and Subscriptions	-	-	-	2,152	-	2,152
Fundraising	-	-	-	-	130,466	130,466
Income tax on unrelated business income	-	-	-	719	-	719
Insurance	-	-	14,076	1,098	-	15,174
Interest	-	-	16,503	1,486	-	17,989
Maintenance	-	-	39,967	2,516	-	42,483
Management fees	-	-	39,642	38,980	-	78,622
Office Supplies and Postage	-	-	19,701	18,562	-	38,263
Outside Services	-	-	-	-	-	-
Penalties	-	-	-	1,311	-	1,311
Printing	-	-	-	3,950	-	3,950
Professional Fees	-	-	-	11,076	-	11,076
Public Awareness	-	-	171	50,419	-	50,590
Rent	-	-	88	-	-	88
Scholarships and Awards	130,023	-	-	-	-	130,023
Telephone	-	-	3,322	10,302	-	13,624
Transportation	-	-	-	4,635	-	4,635
Travel	-	-	22	-	-	22
Utilities	-	-	37,256	785	-	38,041
Total	130,023	239,670	220,397	186,435	130,466	906,991
Depreciation of Buildings, Equipment, and Wasting Assets	-	-	50,000	-	-	50,000
Total Functional Expenses	\$ 130,023	\$ 239,670	\$ 270,397	\$ 186,435	\$ 130,466	\$ 956,991

The accompanying notes are an integral part of this statement.

1997

Program Services					
Student Scholarships and Awards	Departmental Expenses	R.W.E. Jones Complex Expenses	Management and General	Fundraising	Total
\$ -	\$ -	\$ 14,413	\$ 61,644	\$ -	\$ 76,057
-	-	3,506	7,297	-	10,803
-	-	17,919	68,941	-	86,860
-	196,326	-	-	-	196,326
-	-	-	-	-	-
-	-	-	5,859	822,177	828,036
-	-	-	-	-	-
-	-	12,101	8,283	-	20,384
-	-	9,672	15,715	-	25,387
-	-	5,723	6,260	-	11,983
-	-	-	73,361	-	73,361
-	-	15,656	12,313	-	27,969
-	-	23,232	3,411	-	26,643
-	-	-	539	-	539
-	-	-	-	-	-
-	-	16,622	25,637	-	42,259
-	-	-	2,667	-	2,667
-	-	128	2,754	-	2,882
98,886	-	-	-	-	98,886
-	-	5,617	8,499	-	14,116
-	-	579	1,676	-	2,255
-	-	-	-	-	-
-	-	24,201	2,115	-	26,316
98,886	196,326	131,450	238,030	822,177	1,486,869
-	-	56,487	154	-	56,641
\$ 98,886	\$ 196,326	\$ 187,937	\$ 238,184	\$ 822,177	\$ 1,543,510

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1997

	<u>1996</u>	<u>1997</u>
Cash Flows From Operating Activities		
Decrease in Net Assets	\$ (80,375)	\$ (644,573)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	50,000	56,641
Gain on Investments	40,879	-
Loss on impairment of assets	84,557	-
Changes in assets and liabilities		
Pledges receivable	(182,378)	(94,628)
Accounts payable and accrued expenses	66,152	172,657
Net cash used by operating activities	<u>(21,165)</u>	<u>(509,903)</u>
Cash Flows From Investing Activities		
(Purchase)/Redemption of certificates of deposit	(60,000)	60,000
Redemption of investments at Chase Manhattan	-	1,228,676
Redemption of investments at Central Bank	389	-
Investment of funds at Regions Bank	-	(800,000)
Proceeds from sale of equipment	19,500	-
Purchase of equipment	(23,190)	(92,524)
Net cash provided (used) by investing activities	<u>(63,301)</u>	<u>396,152</u>
Cash Flows From Financing Activities		
Proceeds from long-term debt	-	365,000
Payments on notes payable	(61,623)	(475,764)
Net cash used by financing activities	<u>(61,623)</u>	<u>(110,764)</u>
Net Decrease in Cash	(146,089)	(224,515)
Cash at Beginning of Year	<u>381,263</u>	<u>235,174</u>
CASH AT END OF YEAR	<u>\$ 235,174</u>	<u>\$ 10,659</u>

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997

NOTE 1 - DESCRIPTION OF ORGANIZATION

Grambling State University Foundation, Inc. (the Foundation) was established and incorporated in July, 1969, and received their tax exempt status as a 501(c)(3) organization in February, 1970 as other than a private foundation. Its purpose is to supplement funds otherwise made available for the designing, planning, development and operation of both the educational and physical facilities of Grambling State University. The Foundation acting in a fiduciary capacity provides financial assistance to the President, faculty and students of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its *Audit Guide for Certain Nonprofit Organizations*.

B. Accounting Pronouncements

In June 1993 the Financial Accounting Standards Board (the FASB) issued Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. As of January 1, 1996, the Foundation adopted both of these pronouncements. General practice is mixed concerning the interpretation of agency transactions for university foundations. The Foundation's financial statements do not reflect the strict interpretation of the agency transactions by the Financial Accounting Standards Board as addressed in SFAS No. 116 and No. 117 presented in the above paragraph.

The Foundation adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, as of January 1, 1996. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of activities. Unrealized gains and losses are included on the Statements of Activities.

C. Financial Statement Classification

The net assets of the Foundation are reported in three classes as follows:

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997

- a. Unrestricted* - represent resources over which the board of directors has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws.
- b. Temporarily restricted* - represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from gifts and grants.
- c. Permanently restricted* - represent gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or other specified period, with only the income to be utilized.

D. Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed restrictions. Contributions are recognized as support when received or when an unconditional promise to give is received.

E. Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid debt instruments with an original or purchased maturity of three months or less to be cash equivalents.

F. Land, Building and Equipment

Capital expenditures for land, buildings and equipment in excess of \$500 are capitalized at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings and improvements	25 years
Furniture and equipment	5-10 years
Vehicles	5 years

The Hall of Fame, an historical structure included in property and equipment, is recorded at its appraised value of \$45,000 at the date of donation plus renovation costs of \$50,635. Depreciation is not provided on this building because of its historical significance. The Mercedes Inn with a book value of \$395,161, including land, at December 31, 1997 is sitting idle and is not currently being

**GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997**

used for its intended purpose. A small portion of the building is being used to house the offices of the Foundation.

G. Investments

Marketable securities that are donated are recorded at market value on the date of their donation. BLSW Pleasure Corporation, a closely-held corporation, was included at its appraised value on the date of donation. In 1978 this stock was redeemed in exchange for certain royalty interests in and under certain oil, gas and mineral properties owned by BLSW Pleasure Corporation. As discussed in Note 3, an impairment loss was recognized on this asset during 1996.

H. Tax-Exempt Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; however, the Foundation has certain investment income which will create a liability for federal excise taxes. The amount of the liability has not been determined at this time. Contributions to the Foundation are tax deductible within the limitations prescribed by the Code.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - INVESTMENTS

	Cost December 31, 1996	Market Value December 31, 1996	Unrealized Appreciation (Depreciation)
Investment Trust	\$ 750,000	\$ 1,228,676	\$ (40,890)
U.S. Savings Bond	50	198	11
BLSW Pleasure Corporation, Royalty Interest	15,443	Not Available	-
TOTAL	<u>\$ 765,493</u>		<u>\$ (40,879)</u>

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997

The Investment trust consists of endowed investments which are managed by Chase Manhattan Bank.

	Cost December 31, 1997	Market Value December 31, 1997	Unrealized Appreciation
Investment Trust	\$ 800,000	\$ 800,000	\$ 1,145
U.S. Savings Bond	50	198	-
BLSW Pleasure Corporation, Royalty Interest	0 15,289	Not Available	-
TOTAL	\$ 815,339		\$ 1,145

The investment trust consisted of endowed investments which were managed by Chase Manhattan Bank. However, in 1997, the Foundation and all other investors in the College Endowment Funding Plan VIII paid off all indebtedness related to the Plan and withdrew all investments in the Plan. The balance distributed to the Foundation totaled \$830,703. Of the \$830,703, \$30,703 was attributable to earnings related to the unrestricted portion of the investment, and was deposited into an unrestricted bank account for operations. The remaining \$800,000 was deposited into two investment accounts at Regions Bank. \$708,220 represents the corpus of the endowment funds (Note 4) and the remaining \$91,780 represents unrestricted investments.

Impairment of Carrying Value

During 1996 it was determined that the value of the BLSW Pleasure Corporation investment was impaired. Subsequently, pursuant to SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, the Foundation evaluated the recoverability of this investment. It was determined that the estimated future undiscounted cash flows from this investment were below its carrying value. Accordingly, during 1996 the foundation adjusted the carrying value of this investment from its historical cost of \$100,000 to its estimated fair value of \$15,443 resulting in a noncash impairment loss of \$84,557. The estimated fair value was based on anticipated future cash flows discounted at a rate commensurate with the risk involved.

The following schedule summarizes the investment return in the statement of activities for the years ended:

	December 31, 1996	December 31, 1997
Interest Income	\$ 44,932	\$ 24,684
Net realized and unrealized gains (Losses)	(40,890)	1,145
Total Investment Return	\$ (4,042)	\$ 25,829

**GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997**

Investment revenues are shown net of related expenses. Total custodial fees for the year ended December 31, 1996 were netted with income prior to distribution. Total custodial fees for the year ended December 31, 1997 were \$2,049.

NOTE 4 - ENDOWMENT FUNDS

The Foundation has eight endowed funds of which the following consist of assets in excess of \$100,000.

General Motors Endowment

General Motors Corporation established a \$250,000 Endowment Fund in 1983. The earnings from this fund provide scholarships for minorities and women with preference given to General Motors employees, their spouses and children.

Sugar Ray Leonard General Scholarship Fund

In December 1987, Ray C. Leonard established the Sugar Ray Leonard General Scholarship Fund, an unleveraged endowment with a corpus of \$250,000. The income from the investment of these funds will be used for scholarships and the corpus will remain intact indefinitely.

Paul Herold Scholarship

In 1997, the family of Paul Herold established the Paul Herold Scholarship fund with an initial contribution of \$160,000. The fund is to provide Scholarships to the students.

NOTE 5- THE FOLLOWING IS A BREAKDOWN OF THE ENDOWMENT FUND:

	Principal Account Balance
Lawrence D. Crocker Endowment Fund	\$ 12,550
Zola Amond Ernest Endowment Fund	15,550
General Motors Endowment Fund	250,000
Sugar Ray Leonard Endowment Fund	250,000
Houston/Mandell/Rice Endowment Fund	20,120
Paul Herold Scholarship	160,000
	<hr/>
TOTAL	\$ 708,220

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997

NOTE 6 - FIXED ASSETS

The following is a summary of fixed assets as of December 31, 1996 and 1997:

	December 31, 1996	December 31, 1997
Buildings and improvements	\$ 557,983	\$ 582,983
Furniture, Fixtures & Equipment	135,703	194,806
Vehicles	25,820	25,820
Office Equipment	16,176	24,597
Non-Depreciable assets	99,503	99,503
	835,185	927,709
Less: Accumulated depreciation	(276,625)	(333,111)
	558,560	594,598
Land	89,132	89,132
Total Property & Equipment	\$ 647,692	\$ 683,730

Wasting Assets

	Carrying Value December 31, 1996	Depreciation December 31, 1997	Carrying Value December 31, 1997
BLSW Pleasure Corporation, Royalty Interest	\$ 15,443	\$ (154)	\$ 15,289

Total depreciation expense for 1996 and 1997 was \$50,000 and \$56,641 respectively.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following:

	December 31, 1996		December 31, 1997	
	Total Due	Current Portion	Total Due	Current Portion
Unrestricted Fund:				
Chase Manhattan Bank (Note 3)	\$ 400,000	\$ 400,000	\$ 0	\$ 0
Small Business Administration	179,467	179,467	178,889	178,889
Bank One	33,524	18,533	48,338	19,386
Regions Bank	0	0	275,000	275,000
TOTAL	\$ 612,991	\$ 598,000	\$ 502,227	\$ 473,275

**GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997**

In January, 1987, the Foundation assumed a 15-year mortgage, which matured in November of 1997, from the Small Business Administration (SBA) on the Mercedes Inn in the amount of \$330,958. Monthly installments of \$3,020 are payable including interest at 7 percent. At maturity, the Foundation and the SBA agreed to reduce the monthly payment and continue the amortization of the balance on a month to month basis. Therefore, the entire balance of the loan is included in current maturities at December 31, 1997.

In September, 1996, the Foundation combined the existing debt on a 1995 Ford Club Wagon and 32 Fedder window air conditioning units to one loan at Bank One. In May of 1997 the loan was refinanced at an interest rate of 8.25% payable in 36 installments of \$1,888.

In June 1997, the Foundation obtained a line of credit from Regions Bank secured by an investment account at Regions. The note bears an interest rate of 8.5% payable quarterly. The balance of the note is due June, 1998 in one lump sum.

Scheduled maturities of long-term debt for the five years subsequent to December 31, 1997 are as follows:

	December 31,
1998	\$ 473,275
1999	21,047
2000	8,047

NOTE 8 - RESTRICTED FUNDS

Restricted Funds include contributions restricted by donors for scholarships or specific use by departments of the University. The donations are held by the Foundation until they are expended for their restricted use. Such funds totaled \$900,869 and \$576,615 at December 31, 1996 and 1997 respectively.

NOTE 9 - FINANCIAL AID DUE GRAMBLING STATE UNIVERSITY

The balance due Grambling State University for the repayment of scholarships, grants, and department expenses for the academic years 1986/87 through the fall of 1991 are as follows:

1986/87	\$ 45,646
1987/88	88,935
1988/89	75,246
1989/90	131,251
TOTAL	\$ 341,078

GRAMBLING STATE UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996 AND 1997

The Foundation has requested that a moratorium be placed on all scholarships not committed until funds are available.

NOTE 10 - INTERFUND ACCOUNTS

The amount due to the Restricted Fund from the Unrestricted Fund represents the cumulative effect of the Unrestricted Fund utilizing receipts that have been designated for use by the Restricted Fund and amounts borrowed against the Endowment Fund.

NOTE 11 - SIGNIFICANT CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation has checking accounts, savings accounts and several certificates of deposit with various federally insured financial institutions. At December 31, 1996 and 1997 the balances in these banks totaled \$300,028 and \$75,421 respectively. The uninsured portion was \$132,755 in 1996. All of the 1997 balances were covered by the FDIC insurance.

NOTE 12 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Foundation as a going concern. The Unrestricted Operating Fund had a deficit in net assets of \$280,200 and \$600,520 at December 31, 1996 and 1997 respectively. This deficit can be attributed to the discontinuance of financial support from the University, losses in the Bayou Classic Fundraiser of over \$172,000 in fiscal 1997 and recurring losses from operations of the Mercedes Inn complex. Additionally, the Foundation has pledged permanently restricted endowment funds to secure borrowings, the proceeds of which were expended in ways which may not be consistent with the endowment agreements. The endowed funds were substantially liquidated by the first quarter of 1999 and the debt repaid, leaving the Foundation owing substantial funds to the permanently restricted endowment funds. In addition, the Foundation owes the Small Business Administration over \$175,000 on the secured borrowing discussed in Note 7 and approximately \$341,000 to Grambling State University for the financial aid discussed in Note 9. Management of the Foundation plans to turn over the remaining assets of the Foundation to Grambling State University if an arrangement mutually agreeable to both parties can be negotiated.

SUPPLEMENTARY INFORMATION

**GRAMBLING UNIVERSITY FOUNDATION
ANALYSIS OF ENDOWMENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1996**

<u>Scholarship and Other Endowment</u>	<u>Balance December 31, 1995</u>			<u>Earnings</u>
	<u>Principal</u>	<u>Funds Available</u>	<u>Total</u>	
Capital Campaign	\$ 53,615	\$ 2,297	\$ 55,912	\$ -
Lawrence D. Crocker	12,550	507	13,057	379
Zola Amond Ernest	15,550	629	16,179	758
General Motors	250,000	10,105	260,105	9,851
Sugar Ray Leonard	250,000	10,493	260,493	9,851
Houston/Mandell/Rice	20,120	813	20,933	758
Robert E. Williams	100	4	104	-
Paul Herold Scholarship	160,000	6,467	166,467	6,440
TOTALS	\$ 761,935	\$ 31,315	\$ 793,250	\$ 28,037

SCHEDULE 1

Disbursements and Transfers From (To) Other Funds		Balance December 31, 1996			Funds Invested
Principal	Earnings	Principal	Funds Available	Total	
\$ 53,615	\$ 2,297	\$ -	\$ -	\$ -	\$ -
-	886	12,550	-	12,550	12,550
-	1,387	15,550	-	15,550	15,550
-	19,956	250,000	-	250,000	250,000
-	20,344	250,000	-	250,000	250,000
-	1,571	20,120	-	20,120	20,120
100	4	-	-	-	-
-	12,907	160,000	-	160,000	160,000
<u>\$ 53,715</u>	<u>\$ 59,352</u>	<u>\$ 708,220</u>	<u>\$ -</u>	<u>\$ 708,220</u>	<u>\$ 708,220</u>

**GRAMBLING UNIVERSITY FOUNDATION
ANALYSIS OF ENDOWMENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1997**

<u>Scholarship and Other Endowment</u>	<u>Balance December 31, 1996 Principal</u>	<u>Earnings</u>
Lawrence D. Crocker	\$ 12,550	\$ 290
Zola Amond Ernest	15,550	359
General Motors	250,000	5,767
Sugar Ray Leonard	250,000	5,767
Houston/Mandell/Rice	20,120	464
Paul Herold Scholarship	160,000	3,691
TOTALS	\$ 708,220	\$ 16,338

Schedule 1

Disbursements and Transfers From (To) Other Funds	Balance December 31, 1997	Funds Invested
Earnings	Principal	
\$ 290	\$ 12,550	\$ 12,550
359	15,550	15,550
5,767	250,000	250,000
5,767	250,000	250,000
464	20,120	20,120
3,691	160,000	160,000
\$ 16,338	\$ 708,220	\$ 708,220