

FINANCIAL STATEMENTS

MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2017 and 2016
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

Report on the Financial Statements

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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, 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.

Other Matters

Other 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 28 through 29 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 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 3, 2017, on our consideration of McNeese State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNeese State University Foundation's internal control over financial reporting and compliance.

Joseph R. Williams, Co., P.C.

November 3, 2017
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 9,053,942	\$ 7,242,830
Unconditional promises to give	196,377	241,623
State matching receivable	280,000	200,000
Total current assets	9,530,319	7,684,453
Noncurrent Assets		
Investments	64,687,446	59,911,469
Donated property	1,081,675	1,081,675
Property held for resale	2,282,481	2,282,481
Total noncurrent assets	68,051,602	63,275,625
Total assets	\$ 77,581,921	\$ 70,960,078
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 370,090	\$ 468,296
Total current liabilities	370,090	468,296
Noncurrent liabilities		
Funds held in custody	7,499,729	6,781,925
Total liabilities	7,869,819	7,250,221
Net Assets		
Unrestricted:		
Unrestricted - general	5,222,547	2,432,374
Board designated funds	4,143,698	4,148,127
Temporarily restricted	17,563,697	16,019,000
Permanently restricted	42,782,160	41,110,356
Total net assets	69,712,102	63,709,857
Total liabilities and net position	\$ 77,581,921	\$ 70,960,078

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Support				
Contributions, net of write offs of				
\$14,442 for 2017	\$ -	\$ 3,996,091	\$ 1,721,471	\$ 5,717,562
Contributions in kind	-	463,513	-	463,513
Investment income (loss), net of fees of				
\$429,683 for 2017	71,555	6,374,142	-	6,445,697
Rent	34,334	-	-	34,334
Donated in kind gift	-	16,938	-	16,938
Transfer to endowment	(145,000)	-	145,000	-
Other	14,835	-	-	14,835
Net position released from restrictions:				
Satisfaction of program expenses	9,500,654	(9,305,987)	(194,667)	-
	9,476,378	1,544,697	1,671,804	12,692,879
Expenses				
Grants paid to benefit McNeese State				
University for:				
Projects specified by donors	4,223,564	-	-	4,223,564
Dedicated scholarships	1,015,050	-	-	1,015,050
Freshman awards	30,000	-	-	30,000
Professorship and endowed scholars	536,500	-	-	536,500
Named honor awards	9,000	-	-	9,000
Excellence awards	10,000	-	-	10,000
Graduate scholarships	10,000	-	-	10,000
In-kind distributions	16,938	-	-	16,938
In-kind salaries and benefits	456,352	-	-	456,352
Fund raising and development	104,488	-	-	104,488
Supporting services	278,742	-	-	278,742
	6,690,634	-	-	6,690,634
CHANGE IN NET POSITION	2,785,744	1,544,697	1,671,804	6,002,245
Net position at beginning of period	6,580,501	16,019,000	41,110,356	63,709,857
NET POSITION AT END OF PERIOD	\$ 9,366,245	\$ 17,563,697	\$ 42,782,160	\$ 69,712,102

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES - (Continued)

	Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Support				
Contributions, net of write offs of \$8,000 for 2016	\$ -	\$ 4,675,190	\$ 2,612,317	\$ 7,287,507
Contributions in kind	-	444,105	-	444,105
Investment income (loss), net of fees of \$366,047 for 2016	130,834	203,929	-	334,763
Rent	34,334	-	-	34,334
Donated in kind gift	-	52,047	-	52,047
Transfer to endowment	(355,000)	-	355,000	-
Other	11,921	-	-	11,921
Net position released from restrictions: Satisfaction of program expenses	7,257,404	(6,979,181)	(278,223)	-
Total Revenue and Support	7,079,493	(1,603,910)	2,689,094	8,164,677
Expenses				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	6,054,155	-	-	6,054,155
Dedicated scholarships	968,208	-	-	968,208
Freshman awards	30,000	-	-	30,000
Professorship and endowed scholars	545,000	-	-	545,000
Named honor awards	9,000	-	-	9,000
Excellence awards	10,000	-	-	10,000
Graduate scholarships	10,000	-	-	10,000
In-kind distributions	38,047	-	-	38,047
In-kind salaries and benefits	444,105	-	-	444,105
Fund raising and development	92,042	-	-	92,042
Supporting services	264,586	-	-	264,586
Total Expenses	8,465,143	-	-	8,465,143
CHANGE IN NET POSITION	(1,385,650)	(1,603,910)	2,689,094	(300,466)
Net position at beginning of period	7,966,151	17,622,910	38,421,262	64,010,323
NET POSITION AT END OF PERIOD	\$ 6,580,501	\$ 16,019,000	\$ 41,110,356	\$ 63,709,857

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flow from operating activities		
Change in net position	\$ 6,002,245	\$ (300,465)
Adjustments to reconcile changes in net position to net cash used by operating activities:		
Net unrealized (appreciation) depreciation in fair value of investments	(1,653,070)	934,083
Net realized (gains) losses on sales of investments	(3,587,621)	173,800
Contributions restricted for investment in endowment	(1,721,471)	(2,612,318)
Bad debt write offs	14,442	8,000
Change in unconditional promises to give	30,804	(34,338)
State matching collected	200,000	160,000
Change in accounts payable	(98,206)	211,247
	(812,877)	(1,459,992)
Net cash used by operating activities		
Cash flow from investing activities		
Purchases of investments	(32,524,421)	(16,988,659)
Proceeds from sales of investments	33,641,539	17,038,140
Purchase of property held for resale	-	(14,000)
	1,117,118	35,481
Net cash provided by investing activities		
Cashflow from financing activities		
Contributions restricted for investment in endowments	1,721,471	2,612,318
Increase (decrease) in agency fund	(214,600)	(218,000)
	1,506,871	2,394,318
Net cash provided by financing activities		
NET CHANGE IN CASH	1,811,112	969,807
CASH AT BEGINNING OF PERIOD	7,242,830	6,273,023
CASH AT END OF PERIOD	\$ 9,053,942	\$ 7,242,830

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS- (CONTINUED)

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental cash flow disclosures:		
Non-cash transactions:		
Appreciation (depreciation) in fair value of investments attributable to funds held in custody	<u>\$ 652,504</u>	<u>\$ 58,395</u>
Increase in funds held in custody due to the increase in state matching receivable	<u>\$ 280,000</u>	<u>\$ 200,000</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

Nature of Activities

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

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund manager or the general partners.

Dividend, interest, and other investment income is recorded as an increase in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

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

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Fair Values of Financial Instruments

The Foundation's financial instruments, excluding investments which are described in Note 4, 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, 2017 and 2016 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying statements of financial position.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted, as appropriate, and reported in the statements of activities as net assets released from restrictions.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation estimates the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

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.

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)

Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

The Foundation accounts for income taxes in accordance with the income tax accounting guidance included in the Accounting Standards Codification (ASC). 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 fifty percent 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) for 2015, 2014, and 2013 are subject to examinations by the IRS, generally for three years after they were filed.

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 manage 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. 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 cost are expensed as incurred. For the year ended June 30, 2017 and 2016, the Foundation expensed \$3,960 and \$12,081, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Reclassification

Certain reclassifications have been made on the June 30, 2016 financial statements and footnotes to conform to the June 30, 2017 presentation. Net position and change in net position are unchanged due to these reclassifications.

Recently issued accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is evaluating the impact that ASU 2016-02 will have on our financial statements and related disclosures.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities (NFP). Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early application permitted. The Foundation is evaluating the impact that ASU 2016-14 will have on our financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a consensus of the Emerging Issues Task Force* (“ASU 2016-15”). The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include - Debt payments or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Foundation is evaluating the impact that ASU 2016-15 will have on our financial statements and related disclosures.

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, 2017, the uninsured balance was \$1,355,076. The Foundation also has money-market holdings as part of its managed investment accounts in the amounts of \$4,941,090 and \$3,353,353 at June 30, 2017 and 2016, respectively, which are not secured.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS – (Continued)

Deposits with LAMP totaled \$3,432,362 and \$3,258,039 at June 30, 2017 and 2016, 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-1 or P-1) commercial paper of domestic United States corporations.” Effective October 1, 2001, LAMP’s Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

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

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

3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2017</u>	<u>2016</u>
Restricted to departmental and scholarship funds	<u>\$ 196,377</u>	<u>\$ 241,623</u>

Management considers unconditional promises to give to be fully collectible as of June 30, 2017, 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 \$14,442 and \$8,000, as June 30, 2017 and 2016, respectively, were deemed uncollectible and written off.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE – (Continued)

The total amount of unconditional promises to give at June 30, 2017 and 2016 is expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 146,777	\$ 144,187
One to five years	49,600	97,436
Total unconditional promises to give	<u>\$ 196,377</u>	<u>\$ 241,623</u>

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 \$4,239,006 and \$4,279,713 at June 30, 2017 and 2016, respectively. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

4. INVESTMENTS

At June 30, 2017, the Foundation's investments, carried at fair value, consisted of the following:

	<u>2017</u>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
Corporate stock	\$ 18,928,998	\$ 3,647,505	\$ (735,814)	\$ 21,840,689
Intl equity mutual funds	2,783,382	609,603	(22,621)	3,370,364
Real estate investment trusts	4,661,563	603,446	(182,103)	5,082,906
Hedge funds	4,143,086	2,451,676	(296,807)	6,297,955
Emerging markets	3,515,419	651,383	(312,771)	3,854,031
Exchange Trade Products	5,724,985	411,378	(99,377)	6,036,986
Intl fixed income	5,112,579	92,488	-	5,205,067
Mutual funds	12,776,655	220,474	(90,668)	12,906,461
Certificates of deposit	92,987	-	-	92,987
	<u>\$ 57,739,654</u>	<u>\$ 8,687,953</u>	<u>\$ (1,740,161)</u>	<u>\$ 64,687,446</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS- (Continued)

At June 30, 2016, the Foundation's investments, carried at fair value, consisted of the following:

	2016			
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Corporate stock	\$ 18,625,833	\$ 2,493,269	\$ (927,908)	\$ 20,191,194
Intl equity mutual funds	4,393,215	850,435	(140,608)	5,103,042
Real estate investment trusts	4,329,622	946,334	(96,476)	5,179,480
Hedge funds	1,631,865	3,191,670	(287,673)	4,535,862
Emerging markets	3,733,584	417,660	(716,280)	3,434,964
Exchange Trade Products	4,226,831	235,537	(79,840)	4,382,528
Intl fixed income	2,548,354	-	(264,757)	2,283,597
Mutual funds	15,234,323	8,241	(534,610)	14,707,954
Certificates of deposit	92,848	-	-	92,848
	\$ 54,816,475	\$ 8,143,146	\$ (3,048,152)	\$ 59,911,469

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

Investment earnings are reported net of investment related expenses in the accompanying financial statements. Net investment earnings consisted of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividend income	\$ 1,634,689	\$ 1,808,693
Realized gains (losses) on sales of investments	3,587,621	(173,800)
Unrealized gains (losses) on investments	1,653,070	(934,083)
Investment related expenses	(429,683)	(366,047)
	\$ 6,445,697	\$ 334,763

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, 2017 and 2016.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS- (Continued)

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 \$6,297,955 and \$4,535,862 at June 30, 2017 and 2016, 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.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Foundation report certain asset and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant measurement judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they comprise of open-end mutual funds and stocks with readily determinable fair values based on daily redemption values. The fair values of hedge funds and side-pockets consider the length of time until the investment is redeemable, including notice and lockup periods or any other restriction on the disposition of the investment. They also consider the nature of the portfolios of the underlying funds and their ability to liquidate their underlying investments. If the fund has the ability to redeem its investment at the reported net asset valuation as of the measurement date, the investment is generally included in Level 2 of the fair value hierarchy.

If the Fund does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is included in Level 3 of the fair value hierarchy. All hedge funds and side-pockets are considered to be Level 3 measurements.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The following table summarizes the valuation of the Foundation's investments by the above FAS 157 fair value hierarchy levels as of June 30, 2017 and 2016:

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 21,840,689	\$ -	\$ -	\$ 21,840,689
International equity mutual funds	3,370,364	-	-	3,370,364
Real estate investment trusts	5,082,906	-	-	5,082,906
Hedge funds	-	-	6,295,567	6,295,567
Emerging markets	3,854,031	-	-	3,854,031
Exchange Trade Products	6,036,986	-	-	6,036,986
International fixed income	5,205,067	-	-	5,205,067
Mutual funds	12,906,461	-	-	12,906,461
Side-pocket funds	-	-	2,388	2,388
Certificates of deposit	92,987	-	-	92,987
	<u>\$ 58,389,491</u>	<u>\$ -</u>	<u>\$ 6,297,955</u>	<u>\$ 64,687,446</u>

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 20,191,194	\$ -	\$ -	\$ 20,191,194
International equity mutual funds	5,103,042	-	-	5,103,042
Real estate investment trusts	5,179,480	-	-	5,179,480
Hedge funds	-	-	4,533,487	4,533,487
Emerging markets	3,434,964	-	-	3,434,964
Exchange Trade Products	4,382,528	-	-	4,382,528
International fixed income	2,283,597	-	-	2,283,597
Mutual funds	14,707,954	-	-	14,707,954
Side-pocket funds	-	-	2,375	2,375
Certificates of deposit	92,848	-	-	92,848
	<u>\$ 55,375,607</u>	<u>\$ -</u>	<u>\$ 4,535,862</u>	<u>\$ 59,911,469</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. 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, 2017 (including the change in fair value).

	Hedge funds	Side-pocket funds	Total
Balance at June 30, 2016	\$ 4,533,487	\$ 2,375	\$ 4,535,862
Net purchases and sales	1,466,040	-	1,466,040
Unrealized gains (loss)	(749,141)	13	(749,128)
Realized gains	1,045,181	-	1,045,181
Balance at June 30, 2017	<u>\$ 6,295,567</u>	<u>\$ 2,388</u>	<u>\$ 6,297,955</u>

Equitas Evergreen Fund, L.P. (hedge fund) has identified \$2,388 and \$2,375 as of June 30, 2017 and 2016, to be side-pocket funds that are considered illiquid by their investment manager.

6. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2017 and 2016:

	2017	2016
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
96.86 acre farm, Kinder, Louisiana	358,500	358,500
Art work	202,650	202,650
	<u>\$ 1,081,675</u>	<u>\$ 1,081,675</u>

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

7. 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 \$69,777 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.

8. 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.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

8. LOUISIANA ENDOWMENT TRUST FUND FOR ENDOWED CHAIRS AND PROFESSORSHIPS - (Continued)

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 Foundation under the caption "Funds Held in Custody." The amount held for others in noncurrent liabilities at June 30, 2017 and 2016, that was attributable to the Endowed Chairs and Professorships, was \$7,499,729 and \$6,781,925, respectively.

The following is a recap of these endowments (both the Foundation and State portions) as of June 30, 2017 and 2016:

	June 30, 2017		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 2,499,729	\$ 5,000,000	\$ 7,499,729
Foundation portion	4,049,594	6,780,000	10,829,594
Total endowed professorships and chairs	\$ 6,549,323	\$ 11,780,000	\$ 18,329,323
	June 30, 2016		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Amount invested for others	\$ 2,061,925	\$ 4,720,000	\$ 6,781,925
Foundation portion	3,092,299	6,780,000	9,872,299
Total endowed professorships and chairs	\$ 5,154,224	\$ 11,500,000	\$ 16,654,224

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. ENDOWED NET ASSETS

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

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

A spending rate is determined by the Foundation's Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2017 and 2016, 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, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Foundation retain 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 Foundation's Board of Directors has chosen to manage a portion of its unrestricted net assets as part of the endowed funds investment pool. At June 30, 2017 and 2016, the market value of these Board Designated Endowed Funds was \$4,143,698 and \$4,148,127, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. ENDOWED NET ASSETS – (Continued)

As of June 30, 2017, and 2016, the Foundation had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 4,481,256	\$ 7,982,053	\$ 38,421,262	\$ 50,884,571
Investment return	21,871	213,024	-	234,895
Contributions	-	218,000	2,612,317	2,830,317
Contribution in kind	-	482,152	-	482,152
Transfer to create board- designated endowment funds	(355,000)	-	355,000	-
Released from restrictions	<u>-</u>	<u>(1,177,152)</u>	<u>(278,223)</u>	<u>(1,455,375)</u>
Endowment net assets, June 30, 2016	4,148,127	7,718,077	41,110,356	52,976,560
Investment return	40,571	1,955,916	-	1,996,487
Contributions	-	-	1,721,471	1,721,471
Contribution in kind	-	482,152	-	482,152
Transfer to create board- designated endowment funds	(45,000)	-	145,000	100,000
Released from restrictions	<u>-</u>	<u>(954,052)</u>	<u>(194,667)</u>	<u>(1,148,719)</u>
Endowment net assets, June 30, 2017	<u>\$ 4,143,698</u>	<u>\$ 9,202,093</u>	<u>\$ 42,782,160</u>	<u>\$ 56,127,951</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. ENDOWED NET ASSETS – (Continued)

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment	\$ -	\$ 9,202,093	\$ 42,782,160	\$ 51,984,253
Board- designated endowment	4,143,698	-	-	4,143,698
	<u>\$ 4,143,698</u>	<u>\$ 9,202,093</u>	<u>\$ 42,782,160</u>	<u>\$ 56,127,951</u>

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment	\$ -	\$ 7,718,077	\$ 41,110,356	\$ 48,828,433
Board- designated endowment	4,148,127	-	-	4,148,127
	<u>\$ 4,148,127</u>	<u>\$ 7,718,077</u>	<u>\$ 41,110,356</u>	<u>\$ 52,976,560</u>

10. 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 \$463,698 and \$444,105 as of June 30, 2017 and 2016, respectively.

A portion of the grants, such as scholarships and professorships, is paid directly to McNeese State University to be disbursed to final beneficiaries. Such expenses totaled \$1,445,906 and \$1,448,406 for the years ended June 30, 2017 and 2016, respectively.

11. DEVELOPMENT EXPENSES

The Foundation incurred expenses totaling \$104,488 and \$92,042 for the years ended June 30, 2017 and 2016, respectively, relating to development and fundraising. Such amounts are included in the accompanying statements of activities.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

12. OPERATING LEASE

The Foundation leases a building to a tenant under a non-cancelable operating lease with a term of 5 years 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, 2017:

Year Ending June 30:

2018		\$ 37,320
2019		37,320
2020		18,660
		\$ 93,300

13. SUPPORTING SERVICES

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

	2017	2016
Contributions	\$ 6,612	\$ 29,005
Computer hardware and software	13,840	5,538
Computer training and consulting	9,547	10,692
Dues	13,007	9,368
Foundation events	45,631	14,701
Insurance	17,138	17,104
Miscellaneous office expenses	2,513	1,980
Planned giving and donor research	5,196	8,389
Professional fees	40,510	42,284
Property expenses	1,012	4,863
Property expenses - in-kind	7,162	-
Salary paid to the University	61,102	57,795
Service charges	34,220	36,714
Seventy-fifth Anniversary	-	4,170
Staff recognition	3,004	800
Supplies	6,388	10,185
Travel	11,860	10,998
	\$ 278,742	\$ 264,586

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

14. CAPITAL CAMPAIGN

Starting January 2013, the Foundation initiated another capital endowment campaign, known as “Seventy-five for Seventy-five”, the purpose to raise total assets up to seventy-five million dollars. The campaign officially began January 1, 2014. As of June 30, 2017, the Foundation has collected \$17,310,818 of the \$18,364,494 that is committed thus far.

15. SUBSEQUENT EVENTS

Management of the Foundation is not aware of any subsequent events through November 3, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

SUPPLEMENTAL INFORMATION

MCNEESE STATE UNIVERSITY FOUNDATION

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

June 30, 2017

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Building On Success Softball Projects	\$ (24,301)	\$ 58,228	\$ 33,927	\$ -
The Ace Club	5,291	1,000	-	6,291
McNeese Football Club	13,306	73,370	45,372	41,304
Diamond Dinner	860	92,004	91,864	1,000
MSU Women's Golf Team	33,717	68,193	55,548	46,362
Basketball - General	8,135	690	-	8,825
Baseball - Diamond Chapter	50,701	127,760	123,646	54,815
MSU Men's Golf Team	1,331	117,359	107,747	10,943
Athletic Summer School	22,407	158,999	54,516	126,890
Cruising for the Cowgirls	-	7,720	7,720	-
MSU Girl's Softball	39,112	114,848	131,799	22,161
Athletic Director	1,387	53,647	52,916	2,118
MSU Striker Chapter	11,843	7,106	7,176	11,773
MSU Track - General	17,043	94,641	83,393	28,291
MSU Volleyball Boosters	466	5,310	5,409	367
Dugout Chapter	36,574	30,901	52,367	15,108
Basketball - Tip Off	9,567	79,525	84,366	4,726
Girl's Basketball - General	20,256	44,544	35,702	29,098
Football - General	30,233	125,914	125,692	30,455
MSU Quarterback Chapter	47,001	59,764	38,816	67,949
Petrochem Athletic Assoc Chapter	18,816	89,593	90,230	18,180
MSU Cowboy Chapter	6,913	155,508	157,377	5,044
Dowell Fontenot Sports Medicine	6,159	-	2,116	4,043
Volleyball - General	10,740	42,123	45,972	6,891
Athletic Foundation - Operating	17,994	15,010	29,766	3,238
MSU Athletics - Strength Dept	11,819	10,473	17,140	5,152
Girl's Tennis - General	49,266	50,841	45,108	54,999
Sports Information - Posters	13,842	1,000	12,146	2,696
Athletic Marketing	6,155	2,981	6,745	2,391

MCNEESE STATE UNIVERSITY FOUNDATION

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

(Continued)

June 30, 2017

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
McNeese Cheerleaders	1,548	6,140	6,341	1,347
The M Club	1,225	-	1,225	-
NCAA SAF	35,338	201,372	188,536	48,174
Student Athlete Advisory Comm.	5,447	2,500	2,715	5,232
Football Goody Bags	6,816	6,248	6,805	6,259
Football Coaches Fund	117,169	165,522	247,820	34,871
Cowgirl Basketball	9,390	-	-	9,390
Cowboy Club / Petrochem Raffle	15,609	70,565	86,174	-
McNeese Volleyball Booster Club	44	-	-	44
McNeese Soccer	19,490	31,916	33,896	17,510
Baseball Stadium Renovations	184,917	-	179,980	4,937
Athletic Clearing	2,297	-	1,364	933
SLC Football Championship Rings	10,050	7,950	18,000	-
Sprinter Van Project	-	4,500	-	4,500
Cowboy Club General Sch. Fund	300	-	300	-
Football Summer School	-	60,000	30,000	30,000
Women's Golf Asst Scholarship	3,000	-	-	3,000
	<u>\$ 879,274</u>	<u>\$ 2,245,764</u>	<u>\$ 2,347,731</u>	<u>\$ 777,307</u>

**COMPLIANCE
AND
INTERNAL CONTROL**



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

CERTIFIED PUBLIC ACCOUNTANTS

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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 Trustees 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) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2017.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jasper, McKeithen & Co., LLP

Lake Charles, Louisiana

November 3, 2017

McNeese State University Foundation
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 and requested by 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, 2017. McNeese State University Foundation's management is responsible for accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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.

Our procedures and 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 01, 2016 to June 30, 2017, 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*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. 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 1, 2017



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 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, 2017. 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.

Our procedures and 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 & Co., P.C.

Langley, Williams & Company, L.L.C.
Lake Charles, LA
September 26, 2017