

FINANCIAL STATEMENTS

MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2022 and 2021
With Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

Opinion

We have audited the accompanying financial statements of the McNeese State University Foundation (a non-profit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McNeese State University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McNeese State University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McNeese State University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 McNeese State University Foundations internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McNeese State University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 36 through 37 is presented for the purposes of additional analysis and is 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. 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 the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022, on our consideration of McNeese State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNeese State University Foundation's internal control over financial reporting and compliance.

Joseph, Williams & Co., LLP

November 9, 2022
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 29,252,368	\$ 27,676,509
Unconditional promises to give	217,793	302,786
State matching receivable	-	20,000
Due from the University	35,100	-
Total current assets	29,505,261	27,999,295
Noncurrent Assets		
Investments	47,548,814	61,281,432
Property and equipment, net of accumulated depreciation	2,590,276	69,151
Property held for resale	1,885,517	2,282,481
Unconditional promises to give	314,143	455,071
Restricted assets:		
Cash and cash equivalents	134,918	373,713
Investments	18,764,186	24,717,602
Donated property	1,081,675	1,081,675
Total noncurrent assets	72,319,529	90,261,125
Total assets	\$ 101,824,790	\$ 118,260,420
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 421,196	\$ 325,032
Total current liabilities	421,196	325,032
Noncurrent liabilities		
Funds held in custody	7,530,758	10,030,541
Total liabilities	7,951,954	10,355,573
Net Assets		
Without donor restrictions	8,993,938	9,132,145
With donor restrictions	84,878,898	98,772,702
Total net assets	93,872,836	107,904,847
Total liabilities and net assets	\$ 101,824,790	\$ 118,260,420

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Revenue and Support			
Contributions, net of write offs of			
\$2,146 for 2022	\$ -	\$ 9,955,450	\$ 9,955,450
Contributions in kind	-	457,365	457,365
Investment income (loss), net of fees of			
\$407,751 for 2022	70,340	(16,269,671)	(16,199,331)
Rent	-	-	-
Realized gain on sales of property held for resale	188,036	-	188,036
Transfer to endowment	(180,000)	180,000	-
Other	17,128	-	17,128
Net assets released from restrictions:			
Satisfaction of program expenses	8,216,948	(8,216,948)	-
	8,312,452	(13,893,804)	(5,581,352)
Expenses			
Program expense	7,774,377	-	7,774,377
Supporting services:			
Development and fundraising	89,055	-	89,055
Management and general	587,227	-	587,227
Casualty loss	-	-	-
	8,450,659	-	8,450,659
Change in net assets	(138,207)	(13,893,804)	(14,032,011)
Net assets at beginning of period	9,132,145	98,772,702	107,904,847
Net assets at end of period	\$ 8,993,938	\$ 84,878,898	\$ 93,872,836

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES - (Continued)

	Year Ended June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Revenue and Support			
Contributions, net of write offs of \$30,420 for 2021	\$ -	\$ 6,538,803	\$ 6,538,803
Contributions in kind	17,887	738,780	756,667
Investment income (loss), net of fees of \$468,627 for 2021	10,535	19,974,752	19,985,287
Rent	8,425	-	8,425
Realized gain on sales of property held for resale	-	-	-
Transfer to endowment	(155,000)	155,000	-
Other	8,937	-	8,937
Net assets released from restrictions: Satisfaction of program expenses	6,142,731	(6,142,731)	-
Total revenue and support	6,033,515	21,264,604	27,298,119
Expenses			
Program expense	6,666,123	-	6,666,123
Supporting services:			
Development and fundraising	56,858	-	56,858
Management and general	452,129	-	452,129
Casualty loss	39,805	-	39,805
Total expenses	7,214,915	-	7,214,915
Change in net assets	(1,181,400)	21,264,604	20,083,204
Net assets at beginning of period	10,313,545	77,508,098	87,821,643
Net assets at end of period	\$ 9,132,145	\$ 98,772,702	\$ 107,904,847

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

June 30, 2022 and 2021

	June 30, 2022		
	<u>Program Services</u>	<u>Development and Fundraising</u>	<u>Management and General</u>
University Support	\$ 4,919,672	\$ -	\$ -
Scholarships and awards	2,408,969	-	-
Salaries and benefits	445,736	-	186,561
Office operations	-	20,228	260,402
Meetings and development	-	68,827	28,455
Professional fees	-	-	44,917
Property expenses	-	-	47,549
Depreciation expense	-	-	19,343
	<u>\$ 7,774,377</u>	<u>\$ 89,055</u>	<u>\$ 587,227</u>

	June 30, 2021		
	<u>Program Services</u>	<u>Development and Fundraising</u>	<u>Management and General</u>
University Support	\$ 4,027,069	\$ -	\$ -
Scholarships and awards	1,907,435	-	-
Salaries and benefits	731,619	-	151,842
Office operations	-	18,720	138,296
Meetings and development	-	38,138	90,112
Professional fees	-	-	44,096
Property expenses	-	-	27,783
Depreciation expense	-	-	-
	<u>\$ 6,666,123</u>	<u>\$ 56,858</u>	<u>\$ 452,129</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Cash flow from operating activities		
Change in net assets	\$ (14,032,011)	\$ 20,083,204
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Net realized gain on sales of property held for resale	(188,036)	-
Net unrealized losses (gains) in fair value of investments	20,766,523	(11,243,989)
Net realized gains on sales of investments	(1,615,756)	(7,162,749)
Depreciation expense	19,343	-
Contributions restricted for investment in endowment	(4,981,057)	(3,415,452)
Bad debt written off	2,146	30,420
Change in assets and liabilities		
Decrease (increase) in assets:		
Unconditional promises to give	223,775	552,634
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	96,164	200,042
Funds held in custody	(125,052)	(278,632)
Net cash provided (used) by operating activities	166,039	(1,234,522)
Cash flow from investing activities		
Purchases of investments	(47,509,969)	(43,344,832)
Proceeds from sales of investments	45,670,505	54,526,395
Collection of state matching receivable	20,000	20,000
Distribution of notes receivable	(35,100)	-
Purchase of property and equipment	(1,154,816)	-
Purchases of construction in process	(800,652)	(69,151)
Net cash (used) provided by investing activities	(3,810,032)	11,132,412
Cash flow from financing activities		
Contributions restricted for investment in endowments	4,981,057	3,415,452
Net cash provided by financing activities	4,981,057	3,415,452
Net change in cash, cash equivalents and restricted cash	1,337,064	13,313,342
Cash, cash equivalents and restricted cash at beginning of period	28,050,222	14,736,880
Cash, cash equivalents and restricted cash at end of period	\$ 29,387,286	\$ 28,050,222

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and purpose

The McNeese State University Foundation (“the Foundation”) is a not-for-profit organization which was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses and individuals located in southwest Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The FASB has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. As of June 30, 2022 and 2021, the Foundation's net assets with donor restrictions are restricted for funding chairs and professorships, scholarships and fellowships, academic support and development, research support and institutional support programs specified by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation reports gifts of land, buildings, equipment, and other assets as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The Foundation reports expirations of donors' restrictions when the donated or acquired long-lived assets are placed in service.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less.

Cash and Cash Equivalents - Restricted

Certain cash and cash equivalents are restricted as to use based on donor stipulations or contractual conditions. At June 30, 2022 and 2021, such restricted amounts were \$134,918 and \$373,713, respectively.

Unconditional Promises To Give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectability.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated ratably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

In accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820), the Foundation does not categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fair Values of Financial Instruments

The Foundation's financial instruments, excluding investments which are described in Note 5, include cash and cash equivalents and unconditional promises to give. The Foundation estimates that the fair values of all these financial instruments at June 30, 2022 and 2021 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying statements of financial position.

Contributions

Contributions received are recorded as support with or without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions, as appropriate, and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Property and equipment

Purchased property and equipment is recorded at cost. Maintenance and repairs are expensed as incurred; however, those that significantly increase asset values or extend the useful lives are capitalized. Depreciation is provided over the estimated useful lives, on a straight-line basis. Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	39 years
Equipment	5 years
Furniture and fixtures	7 years

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated value at date of receipt. Donated properties are not used for Foundation operations.

Funds Held in Custody

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Funds Held in Custody. All Funds Held in Custody are recorded at fair market value.

Restricted and Unrestricted Revenue

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as support with or without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions, as appropriate, and reported in the statements of activities and changes in net assets as net assets released from restrictions.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Restricted and Unrestricted Revenue – (Continued)

Rental income from operating leases is recognized over the terms of the related leases. Recoveries from tenants for operating expenses are recognized as revenues in the period the corresponding costs are incurred.

Contributed Services and Tangible Personal Property

In accordance with the implementation of FASB ASC 958-720-25-9, the Foundation recognizes contributed services at their fair value when the services have value to the Foundation, require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by the McNeese State University. See Note 13 for further details.

The Foundation occasionally receives contributions of equipment. These contributions are used in providing services to the Foundation, for educational research, or such other designated projects for the benefit of the University. The contributions are recognized at the item's fair value at the date of donation, estimated using sales prices for items of similar condition.

For the year ended June 30, 2022 and 2021, respectively, the Foundation received the following noncash contributions, which enhanced the Foundation as a whole:

	<u>2022</u>	<u>2021</u>
Professional services and other benefits	\$ 454,965	\$ 738,780
Equipment and supplies	2,400	-
	<u>\$ 457,365</u>	<u>\$ 738,780</u>

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses.

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year. Some transfers to permanently restricted net assets were made to comply with this policy.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Income Taxes

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code. Accordingly, no provision for income taxes on related income has been included in the financial statements.

The Foundation applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

The Foundation's federal Return of Organization Exempt from Income Taxes (form 990) is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for a period beyond three years from the filing of those returns.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts.

Credit risk associated with promises to give is considered to be limited due to high historical collection. Unconditional promises to give and substantially all donations are derived from local donors in Southwest Louisiana.

Investments which subject the Foundation to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments; equity holdings of domestic and international corporations; mutual funds which invest in various marketable securities and various hedge funds. The hedge funds utilize a variety of financial instruments in their trading strategies, including equity and debt securities of both U.S. and foreign issuers, public and non-public, as well as a variety of derivative instruments. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2022 and 2021, the Foundation expensed \$2,955 and \$-0-, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Reclassification

Certain reclassifications have been made on the June 30, 2021 financial statements and footnotes to conform to the June 30, 2022 presentation. Net position and change in net position are unchanged due to these reclassifications.

Recently Adopted Accounting Standards

On September 17, 2020, FASB issued Accounting Standards Update (ASU) 2020-07, “*Not-for-Profit Entities (Topic 958), Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets*”. The ASU requires not-for-profit entities to present contributed nonfinancial assets (commonly referred to as gifts-in-kind) as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, “*Leases*”. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statement of financial position as well as additional disclosures. This ASU is effective for the Foundation for the annual period beginning after December 15, 2021. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

2. CASH AND CASH EQUIVALENTS

The Foundation maintains deposit accounts with large, multi-state financial institutions. The balances at each of these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has not experienced any losses in such accounts. As of June 30, 2022, the uninsured balance was \$2,403,743. The Foundation also has money-market holdings as part of its managed investment accounts in the amounts of \$503,801 and \$1,508,898 at June 30, 2022 and 2021, respectively, which are not secured.

Deposits with Louisiana Asset Management Pool (“LAMP”) totaled \$28,160,151 and \$26,210,538 at June 30, 2022 and 2021, respectively. Such deposits are secured by an interest in the underlying investment pool, consisting of U.S. Treasury and agency securities held by LAMP.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS – (Continued)

Effective August 1, 2001, LAMP’s investment guidelines were amended to permit the investment in government-only money markets funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S.33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in “investment grade (A-1 or P-1) commercial paper of domestic United States corporations.” Effective October 1, 2001, LAMP’s Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and a board of directors. LAMP is not registered with the SEC as an investment company.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2022	2021
Restricted to departmental and scholarship funds	\$ 531,936	\$ 757,857

Management considers unconditional promises to give to be fully collectible as of June 30, 2022, therefore, no allowance for doubtful accounts is considered necessary. At such time as management determines an amount to be uncollectible, it is written off. In the last two years, the Foundation has had some isolated incidences of a few donors declaring that they will not fund the remainder of their pledges to the Foundation. Unconditional promises to give in the amount of \$2,146 and \$30,420, as June 30, 2022 and 2021, respectively, were deemed uncollectible and written off.

The total amount of unconditional promises to give at June 30, 2022 and 2021 is expected to be collected as follows:

	2022	2021
Less than one year	\$ 217,793	\$ 302,786
One to five years	314,143	455,071
Total unconditional promises to give	\$ 531,936	\$ 757,857

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$5,649,519 and \$4,427,590 at June 30, 2022 and 2021, respectively. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while investing available funds in accordance with the Foundation's investment policy. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Foundation anticipates revenues to be sufficient to meet its general expenditure needs.

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MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – (Continued)

The Foundation does not consider assets including principal of investments and donated property to be available for general expenditure. Principal balances on investments are restricted by donor intent. Donated property cannot be liquidated due to donor intent. As of June 30, 2022, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 29,252,368
Unconditional promises to give	531,936
Due from University	35,100
Investments	47,548,814
Property and equipment	2,590,276
Property held for resale	1,885,517
Restricted cash and cash equivalents	134,918
Restricted investments	18,764,186
Restricted donated property	<u>1,081,675</u>
Total financial assets	101,824,790
Less, those unavailable for general expenditures within one year due to:	
Unconditional promises to give	(314,143)
Principal of investments	(60,912,549)
Donated property	(1,081,675)
Funds held in custody	(7,530,758)
Subject to appropriation and satisfaction of donor restrictions	<u>(15,039,773)</u>
Financial assets not available to be used within one year	(84,878,898)
Amounts unavailable to management without Board's approval:	
Board designated for continued university support and quasi-endowments and scholarships	<u>(4,406,094)</u>
Total amount unavailable to management without board approval	<u>(4,406,094)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 12,539,798</u></u>

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be made available as general expenditures, liabilities, and other obligations become due. This structure provides for monthly meetings between management to review balances of cash, cash equivalents and non-principal investment earnings. If the balances for cash and cash equivalents are deemed sufficient, excess funds are transferred to the investment fund. If balances for cash and cash equivalents are not deemed sufficient, funds are transferred from the cash portion of non-principal investment earnings to the Foundation's operating account.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for further discussion of fair value measurement.

The asset allocation of the Foundation's portfolio involves exposure to a diverse set of markets which involve various risks such as interest rate risk, market risk, and credit risk. The Foundation believes that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

At June 30, 2022 and 2021, the Foundation's investments, carried at fair value, consisted of the following:

	2022			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 15,546,124	\$ 2,107,089	\$ (1,786,571)	\$ 15,866,642
Real estate investment trusts	1,608,083	94,637	(73,206)	1,629,514
Hedge funds	3,544,132	1,534,509	-	5,078,641
Exchange trade products	10,216,505	79,851	(4,041,510)	6,254,846
Mutual funds	43,481,460	31,192	(6,029,294)	37,483,358
	\$ 74,396,303	\$ 3,847,278	\$ (11,930,581)	\$ 66,313,000
	2021			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 33,301,668	\$ 10,363,510	\$ (508,013)	\$ 43,157,165
Real estate investment trusts	2,138,019	380,292	(64,782)	2,453,529
Hedge funds	1,174,990	4,588,300	-	5,763,290
Exchange trade products	7,389,718	1,587,544	-	8,977,262
Mutual funds	23,004,810	2,642,978	-	25,647,788
	\$ 67,009,205	\$ 19,562,624	\$ (572,795)	\$ 85,999,034

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS – (Continued)

Market risk could occur and is dependent on the future changes in market prices of the various investments held.

Investment earnings are reported net of investment related expenses in the accompanying financial statements. Net investment earnings consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 3,371,834	\$ 2,047,176
Realized gains on sales of investments	1,836,097	7,162,749
Unrealized (losses) gains on investments	(20,999,511)	11,243,989
Investment related expenses	<u>(407,751)</u>	<u>(468,627)</u>
	<u>\$ (16,199,331)</u>	<u>\$ 19,985,287</u>

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the Foundation, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2022 or 2021.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. No such deficiencies of this nature were present at June 30, 2022 or 2021.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short-term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in a hedge fund. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The derivative instrument is designated as a fair value hedging instrument. The fund's fair market value was \$5,078,641 and \$5,763,289 at June 30, 2022 and 2021, respectively. The Foundation's objective is to maximize its returns related to this investment.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS- (Continued)

The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached. The returns from this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,739,816	\$ -
Building and improvements	134,616	-
Construction in progress	<u>735,186</u>	<u>69,151</u>
	2,609,618	69,151
Accumulated depreciation	<u>19,343</u>	<u>-</u>
Total property and equipment	<u><u>\$ 2,590,276</u></u>	<u><u>\$ 69,151</u></u>

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Financial Accounting Standard Board ("FASB") authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under the guidance are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Real estate investment trust: Common stock in real estate investment trust that are valued at the closing price reported on the active market on which the individual securities are traded.

Exchange trade products: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Hedge funds: Valued at the net asset value ("NAV") of shares held at year end.

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

The following table summarizes the valuation of the Foundation’s investments by the above FAS 157 fair value hierarchy levels as of June 30, 2022 and 2021:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 15,866,642	\$ -	\$ -	\$ 15,866,642
Real estate investment trusts	1,629,514	-	-	1,629,514
Exchange trade products	6,254,846	-	-	6,254,846
Mutual funds	37,483,358	-	-	37,483,358
Side-pocket funds	-	-	-	-
Hedge fund investments measured at NAV	-	-	-	5,078,641
Total assets at fair value	\$ 61,234,359	\$ -	\$ -	\$ 66,313,000

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 43,157,165	\$ -	\$ -	\$ 43,157,165
Real estate investment trusts	2,453,529	-	-	2,453,529
Exchange Trade Products	8,977,262	-	-	8,977,262
Mutual funds	25,647,788	-	-	25,647,788
Side-pocket funds	-	-	3,439	3,439
Hedge fund investments measured at NAV	-	-	-	5,759,851
Total assets at fair value	\$ 80,235,744	\$ -	\$ 3,439	\$ 85,999,034

As of June 30, 2022, there were no assets measured at fair value on a nonrecurring basis.

There were no purchases, issues or transfers into and out of Level 3 investments for the years ended June 30, 2022 and 2021.

Equitas Evergreen Fund, L.P. (hedge fund) has identified \$- and \$3,439 as of June 30, 2022 and 2021, to be side-pocket funds that are considered illiquid by their investment manager.

The Foundation's investment in hedge funds at June 30, 2022 and 2021 represents 10% ownership of all ownership interests in the fund. The hedge funds utilize a variety of financial instruments in their trading strategies, including equity and debt securities of both U.S. and foreign issuers, public and non-public, as well as a variety of derivative instruments. The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2022 and 2021:

Instrument	June 30, 2022			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 5,078,641	Not applicable	Quarterly	95 days

Instrument	June 30, 2021			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 5,759,850	Not applicable	Quarterly	95 days

8. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2022 and 2021:

	2022	2021
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
96.86 acre farm, Kinder, Louisiana	358,500	358,500
Art work	202,650	202,650
	<u>\$ 1,081,675</u>	<u>\$ 1,081,675</u>

The Foundation has agreed that both farms would be used primarily by the Agriculture Department of McNeese State University and would never be sold.

9. PROPERTY HELD FOR RESALE

In August 2011, the Foundation purchased a Meat Processing Plant for \$899,549 and in 2014 they made improvements in the amount of \$69,778 for a total investment of \$969,327.

In December 2011, they purchased land on W. Sale Road for \$1,299,154. In June 2021, the Foundation made an agreement with a bank to exchange their property for a portion of the Foundations W. Sale Road property, reducing the original purchase price by \$396,964. The Foundation realized a gain of \$188,036 in regards to this exchange. The Foundations W. Sale Road property is recorded on their books at an investment of \$902,190.

In December of 2015, the Foundation received property in Jasper County as a donation, which was recorded on the Foundation books for \$14,000.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. THE LOUISIANA ENDOWMENT TRUST FUND FOR ENDOWED CHAIRS AND PROFESSORSHIPS

One of the Foundation’s primary objectives is to raise and manage funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships was created by the Louisiana Legislature in 1983 to provide state funds to eligible public and private institutions which would be responsible for providing matching funds obtained by gifts.

Endowed professorships are established at \$100,000 and endowed chairs at \$1,000,000. For endowments submitted for matching prior to July 1, 2017, the Board of Regents will provide 40% of the funding once the Foundation has acquired 60% of the principle through private gifts. Endowed professorships submitted for matching after July 1, 2017, will be matched at \$20,000 for every \$80,000 of private funding acquired while endowed chairs remained unchanged.

The Foundation is allowed to apply for the 40% match while maintaining the 60% private gift. Funds are pooled for investment purpose in the Foundation, but the Board of Regents’ 40% match is recognized as a liability to the Foundation under the caption “Funds Held in Custody.” The amount held for others in noncurrent liabilities at June 30, 2022 and 2021, that was attributable to the Endowed Chairs and Professorships, was \$7,530,758 and \$10,030,541, respectively.

The Foundation has a state matching receivable as of June 30, 2022 and 2021 in the amount of \$-0- and \$20,000, for approved endowed professorships matches that are not yet funded by year end. The Foundation received the matching pledge for the year end June 30, 2021 on July 20, 2021.

The following is a recap of these endowments (both the Foundation and State portions) as of June 30, 2022 and 2021:

	June 30, 2022		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 2,070,758	\$ 5,460,000	\$ 7,530,758
Foundation portion	3,244,937	8,140,000	11,384,937
Total endowed professorships and chairs	\$ 5,315,695	\$ 13,600,000	\$ 18,915,695
	June 30, 2021		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 4,570,541	\$ 5,460,000	\$ 10,030,541
Foundation portion	7,020,774	8,140,000	15,160,774
Total endowed professorships and chairs	\$ 11,591,315	\$ 13,600,000	\$ 25,191,315

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS

Net assets with donor restrictions at June 30, 2022 and 2021, were restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Eminent Scholars/Endowed Professorships	\$ 10,845,271	\$ 23,306,609
Scholarships	39,655,011	38,690,779
H.C. Drew Institute	8,132,377	10,675,039
Other University projects	7,235,540	7,542,492
Property held for resale	1,885,517	2,282,481
Property held for rent	170,525	170,525
Donated art work	202,650	202,650
Donated real estate held for research projects	708,500	708,500
Institutional support	16,043,507	15,193,627
	<u>\$ 84,878,898</u>	<u>\$ 98,772,702</u>

Of the above amounts reported as net asset with donor restrictions, the following are permanently restricted to investments in perpetuity, the income from which is expendable to support the activities below:

	<u>2022</u>	<u>2021</u>
Eminent Scholars/Endowed Professorships	\$ 8,240,000	\$ 8,240,000
Scholarships	37,772,965	33,875,380
H.C. Drew Institute	6,000,000	6,000,000
Donated real estate held for research projects	708,500	708,500
Other University projects	6,270,892	5,007,424
	<u>\$ 58,992,357</u>	<u>\$ 53,831,304</u>

The Foundation's net assets without donor restrictions at June 30, 2022 and 2021, were comprised of undesignated and Board designated amounts to support the activities below:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 4,587,844	\$ 4,729,569
Board designated quasi-endowments and scholarships	4,406,094	4,402,576
	<u>\$ 8,993,938</u>	<u>\$ 9,132,145</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS – (Continued)

Board designated for continued University support and quasi-endowments and scholarships

The Foundation's Board has designated funds to provide continued support for the University.

Board designated for quasi-endowment and scholarships

The Foundation's Board designated funds be set aside to establish and maintain a quasi-endowment for the purpose of securing Foundation's long-term financial viability and continuing to meet the needs of the Foundation. The Foundation's Board has also designated funds to provide scholarships for the University.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Projects specified by donors	\$ 4,705,979	\$ 3,601,569
Professorship awards	754,031	447,947
Scholarships and awards	1,567,772	1,361,596
In-kind distributions	4,466	-
In-kind salaries and benefits	445,736	731,619
Property held for resale transferred for general use	396,964	-
Investment earnings transferred for general use	342,000	-
	\$ 8,216,948	\$ 6,142,731

12. ENDOWED NET ASSETS

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and providing a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the University for the University's benefit. These state matching endowed funds are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2022 and 2021, was 5.00%. The Louisiana Board of Regents' spending policy dictates that no portion of the inflation-adjusted corpus, as defined by the Board of Regents, is to be allocated for spending.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

12. ENDOWED NET ASSETS – (Continued)

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Louisiana Board of Regents spending policy dictates that the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

The Foundation's Board of Directors has chosen to manage a portion of its net assets without donor restrictions as part of the endowed funds investment pool. At June 30, 2022 and 2021, the market value of these Board Designated Endowed Funds was \$4,406,094 and \$4,402,576, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

12. ENDOWED NET ASSETS – (Continued)

As of June 30, 2022 and 2021, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 4,422,511	\$ 59,954,235	\$ 64,376,746
Investment return	50,000	7,790,380	7,840,380
Contributions	20,065	3,415,452	3,435,517
Transfer in (out) to create board- designated endowment funds	-	155,000	155,000
Released from restrictions	<u>(90,000)</u>	<u>(2,511,549)</u>	<u>(2,601,549)</u>
Endowment net assets, June 30, 2021	4,402,576	68,803,518	73,206,094
Investment return	-	(2,975,425)	(2,975,425)
Contributions	3,518	4,981,053	4,984,571
Transfer in (out) to create board- designated endowment funds	-	180,000	180,000
Released from restrictions	<u>-</u>	<u>(3,283,102)</u>	<u>(3,283,102)</u>
Endowment net assets, June 30, 2022	<u>\$ 4,406,094</u>	<u>\$ 67,706,044</u>	<u>\$ 72,112,138</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

12. ENDOWED NET ASSETS – (Continued)

The composition of endowed net assets, by fund type, at June 30, 2022 and 2021, was as follows:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor- restricted endowment	\$ -	\$ 67,706,044	\$ 67,706,044
Board- designated endowment	4,406,094	-	4,406,094
	\$ 4,406,094	\$ 67,706,044	\$ 72,112,138
	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor- restricted endowment	\$ -	\$ 68,803,518	\$ 68,803,518
Board- designated endowment	4,402,576	-	4,402,576
	\$ 4,402,576	\$ 68,803,518	\$ 73,206,094

13. TRANSACTIONS WITH THE UNIVERSITY

Pursuant to the affiliation agreement between the Foundation and the University, the University provides certain personnel services and usage of office space and equipment for Foundation operations. In return, the Foundation provides, solicits and manages funds for the benefit of the University. The Foundation recognized these contributed services at fair value in the amount of \$456,266 and \$738,780 as of June 30, 2022 and 2021, respectively.

The Foundation has certain transactions with the University in the normal course of operations. The transactions consist of reimbursement for salaries, which are processed by the University and reimbursement for certain expenses paid by the University on behalf of the Foundation, such as payments of scholarships and capital projects. Such expenses totaled \$5,764,054 and \$3,463,465 for the years ended June 30, 2022 and 2021, respectively. Amount due to the University at June 30, 2022 and 2021 was \$5,518 and \$215,579, respectively. Amount due from the University at June 30, 2022 and 2021 was \$35,100 and \$-0-, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

14. OPERATING LEASE

The Foundation leases a building to a tenant under a non-cancelable operating lease with an original term of 5 years, expiring December 31, 2019, with an option to renew for an additional 5 years. After the original term had expired, the tenant exercised their option to renew and the lease is now set to expire on December 31, 2024. After the hurricane the tenant did not continue its operations. The Foundation has hired an attorney seeking \$30,000 for rental arrears, \$125,000 for interior repairs and debris removal, and \$20,000 for attorney fees and cost. In addition, the tenant may purchase the building for \$425,000. to seek the non-cancelable portion of the lease that was not collected and will not be collected in the future.

15. COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these cost when actually paid.

16. SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation had the following non-cash transactions:

	2022	2021
(Depreciation) appreciation in fair value of investments attributable to funds held in custody	\$ (2,374,731)	\$ 2,374,402
Increase in funds held in custody due to the increase in state matching receivable	\$ -	\$ 20,000
Increase in property and equipment due to an exchange of property in property held for sale	\$ 585,000	\$ -

Cash, cash equivalents and restricted cash as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Cash and cash equivalents	\$ 29,252,368	\$ 27,676,509
Restricted cash	134,918	373,713
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 29,387,286	\$ 28,050,222

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

Management of the Foundation has evaluated its June 30, 2022 financial statements for subsequent events through the date of the independent auditors' report, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

MCNEESE STATE UNIVERSITY FOUNDATION

**SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE
UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS**

June 30, 2022

	Beginning Balance	Contributions	Expenditures	Ending Balance
Develop the Diamond	\$ (329,560)	\$ 97,000	\$ 45,389	\$ (277,949)
McNeese Football Club	14,094	-	-	14,094
Diamond Dinner	28,957	391,974	419,931	1,000
Tennis Enhancement	1,733	11,330	11,312	1,751
McNeese Cowgirl Kickers	29	-	-	29
MSU Women's Golf Team	8,553	-	30	8,523
Basketball - General	41,665	200,878	209,625	32,918
Baseball - Diamond Chapter	93,706	250,207	96,857	247,056
MSU Men's Golf Team	3,528	163	-	3,691
MAF Advancement	78,773	1,442,161	1,380,483	140,450
Athletic Director-Fundraising	623	-	623	-
MSU Girl's Softball	29,290	230,269	147,739	111,820
Athletic Director	16,072	114,375	107,910	22,537
MSU Striker Chapter	8,032	1,237	3,008	6,261
MSU Track - General	75,136	73,599	86,047	62,688
Dugout Chapter	15,120	11,160	6,734	19,547
Basketball - Tip Off	3,175	-	-	3,175
MSU Track and Field Scoreboard	13,294	-	-	13,294
Girl's Basketball - General	25,184	51,230	37,465	38,949
Football - General	327	151,080	41,299	110,108
MSU Quarterback Chapter	49,651	12,810	23,911	38,551
Petrochem Athletic Assoc Chapter	23,734	61,589	48,622	36,701
MSU Cowboy Chapter	26,527	9,305	14,682	21,150
Sports Medicine	11,426	14,938	10,090	16,274
Student Athletic Fund	2,100	-	-	2,100
Volleyball - General	7,570	39,403	28,721	18,253
Athletic Foundation - Operating	10,647	15,000	14,163	11,484
Golf Enhancement Fund	3,004	-	3,004	-
MSU Athletics - Strength Dept	5,066	20,290	20,835	4,521
Girl's Tennis - General	76,902	82,311	65,716	93,497
Sports Information - Posters	160	1	-	161
Cowboy Football Fuel	96	18,561	16,986	1,671

MCNEESE STATE UNIVERSITY FOUNDATION

**SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE
UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS**

(Continued)

June 30, 2022

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Athletic Marketing	3,758	2,762	965	5,555
McNeese Cheerleaders	9,951	19,551	21,368	8,134
The M Club	1,434	-	-	1,434
NCAA SAF	366,875	235	187,496	179,614
Student Athlete Advisory Comm.	9,484	549	1,882	8,151
Basketball Enhancement Fund	231,964	176,300	241,526	166,738
Football Goody Bags	1,174	-	-	1,174
Football Enhancement Fund	148,991	597,000	463,869	282,122
McNeese Soccer	37,562	52,416	44,871	45,106
Baseball Stadium Renovations	(658,755)	135,001	-	(523,754)
Athletic Clearing	5,182	6,002	3,769	7,415
Track Renovations	1,169	-	-	1,169
Football Turf	7,424	-	7,424	-
Baseball Enhancement Fund	17,404	876	18,280	-
Softball Enhancement Fund	6,442	-	6,365	78
McNeese Athletic Foundation	14,580	1,000	-	15,580
Womens Golf Asst Scholarship	3,000	-	-	3,000
	<u>\$ 552,250</u>	<u>\$ 4,292,563</u>	<u>\$ 3,838,995</u>	<u>\$ 1,005,818</u>

COMPLIANCE
AND
INTERNAL CONTROL



Langley, Williams
& Company, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

LESTER LANGLEY, JR.
DANNY L. WILLIAMS
PHILLIP D. ABSHIRE, JR.
DAPHNE BORDELON BERKEN

NICHOLAS J. LANGLEY
PHILLIP D. ABSHIRE, III
SARAH CLARK WERNER
ALEXIS H. O'NEAL
JESSICA LOTT-HANSEN

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
McNeese State University Foundation
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the McNeese State University Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McNeese State University Foundation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McNeese State University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of McNeese State University Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNeese State University Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Joyly Williams, Co., P.C.

Lake Charles, Louisiana
November 9, 2022

McNeese State University Foundation
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiency identified not considered
to be material weaknesses? Yes None reported

Noncompliance material to financial statements
noted? Yes No