

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
THIBODAUX, LA

Financial Reports

June 30, 2016

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Nicholls State University Foundation, Inc.

June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nicholls State University Foundation, Inc.
Thibodaux, Louisiana

We have audited the accompanying financial statements of Nicholls State University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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. 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.

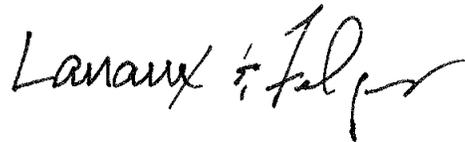
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nicholls State University Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services, support services, and funds held in custody on pages 16 through 19 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Houma, Louisiana
October 13, 2017

A handwritten signature in cursive script, appearing to read "Lanoux & Felger".

Nicholls State University Foundation, Inc.

Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 783,277	\$ 616,659
Invested cash	251,448	133,306
Total cash and cash equivalents	1,034,725	749,965
Restricted cash - Endowed		
Chairs and Professorships	629,484	386,253
Investments	21,184,877	22,018,078
Accrued interest	63,551	19,741
Accounts receivable	73,575	40,928
State matching funds receivable	40,000	160,000
Antique collection	75,830	75,830
Total assets	\$ 23,102,042	\$ 23,450,795
Liabilities		
Accounts payable	\$ 73,855	\$ 41,028
Notes payable	1,400,000	1,600,000
Funds held in custody:		
State funds	3,663,126	3,795,719
University funds	6,744,815	7,137,405
Total liabilities	11,881,796	12,574,152
Net Assets		
Unrestricted	(650,797)	(915,895)
Temporarily restricted	4,505,112	4,793,504
Permanently restricted	7,365,931	6,999,034
Total net assets	11,220,246	10,876,643
Total	\$ 23,102,042	\$ 23,450,795

See accompanying notes to financial statements

Nicholls State University Foundation, Inc.

Statements of Activities

Years Ended June 30, 2016 and 2015

	2016	2015
Changes in Unrestricted Net Assets		
Revenue:		
Contributions - memberships	\$ 70,774	\$ 127,799
Dividends and interest income	51,334	30,789
Gain (loss) on investments, net	(194,989)	10,026
Other revenues	96,293	93,957
Total revenues	23,412	262,571
 Net assets released from restrictions:		
Satisfaction by payment	3,039,103	3,843,077
Total unrestricted revenue	3,062,515	4,105,648
 Expenses:		
Program services	2,333,895	3,840,638
Support services	463,522	943,753
Total expenses	2,797,417	4,784,391
Increase (Decrease) in Unrestricted Net Assets	265,098	(678,743)
 Changes in Temporarily Restricted Net Assets		
Contributions	1,154,128	1,333,632
Dividends and interest income	216,923	293,274
Gain (loss) on investments, net	(76,307)	45,411
Colonels Brigade support	1,355,965	955,692
John Folse Culinary Institute support	47,325	280,878
Special fundraising events	127,047	234,380
Transfer to permanently restricted net assets	(74,370)	(170,732)
Net assets released from restrictions:		
Restrictions satisfied by payments	(3,039,103)	(3,843,077)
Increase (Decrease) in Temporarily Restricted Net Assets	(288,392)	(870,542)
 Changes in Permanently Restricted Net Assets		
Contributions	292,527	338,479
Dividends	-	258
Gain (loss) on investments, net	-	(64)
Transfers from temporarily restricted net assets	74,370	170,732
Increase in Permanently Restricted Net Assets	366,897	509,405
 Increase (Decrease) in Net Assets	343,603	(1,039,880)
 Net Assets at Beginning of Year	10,876,643	11,916,523
 Net Assets at End of Year	\$ 11,220,246	\$ 10,876,643

See accompanying notes to financial statements.

Nicholls State University Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 343,603	\$ (1,039,880)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net (gain) loss from investments	(269,279)	65,885
(Appreciation) depreciation in value of investments	522,289	(121,321)
(Increase) decrease in:		
Accounts receivable	(32,647)	4,845
State matching funds receivable	120,000	(80,000)
Accrued interest	(43,810)	8,202
Increase (decrease) in:		
Accounts payable	32,827	14,754
Funds held in custody	(525,183)	86,528
Contributions and investment income restricted for endowment purposes	(292,527)	(338,673)
Total adjustments	(488,330)	(359,780)
Net cash provided by (used in) operating activities	(144,727)	(1,399,660)
Cash Flows from Investing Activities		
Proceeds from sales of investments	7,367,990	6,150,858
Purchase of investments	(7,031,030)	(6,575,926)
Net cash provided by (used in) investing activities	336,960	(425,068)
Cash Flows from Financing Activities		
Repayment of notes payable	(200,000)	-
Endowment fund contributions	292,527	338,479
Investment income restricted for endowments	-	194
Net cash provided by financing activities	92,527	338,673
Net increase (decrease) in cash and cash equivalents	284,760	(1,486,055)
Cash and cash equivalents at beginning of year	749,965	2,236,020
Cash and cash equivalents at end of year	\$ 1,034,725	\$ 749,965
 Non-cash investing and financing activities:		
Non-cash contributions received - investment securities	\$ -	\$ 18,988

See accompanying notes to financial statements.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Organization**

The Nicholls State University Foundation, Inc. (the Foundation) was incorporated under Title 12, Section 101 et seq. of the State of Louisiana laws as a non-profit organization on June 25, 1964.

The objects and purposes of this corporation are to promote, stimulate and improve the educational, cultural, moral and material welfare of Nicholls State University (the University); to promote, improve and encourage closer cultural, moral, and intellectual intercourse therewith between the members of this corporation and the University; to give financial aid to needy and deserving students; to promote and encourage research and scholastic excellence among the faculty members of the University; to buy, sell, lease, erect, or otherwise acquire lands and all necessary buildings and appurtenances to further such ends, to hold, maintain and operate same, to sell, lease or dispose thereof and generally to do all things necessary or proper to achieve such ends. This corporation is organized and shall be operated exclusively for educational, scientific and literary purposes.

b) **Financial Statement Presentation**

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Foundation's programs.

c) **Basis of Accounting**

Assets, liabilities, revenues and expenses are recognized on the accrual method of accounting for financial statement presentation and the cash basis for federal income tax purposes.

d) **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support,

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

e) Cash and Cash Equivalents

For purposes of the statements of cash flow, the Foundation considers all highly liquid, unrestricted investments with an initial maturity of three months or less to be cash equivalents.

f) 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. Other investments, including hedge funds and other externally managed investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value and in consideration of any additional factors deemed pertinent to the fair value measurement.

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

g) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

h) Promises to Give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected within one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises to give are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or change in net assets.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

i) Collections

Donations of collections are recorded as support at their estimated fair value at the date of their donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for 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. Absent donor stipulations 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.

j) Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

k) Funds Held in Custody

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs.

l) 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 is classified as a public charity. Therefore, no provisions for income taxes have been made. The Foundation's Form 990, Returns of Organizations Exempt from Income Tax, are generally subject to examination by the Internal Revenue Service for three years after they were filed.

2) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Foundation maintains several bank accounts at Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution exceeded federally insured limits by \$564,955 as of June 30, 2016. Money market mutual funds included in cash equivalents totaled \$251,448 and \$133,306 at June 30, 2016 and 2015, respectively. These amounts were uninsured. Restricted cash, which consists of money market mutual funds invested for the Endowed Chairs and Professorships Program, totaled \$629,484 and \$386,253 at June 30, 2016 and 2015, respectively. These amounts were also uninsured.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

3) INVESTMENTS

At June 30, 2016 and 2015, the Foundation's investments, carried at fair value, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Equity securities:		
Corporate stock	\$ 4,469,250	\$ 6,007,450
Stock mutual funds	3,963,118	5,241,372
Bond mutual funds	2,213,253	2,543,958
Exchange traded funds	1,214,992	3,220,287
Other investments	1,712,172	1,744,799
Debt securities:		
Corporate bonds	4,521,335	-
Obligations of states and municipal governments	2,045,538	2,093,564
Equity linked notes	1,045,219	1,166,648
	<u>\$ 21,184,877</u>	<u>\$ 22,018,078</u>

Other investments include hedge funds and a futures fund, which are sophisticated, multi-strategy investments managed by external advisors. Such investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to management's assessment that the information is representative of fair value and in consideration of any additional factors pertinent to the fair value measurement.

The following schedules summarized the investment return and its classification in the statement of activities for the years ended June 30, 2016 and 2015. Interest, dividends, and net gains (losses) have been distributed to Unrestricted, Temporarily Restricted, or Permanently Restricted based on each classification's pro-rata share of investments.

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 51,334	\$ 216,923	\$ -	\$ 268,257
Net gain (loss)	(194,989)	(76,307)	-	(271,296)
Total investment return	<u>\$ (143,655)</u>	<u>\$ 140,616</u>	<u>\$ -</u>	<u>\$ (3,039)</u>

Investment, custodial, and advisory fees paid during the year ending June 30, 2016 totaled \$118,355.

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 30,789	\$ 293,274	\$ 258	\$ 324,321
Net gain (loss)	10,026	45,411	(64)	55,373
Total investment return	<u>\$ 40,815</u>	<u>\$ 338,685</u>	<u>\$ 194</u>	<u>\$ 379,694</u>

Investment, custodial, and advisory fees paid during the year ending June 30, 2015 totaled \$112,892.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

At June 30, 2016, investments include funds held for Professorships and Chairs of Nicholls State University in the amount of \$6,744,815 and state matching funds in the amount of \$3,663,126. Once a chair or professorship has been matched by the state program, funds are transferred to UBS Financial Services, Inc. for investment purposes.

4) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Although the exchange price concept is not new, the new definition focuses on the exit price as opposed to the entry price that would be paid to acquire an asset or received to assume a liability. The standard also emphasizes that fair value is a market-based measurement and not an entity-specific measurement and establishes a hierarchy to prioritize the inputs that can be used in the fair value measurement process. The inputs in the three levels of this hierarchy are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Observable inputs other than Level 1 prices. This would include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Unobservable inputs, to the extent that observable are unavailable. This allows for situations in which there is little or no market activity for the asset or liability at the measurement date.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g. the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, Foundation management and the Foundation's investment consultant conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

Investments measured at fair value on a recurring basis are as follows, at June 30, 2016:

	Total	Level 1	Level 2	Level 3
Equity securities:				
Corporate stock	\$ 4,469,250	\$ 4,469,250	\$ -	\$ -
Stock mutual funds	3,963,118	3,963,118	-	-
Bond mutual funds	2,213,253	2,213,253	-	-
Exchange traded funds	1,214,992	1,214,992	-	-
Hedge funds and other	1,712,172	-	-	1,712,172
Debt securities:				
Corporate bonds	4,521,335	-	4,521,335	-
Obligations of states and municipal governments	2,045,538	-	2,045,538	-
Equity linked notes	1,045,219	-	1,045,219	-
	<u>\$ 21,184,877</u>	<u>\$ 11,860,613</u>	<u>\$ 7,612,092</u>	<u>\$ 1,712,172</u>

Changes in the amounts of Level 3 investments reported in the statement of financial position are as follows for the year ended June 30, 2016:

	Hedge Funds
Balance at June 30, 2015	\$ 1,744,799
Net purchases and sales	1,391
Unrealized gain (loss)	(34,018)
Balance at June 30, 2016	<u>\$ 1,712,172</u>

5) ANTIQUE COLLECTION

Antique collection consists of antique furniture, dinnerware, paintings, and other household items donated to the foundation.

6) UNCONDITIONAL PROMISES TO GIVE

Pledged support receivable in more than one year is discounted based on U.S. Government issues. There were no unconditional promises to give at June 30, 2016 and 2015.

7) STATE MATCHING FUNDS RECEIVABLE

State matching funds receivable, comprised of the amounts due from the State of Louisiana in regard to Endowed Chair, Endowed Professorship, and Endowed Scholarship Program, totaled \$40,000 and \$160,000 as of June 30, 2016 and 2015, respectively.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

8) FUNDS HELD IN CUSTODY

Under agreements with Nicholls State University (the University), the Foundation holds and manages funds received by the University as State matching funds for the accounts of the Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs. Also, under an agreement with Nicholls State University, the Foundation holds and manages the donated and state matching funds for the University. As of June 30, 2016 and 2015, the funds held in custody are as follows:

	<u>2016</u>	<u>2015</u>
State funds held in custody	\$ 3,663,126	\$ 3,795,719
University endowments held in custody	<u>6,744,815</u>	<u>7,137,405</u>
Total funds held in custody	<u>\$ 10,407,941</u>	<u>\$ 10,933,124</u>

9) NOTES PAYABLE

Notes payable consist of loans from two board members, which were made to provide the funding needed for the furnishing of certain kitchen and culinary equipment necessary to complete the four teaching kitchens at the Chef John Folse Culinary Institute. The notes bear no interest and have no maturity date or repayment schedule. No assets have been pledged as collateral and the lenders waived any rights to seek repayment from the assets of the Foundation. Nicholls State University and the Chef John Folse Culinary Institute have entered into a Memorandum of Agreement with the Foundation under which the parties pledge to continue fundraising efforts until the loans are repaid. As a result of those fundraising efforts, the Foundation made principal payments on the notes totaling \$200,000 during the year ended June 30, 2016. No principal payments were made during the year ended June 30, 2015.

10) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of Nicholls State University. The Foundation conducts numerous program services including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors. As of June 30, 2016 and 2015, temporarily restricted net assets are as follows:

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

	2016	2015
Endowed Chairs and Professorships	\$ 809,837	\$ 1,344,149
Scholarships	866,559	957,437
Business Capstone Funds	470,347	470,347
Chef John Folse Culinary Institute	112,660	51,022
Other University Projects	2,245,709	1,970,549
	<u>\$ 4,505,112</u>	<u>\$ 4,793,504</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely and unconditional promises to give. The income from endowment investments is expendable for specific program services and is recorded as temporarily restricted revenue.

As of June 30, 2016 and 2015, permanently restricted net assets are as follows:

	2016	2015
Endowed Chairs and Professorships	\$ 4,620,000	\$ 4,324,130
Scholarships	2,745,931	2,674,904
	<u>\$ 7,365,931</u>	<u>\$ 6,999,034</u>

11) ENDOWED NET ASSETS

The board of directors has interpreted state law as requiring the preservation of original corpus of the permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used. The long-term objective of the Foundation's investment policy is to preserve the purchasing power of the net assets and maintain an average annual total return at or above the level of spending and fees. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide distributions as stipulated in the endowment agreement.

To achieve the long-term investment objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both market appreciation (realized and unrealized), and interest and dividends. The Foundation targets an appropriately diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Under the Foundation's endowment spending policy, the long-term average of spending should be no greater than the long-term real total return of the fund. Annual spending of up to 5 percent of the market value of program assets averaged on a consistent basis for the five most recent fiscal trust fund years is allowed, provided that the market value of program assets at the end of the most recent fiscal fund year exceeds the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal fund year for which a spending allocation is to be made. When the current market value of program assets is below the original corpus of the endowment, no spending is allowed.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements, continued

The composition and changes in donor restricted endowments funds for the years ended June 30, 2016 and 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2014	\$ 2,373,200	\$ 6,489,629	\$ 8,862,829
Investment return:			
Investment income	333,013	258	333,271
Net appreciation (depreciation)	(51,564)	(64)	(51,628)
Contributions	328,027	338,479	666,506
Transferred to permanently restricted	(170,732)	170,732	-
Released from restrictions	(630,831)	-	(630,831)
Balance at June 30, 2015	2,181,113	6,999,034	9,180,147
Investment income	409,276	-	409,276
Net appreciation (depreciation)	(266,854)	-	(266,854)
Contributions	752,829	292,527	1,045,356
Transferred to permanently restricted	(74,370)	74,370	-
Released from restrictions	(965,311)	-	(965,311)
Balance at June 30, 2016	<u>\$ 2,036,683</u>	<u>\$ 7,365,931</u>	<u>\$ 9,402,614</u>

12) SUPPORT SERVICES

A summary of supporting services on a functional basis for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Institutional support and development	\$ 190,675	\$ 760,795
Management and general	192,667	160,518
Fundraising	80,180	22,440
Total support services	<u>\$ 463,522</u>	<u>\$ 943,753</u>

13) SUBSEQUENT EVENTS

Management evaluates events subsequent to the date of the financial statements in determining the accounting disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 13, 2017 the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION SECTION

Schedule 1

Nicholls State University Foundation, Inc.
Schedules of Program Services
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Endowed chairs, professorships and 1st Generation Scholarships	\$ 192,418	\$ 168,093
Colonel's Brigade	1,235,550	899,988
Scholarships	319,938	241,546
Chef John Folse Culinary Institute	72,888	315,030
Other Program Services	513,101	2,215,981
Total program services	<u>\$ 2,333,895</u>	<u>\$ 3,840,638</u>

Schedule 2

Nicholls State University Foundation, Inc.
Schedules of Support Services
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Institutional support and development:		
Athletic	\$ 28,987	\$ 4,045
Institutional development	<u>161,688</u>	<u>756,750</u>
	190,675	760,795
Management and general:		
Foundation office	1,523	910
Foundation meeting	6,820	5,627
Professional services	69,756	60,975
Other	<u>114,568</u>	<u>93,006</u>
	192,667	160,518
Fundraising	<u>80,180</u>	<u>22,440</u>
Total support services	<u>\$ 463,522</u>	<u>\$ 943,753</u>

Schedule 3

Nicholls State University Foundation, Inc.
Schedules of Funds Held in Custody
Years ended June 30, 2016 and 2015

	2016	2015
State funds held in custody:		
Agnes H. Candies Professorship	\$ 46,606	\$ 49,336
American Association of Drilling Engineers Professorship	47,097	49,929
Bell South Culinary Professorship	47,672	50,419
Bell South/Brady, Miller, Theriot Callais Professorship	46,757	49,492
Bell South/Picou Professorship	46,163	48,886
Bell South/Picou Professorship #2	46,854	49,587
Bonnie Bourg Professorship	47,756	50,752
Capital One Professorship	45,405	48,118
Cenac Towing Chair	504,336	511,477
CETFE Geomatic/Surveying Professorship	48,175	50,827
Clarence J. Riviere Professorship	48,873	52,212
Durel Matrin Professorship	45,790	48,511
Harvey Peltier, Sr. Professorship	48,960	52,309
Maxine Giardina Professorship	46,964	49,835
Morris and Sandy Hebert Professorship	48,706	51,931
Jimmy and Glenny Lee Buquet Professorship	44,444	47,143
McIlhenny Professorship	45,332	48,044
Minor J. Cheramie Professorship	47,217	50,174
Orleans A. Pitre Professorship	47,295	50,281
Otto Candies Chair	545,611	589,871
T. Baker Smith Professorship	47,631	50,394
T. Shepard Endowed Professorship	48,150	51,251
1st Generation Scholarship	50,791	53,165
J Maselli Professorship	45,547	48,267
B Raziano Professorship	45,387	48,104
R E Miller Professorship	46,555	49,285
Goldring Foundation Professorship	47,624	50,631
Gueydan Professorship	48,428	51,625
Henry & Kim Lafont 1st Generation Scholarship	49,270	51,624
Harold Callais Professorship	239,388	254,231
Paul Callais Professorship	118,622	125,900
Peter Callais Professorship	118,643	126,640
Nolen Professorship	44,702	47,427
George Picou Professorship	48,587	50,931
Swanner 1st Generation Scholarship	50,806	53,181
Danos 1st Generation Scholarship	45,639	47,114
B & J Bollinger Scholarship	47,428	48,721
Danos Family Nursing Scholarship	40,236	42,876
R & C Cheramie Scholarship	46,632	48,121
Jack Cenac Scholarship	43,922	46,614
Jock Cenac Scholarship	44,645	46,831
Stephen & Rebecca Hulbert Scholarship	39,828	40,913
Gloria Callais Professorship	40,792	40,000
Michael & Christine Bourgeois 1st Generation Scholarship #2	42,482	40,000
R & J Bartels 1st Generation Scholarship	40,341	40,913
Harold Callais 1st Generation Scholarship	39,823	40,913
Burguieres 1st Generation Sholarship	40,341	40,913
J & T Sanford 1st Generation Scholarship	42,482	40,000
John Brady Jr. Professorship	40,797	40,000

Schedule 3

Nicholls State University Foundation, Inc.
Schedules of Funds Held in Custody
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Alfred Delahaye Professorship	40,000	40,000
Mitch Hebert 1st Generation Scholarship	40,797	40,000
Michael & Christine Bourgeois 1st Generation Scholarship #2	40,797	-
	<hr/>	<hr/>
Total State funds held in custody	3,663,126	3,795,719
	<hr/>	<hr/>
University funds held in custody:		
Argent Bank Endowed Professorship in Business Administration	\$ 133,206	\$ 124,089
Belle & Leonard Toups Chair in English	1,147,984	1,292,547
Betsy Ayo Endowed Professorship in Accounting & Business Law	128,753	116,713
Bollinger Family Endowed Chair in Business Administration	1,168,564	1,286,162
Contractor's Educational Trust Fund Endowed Professorship in Manufacturing Technology	268,406	238,423
Etergy Endowed Professorship in Computer Science	141,428	122,056
Etergy Endowed Professorship in Information Systems	127,330	113,525
Gerald Gaston Endowed Professorship in the College of Business Administration	126,595	111,243
Jerry Ledet Foundation Endowed Professorship in Environmental Biology	114,459	120,552
Lorio Foundation Endowed Professorship in Fine Arts	102,885	107,054
Lorio Foundation Endowed Professorship in Language and Literature	103,063	106,887
Lorio Foundation Endowed Professorship in Nursing	111,940	109,724
Lorio Foundation Endowed Professorship in Physical Science	103,203	106,443
Peltier Foundation Endowed Professorship in College of Business Administration	113,286	120,407
Terrebonne General Medical Center Endowed Chair in Nursing & Allied Health	1,200,231	1,342,668
Thibodaux Hospital and Health Center Endowed Professorship in Nursing	141,463	125,490
John A. Brady, Sr. Endowed Chair in Computer Science	1,259,376	1,340,768
John C. Daigle Endowed Professorship in Free Enterprise	121,773	127,368
Donald Peltier Endowed Professorship	130,870	125,286
	<hr/>	<hr/>
Total University funds held in custody	6,744,815	7,137,405
	<hr/>	<hr/>
Total funds held in custody	\$ 10,407,941	\$ 10,933,124
	<hr/>	<hr/>

To the Board of Directors and the
Executive Director
Nicholls State University Foundation, Inc.
Thibodaux, LA

In planning and performing our audit of the financial statements of Nicholls State University Foundation, Inc., as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Nicholls State University Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in Nicholls State University Foundation, Inc.'s internal control to be a material weakness:

2017-1 Material Audit Adjustments

Condition: During the audit, we noted material misstatements of revenues and expenses, and misclassifications of net assets.

Criteria: Under accounting standards generally accepted in the United States (US GAAP), revenues and expenses should be classified in a manner to allow for the proper classification of ending net assets as permanently restricted, temporarily restricted, or unrestricted according to the existence or absence of donor-imposed restrictions.

Cause: Accounting personnel did not have sufficient experience or knowledge regarding the proper classification of revenues, expenses and net assets in accordance with US GAAP, as it applies to nonprofit organizations.

Effect: Revenues and expenses were overstated on the trial balance by \$1,429,960 for the year ended June 30, 2016, and the ending balances of the three classes of net assets were misstated. Total ending net assets were not overstated as of June 30, 2016.

Recommendation: We proposed adjusting entries to properly classify revenues, expenses, and net assets in accordance with accounting principles generally accepted in the United States.

Current status: Management recorded the adjusting entries as of June 30, 2016 and has engaged the services of an external accounting firm to assist with recording transactions and maintaining the general ledger for future periods. The matter is considered resolved.

This communication is intended solely for the information and use of management the Board of Directors, others within the Organization, the Board of Regents of the University of Louisiana System, and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Houma, Louisiana
October 13, 2017

A handwritten signature in black ink, appearing to read "L. J. Falgout". The signature is written in a cursive style with a large, stylized initial "L" and a long, sweeping underline.

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A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Nicholls State University Foundation, Inc.
Thibodaux, Louisiana

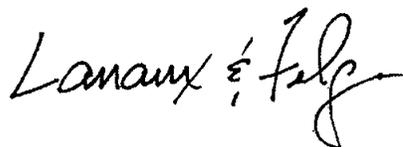
We have performed the procedures described in the attached schedule, which were agreed to by the Nicholls State University Foundation, Inc. (the Foundation) and the University of Louisiana System (the System), on the investments of the Endowed Chair, Endowed Professorship, and Endowed 1st Generation Scholarship Programs of the Foundation as of June 30, 2016 and for the fiscal year then ended. The Foundation's management is responsible for the Foundation's investments. The sufficiency of these procedures is solely the responsibility of those specified parties in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in Schedules 1 and 2.

This engagement to apply agreed-upon procedures 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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the investments of the Endowed Chair, Endowed Professorship, and Endowed 1st Generation Scholarship Programs of the Foundation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Nicholls State University Foundation, Inc. and the University of Louisiana System and is not intended to be and should not be used by anyone other than those specified parties.

Houma, Louisiana
October 13, 2017



Nicholls State University Foundation, Inc.

Schedule 1

1. Confirmation of the balance of the state funds held by the Foundation at June 30, 2016 including earnings on those funds (including providing the recorded values and market values as of June 30, 2016) by performance of the following procedures:
 - a. Confirmed in writing the total market value of the investments of the Foundation as of June 30, 2016 with the investment company.
 - b. Agreed opening balances of the state funds as of July 1, 2015 to the prior year audit workpapers.
 - c. Examined the collections of the state funds received for the fiscal year ended June 30, 2016.
 - d. Calculated the earnings of the state funds for the year ended June 30, 2016 by multiplying the total investment earnings by the state contribution factor of 40%.
 - e. Calculated the balance of state funds as of June 30, 2016 by adding the beginning balance, receipts and earnings.
 - f. Agreed the interest, dividends and capital gains (losses) net of participant fees to the investment company's report.

The results of our procedures detailed above indicated no exceptions to the market value of the state funds as of June 30, 2016 and 2015, as shown on the attached Schedule 2.

2. Reviewed the Foundation's investment policy as it relates to the state funds to ensure compliance with those provisions.

We read and obtained an understanding of the Foundation's investment policy and the Louisiana Board of Regents *Statement of Investment Policy and Objectives* for the Endowed Chair, Endowed Professorship, and Endowed 1st Generation Scholarship Programs, and we compared those policies to the information we obtained in Procedure 1 above. No exceptions were noted as a result of performing the procedure.

3. Verified that the earnings generated from the pooled assets were properly allocated to the state funds. No exceptions were noted as a result of performing the procedure.

Nicholls State University Foundation, Inc.

Schedule 2

	Market Value	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
State funds held in custody	\$ 3,663,126	\$ 3,795,719
University endowments held in custody	<u>6,744,815</u>	<u>7,137,405</u>
Total funds held in custody	<u>\$ 10,407,941</u>	<u>\$ 10,933,124</u>