

FINANCIAL STATEMENTS

**MCNEESE STATE UNIVERSITY FOUNDATION**  
(A Non-Profit Corporation)

Years Ended June 30, 2019 and 2018  
With Independent Auditors' Report



**MCNEESE**  
FOUNDATION

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS	32
COMPLIANCE AND INTERNAL CONTROL	
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 <i>Government Auditing Standards</i>	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
McNeese State University Foundation  
Lake Charles, Louisiana

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the McNeese State University Foundation as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

***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 32 through 33 is presented for 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 12, 2019, 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.

*Joyly, Williams Co., LLP*

November 12, 2019  
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 9,186,429	\$ 9,161,836
Unconditional promises to give	355,175	117,075
State matching receivable	200,000	240,000
Total current assets	<u>9,741,604</u>	<u>9,518,911</u>
Noncurrent Assets		
Restricted assets:		
Investments	66,344,415	63,044,340
Donated property	1,081,675	1,081,675
Unconditional promises to give	347,000	14,000
Investments	7,315,368	6,147,732
Property held for resale	2,282,481	2,328,381
Total noncurrent assets	<u>77,370,939</u>	<u>72,616,128</u>
<b>Total assets</b>	<b><u>\$ 87,112,543</u></b>	<b><u>\$ 82,135,039</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 266,921	\$ 965,178
Total current liabilities	<u>266,921</u>	<u>965,178</u>
Noncurrent liabilities		
Funds held in custody	<u>8,616,313</u>	<u>8,020,291</u>
Total liabilities	<u>8,883,234</u>	<u>8,985,469</u>
Net Assets		
Without donor restrictions	11,884,894	10,105,230
With donor restrictions	66,344,415	63,044,340
Total net assets	<u>78,229,309</u>	<u>73,149,570</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 87,112,543</u></b>	<b><u>\$ 82,135,039</u></b>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>			
Contributions, net of write offs of \$4,675 for 2019	\$ -	\$ 6,063,469	\$ 6,063,469
Contributions in kind	-	538,390	538,390
Investment income, net of fees of \$398,968 for 2019	155,208	5,041,563	5,196,771
Rent	37,310	-	37,310
Donated in kind gift	-	461,822	461,822
Realized loss on sales of property held for resale	-	(28,633)	(28,633)
Transfer to endowment	(325,000)	325,000	-
Other	22,399	-	22,399
Net assets released from restrictions: Satisfaction of program expenses	9,101,536	(9,101,536)	-
<b>Total revenue and support</b>	<b>8,991,453</b>	<b>3,300,075</b>	<b>12,291,528</b>
<b>Expenses</b>			
Grants paid to benefit McNeese State University for:			
Projects specified by donors	4,343,926	-	4,343,926
Dedicated scholarships	1,109,891	-	1,109,891
Professorship and endowed scholars	625,000	-	625,000
Named honor awards	7,500	-	7,500
Excellence awards	50,000	-	50,000
Endowed scholars/research awards	26,819	-	26,819
In-kind distributions	76,860	-	76,860
In-kind salaries and benefits	523,351	-	523,351
Development and fund raising	109,288	-	109,288
Supporting services	339,154	-	339,154
<b>Total expenses</b>	<b>7,211,789</b>	<b>-</b>	<b>7,211,789</b>
<b>Change in net assets</b>	<b>1,779,664</b>	<b>3,300,075</b>	<b>5,079,739</b>
Net assets at beginning of period	10,105,230	63,044,340	73,149,570
<b>Net assets at end of period</b>	<b>\$ 11,884,894</b>	<b>\$ 66,344,415</b>	<b>\$ 78,229,309</b>

The accompanying notes are an integral part of these statements.

**MCNEESE STATE UNIVERSITY FOUNDATION**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - (Continued)

	Year Ended June 30, 2018		
	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>			
Contributions, net of write offs of \$7,100 for 2018	\$ -	\$ 5,901,116	\$ 5,901,116
Contributions in kind	-	514,445	514,445
Investment income, net of fees of \$438,335 for 2018	75,498	4,541,610	4,617,108
Rent	32,846	-	32,846
Donated in kind gift	-	130,268	130,268
Realized loss on sales of property held for resale	-	-	-
Transfer to endowment	(330,451)	330,451	-
Other	19,395	-	19,395
Net assets released from restrictions: Satisfaction of program expenses	8,719,407	(8,719,407)	-
<b>Total revenue and support</b>	<b>8,516,695</b>	<b>2,698,483</b>	<b>11,215,178</b>
<b>Expenses</b>			
Grants paid to benefit McNeese State University for:			
Projects specified by donors	5,095,094	-	5,095,094
Dedicated scholarships	1,029,645	-	1,029,645
Professorship and endowed scholars	590,000	-	590,000
Named honor awards	8,000	-	8,000
Excellence awards	50,000	-	50,000
Endowed scholars/research awards	34,519	-	34,519
In-kind distributions	84,368	-	84,368
In-kind salaries and benefits	507,283	-	507,283
Development and fund raising	88,048	-	88,048
Supporting services	290,753	-	290,753
<b>Total expenses</b>	<b>7,777,710</b>	<b>-</b>	<b>7,777,710</b>
<b>Change in net assets</b>	<b>738,985</b>	<b>2,698,483</b>	<b>3,437,468</b>
Net assets at beginning of period	9,366,245	60,345,857	69,712,102
<b>Net assets at end of period</b>	<b>\$ 10,105,230</b>	<b>\$ 63,044,340</b>	<b>\$ 73,149,570</b>

The accompanying notes are an integral part of these statements.

**MCNEESE STATE UNIVERSITY FOUNDATION**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flow from operating activities		
Change in net assets	\$ 5,079,739	\$ 3,437,468
Adjustments to reconcile changes in net position to net cash used by operating activities:		
Net realized loss on sales of property held for resale	28,633	-
Net unrealized appreciation in fair value of investments	1,359,892	(912,378)
Net realized gains on sales of investments	(5,563,091)	(2,754,718)
Contributions restricted for investment in endowment	(1,519,427)	(1,240,559)
Bad debt written off	4,675	7,100
Donated property	(400,000)	(45,900)
Change in assets and liabilities		
Decrease (increase) in assets:		
Unconditional promises to give	(575,775)	58,202
State matching receivable	240,000	280,000
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(698,257)	595,088
Funds held in custody	396,022	280,562
Net cash used by operating activities	(1,647,589)	(295,135)
Cash flow from investing activities		
Purchases of investments	(42,123,737)	(25,788,852)
Proceeds from sales of investments	41,859,225	24,951,322
Proceeds from property held for sale	417,267	-
Net cash provided (used) by investing activities	152,755	(837,530)
Cashflow from financing activities		
Contributions restricted for investment in endowments	1,519,427	1,240,559
Net cash provided by financing activities	1,519,427	1,240,559
Net change in cash and cash equivalents	24,593	107,894
Cash at beginning of period	9,161,836	9,053,942
Cash at end of period	\$ 9,186,429	\$ 9,161,836

The accompanying notes are an integral part of these statements.



**MCNEESE STATE UNIVERSITY FOUNDATION**

**STATEMENTS OF CASH FLOWS- (CONTINUED)**

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplemental cash flow disclosures:		
Non-cash transactions:		
Increase in funds held in custody due to the increase in state matching receivable	<u>\$ 200,000</u>	<u>\$ 240,000</u>

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.

**Recent accounting pronouncement**

The Foundation adopted Accounting Standards Update ("ASU") 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Foundation has implemented 2016-14 as of July 1, 2018. The net effect is a reclassification of net assets among classes, but total net assets remains the same.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

<u>Net Assets Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 10,105,230	\$ -	\$ 10,105,230
Temporarily restricted	-	18,691,170	18,691,170
Permanently restricted	-	44,353,170	44,353,170
	<hr/>	<hr/>	<hr/>
Net assets as previously presented	10,105,230	63,044,340	73,149,570
	<hr/>	<hr/>	<hr/>
Net assets, as reclassified	\$ 10,105,230	\$ 63,044,340	\$ 73,149,570
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires presentation of total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. The Foundation adopted this ASU effective for the year ended June 30, 2019.

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### *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 that resources be maintained in perpetuity. As of June 30, 2019 and 2018, 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.

#### *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.

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### 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, 2019 and 2018 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying statements of financial position.

#### 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.

## MCNEESE STATE UNIVERSITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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

##### 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 consolidated statements of activities and changes in net assets as net assets released from restrictions.

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 Benefits

In accordance with the implementation of FASB ASC 958-720-25-9, which was effective for periods ending after June 15, 2015, 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 footnote 12 for further details.

##### Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year.

##### 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.

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### 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 regulation 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.

#### 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, 2019 and 2018, the Foundation expensed \$8,622 and \$6,136, respectively.

#### Reclassification

Certain reclassifications have been made on the June 30, 2018 financial statements and footnotes to conform to the June 30, 2019 presentation. Net position and change in net position are unchanged due to these reclassifications.

#### Date of Management's Review of Subsequent Events

Subsequent events were evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### Recently Issued Accounting Standards

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This ASU is effective for the Foundation for the annual period beginning after December 15, 2018.

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 consolidated statement of financial position as well as additional disclosures. This ASU is effective for the Foundation for the annual period beginning after December 15, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the annual period beginning after December 15, 2018.

The Foundation is currently assessing the impact of these pronouncements on its consolidated 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, 2019, the uninsured balance was \$1,300,232. The Foundation also has money-market holdings as part of its managed investment accounts in the amounts of \$2,328,550 and \$2,353,598 at June 30, 2019 and 2018, respectively, which are not secured.

Deposits with Louisiana Asset Management Pool (“LAMP”) totaled \$6,588,198 and \$6,533,290 at June 30, 2019 and 2018, 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.

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-1or P-1) commercial paper of domestic United States corporations.”

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**2. CASH AND CASH EQUIVALENTS – (Continued)**

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:

	2019	2018
Restricted to departmental and scholarship funds	\$ 702,175	\$ 131,075

Management considers unconditional promises to give to be fully collectible as of June 30, 2019, 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 \$4,675 and \$7,100, as June 30, 2019 and 2018, respectively, were deemed uncollectible and written off.

The total amount of unconditional promises to give at June 30, 2019 and 2018 is expected to be collected as follows:

	2019	2018
Less than one year	\$ 355,175	\$ 117,075
One to five years	347,000	14,000
Total unconditional promises to give	\$ 702,175	\$ 131,075

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 \$4,509,021 and \$4,582,647 at June 30, 2019 and 2018, 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.

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, 2019, 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	\$ 9,186,429
Unconditional promises to give	702,175
State matching receivable	200,000
Investments	73,659,783
Donated property	1,081,675
Property held for resale	<u>2,282,481</u>
Total financial assets	87,112,543
Less, those unavailable for general expenditures	
within one year due to:	
Unconditional promises to give	(347,000)
Principal of investments	(46,257,597)
Donated property	<u>(1,081,675)</u>
Financial assets not available to be used within one year	(47,686,272)
Amounts unavailable to management without Board's approval:	
Board designated for continued university support and quasi-endowments and scholarships	<u>(4,154,875)</u>
Total amount unavailable to management without board approval	<u>(4,154,875)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 35,271,396</u></u>

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

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

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.

**5. INVESTMENTS**

At June 30, 2019, the Foundation's investments, carried at fair value, consisted of the following:

	2019			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Corporate stock	\$ 32,654,199	\$ 6,655,835	\$ (1,044,327)	\$ 38,265,707
Real estate investment trusts	3,806,271	596,044	(140,795)	4,261,520
Hedge funds	3,975,926	412,368	(296,756)	4,091,538
Exchange trade products	5,276,066	-	(44,532)	5,231,534
Mutual funds	21,447,049	617,988	(255,553)	21,809,484
	<u>\$ 67,159,511</u>	<u>\$ 8,282,235</u>	<u>\$ (1,781,963)</u>	<u>\$ 73,659,783</u>

At June 30, 2018, the Foundation's investments, carried at fair value, consisted of the following:

	2018			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Corporate stock	\$ 31,604,589	\$ 6,073,710	\$ (1,267,667)	\$ 36,410,632
Real estate investment trusts	4,931,742	692,762	(125,840)	5,498,664
Hedge funds	4,141,163	2,789,067	(295,028)	6,635,202
Exchange trade products	3,398,359	264,366	-	3,662,725
Mutual funds	17,257,543	20,034	(292,728)	16,984,849
	<u>\$ 61,333,396</u>	<u>\$ 9,839,939</u>	<u>\$ (1,981,263)</u>	<u>\$ 69,192,072</u>

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

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 5. INVESTMENTS- (Continued)

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 1,879,061	\$ 1,771,571
Realized gains on sales of investments	5,149,654	2,539,253
Unrealized gains on investments	(1,432,976)	744,619
Investment related expenses	<u>(398,968)</u>	<u>(438,335)</u>
	<u>\$ 5,196,771</u>	<u>\$ 4,617,108</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, 2019 and 2018.

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 \$4,091,538 and \$6,635,202 at June 30, 2019 and 2018, respectively. The Foundation's objective is to maximize its returns related to this investment. 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.

## MCNEESE STATE UNIVERSITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### 6. 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 I — 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.

Level II — 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 III — 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.

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**6. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)**

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.

The following table summarizes the valuation of the Foundation’s investments by the above FAS 157 fair value hierarchy levels as of June 30, 2019 and 2018:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 38,265,707	\$ -	\$ -	\$ 38,265,707
Real estate investment trusts	4,261,520	-	-	4,261,520
Exchange Trade Products	5,231,534	-	-	5,231,534
Mutual funds	21,809,484	-	-	21,809,484
Side-pocket funds	-	-	3,439	3,439
Hedge fund investments measured at NAV	-	-	-	4,088,099
<b>Total assets at fair value</b>	<b>\$ 69,568,245</b>	<b>\$ -</b>	<b>\$ 3,439</b>	<b>\$ 73,659,783</b>

  

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 36,410,632	\$ -	\$ -	\$ 36,410,632
Real estate investment trusts	5,498,664	-	-	5,498,664
Exchange Trade Products	3,662,725	-	-	3,662,725
Mutual funds	16,984,849	-	-	16,984,849
Side-pocket funds	-	-	4,167	4,167
Certificates of deposit	-	-	-	-
Hedge fund investments measured at NAV	-	-	-	6,631,035
<b>Total assets at fair value</b>	<b>\$ 62,556,870</b>	<b>\$ -</b>	<b>\$ 4,167</b>	<b>\$ 69,192,072</b>

As of June 30, 2019, there were no assets measured at fair value on a nonrecurring basis.

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**6. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)**

The table below includes a roll-forward of the amounts of Level 3 investments in the statement of financial condition for the year ended June 30, 2019 (including the change in fair value).

	Side-pocket funds
Balance at June 30, 2018	\$ 4,167
Net purchases and sales	-
Unrealized gains (loss)	(728)
Realized gains	-
Balance at June 30, 2019	\$ 3,439

Equitas Evergreen Fund, L.P. (hedge fund) has identified \$3,439 and \$4,167 as of June 30, 2019 and 2018, to be side-pocket funds that are considered illiquid by their investment manager.

The Foundation's investment in hedge funds at June 30, 2019 and 2018 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.

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2019:

Instrument	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 24,646	Not applicable	Quarterly	75 days
Hedge fund	\$ 4,063,453	Not applicable	Quarterly	95 days

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2018:

Instrument	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 2,657,899	Not applicable	Quarterly	75 days
Hedge fund	\$ 3,973,136	Not applicable	Quarterly	95 days

**MCNEESE STATE UNIVERSITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**7. DONATED PROPERTY**

The carrying values of donated property consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
17 acres in Bienville Parish	-	-
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.

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

**9. 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, with the Board of Regents providing 40% of the funding once the Foundation has acquired 60% of the principle through private gifts.

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, 2019 and 2018, that was attributable to the Endowed Chairs and Professorships, was \$8,616,313 and \$8,020,291, respectively. The Foundation has a state matching receivable as of June 30, 2019 and 2018 in the amount of \$200,000 and \$240,000, respectively, for approved endowed professorships matches that are not yet funded.

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**9. THE LOUISIANA ENDOWMENT TRUST FUND FOR ENDOWED CHAIRS AND PROFESSORSHIPS  
– (Continued)**

The following is a recap of these endowments (both the Foundation and State portions) as of June 30, 2019 and 2018:

	June 30, 2019		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 3,176,313	\$ 5,440,000	\$ 8,616,313
Foundation portion	5,264,469	7,660,000	12,924,469
Total endowed professorships and chairs	<u>\$ 8,440,782</u>	<u>\$ 13,100,000</u>	<u>\$ 21,540,782</u>
	June 30, 2018		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 2,780,291	\$ 5,240,000	\$ 8,020,291
Foundation portion	4,770,437	7,260,000	12,030,437
Total endowed professorships and chairs	<u>\$ 7,550,728</u>	<u>\$ 12,500,000</u>	<u>\$ 20,050,728</u>

**10. NET ASSETS**

Net assets with donor restrictions at June 30, 2019 and 2018, were restricted for the following purposes:

Eminent Scholars/Endowed Professorships	\$ 12,924,469	\$ 12,030,437
Scholarships	28,870,311	27,090,207
H.C. Drew Institute	8,969,178	8,669,402
Other University projects	5,994,442	6,153,550
Property held for resale	2,282,481	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	754,400
Institutional support	6,221,859	5,690,688
	<u>\$ 66,344,415</u>	<u>\$ 63,044,340</u>



**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**10. NET ASSETS – (Continued)**

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:

	2019	2018
Eminent Scholars/Endowed Professorships	\$ 7,860,000	\$ 7,500,000
Scholarships	26,761,615	25,041,179
H.C. Drew Institute	6,000,000	6,000,000
Donated real estate held for research projects	708,500	708,500
Other University projects	4,927,482	5,103,492
	\$ 46,257,597	\$ 44,353,171

The Foundation's net assets without donor restrictions at June 30, 2019 and 2018, were comprised of undesignated and Board designated amounts to support the activities below:

Undesignated	\$ 7,730,019	\$ 6,017,130
Board designated quasi-endowments and scholarships	4,154,875	4,008,100
	\$ 11,884,894	\$ 10,025,230

*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.

**11. 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.

# MCNEESE STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 11. ENDOWED NET ASSETS – (Continued)

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, 2019 and 2018, 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.

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, 2019 and 2018, 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, 2019 and 2018, the market value of these Board Designated Endowed Funds was \$4,154,875 and \$4,088,100, respectively.

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**11. ENDOWED NET ASSETS – (Continued)**

As of June 30, 2019 and 2018, 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, 2017	\$ 4,143,698	\$ 51,984,253	\$ 56,127,951
Investment return	34,402	1,750,833	1,785,235
Contributions	-	1,240,559	1,240,559
Transfer in (out) to create board- designated endowment funds	(90,000)	330,451	240,451
Released from restrictions	-	(654,000)	(654,000)
Endowment net assets, June 30, 2018	4,088,100	54,652,096	58,740,196
Investment return	51,775	1,645,378	1,697,153
Contributions	-	1,519,426	1,519,426
Transfer in (out) to create board- designated endowment funds	15,000	325,000	340,000
Released from restrictions	-	(675,000)	(675,000)
Endowment net assets, June 30, 2019	<u>\$ 4,154,875</u>	<u>\$ 57,466,900</u>	<u>\$ 61,621,775</u>

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**11. ENDOWED NET ASSETS – (Continued)**

The composition of endowed net assets, by fund type, at June 30, 2019 and 2018, was as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor- restricted endowment	\$ -	\$ 57,466,900	\$ 57,466,900
Board- designated endowment	4,154,875	-	4,154,875
	<u>\$ 4,154,875</u>	<u>\$ 57,466,900</u>	<u>\$ 61,621,775</u>
	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor- restricted endowment	\$ -	\$ 54,652,096	\$ 54,652,096
Board- designated endowment	4,088,100	-	4,088,100
	<u>\$ 4,088,100</u>	<u>\$ 54,652,096</u>	<u>\$ 58,740,196</u>

**12. 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 \$538,390 and \$514,445 as of June 30, 2019 and 2018, 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 \$2,801,744 and \$2,855,144 for the years ended June 30, 2019 and 2018, respectively. Amount due to the University at June 30, 2019 and 2018 was \$169,592 and \$345,554, respectively.

**13. OPERATING LEASE**

The Foundation leases a building to a tenant under a non-cancelable operating lease with a term of 5 years, expiring December 31, 2019, with an option to renew for an additional 5 years. The following is a schedule by years of future minimum rental under the lease at June 30, 2019:

Year Ending June 30:	
2020	\$ 18,660

**MCNEESE STATE UNIVERSITY FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

**14. DEVELOPMENT EXPENSES**

The Foundation incurred expenses totaling \$109,288 and \$88,048 for the years ended June 30, 2019 and 2018, respectively, relating to development and fundraising. The following is the details on development and fundraising from the statement of activities as of June 30:

	2019	2018
Donor recognition	\$ 45,572	\$ 29,024
Donor recruitment	10,003	9,311
Marketing	8,622	6,136
Management fees	2,986	-
Postage	6,801	5,465
Printing	6,070	6,039
Scholarship brunch	20,695	19,967
Telephone	8,539	12,106
	\$ 109,288	\$ 88,048

**15. SUPPORTING SERVICES**

The following is the details on supporting services from the statement of activities as of June 30:

	2019	2018
Contributions	\$ 16,125	\$ 5,186
Computer hardware and software	17,626	26,031
Computer training and consulting	7,470	26,011
Dues	14,582	13,576
Foundation events	25,076	26,122
Insurance	26,960	21,153
Miscellaneous office expenses	924	3,362
Planned giving and donor research	1,016	4,849
Professional fees	51,713	43,919
Property expenses	58,710	12,342
Property expenses - in-kind	7,162	-
Salary paid to the University	42,005	36,729
Service charges	41,694	38,206
Services rendered	7,630	465
Staff recognition	2,441	3,996
Supplies	12,749	12,627
Travel	5,261	16,179
	\$ 339,154	\$ 290,753

**MCNEESE STATE UNIVERSITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**16. SUBSEQUENT EVENTS**

Management of the Foundation is not aware of any subsequent events through the date of the independent auditors' report, the date the financial statements were available to be issued, for events requiring to be recorded or disclosed 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, 2019

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Building On Success Softball Projects	\$ (11,041)	\$ 10,000	\$ 2,500	\$ (3,541)
The Ace Club	6,291	-	-	6,291
McNeese Football Club	49,187	57,215	52,255	54,147
Diamond Dinner	1,000	174,833	52,699	123,134
Tennis Enhancement	12,583	-	11,097	1,486
McNeese Cowgirl Kickers	-	240	-	240
MSU Women's Golf Team	36,089	23,832	51,649	8,272
Basketball - General	27,601	145,420	165,697	7,324
Baseball - Diamond Chapter	119,309	99,143	207,731	10,721
MSU Men's Golf Team	1,388	98,951	94,631	5,708
Athletic Summer School	37,860	25,000	48,606	14,254
MSU Girl's Softball	137,383	65,358	134,262	68,479
Athletic Director	1,338	12,300	9,725	3,913
MSU Striker Chapter	7,598	4,906	5,935	6,569
MSU Track - General	57,816	106,342	110,975	53,183
MSU Bowling	506	8,574	8,405	675
Dugout Chapter	25,105	7,530	13,842	18,793
Basketball - Tip Off	-	1,400	1,400	-
Girl's Basketball - General	37,677	49,665	47,710	39,632
Football - General	22,943	103,489	105,220	21,212
MSU Quarterback Chapter	69,695	27,655	69,532	27,818
Petrochem Athletic Assoc Chapter	20,505	70,021	75,508	15,018
MSU Cowboy Chapter	5,161	160,407	152,651	12,917
Dowell Fontenot Sports Medicine	4,043	6,500	2,621	7,922
Volleyball - General	14,658	30,786	36,545	8,899
Athletic Foundation - Operating	11,996	20,407	17,207	15,196
Golf Enhancement Fund	21,000	-	17,996	3,004
MSU Athletics - Strength Dept	12,047	32,199	43,551	695
Girl's Tennis - General	55,268	67,820	54,486	68,602
Sports Information - Posters	407	-	56	351
Athletic Marketing	2,031	3,670	3,868	1,833
McNeese Cheerleaders	3,025	17,550	19,938	637



**MCNEESE STATE UNIVERSITY FOUNDATION**

SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE  
UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS  
(Continued)

June 30, 2019

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
NCAA SAF	230,570	215,586	311,067	135,089
Student Athlete Advisory Comm.	6,844	7,500	8,731	5,613
Basketball Enhancement Fund	123,250	132,940	198,929	57,261
Football Goody Bags	6,303	7,435	6,309	7,429
Football Coaches Fund	47,247	64,500	94,247	17,500
Cowgirl Basketball	9,390	-	9,390	-
Cowboy Club / Petrochem Raffle	390	2,140	920	1,610
McNeese Volleyball Booster Club	44	-	-	44
McNeese Soccer	26,634	38,851	43,835	21,650
Baseball Stadium Renovations	-	-	-	-
Athletic Clearing	933	1,972	28	2,877
Sprinter Van Project	4,500	-	4,500	-
Track Renovations	2,669	-	-	2,669
Football Turf	111,956	-	104,532	7,424
Baseball Enhancement Fund	3,962	1,000	2,901	2,061
Softball Enhancement Fund	4,000	9,227	4,227	9,000
Football Summer School	-	-	-	-
Women's Golf Asst Scholarship	3,000	-	-	3,000
	<u>\$ 1,372,160</u>	<u>\$ 1,912,364</u>	<u>\$ 2,407,914</u>	<u>\$ 876,610</u>

COMPLIANCE  
AND  
INTERNAL CONTROL



# Langley, Williams & Company, L.L.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2019 and 2018, 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 12, 2019.

### **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.

### **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, McIlhan: Co, 2019*

Lake Charles, Louisiana  
November 12, 2019

McNeese State University Foundation  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?                   Yes              X   No

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

Noncompliance material to financial statements  
noted?           Yes              X   No



# Langley, Williams & Company, L.L.C.

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
McNeese State University Foundation

We have performed the procedures enumerated below, which were agreed to by the Louisiana Board of Regents, solely to assist you with respect to the accounting records of the McNeese State University Foundation ("Foundation") for the year ended June 30, 2019. McNeese State University Foundation's management is responsible for accounting records. The sufficiency of these procedures is solely the responsibility of the McNeese State University Foundation. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) Verified the Foundation's endowment for the Eminent Scholars Endowed Chairs Program and the Endowed Professorship Program have been managed in compliance with provisions set forth in the Board of Regents Statement of Investment Policy and Objectives.

*Comment: No exception noted*

- 2) Verified that the annual financial reports for the Eminent Scholars Endowed Chairs Program and the Endowed Professorship Program submitted to the Board of Regents were mathematically accurate and agreed to the accounting records of the Foundation.

*Comment: No exceptions noted*

- 3) Verify the Foundation has developed a spending plan for endowment earnings which is in compliance with Board of Regents guidelines.

*Comment: No exceptions noted*

- 4) Verified the proceeds of the endowed chairs were used in accordance with the provisions as set forth in the Board of Regents Endowed Chair Program Policy, the proceeds of the endowed professorships were used in accordance with the provisions as set forth in the Board of Regents Endowed Professorship Program Policy and the proceeds of the endowed scholarships were used in accordance with the provision as set forth in the Board of Regents Endowed Scholarship Program Policy.

*Comment: No exceptions noted*

- 5) Verified the Foundation complied with all provisions of the Management Agreement with the University.

*Comment: No exceptions noted*

- 6) Verified investments earnings generated from pooled assets involving endowed chair or professorship money have been properly allocated to the chairs and professorships in accordance with the Louisiana Board of Regents Statement of Investment Policy and Objectives.

*Comment: No exceptions noted*

- 7) Verified the value of the state funds held by the Foundation as reported in its audited financial statements is equal to the amount recorded in the University's Book.

*Comment: This statement is not applicable since the Foundation is not reported with the University's financial statements.*

- 8) Verified there is no regulatory oversight for the investment pool and that the fair value of the position in the pool is the same as the value of the pool shares.

*Comment: This statement is not applicable since the Foundation does not use investment pools.*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Foundation, the MSU system, and the Board of Supervisors, and should not be used by anyone other than those specified parties.



Langley, Williams & Company, L.L.C.  
Lake Charles, LA  
November 11, 2019



# Langley, Williams & Company, L.L.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
McNeese State University Foundation

We have performed the procedures enumerated below, which were agreed to by the McNeese State University Foundation and the University of Louisiana System, solely to assist them in evaluating the accounting records of the McNeese State University Foundation for the year ended June 30, 2019. McNeese State University Foundation's management is responsible for the accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Verify that the Foundation did not make loans to or allocate any net earnings or assets to the benefit of its directors, officers, or other private persons. Any payments made to these persons were for reasonable compensation for services rendered or reimbursement for reasonable travel expenses.

**Comment:** *No exceptions noted*

2. Verify that the Foundation made no political contributions nor reimbursed any employee for politically-related expenses that would violate IRS guidelines for 501(c)(3) organizations. Accordingly, the Foundation did not provide funds to or on behalf of university employees to endorse political parties or candidates, attend political fund-raisers, participate in lobbying activities, etc.

**Comment:** *No exceptions noted*

3. Verify that the Foundation preserved, in accordance with donor intent, the principal of any endowments, and disbursements from the expendable portion of those funds were made in compliance with donor intent and to eligible recipients or for eligible purposes.

**Comment:** *No exceptions noted*



4. Verify that donations were properly recorded in the accounting records in accordance with donor intent.

**Comment:** *No exceptions noted*

5. Verify that the Foundation did not deposit or hold public funds at any time during July 1, 2018 to June 30, 2019, except for 1) Endowed Chair and Endowed Professorships Program funds held in accordance with a Funds Management Agreement or 2) project funds held in accordance with a cooperative endeavor agreement.

**Comment:** *No exceptions noted*

6. Verify that all the contracts between the Foundation and any member of its Board of Directors, any member of the UL System of Supervisors, any UL System employee, or any university employee have been individually disclosed in the notes to the financial statements, regardless of the significance of the contract payments to total Affiliate expenses. The applicable Related Parties note includes the names of the parties to the contract, the services provided, the amount paid as of the date of the financial statements, and the maximum amount of the contact.

**Comment:** *No exceptions noted.*

7. Verify that the funds for supplemental compensation and/or benefits for a UL System or University employee were paid to the System Office or University for disbursement to the employee: no supplemental payments were made directly to an employee unless specifically approved by the Board Office or University.

**Comment:** *No exceptions noted*

8. Verify on a quarterly basis, the Foundation reported to the UL System all single payments of \$1,000 or more made to or on behalf of any individual university employee.

**Comment:** *No exceptions noted*

9. Verify a sample of disbursements less than \$1,000 made to or on behalf of university employees has been reviewed for compliance with the policies contained in the Affiliation Agreement, "Affiliate Funding and Administration."

**Comment:** *No exceptions noted*

10. Verify that the accompanying financial statements include a supplementary schedule of all revenues, expenses and capitalized expenses made to or on behalf of the University's intercollegiate athletics program. Verified that this schedule is fairly stated in relation to the financial statements taken as a whole.

**Comment:** *Report included in the audited financial statements*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of the Foundation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Foundation, the University of Louisiana Systems, and the Board of Supervisors, and should not be used by anyone other than those specified parties.

*Langley, Williams & Co., LLP*

Langley, Williams & Company, L.L.C.  
Lake Charles, LA  
November 8, 2019