

**FAYETTEVILLE STATE UNIVERSITY DEVELOPMENT
CORPORATION**

FAYETTEVILLE, NORTH CAROLINA

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Years ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fayetteville State University Development Corporation
Fayetteville State University

We have audited the accompanying statement of financial position of Fayetteville State University Development Corporation (a nonprofit organization) 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 Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Fayetteville State University Development Corporation's 2011 financial statements and, in our report dated September 12, 2011; we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville State University Development Corporation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUIE, NORMAN & COMPANY, P.A.
Certified Public Accountants

September 26, 2011

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION**

June 30, 2012

(With Comparative Totals for June 30, 2011)

	2012	2011
<u>ASSETS</u>		
Current assets:		
Cash in bank	\$ 23,991	\$ 24,687
Total current assets	23,991	24,687
Property and equipment:		
Furniture and equipment	27,779	27,779
Buildings	529,968	529,968
Land	140,549	140,549
Total property and equipment	698,296	698,296
Less: accumulated depreciation	160,956	146,330
Net property and equipment	537,340	551,966
Other assets:		
Investment in partnership	607,338	567,999
Total assets	\$ 1,168,669	\$ 1,144,652
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts Payable	\$ 1,535	\$ 578
Due to Fayetteville State University	-	-
Current portion of long-term debt	11,765	11,765
Total current liabilities	13,300	12,343
Long-term liabilities:		
Long-term debt	86,274	98,039
Discount on non-interest notes payable	(21,037)	(25,884)
Total long-term liabilities	65,237	72,155
Net assets:		
Unrestricted	1,090,132	1,060,154
Total liabilities and net assets	\$ 1,168,669	\$ 1,144,652

See accompanying notes to financial statements.

FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
Year ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Revenue and support:		
Rent	\$ 39,071	\$ 59,653
Interest	2,628	2,515
Net income from partnership	<u>49,744</u>	<u>66,792</u>
Total revenue and support	<u>91,443</u>	<u>128,960</u>
Expenses:		
Program services:		
Economic Development	43,876	41,649
Supporting services:		
Management and General	<u>17,589</u>	<u>17,564</u>
Total expenses	<u>61,465</u>	<u>59,213</u>
Increase in net assets	29,978	69,747
Net assets at beginning of year	<u>1,060,154</u>	<u>990,407</u>
Net assets at end of year	<u><u>\$ 1,090,132</u></u>	<u><u>\$ 1,060,154</u></u>

See accompanying notes to financial statements.

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	2012			2011
	Economic Development	Management and General Services	Total Expenses	Total Expenses
Expenses:				
Advertising	\$ 320	\$ 80	\$ 400	\$ -
Communications	3,307	827	4,134	5,556
Depreciation	11,701	2,925	14,626	14,293
Donations	-	25	25	125
Insurance	1,890	472	2,362	851
Discount on non-interest notes payable	3,878	969	4,847	5,249
Janitorial	3,720	930	4,650	3,950
Membership dues	596	149	745	950
Miscellaneous	75	19	94	302
Office expense	329	1,314	1,643	2,511
Professional fees	-	3,750	3,750	3,775
Repairs/Services	6,465	1,616	8,081	7,900
Supplies	-	-	-	609
Security	393	98	491	590
Taxes	8,038	2,009	10,047	9,197
Travel/Meals	431	1,723	2,154	1,825
Utilities	2,733	683	3,416	1,530
Total Expenses	\$ 43,876	\$ 17,589	\$ 61,465	\$ 59,213

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION**

STATEMENTS OF CASH FLOWS

Year ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Cash flows from operating activities:		
Increase in net assets	29,978	69,747
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Discount on non-interest notes payable	4,847	5,249
Depreciation	14,626	14,293
Increase (decrease) in:		
Accounts payable	957	578
Due from Fayetteville State University	-	(3,500)
Net cash provided by operating activities	50,408	86,367
Cash flows from investing activities:		
Capital expenditures	-	(6,666)
Investment in partnership	(39,339)	(69,138)
Net cash used in investing activities	(39,339)	(75,804)
Cash flows from financing activities:		
Payment of principal on long-term debt	(11,765)	(11,765)
Net cash used in financing activities	(11,765)	(11,765)
Net increase (decrease) in cash	(696)	(1,202)
Cash:		
Beginning of year	24,687	25,889
End of year	\$ 23,991	\$ 24,687

See accompanying notes to financial statements.

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 1 – NATURE OF ACTIVITIES

Fayetteville State University Development Corporation (the Corporation) was incorporated in 1999 under the laws of the state of North Carolina. Its primary purpose is to promote economic development in the City of Fayetteville and the Murchison Road corridor in coordination with Fayetteville State University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Fayetteville State University Development Corporation is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the organization's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

Fayetteville State University Development Corporation prepares its financial statements on the accrual basis of accounting recognizing revenue when earned and expenses when incurred. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires within the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Cash Flows Presentation

For purposes of the statements of cash flows, cash is defined as demand deposits at financial institutions.

Accounts Receivable

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the age of past due balances. As of June 30, 2012, all accounts were considered collectible; therefore there is no allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Repairs and maintenance are expensed currently and betterments and improvements are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Corporation employs Financial Statements of Not-for-Profit Organizations. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted assets. In addition, the Corporation presents a statement of cash flows. At June 30, 2012 and 2011, there were no temporarily or permanently restricted net assets.

Contributions

The Corporation employs Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. For the years ended June 30, 2012 and 2011, there were no temporarily or permanently restricted donations.

Income Taxes

Fayetteville State University Development Corporation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (IRC). Therefore, no provision for income taxes is made in the accompanying financial statements. The Corporation files federal Form 990, *Return of Organization Exempt from Income Tax*. In addition, the Internal Revenue Service has determined that the Corporation is not a "private foundation" within the meaning of §509(a) of the IRC. There was no unrelated business income during the fiscal year. The Corporation files federal Form 990, *Return of Organization Exempt from Income Tax*, on a fiscal year basis beginning July 1 and ending June 30.

On July 1, 2010, the Corporation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Corporation's financial condition, results of operations or cash flows. Accordingly, the Corporation has not recorded any reserves, or related accruals for interest and penalties for income tax positions at June 30, 2012.

The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to 2008.

The Corporation's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**FAYETTEVILLE STATE UNIVERSITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 3 – INVESTMENTS

Fayetteville State University Development Corporation has entered into a partnership agreement to commercially develop property on Murchison Road in Fayetteville, North Carolina. The Corporation owns a 50% interest in the partnership and has invested land and initial construction costs in the partnership. These costs were financed by a grant from a government agency for this purpose. Loans obtained by the partnership are not guaranteed by Fayetteville State University Development Corporation. Guaranties are being made by the other partner in the project. This investment is valued using the equity method of accounting.

NOTE 4 – LONG-TERM DEBT

Long-term debt at June 30, 2012 and 2011 consisted of a no-interest real estate loan, secured by real estate, payable to a government agency in 204 monthly installments. The original note amount was for \$200,000, and the balance at June 30, 2012 and 2011 was \$109,804 and \$121,569, respectively. Monthly loan payments of \$980 began in December of 2003.

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2013 (included current maturities)	11,765
2014	11,765
2015	11,765
2016	11,765
2017 and thereafter	<u>50,979</u>
Total long-term debt	<u>\$ 98,039</u>

NOTE 5 - DISCOUNT ON 0% INTEREST RATE NOTES PAYABLE

The Corporation has 0% interest financing payable to a government agency. These loans have been discounted at a market value interest rate. The discount is amortized over the life of the loan on a straight line basis as the loans are repaid. The amortization of the discount during the years ended June 30, 2012 and 2011 was \$4,847 and \$5,249, respectively.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2012, which is the date the financial statements were issued. No reportable subsequent events were noted.