

**NORTHWESTERN STATE UNIVERSITY
FOUNDATION, INC.**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2020**

Northwestern State University Foundation, Inc.
Annual Financial Report
June 30, 2020

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T | C | B | T
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northwestern State University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Northwestern State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 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 Northwestern State University Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Northwestern State University Foundation, Inc.'s financial statements for the year ended June 30, 2019, and we expressed an unmodified opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized information as of and for the year ended June 30, 2019, presented herein for comparative purposes, is consistent, in material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of Northwestern State University Foundation, Inc.'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 Northwestern State University Foundation, Inc.'s internal control over financial reporting and compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants
Natchitoches, Louisiana

September 24, 2020

FINANCIAL STATEMENTS

Northwestern State University Foundation, Inc.
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Assets- | | |
| Cash & Cash Equivalents | \$ 459,060 | \$ 693,292 |
| Investments | 18,131,941 | 18,303,011 |
| Revenue Receivables | 300,011 | 277,688 |
| CSV of Life Insurance Policies | 59,831 | 58,197 |
| Collections & Works of Art | 20,000 | 20,000 |
| Land | 80,000 | 80,000 |
| Buildings | 1,345,000 | 1,080,000 |
| Remodeling/ Refurbishing | 1,777,165 | 1,749,989 |
| Property & Equipment | 5,000 | 5,000 |
| Accumulated Depreciation | <u>(205,808)</u> | <u>(89,160)</u> |
| Total Assets | <u>\$21,972,200</u> | <u>\$22,178,017</u> |
| Liabilities- | | |
| Accounts Payable | \$ 134,442 | \$ 1,000,043 |
| Accrued Interest Payable | 0 | 4,294 |
| Unearned Revenue | 563,333 | 606,667 |
| Current Portion of Long-Term Debt | 111,695 | 52,175 |
| Funds Held in Custody | 301,661 | 1,141,646 |
| Long-Term Debt, net of current portion | <u>2,033,333</u> | <u>978,189</u> |
| Total Liabilities | <u>\$ 3,144,464</u> | <u>\$ 3,783,014</u> |
| Net Assets- | | |
| Without Donor Restrictions | \$ 1,353,557 | \$ 1,085,203 |
| With Donor Restrictions | <u>17,474,179</u> | <u>17,309,800</u> |
| Total Net Assets | <u>\$18,827,736</u> | <u>\$18,395,003</u> |
| Total Liabilities & Net Assets | <u>\$21,972,200</u> | <u>\$22,178,017</u> |

The accompanying notes are an integral part of the financial statements.

Northwestern State University Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

| | <u>With Donor</u> <u>Restrictions</u> | <u>Without Donor</u> <u>Restrictions</u> | <u>2020</u> <u>Total</u> | <u>2019</u> |
|---------------------------------------|--|---|-----------------------------|---------------------|
| <u>Changes in Net Assets:</u> | | | | |
| Revenue: | | | | |
| Contributions | \$ 2,702,630 | \$ 242,984 | \$ 2,945,614 | \$ 2,594,432 |
| Fundraising | 389,498 | 142,870 | 532,368 | 563,278 |
| Fees | 9,415 | 23,229 | 32,644 | 121,474 |
| Investment Return, Net | 345,399 | 3,716 | 349,115 | 1,317,242 |
| Commissions | 206,082 | 11,046 | 217,128 | 275,671 |
| Rental Income | 203,890 | 12,838 | 216,728 | 188,455 |
| Net Assets Released from Restrictions | <u>(3,373,069)</u> | <u>3,373,069</u> | <u>0</u> | <u>0</u> |
| Total Revenues and Reclassifications | <u>\$ 483,845</u> | <u>\$3,809,752</u> | <u>\$ 4,293,597</u> | <u>\$ 5,060,552</u> |
| Expenses: | | | | |
| <u>Program Services</u> | | | | |
| Marketing and Promotions | \$ 0 | \$ 20,566 | \$ 20,566 | \$ 52,244 |
| Scholarships | 0 | 1,997,331 | 1,997,331 | 2,085,531 |
| Support to NSU | 0 | 1,050,230 | 1,050,230 | 1,251,288 |
| <u>Support Services</u> | | | | |
| Fundraising | 0 | 203,569 | 203,569 | 286,677 |
| Management and General | <u>0</u> | <u>589,168</u> | <u>589,168</u> | <u>480,947</u> |
| Total Expenses | <u>\$ 0</u> | <u>\$3,860,864</u> | <u>\$ 3,860,864</u> | <u>\$ 4,156,687</u> |
| Increase (Decrease) in Net Assets | \$ 483,845 | \$ (51,112) | \$ 432,733 | \$ 903,865 |
| Net Assets- Beginning of Year | <u>16,990,334</u> | <u>1,404,669</u> | <u>18,395,003</u> | <u>17,491,138</u> |
| Net Assets- End of Year | <u>\$17,474,179</u> | <u>\$1,353,557</u> | <u>\$18,827,736</u> | <u>\$18,395,003</u> |

The accompanying notes are an integral part of the financial statements.

Northwestern State University Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

| | Program Services | | | Supporting Services | | | 2020 Total | |
|------------------------|--------------------|------------------------------|-----------------------------|------------------------------|------------------|------------------------------|------------------|---------------------------------|
| | Scholarships | Marketing & Promotions | Direct Support to NSU | Total Program Services | Fundraising | Management and General | | Total Supporting Services |
| EXPENSES: | | | | | | | | |
| Marketing & promotions | \$ 0 | \$19,432 | \$ 97,749 | \$ 117,181 | \$ 41,921 | \$ 14,744 | \$ 56,665 | \$ 173,846 |
| Materials & supplies | 0 | 0 | 221,546 | 221,546 | 0 | 95,647 | 95,647 | 317,193 |
| Professional Services | 0 | 0 | 2,500 | 2,500 | 0 | 42,758 | 42,758 | 45,258 |
| Scholarships | 1,997,331 | 0 | 0 | 1,997,331 | 0 | 0 | 0 | 1,997,331 |
| Travel | 0 | 0 | 58,921 | 58,921 | 9,720 | 0 | 9,720 | 68,641 |
| Fundraising | 0 | 0 | 0 | 0 | 127,227 | 0 | 127,227 | 127,227 |
| Administrative | 0 | 1,134 | 138,185 | 139,319 | 24,701 | 274,813 | 299,514 | 438,833 |
| Other | 0 | 0 | 531,329 | 531,329 | 0 | 161,206 | 161,206 | 692,535 |
| Total Expenses | <u>\$1,997,331</u> | <u>\$20,566</u> | <u>\$1,050,230</u> | <u>\$3,068,127</u> | <u>\$203,569</u> | <u>\$589,168</u> | <u>\$792,737</u> | <u>\$3,860,864</u> |

The accompanying notes are an integral part of the financial statements.

Northwestern State University Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in Net Assets | \$ 432,733 | \$ 903,865 |
| Adjustments to Reconcile Increases in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 116,647 | 64,172 |
| (Increase) Decrease in Accounts Receivable | (22,322) | (213,976) |
| (Increase) in CSV of Life Insurance | (1,634) | (1,696) |
| Increase (Decrease) in Funds Held in Custody | (839,986) | (6,474) |
| Increase (Decrease) in Unearned Revenue | (43,333) | 606,667 |
| Increase (Decrease) in Accounts Payables | (869,894) | 906,473 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (1,227,789)</u> | <u>\$ 2,259,031</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Capital Assets | \$ (292,176) | \$(1,715,159) |
| Purchase of Investments | (330,426) | (1,083,713) |
| Withdrawal of Investments | 839,586 | 1,505,066 |
| Net Reinvestment Earnings | <u>(338,091)</u> | <u>(1,292,797)</u> |
| Net Cash Used by Investing Activities | <u>\$ (121,107)</u> | <u>\$ (2,586,603)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loan Proceeds | \$ 1,215,525 | \$ 0 |
| Principal Payments -Notes Payable | <u>(100,861)</u> | <u>(49,636)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>\$ 1,114,664</u> | <u>\$ (49,636)</u> |
| Net Decrease in Cash | \$ (234,232) | \$ (377,208) |
| Cash at Beginning of Year | <u>693,292</u> | <u>1,070,500</u> |
| Cash at End of Year | <u>\$ 459,060</u> | <u>\$ 693,292</u> |
| | | |
| Total Interest Paid in Cash | <u>\$ 109,612</u> | <u>\$ 52,879</u> |

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

Organization:

The Northwestern State University Foundation, Inc. (the Foundation) is a non-profit organization established on May 20, 1960. The mission of the Foundation is to serve Northwestern State University (the University), its students and its faculty, primarily through financial resources raised and distributed by the corporation. The primary objectives and purposes of the Foundation are to promote the educational and cultural welfare of the University, to aid any student in continuing his or her studies at the University, to solicit and accept funds of all kinds for the purpose of providing scholarships and activities in research or other benefits for the University, its faculty and students and to exercise all powers and authority for the accomplishments of the objectives and purpose of the corporation. The Foundation's Board of Directors is comprised of twenty-five volunteer members.

The Foundation also includes the Northwestern State University Alumni Association (the Association). The mission of the Association is to promote the advancement of academic excellence by developing coalition among alumni, students, friends and the university community while supporting the university's traditions, values, and future. The Alumni Association's Board of Directors is comprised of thirty volunteer members.

The Foundation, as a reporting unit, previously included the Northwestern State University Athletic Association. As of July 1, 2013, the Athletic Association became a separate entity, known as Demons Unlimited Foundation, and is no longer reported under the auspices of the NSU Foundation.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of Northwestern State University Foundation conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

A. Financial Statement Presentation - The Foundation has adopted FASB Financial Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation; therefore, the Foundation's policy is to record these net assets as without donor restrictions.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets

- B. Basis of Accounting - The Foundation uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.
- C. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- D. Endowment Funds - Expenditures from endowed funds are based on donor or other legally imposed restrictions being satisfied. These restrictions are reviewed by management and legal counsel, as necessary.
- E. Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as "other than private foundation". Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016 through 2020 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.
- F. Funds Held in Custody - 1986 LA Constitutional Amendment VII section 10.1(d) formed the LA Education Quality Support Fund (LEQSF) from settlement of disputed oil & gas revenues used to endow two funds in the state treasury: The Louisiana Education Quality Trust Fund and the Board of Regents Support Fund (BoRSF). The revenues from these endowments are used to provide enhancement, research and support funds for Louisiana colleges and universities. The BoRSF currently operates subprograms through its four primary program areas: Research & Development, Endowment Matching, Enhancement, and Recruitment of Superior Graduate Students.
- G. Collections and Works of Art - Donated collections and works of art are recorded as support at their estimated fair value at the date of receipt. The Foundation has received donated collections and works of art consisting of a collection of Southern History Journals and Salvador Dali paintings. These items are recorded at \$20,000. Donated properties are not used for the Foundation's operations.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

- H. Promises to Give - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are made or as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. Temporarily and permanently restricted net assets are reclassified to unrestricted net assets in the fiscal year all restrictions are satisfied.
- I. Investments - The Foundation has the same investment policy for both endowed and non-endowed funds. The investment objective of the policy is a long-term real total return of at least five percent, net of fees and expenses. The investments are invested in a wide range of asset classes including equities, fixed income, alternative investments, and cash. All investments are pooled to maximize investment efficiency with separate general ledger accounts being maintained for each Endowment and Non-Endowment account. The asset allocations are reviewed annually by the Investment Committee and discussed with the Investment Managers.

Investments are reported at fair value, which is determined using quoted market price of identical or similar securities. Donated investments are recorded at fair market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions of investments are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized and unrealized gains and losses are recognized in the Foundation's current operations.

- J. Property, Plant, and Equipment:

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. When donor stipulations are absent regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Association maintains a threshold level of \$5,000 or more for capitalizing property and equipment. Property and equipment are depreciated using the straight-line method. Purchased property and equipment are recorded at cost.

- K. Cash and Cash Equivalents - Cash and cash equivalents are considered to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.
- L. Functional Allocation of Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and administrative activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

2. Asset Liquidity:

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, cash surrender value of life insurance policies, collections and works of art, and fixed assets to be available for general expenditure. Principal balances on investments are restricted by donor intent. Cash surrender values of life insurance policies have not matured. Collection and works of art cannot be liquidated due to donor intent. Fixed assets cannot be liquidated due to donor and self-imposed restrictions.

As of June 30, 2020, 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:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 459,060 |
| Investments | 18,131,941 |
| Revenue Receivables | 331,423 |
| CSV of Life Insurance Policies | 59,831 |
| Collections & Works of Art | 20,000 |
| Fixed Assets, net of accumulated depreciation | <u>3,001,357</u> |
| Total financial assets, period end | <u>\$22,003,612</u> |
| Less, those unavailable for general expenditures | |
| within one year, due to: | |
| Principal of Investments | \$10,046,900 |
| CSV of Life Insurance Policies | 59,831 |
| Collections of Works of Art | 20,000 |
| Fixed Assets, net of accumulated depreciation | <u>3,001,357</u> |
| | <u>\$13,128,088</u> |
| Financial assets available to meet cash needs | |
| for general expenditures within one year | <u>\$ 8,875,524</u> |

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be made available as general expenditures, liabilities, and other obligations become due. This structure provides for monthly meetings between the Executive Director and Business Manager 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.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

3. Donated Services:

During the year ended June 30, 2020, the Foundation received donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

4. Promises to Give:

Certain donors have stipulated in their will to donate to the Foundation upon death. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements. The total amount of conditional promises to give was unknown at June 30, 2020.

5. Cash and Cash Equivalents:

The cash and cash equivalents of the Foundation are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Foundation that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Foundation's name.

At June 30, 2020, cash and cash equivalents totaling \$459,060 as follows:

| | |
|--|------------------|
| Interest bearing demand deposit accounts | \$414,776 |
| Money market accounts | <u>44,284</u> |
| Total | <u>\$459,060</u> |

Bank balances at June 30, 2020 totaled \$1,260,027. Deposits of \$294,284 were secured by FDIC insurance, while the remaining \$965,743 was unsecured.

6. Cash Surrender Value of Life Insurance Policies:

The cash surrender value of life insurance policies totaled \$59,831 for the year ended June 30, 2020. The cash surrender value of life insurance policies is net of any outstanding policy loans. Various individuals donated the policies, with the Foundation designated as beneficiary and owner.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

7. Transactions with Northwestern State University:

During the year ended June 30, 2020, the University provided certain personnel services, usage of office space and equipment, and travel expenses to the Foundation that is not reflected in the financial statements. The estimated value of these transactions for the year ended June 30, 2020 was \$218,785. In return, the Foundation solicits and collects funds for the benefit of the University.

8. Comparative Totals for Prior Year:

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

9. Investments:

At June 30, 2020, the Foundation had investments summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Market Value |
|---|---------------------|------------------------------|---------------------|
| Certificates of Deposit, maturities >90 days | \$ 348,794 | \$ 17,790 | \$ 366,584 |
| Corporate Bonds | 2,191,179 | 2,160,814 | 4,351,993 |
| Mutual Funds | 1,450,781 | 98,836 | 1,549,617 |
| Equity Securities | 6,056,146 | 5,807,602 | 11,863,748 |
| Total | <u>\$10,046,900</u> | <u>\$8,085,042</u> | <u>\$18,131,942</u> |

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is its fair value to changes in market interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the Foundation diversifies its investments by security type and institution.

Credit Risk: Generally, credit risk is the risk that the issuer of a debt type investment will not fulfill its obligation to the holder of the investment. United States government securities or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk exposure. The Foundation's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Foundation may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Foundation may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

10. Fair Value of Financial Instruments:

Investment earnings included in the statement of activities were comprised of the following for the year ended June 30, 2020:

| | |
|---------------------------------|------------------|
| Unrealized gains on investments | \$269,300 |
| Management fees | (51,610) |
| Interest income | <u>131,425</u> |
| Total investment return, net | <u>\$349,115</u> |

The Foundation has adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2020 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|--|---------------------|----------------|----------------|---------------------|
| Certificates of Deposit, maturities > 90 days | \$ 366,584 | \$0 | \$0 | \$ 366,584 |
| Corporate Bonds | 4,351,993 | 0 | 0 | 4,351,993 |
| Mutual Funds | 1,549,616 | 0 | 0 | 1,549,616 |
| Equity Securities | 11,863,748 | 0 | 0 | 11,863,748 |
| CSV of Life Insurance | 59,831 | 0 | 0 | 59,831 |
| Total | <u>\$18,191,772</u> | <u>\$0</u> | <u>\$0</u> | <u>\$18,191,772</u> |

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

11. Funds Held in Custody:

1986 LA Constitutional Amendment VII section 10.1(d) formed the LA Education Quality Support Fund (LEQSF) from settlement of disputed oil & gas revenues used to endow two funds in the state treasury: The Louisiana Education Quality Trust Fund and the Board of Regents Support Fund (BoRSF). The revenues from these endowments are used to provide enhancement, research and support funds for Louisiana colleges and universities. The BoRSF currently operates subprograms through its four primary program areas: Research & Development, Endowment Matching, Enhancement, and Recruitment of Superior Graduate Students. With \$600,000 in private funds, BoRSF matches \$400,000 through competitive review to establish a \$1,000,000 Endowed Chair. With \$60,000 in private funds, BoRSF matches \$40,000 through competitive review to establish a \$100,000 Superior Graduate Scholarship. With \$80,000 in private funds BoRSF matches \$20,000 to establish a \$100,000 Endowed Professorship or First-Generation Scholarship (prior to July, 2017, Endowed Professorships and First-Generation Scholarships were matched with \$40,000). "Funds Held in Custody" represents the private funds received by the Foundation for these endowments. These funds are transferred to the University when the University receives the BoRSF match.

At June 30, 2020, the Foundation had funds held in custody for professorships and scholarships summarized as follows:

| | |
|-------------------------------------|------------------|
| State match applied for | \$200,000 |
| Other professorships & scholarships | <u>101,661</u> |
| Total funds held in custody | <u>\$301,661</u> |

12. Capital Assets:

The following is a summary of changes in capital assets for the Foundation for the year ended June 30, 2020:

| | Balance <u>7/1/19</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/20</u> |
|----------------------------------|--------------------------|-------------------|------------------|---------------------------|
| Non-Depreciable Capital Assets- | | | | |
| Collections- Works of Art | \$ 20,000 | \$ 0 | \$ 0 | \$ 20,000 |
| Land | <u>80,000</u> | <u>0</u> | <u>0</u> | <u>80,000</u> |
| Total Non-Depreciable Assets | <u>\$ 100,000</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 100,000</u> |
| Depreciable Capital Assets- | | | | |
| Buildings | \$1,080,000 | \$ 265,000 | \$ 0 | \$1,345,000 |
| Remodel/Refurbishing | 1,749,989 | 27,176 | 0 | 1,777,165 |
| Property & Equipment | <u>5,000</u> | <u>0</u> | <u>0</u> | <u>5,000</u> |
| Total Depreciable Capital Assets | <u>\$2,834,989</u> | <u>\$ 292,176</u> | <u>\$ 0</u> | <u>\$3,127,165</u> |
| Total Capital Assets | \$2,934,989 | \$ 292,176 | \$ 0 | \$3,227,165 |
| Less: Accumulated Depreciation | <u>(89,161)</u> | <u>(116,647)</u> | <u>0</u> | <u>(205,808)</u> |
| Total Capital Assets, Net | <u>\$2,845,828</u> | <u>\$ 175,529</u> | <u>\$ 0</u> | <u>\$3,021,357</u> |

Depreciation expense for the current year totaled \$116,647.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

13. Long-Term Debt:

On February 8, 2018, the Foundation obtained a debt issue in the amount of \$1,080,000 bearing an interest rate of 5%. It is a multiple indebtedness mortgage maturing June 30, 2023 with a balloon payment. The loan is to be repaid with one interest-only payment on June 1, 2018, following with monthly principal and interest payments of \$8,543 beginning July 1, 2018. The final principal and interest payment of \$817,003 will be due on June 30, 2023.

On July 12, 2019, the Foundation obtained a debt issue in the amount of \$950,525 bearing an interest rate of 5.5%. It is a multiple indebtedness mortgage maturing July 1, 2024 with a balloon payment. The loan is to be repaid with monthly principal and interest payments of \$7,757 beginning August 1, 2019. The final principal and interest payment of \$722,347 will be due on July 1, 2024.

On November 21, 2019, the Foundation obtained a debt issue in the amount of \$265,000 bearing an interest rate of 4.75%. It is a multiple indebtedness mortgage maturing February 21, 2025 with a balloon payment. The loan is to be repaid with three interest-only payments beginning on March 21, 2020, following with monthly principal and interest payments of \$2,086 beginning June 21, 2020. The final principal and interest payment of \$201,050 will be due on February 21, 2025.

The following is a summary of debt transactions for the year ended June 30, 2020:

| Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Amount Due in One Year |
|--------------------------|-------------|-------------|--------------------------|---------------------------|
| \$1,030,364 | \$1,215,525 | \$(100,861) | \$2,145,028 | \$111,695 |

The annual requirements to amortize all debt outstanding as of June 30, 2020, including interest expense as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|--------------------|------------------|--------------------|
| 2021 | \$ 111,695 | \$108,934 | \$ 220,629 |
| 2022 | 117,607 | 103,022 | 220,629 |
| 2023 | 924,594 | 96,796 | 1,021,390 |
| 2024 | 782,007 | 50,698 | 832,705 |
| 2025 | <u>209,125</u> | <u>6,526</u> | <u>215,651</u> |
| Total | <u>\$2,145,028</u> | <u>\$365,976</u> | <u>\$2,511,004</u> |

Total interest expense for all debt for the year ended June 30, 2020 was \$107,330 and is included in other program services expenses.

14. Related Parties:

The Mary R. Gallaspy Charitable Trust #2 (Trust) is a substantial contributor of the Foundation. The Trust instruments dictate that all board members of the Foundation will also act as trustees of the Trust. The Director of the Foundation is a paid consultant for the Trust. The Foundation's Accountant is paid by the Trust for bookkeeping services. As described in note 13, the Foundation borrowed from the Trust by executing three separate multiple indebtedness mortgage and promissory notes totaling \$2,295,525 bearing interest at a rate of 4.75-5.50% per annum.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

15. Restaurant Agreement:

The Foundation entered into a fifteen-year agreement with Sodexo Operations, LLC (Sodexo) to operate a Chick-fil-a inside the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Upon completion of the construction, Sodexo will pay the Foundation an annual rental fee, paid quarterly, of \$45,550 in years one through five, \$47,600 in years six through ten, and \$49,750 in years eleven through fifteen. For the year ended June 30, 2020, rental income totaled \$45,550. In addition, Sodexo will pay commission to the Foundation equal to 5% of net sales. For the year ended June 30, 2020, sales commissions totaled \$77,924.

16. Bookstore Agreement:

The Foundation entered into a fifteen-year agreement with Follett Higher Education Group, Inc. (Follett) to operate the official campus store in the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Follett will provide \$2,000 annually in textbook scholarships and contribute \$2,000 annually to the Foundation's general scholarship fund. Follett will pay the Foundation a monthly rental fee of \$13,000, to be paid once a year by August 31. Annual increases of 1.5% per year begin July 1, 2019. For the year ended June 30, 2020, rental income totaled \$158,340. Follett will pay commission to the Foundation as follows: 6% of commissionable sales over \$1,000,000 but less than \$3,000,000; 10% of any commissionable sales over \$3,000,000; 7% of commissionable sales of digital course materials. For the year ended June 30, 2020, sales commissions totaled \$117,380.

17. Donor Restricted Net Assets:

At June 30, 2020, the Foundation had net assets with donor restrictions of \$17,474,179. These net assets are restricted for student scholarships, academic enhancements for NSU colleges and departments, and support for numerous affiliated organizations such as the NSU Child and Family Network, the National Center for Preservation Technology Training, and the Creole Heritage Center.

During the year ended June 30, 2020, restricted net assets of \$3,373,069 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

| | |
|------------------------------------|---------------------------|
| Administrative | \$ 139,319 |
| Fundraising | 47,456 |
| Interfund Transfers | 286,212 |
| Interest Expense | 47,617 |
| Marketing and promotions | 98,950 |
| Materials and supplies | 221,546 |
| NSU Auxiliary Services | 203,000 |
| Professional services | 2,500 |
| Scholarships | 1,986,836 |
| Support to NSU | 229,198 |
| Travel | 58,921 |
| Other program services expenses | <u>51,514</u> |
| Total Restrictions Released | <u>\$3,373,069</u> |

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

18. Unearned Revenue:

On July 9, 2018, the Foundation received a one-time payment for \$650,000 from Follett for bookstore renovations. The payment is to be amortized over fifteen years. The Foundation would repay Follett the unamortized balance upon termination of the operating agreement. During the current year, \$43,333 was amortized and recognized as income. The unamortized balance at June 30, 2020 was \$563,333.

19. Lease Commitments:

Northwestern State University Foundation was not obligated under any capital or operating lease commitments at June 30, 2020.

20. Compensation Paid to Board Members:

The members of the Board of Directors serve as volunteers and receive no compensation.

21. Newly Adopted Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles 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. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation adopted this standard effective July 1, 2019 using the modified retrospective approach. The adoption did not have a significant impact on the Foundation's financial statements and no adjustment was necessary to the beginning balance of net assets.

In January, 2016, FASB issued Accounting standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall*. These ASU's changed how certain equity investments are measured with changes in fair value recognized in change in net assets, simplified the impairment assessment process for equity investments without readily determinable fair values, eliminated certain fair value disclosure requirements for financial instruments, and changed presentation requirements for certain financial instruments as well as other situational requirements involving recognition. The Foundation adopted these provisions effective July 1, 2019. Changes resulting from this adoption only affected certain disclosures related to the fair value of financial instruments. Net assets as previously reported were not affected by the adoption of this ASU.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2020

21. Newly Adopted Accounting Pronouncements (continued):

In August, 2016, FASB issued Accounting standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. FASB also issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Foundation has elected the nature of the distribution approach and adopted these provisions effective July 1, 2019 on a retrospective basis. The adoption of these ASU's did not have a material impact on the Foundation's cash flows.

In June 2018, FASB issued Accounting standards Update (ASU) No. 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. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

22. Accounting Pronouncements Issued but Not Yet in Effect:

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations from the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard is effective for annual periods beginning after December 15, 2021. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

23. Contingencies:

Due to the ongoing restrictions and guidelines related to the COVID-19 (coronavirus) pandemic which began in early 2020, the Foundation has cancelled some of its fundraising and alumni events scheduled for the upcoming year due to the continued restrictions related to the pandemic. These events will most likely have a negative impact on the operations of the Foundation. The extent to which the COVID-19 pandemic may directly or indirectly impact the Foundation's financial conditions or results of operations cannot be reasonably estimated at this time.

24. Subsequent Events:

Management has evaluated events through September 24, 2020, the date which the financial statements were available for issue. There were no items identified to be reported.

OTHER REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
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INDEPENDENT AUDITOR'S 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
Northwestern State University Foundation, Inc.

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 Northwestern State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwestern State University Foundation, Inc.'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 Northwestern State University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern State University Foundation, Inc.'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 over financial reporting 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 a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern State University Foundation, Inc.'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 Northwestern State University Foundation, Inc.'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 purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier
Certified Public Accountants
Natchitoches, Louisiana

September 24, 2020

Northwestern State University Foundation, Inc.
Schedule of Audit Results
For the Year Ended June 30, 2020

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Northwestern State University Foundation, Inc. for the year ended June 30, 2020.
2. No material weaknesses relating to the audit of the financial statements were identified.
3. No instances of noncompliance material to the financial statements of Northwestern State University Foundation, Inc. were disclosed during the audit.
4. Northwestern State University Foundation, Inc. was not subject to a federal single audit for the year ended June 30, 2020.

B. Financial Statement Findings

None identified.

C. Prior Year Findings

None identified.