

**COMMUNITY FOUNDATION OF ACADIANA  
FINANCIAL REPORT  
DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Community Foundation of Acadiana  
Lafayette, Louisiana

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation of Acadiana (a nonprofit organization) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Acadiana and affiliates as of December 31, 2017 and 2016, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018, on our consideration of Community Foundation of Acadiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Community Foundation of Acadiana's internal control over financial reporting and compliance.

*Bernard Poché, LLP*

Lafayette, Louisiana  
June 18, 2018

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COMMUNITY FOUNDATION OF ACADIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 899,324	\$ 1,269,995
Investments:		
Money market and interest-bearing deposits	36,414,532	15,664,010
Other investments	61,043,253	44,295,281
Receivables:		
Notes receivable, current portion	87,000	106,500
Interest	1,080	19,645
Other receivables	660	660
Prepaid expenses	<u>6,214</u>	<u>-</u>
Total current assets	<u>\$ 98,452,063</u>	<u>\$ 61,356,091</u>
<b>FIXED ASSETS</b>		
Property and equipment	\$ 30,981,726	\$ 30,862,866
Accumulated depreciation	<u>(6,135,257)</u>	<u>(5,444,029)</u>
Property and equipment, net	<u>\$ 24,846,469</u>	<u>\$ 25,418,837</u>
<b>OTHER ASSETS</b>		
Notes receivable	\$ 673,827	\$ 802,327
Security deposit	<u>500</u>	<u>500</u>
Total other assets	<u>\$ 674,327</u>	<u>\$ 802,827</u>
Total assets	<u>\$123,972,859</u>	<u>\$ 87,577,755</u>

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 148,500	\$ 241,528
Current portion of bonds payable	55,000	55,000
Long-term debt expected to be refinanced	2,788,079	-
Accounts payable	-	4,574
Due to others	406,248	406,248
Accrued liabilities	10,643	5,271
Funds held in custody	<u>15,076,708</u>	<u>9,796,892</u>
Total current liabilities	<u>\$ 18,485,178</u>	<u>\$ 10,509,513</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion	\$ 217,000	\$ 3,154,817
Bonds payable, net, less current portion	<u>314,500</u>	<u>368,499</u>
Total long-term liabilities	<u>\$ 531,500</u>	<u>\$ 3,523,316</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 83,814,098	\$ 60,286,519
Temporarily restricted	6,484,891	6,575,018
Permanently restricted	<u>14,657,192</u>	<u>6,683,389</u>
Total net assets	<u>\$104,956,181</u>	<u>\$ 73,544,926</u>
Total liabilities and net assets	<u>\$123,972,859</u>	<u>\$ 87,577,755</u>

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF ACADIANA

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 29,765,591	\$ -	\$ 8,314,179	\$ 38,079,770
Interest and dividends	979,326	-	131,410	1,110,736
Gains on investments	4,350,150	-	528,597	4,878,747
Rent income	375,073	-	-	375,073
Fundraising income	278,017	-	312	278,329
Administrative fee	685,331	-	-	685,331
Investment expenses	(685,167)	-	(85,592)	(770,759)
Net assets released from restrictions	1,005,230	(90,127)	(915,103)	-
Other	181,442	-	-	181,442
Total revenues and other support	<u>\$ 36,934,993</u>	<u>\$ (90,127)</u>	<u>\$ 7,973,803</u>	<u>\$ 44,818,669</u>
<b>EXPENSES AND LOSSES</b>				
Grants distributed	\$ 10,286,372	\$ -	\$ -	\$ 10,286,372
Program expenses	1,400,453	-	-	1,400,453
Management and general:				
Salaries	382,274	-	-	382,274
Payroll taxes and benefits	80,435	-	-	80,435
Professional services	245,634	-	-	245,634
Event expense	46,969	-	-	46,969
Travel and meetings	4,307	-	-	4,307
Office expenses	41,285	-	-	41,285
Repairs and maintenance	20,628	-	-	20,628
Insurance	14,986	-	-	17,016
Printing and publications	22,035	-	-	22,035
Trust and bank fees	17,019	-	-	17,019
Computer and internet	4,635	-	-	4,635
Other	6,695	-	-	6,695
Interest	141,459	-	-	141,459
Depreciation and amortization	692,228	-	-	692,228
Total expenses	<u>\$ 13,407,414</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,407,414</u>
Changes in net assets	\$ 23,527,579	\$ (90,127)	\$ 7,973,803	\$ 31,411,255
Net assets at beginning of year	60,286,519	6,575,018	6,683,389	73,544,926
Net assets at end of year	<u>\$ 83,814,098</u>	<u>\$ 6,484,891</u>	<u>\$14,657,192</u>	<u>\$104,956,181</u>

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF ACADIANA

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 14,070,163	\$ -	\$ 464,959	\$14,535,122
Interest and dividends	795,377	-	123,456	918,833
Gains on investments	1,989,632	-	264,681	2,254,313
Rent income	368,274	-	-	368,274
Fundraising income	343,125	-	327	343,452
Administrative fee	539,831	-	-	539,831
Investment expenses	(554,518)	-	(83,997)	(638,515)
Net assets released from restrictions	198,175	(90,127)	(108,048)	-
Other	171,348	-	-	171,348
<b>Total revenues and other support</b>	<b>\$ 17,921,407</b>	<b>\$ (90,127)</b>	<b>\$ 661,378</b>	<b>\$18,492,658</b>
<b>EXPENSES AND LOSSES</b>				
Grants distributed	\$ 7,595,892	\$ -	\$ -	\$ 7,595,892
Program expenses	939,695	-	-	939,695
Management and general:				
Salaries	338,700	-	-	338,700
Payroll taxes and benefits	72,605	-	-	72,605
Professional services	217,355	-	-	217,355
Event expense	48,201	-	-	48,201
Travel and meetings	3,931	-	-	3,931
Office expenses	42,932	-	-	42,932
Repairs and maintenance	16,413	-	-	16,413
Insurance	15,654	-	-	15,654
Printing and publications	19,755	-	-	19,755
Trust and bank fees	13,761	-	-	13,761
Computer and internet	6,153	-	-	6,153
Other	1,738	-	-	1,738
Interest	149,067	-	-	149,067
Depreciation and amortization	688,532	-	-	688,532
<b>Total expenses</b>	<b>\$ 10,170,384</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$10,170,384</b>
Change in net assets	\$ 7,751,023	\$ (90,127)	\$ 661,378	\$ 8,322,274
Net assets at beginning of year	52,535,496	6,665,145	6,022,011	65,222,652
Net assets at end of year	<u>\$ 60,286,519</u>	<u>\$ 6,575,018</u>	<u>\$ 6,683,389</u>	<u>\$73,544,926</u>

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF ACADIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 31,411,255	\$ 8,322,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	692,229	688,532
Gains on investments	(4,878,747)	(2,254,313)
(Increase) decrease in receivables and other assets	12,351	(471,153)
Increase (decrease) in accounts payable and accrued liabilities	<u>798</u>	<u>(4,117)</u>
Net cash provided by operating activities	<u>\$ 27,237,886</u>	<u>\$ 6,281,223</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	\$ (25,196,324)	\$ (15,601,544)
Proceeds from sales of investments	13,327,099	11,447,073
Purchase of fixed assets	<u>(118,860)</u>	<u>(379,612)</u>
Net cash used in investing activities	<u>\$ (11,988,085)</u>	<u>\$ (4,534,083)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in funds held in custody	\$ 5,279,816	\$ 1,122,961
Payments on long-term debt	(149,766)	(292,074)
Proceeds from long-term borrowing	<u>-</u>	<u>617,500</u>
Net cash provided by financing activities	<u>\$ 5,130,050</u>	<u>\$ 1,448,387</u>
Net increase in cash	<u>\$ 20,379,851</u>	<u>\$ 3,195,527</u>
Cash at beginning of year:		
Cash and cash equivalents	\$ 1,269,995	\$ 4,345,889
Money market and interest-bearing deposits	15,664,010	9,392,589
	<u>\$ 16,934,005</u>	<u>\$ 13,738,478</u>
Cash at end of year:		
Cash and cash equivalents	\$ 899,324	\$ 1,269,995
Money market and interest-bearing deposits	<u>36,414,532</u>	<u>15,664,010</u>
	<u>\$ 37,313,856</u>	<u>\$ 16,934,005</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash payments of interest	<u>\$ 141,459</u>	<u>\$ 149,067</u>

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF ACADIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Community Foundation of Acadiana (the "Foundation") is a Louisiana nonprofit corporation chartered on November 16, 2000. Its primary purpose is to serve as a community foundation which shall receive and administer component funds (donor advised funds and others) for charitable, educational or scientific purposes.

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

Significant accounting policies:

Basis of consolidation -

The consolidated financial statements include the accounts of the Foundation and its wholly owned affiliates; ESA Lower Enrichment Center, L.L.C., in addition to affiliated organizations, Louisiana Real Estate Foundation and Louisiana Parks Foundation. The Louisiana Real Estate Foundation includes its wholly owned affiliates; CFA Office, L.L.C., CFA-REH, L.L.C. and Ascension Episcopal School Campus, L.L.C. All material inter-company items and transactions have been eliminated.

Contributions and recognition of donor restricted contributions -

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation also classifies component funds with "variance power" clauses in the fund agreements as unrestricted net assets, which is a predominant trend used by most community foundations.

Amounts received for future periods or restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted support increase those net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The net assets included in temporarily restricted funds includes the cost of contributed land and the net book value of contributed fixed assets of the Foundation, CFA-REH, L.L.C. and Ascension Episcopal School Campus, L.L.C., and certain other component funds that have time restrictions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As these assets are depreciated, the amount of depreciation in a given period is considered to be released from that restriction.

### Estimates -

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and cash equivalents -

For the purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Money market funds used for investment purposes are included in cash and cash equivalents on the consolidated statements of cash flows.

### Investments -

Investments, which consist of debt and equity securities and mutual funds, are presented in the consolidated financial statements at fair value. Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Some investments related to donor advised funds are maintained outside of the pooled investment accounts where assets are held in the name of the Foundation. Investment earnings for these funds are maintained in individual investment accounts that are not comingled with other investment assets. Investment earnings for these accounts are based on the actual investment performance of the related assets.

### Property and equipment -

Purchased property and equipment are recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Foundation has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment are recorded as restricted support. As donated assets are depreciated, the restriction for that portion of the net asset expires.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Depreciation is computed by the straight-line method at rates based on the following useful lives:

	<u>Years</u>
Furniture and equipment	5 - 7
Buildings	40

### Tax status -

The Foundation is a Louisiana nonprofit corporation established in 2000 and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code; accordingly, no provision for income taxes has been made in the consolidated financial statements.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, is no longer subject to examination by tax authorities for years prior to 2014.

### Concentrations of credit risk -

Financial instruments which subject the Foundation to concentrations of credit risk consist primarily of mutual funds which invest primarily in short-term governmental securities and contributions receivable. The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits.

The Foundation relies heavily on general public donations to support its operations.

### Recent accounting pronouncements -

During the 2017 fiscal year, the Foundation adopted the provisions of Accounting Standards Update No. 2015-13, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the provision of Debt Issuance Costs. This accounting change requires that debt issuance costs in connection with debt that is not reported at fair value are reported as a deferred charge and reported as a direct deduction from the face amount of the related indebtedness. Previously, debt issue costs were reported as deferred charges, but were classified as non-current assets in the statement of financial position. The change was applied retrospectively to the prior fiscal year.

The FASB has issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profits Entities, which finalizes Proposed ASU No. 2015-230, by the same name and topic, and simplifies and improves the manner in which a not-for-profit entity (NFP) classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In particular, ASU No. 2016-14 amends the requirements for financial statements and notes in Topic 958, *Not-for-Profit Entities*, and requires an NFP to, among other things, (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets referenced above, rather than that of the currently required three classes; and (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows, using either the direct or the indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim period within fiscal years beginning after December 15, 2018. Application to the interim financial statements is permitted, but not required, in the initial year of application, and early application is permitted. The amendment should be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption. Moreover, the amendments should be applied on a retrospective basis in the year that the ASU is first applied. However if presenting comparative financial statements, then an NFP has the option to omit certain information for any periods presented before the period of adoption. The adoption of this ASU is expected to impact the financial statements and the notes.

### Note 2. Notes Receivable

#### Ascension Episcopal School Campus, L.L.C.

In connection with the renewal of certain indebtedness with IberiaBank, Ascension Episcopal School Campus, L.L.C. redeemed certificates of deposit in an endowed fund of Ascension Episcopal School which collateralized the debt and applied the proceeds against a portion of the debt to the bank. In connection with that redemption, Ascension Episcopal School signed a note receivable to Ascension Episcopal School Campus, L.L.C. at rate of 1% payable quarterly commencing August 15, 2012. Under the terms of the note, no principal reduction is expected until all current indebtedness of Ascension Episcopal School Campus, L.L.C. is extinguished. The balance of the note is \$431,827 at December 31, 2017 and 2016. The year the note will be repaid is not determinable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ESA Lower School Enrichment Center, L.L.C.

In connection with a construction line of credit, as further discussed in Notes 10 and 11, ESA Lower Enrichment Center, L.L.C. arranged for repayment of the indebtedness through donations to be made by a number of notes receivable from donors in support of the school's build out of an existing facility.

Donors signed promissory notes to ESA Lower Enrichment Center, L.L.C. to make five consecutive annual installments, plus accrued interest at an interest rate of 5% on the unpaid balance. Under the terms of the note, all the final installment of principal and accrued interest is due on January 15, 2020. The collective balance of all notes is \$242,500 at December 31, 2017.

Aggregate maturities of the notes receivable for the ESA Lower School Enrichment Center, L.L.C. at December 31, 2017, are as follows:

2018	\$ 87,000
2019	123,500
2020	<u>118,500</u>
	<u>\$ 329,000</u>

Note 3. Investments

Investments in debt and equity securities at fair value are composed of the following at December 31:

	<u>2017</u>	<u>2016</u>
Pooled investments:		
Fixed income	\$12,364,327	\$10,047,766
Equity	18,018,544	12,490,767
Government securities	315,990	277,903
Corporate bonds	1,739,088	1,696,689
Equity Securities	19,825,645	13,053,561
Mutual funds	7,724,080	6,713,830
Other	<u>1,055,579</u>	<u>14,765</u>
	<u>\$61,043,253</u>	<u>\$44,295,281</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

The following table presents the Foundation's fair value hierarchy for the financial assets measured at fair value on a recurring basis.

	Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Signifi- cant Un- observable Inputs (Level 2)
December 31, 2017:			
Pooled investments -			
Fixed income	\$12,364,327	\$ 12,364,327	\$ -
Equity	18,018,544	18,018,544	-
Government securities	315,990	-	315,990
Corporate bonds	1,739,088	1,739,088	-
Equity securities	19,825,645	19,825,645	-
Mutual funds	7,724,080	7,724,080	-
Other	1,055,579	-	1,055,579
	<u>\$61,043,253</u>	<u>\$ 59,671,684</u>	<u>\$ 1,371,569</u>
December 31, 2016:			
Pooled investments -			
Fixed income	\$10,047,766	\$ 10,047,766	\$ -
Equity	12,490,767	12,490,767	-
Government securities	277,903	-	277,903
Corporate bonds	1,696,689	1,696,689	-
Equity securities	13,053,561	13,053,561	-
Mutual funds	6,713,830	6,713,830	-
Other	14,765	-	14,765
	<u>\$44,295,281</u>	<u>\$ 44,002,613</u>	<u>\$ 292,668</u>

In accordance with FASB ASC 820-10-50-1, the Foundation groups investments at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Note 5. Property and Equipment

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Buildings and land improvements	\$26,628,420	\$26,515,487
Furniture and equipment	<u>188,306</u>	<u>182,379</u>
	\$26,816,726	\$26,697,866
Less accumulated depreciation	<u>(6,135,257)</u>	<u>(5,444,029)</u>
	\$20,681,469	\$21,253,837
Land	<u>4,165,000</u>	<u>4,165,000</u>
	<u>\$24,846,469</u>	<u>\$25,418,837</u>

Total depreciation expense for the years ended December 31, 2017 and 2016 was \$691,228 and \$687,532 respectively.

Note 6. Funds Held in Custody

The Foundation has adopted FASB ASC 958-605-25-33 (formerly FASB No. 136), "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others." This pronouncement established standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investments of those assets, or both to another entity that is specified by the donor. ASC 958-605-25-33 specifically requires that if a not-for-profit establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such transfers as funds held in custody.

The Foundation maintains variance power and legal ownership of funds held in custody, and as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605-25-33, a liability has been established for the present value of the future payments expected to be made to the not-for-profit organizations, which is generally the equivalent of the fair value of the funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Donated Services

The Foundation received donated audit and accounting services, computer consulting services and website support, lawn care, legal services and magazine ad services. The total amount of donated services included in unrestricted contributions at December 31, 2017 and 2016 is \$74,156 and \$37,143, respectively.

Note 8. CFA-REH, L.L.C.

During 2002, the Foundation formed a 501(c)(2) corporation to accept a donation of land. The 501(c)(2) is a not-for-profit organization that is wholly-owned by the Foundation. The sole purpose of this organization was to accept real estate, hold real estate, collect income, and dispense income and real estate. During 2003, however, the Foundation formed CFA-REH, L.L.C. and transferred the property to that corporation. The limited liability company is wholly-owned by the Foundation.

In 2004, CFA-REH, L.L.C. accepted a \$1,000,000 donation and issued debt in the amount of \$920,000 to construct a building on the donated land. The building is being leased as a school for an amount equivalent to the debt service on the bonds, including other financing obligations, over the 20 year bond term.

Note 9. Ascension Episcopal School Campus, L.L.C.

The Foundation formed a limited liability company, Ascension Episcopal School Campus, L.L.C. ("AESC"), to accept a \$3,125,000 donation of 72 acres of undeveloped real estate in Youngsville, Louisiana and to fund the construction of a school. The L.L.C. has constructed a major portion of the proposed school with an estimated ultimate cost of \$55,000,000. The initial first phase of the school construction cost was \$21,129,048. Additional, building and land improvements have increased the initial constructions costs by \$1,987,329 through 2017. The initial construction activity was funded by contribution commitments from various donors and notes payable to various sources. More recent improvements have been facilitated through donors, as well as the school. The notes payable for the initial school have been refinanced and the current funding source are facilitated through pledges by various donors to Ascension Episcopal School, a ministry of The Episcopal Church of the Ascension, and other funding sources of both the Church and the School.

Note 10. ESA Lower School Enrichment Center, L.L.C.

In December 2015, the Foundation formed a new limited liability company, ESA Lower School Enrichment Center, L.L.C. The purpose of the company was to facilitate improvements to an existing facility acquired in the initial property acquisition of the current Episcopal School of Acadiana. As part of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

that endeavor, the Foundation coordinated a construction line of credit with a local financial institution in the amount of \$1,000,000. Repayment of the debt is to be made by a number of notes receivable from donors wishing to support the school in the construction project. Under the repayment terms, the note is to be repaid in annual installments equal to one-fourth of the net amount borrowed as of February 1, 2017. Through December 31, 2016, draws of \$489,000 were made against the line of credit, but there were no additional draws made against the line in 2017. Payments of interest and principal were made with the collection of notes payable payments from donors. This resulted in a balance due on the line of credit of \$365,500 at December 31, 2017.

Note 11. Notes Payable and Long-term Debt

The following is a summary of the outstanding notes payable and long-term debt at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Long-term debt:		
Ascension Episcopal School Campus, L.L.C.- 4.50% note payable, payable in monthly installments of \$20,787, including interest, due in a balloon payment of unpaid principal on August 21, 2018, secured by real estate.	\$ 2,788,079	\$ 2,907,345
ESA Lower School Enrichment Center, L.L.C.- \$1,000,000 construction line of credit converting to term debt on February 1, 2017, interest payable quarterly at 2.25% floating above the guarantor's applicable deposit rate with a floor of 2.5% (2.5% at December 31, 2017), payable in annual installments equal to one-fourth of construction draws through February 1, 2017, secured by donor notes payable for the project and the guaranty of a benefactor.	<u>365,500</u>	<u>489,000</u>
Total long-term debt	<u>\$ 3,153,579</u>	<u>\$ 3,396,345</u>
Less:		
Current portion	\$ 148,500	\$ 241,528
Long-term debt expected to be refinanced	<u>2,788,079</u>	<u>-</u>
	<u>\$ 2,936,579</u>	<u>\$ 241,528</u>
Long-term portion	<u>\$ 217,000</u>	<u>\$ 3,154,817</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Ascension Episcopal School Campus, L.L.C. indebtedness was incurred in connection with the completion of the construction of the first phase of the school complex. The liability is further guaranteed by The Episcopal Church of the Ascension. As part of that guarantee and lease of the facility, the Church has agreed to make any and all payments to liquidate the debt in excess of any pledges it has received from donors that collateralize the obligations. The note payable for Ascension Episcopal School Campus, L.L.C. has a balloon payment due on August 21, 2018. It is anticipated that the note will be refinanced under similar terms and conditions as the maturing obligation, while it may include a higher rate of interest on the indebtedness based on changes to the prime lending rate.

Included in current liabilities at December 31, 2017 and 2016 is a liability for \$406,248, and reflects payments received from the Church and others to pay for final construction costs at the completion of the project. Absent any specific agreement as to the recordation of the payment, the amount is recorded as a liability. Under the terms of the agreement, that liability is likely to be recorded as a contribution in the near term, or would be payable by contributions or rent after extinguishment of all indebtedness by AESC to others on extensions of credit.

The aggregate maturities of principal payments due on long-term debt by fiscal year are as follows:

2018	\$ 2,936,579
2019	122,250
2020	<u>94,750</u>
	<u>\$ 3,153,579</u>

Note 12. Bonds Payable

At December 31, 2017 and 2016, bonds payable consisted of the following components:

	<u>2017</u>	<u>2016</u>
Bonds payable	\$ 375,000	\$ 430,000
Bond cost of issuance, net of accumulated amortization	<u>(5,500)</u>	<u>(6,501)</u>
Bonds payable, net	\$ 369,500	\$ 792,999
Less current portion	<u>55,000</u>	<u>55,000</u>
Bonds payable, net, less current portion	<u>\$ 314,500</u>	<u>\$ 368,499</u>

Revenue bonds with an aggregate principal amount of \$920,000 were issued by the Louisiana Public Facilities Authority and the proceeds were loaned to the CFA-REH, L.L.C. pursuant to a loan agreement dated June 1, 2003. Bond issue costs in the amount of \$18,002 were incurred in the issuance of the debt and are being amortized over the life of the bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest on the bonds are based on a weekly interest rate determined by the remarketing agent on the interest rate determination date immediately preceding the applicable interest rate adjustment date, to be the lowest interest rate in the judgment of the remarketing agent at which the bonds could be remarketed at par, plus the accrued interest. In addition to interest, the Company is also required to pay fees on a letter of credit securing the debt, remarking agent fees, analyst fees and trustee fees.

Aggregate maturities required on bonds payable are as follows at December 31:

2018	\$ 55,000
2019	60,000
2020	60,000
2021	65,000
2022	65,000
2023	<u>70,000</u>
	<u>\$375,000</u>

Interest expense on the indebtedness was \$1,321 and \$2,250 during the years ended December 31, 2017 and 2016, respectively. Payments of fees in connection with the debt were \$13,012 and \$9,810 during the fiscal years ended December 31, 2017 and 2016, respectively.

Note 13. Employee Benefit Plan

The Foundation has a discretionary Simple IRA Pension retirement plan (Simple IRA) in effect that covers all employees. The Foundation matches employee contributions to the plan up to 3% of qualified compensation. The Company's matching contribution to the plan for the years ended December 31, 2017 and 2016 was \$10,174 and \$8,378, respectively.

Note 14. Endowments and Net Asset Classifications

The Foundation's endowment funds consist of a number of individual funds established for a variety of purposes. Its endowments include donor-restricted endowment funds; whereby, the stipulations of the gift may require preservation of the original donation with only the income derived used for a specific purpose. Endowed funds with donor-restricted funds are recorded as permanently restricted net assets, the income from which is expendable to support the grantor's purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the consolidated statements of activities as net assets released from restrictions.

Interpretation of Relevant Law

In June 2010, the Louisiana Legislature adopted provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") into Louisiana Law

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

effective July 1, 2010. In 2006, the UPMIFA was approved and recommended by the National Conference of Commissions on Uniform State Laws. The provisions of the Act are to provide for the standard of conduct in managing and investing an institutional fund; to provide for the appropriation for expenditure or the accumulation of an endowment fund; to provide for the delegation of management and investment functions; to provide for the release or modification of restrictions on management, investment, or purpose of an institutional fund and to provide for reviewing compliance.

The Board of the Foundation has implemented a policy requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction (if any) of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted or unrestricted net assets, depending on the restrictions of the individual endowments.

Funds with Deficiencies

The Foundation's spending policy for endowment funds includes the application of an annual spending rate. Depending on market conditions and investment performance, the net assets of a fund can result in a value that is lower than cumulative original endowed gifts. There were no declines in the fair value of investments below the original endowed gift at December 31, 2017 and 2016.

The following is a recap of changes in endowment balances as of December 31, 2017 and 2016.

	December 31, 2017		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,683,389	\$ 6,683,389
Change in net assets:			
Contributions	-	8,314,179	8,314,179
Interest and dividends	-	131,410	131,410
Gains on investments	-	528,597	528,597
Investment expenses	-	(85,592)	(85,592)
Other income	-	312	312
Grants	(915,103)	-	(915,103)
Net assets released from restrictions	915,103	(915,103)	-
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$14,657,192</u>	<u>\$14,657,192</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2016		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 5,629,783	\$ 5,629,783
Change in net assets:			
Contributions	-	464,959	464,959
Interest and dividends	-	123,456	123,456
Gains on investments	-	264,681	264,681
Investment expenses	-	(83,997)	(83,997)
Other income	-	327	327
Grants	(108,048)	-	(108,048)
Net assets released from restrictions	<u>108,048</u>	<u>(108,048)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 6,683,389</u>	<u>\$ 6,683,389</u>

Note 15. BP Louisiana Tourism Recovery Fund

During 2010, the Foundation entered into a Fund Agreement with the State of Louisiana, Office of Lieutenant Governor, to establish the BP Louisiana Tourism Recovery Fund. The Fund was considered a non-endowed (non-permanent) designated fund for the exclusive purpose of satisfying the Tourism Recovery Program as stipulated by the Memorandum of Understanding between BP Exploration and Production, Inc., the Louisiana Department of Wildlife and Fisheries, and the Office of the Lieutenant Governor of the State of Louisiana and program guidelines.

In accordance with the Fund Agreement, the Foundation received, directly from BP Exploration and Production, Inc., \$30,000,000, in \$5,000,000 increments over a six-quarter period, commenced in February 2011. As compensation for handling the Fund, the Foundation receives the interest earnings on Fund assets, and received \$4,167 each quarter for the first six quarters, as administrative service fees. The fund made disbursements of approved grants and other direct expenses during December 31, 2017 and 2016 of \$-0- and \$30,099, respectively. This designated fund is classified similar to agency funds by the Foundation of which \$4,413, the balance of the fund remaining at December 31, 2017 and 2016, is included in funds held in custody in current liabilities.

Note 16. Subsequent Events

The Foundation evaluated the need for disclosures and/or adjustments resulting from subsequent events through June 18, 2018, the date the consolidated financial statements were available to be issued. This evaluation did not result in subsequent events that necessitated disclosures and/or adjustments to the financial statements in accordance with generally accepted accounting standards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Agency Head Compensation

Community Foundation of Acadiana does not receive public support, specifically state or local public funding, that is used to fund the general and administrative expenses of the various programs of the Foundation. As such it is not required to file a supplementary schedule of compensation and benefits of the Foundation's Chief Executive Officer.

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  
Community Foundation of Acadiana  
Lafayette, 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 consolidated financial statements of Community Foundation of Acadiana (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 18, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Foundation of Acadiana'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Acadiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Foundation of Acadiana'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 consolidated 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Foundation of Acadiana's consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brennan Peltz, LLP*

Lafayette, Louisiana  
June 18, 2018

COMMUNITY FOUNDATION OF ACADIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2017

We have audited the consolidated financial statements of Community Foundation of Acadiana as of and for the year ended December 31, 2017, and have issued our report thereon dated June 18, 2018. We conducted our audit in accordance with 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. Our audit of the consolidated financial statements as of December 31, 2017 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses  Yes  No

Control deficiencies identified  
that are not considered to be  
material weaknesses  Yes  None Reported

Compliance

Noncompliance material to  
financial statements  Yes  No

Section II - Financial Statement Findings

No matters are reported

COMMUNITY FOUNDATION OF ACADIANA

SCHEDULE OF PRIOR FINDINGS  
Year Ended December 31, 2016

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.