
**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Financial Statements

December 31, 2018

With Independent Auditors' Report Thereon



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.

We have audited the accompanying financial statements of the University of New Orleans Research and Technology Foundation, Inc., (a nonprofit organization) (the Foundation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, statements of functional expense, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 University of New Orleans Research and Technology Foundation, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update No. 2016-14 in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville
Metairie, Louisiana
May 31, 2019

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.

Statements of Financial Position

As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents (Note 1 and 17)	\$ 1,372,465	\$ 1,634,566
Receivables (Note 1, 4 and 13)	1,402,558	1,656,801
Financing lease receivable (Note 1 and 15)	1,055,000	980,000
Investments (Note 1, 3 and 7)	11,338,031	8,282,030
Other current assets	102,298	186,020
Total current assets	15,270,352	12,739,417
Non-current assets:		
Investments (Note 1, 3 and 7)	1,738,005	758,461
Financing lease receivable (Note 1 and 15)	32,240,000	33,295,000
Property and equipment, net of accumulated depreciation of \$39,486,633 and \$36,905,871, respectively (Note 1 and 5)	46,139,307	49,425,965
Other non-current assets	386,934	467,613
Total non-current assets	80,504,246	83,947,039
Total assets	\$ 95,774,598	\$ 96,686,456
Current liabilities:		
Accounts payable and accrued liabilities	\$ 657,718	\$ 527,972
Due to affiliates (Note 13)	182,762	126,495
Prepaid rent	581,815	615,572
Amounts held in custody for others (Note 1)	66,433	75,857
Amounts held in custody for affiliates (Note 1 and 13)	330,417	339,720
Compensated absences	149,295	143,754
Interest payable	498,391	509,355
Notes payable (Note 8)	472,002	457,169
Bonds payable, net (Note 1 and 9)	1,263,203	1,196,889
Other current liabilities	149,151	282,585
Total current liabilities	4,351,187	4,275,368
Non-current liabilities:		
Accounts payable and accrued liabilities	136,540	202,959
Due to affiliates (Note 13)	102,405	152,219
Notes payable (Note 8)	3,159,160	3,631,162
Prepaid rent, net of current portion	2,310,806	2,816,759
Bonds payable, net (Note 1 and 9)	33,216,326	34,479,529
Total non-current liabilities	38,925,237	41,282,628
Total liabilities	43,276,424	45,557,996
Net assets:		
Without donor restrictions	52,368,261	50,995,938
With donor restrictions (Note 1)	129,913	132,522
Total net assets	52,498,174	51,128,460
Total liabilities and net assets	\$ 95,774,598	\$ 96,686,456

The accompanying notes are an integral part of these financial statements

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Revenues and support:		
Federal grants and contracts	\$ 1,125,365	\$ 1,606,404
Non-federal grants and contracts	554,876	561,028
International programs	515,964	562,275
Property operations	6,345,424	6,466,093
Amortized tenant improvements	505,953	505,953
Student housing	1,495,800	1,523,600
Technology transfer	328,371	526,821
Investment earnings, net	52,633	238,234
Settlement agreement proceeds (Note 16)	3,368,065	-
Gain on insurance receivable	-	600,249
Other revenues	17	30,027
Total revenues and other support without donor restrictions before net assets released from restriction	<u>14,292,468</u>	<u>12,620,684</u>
Net assets released from restrictions:		
Net assets released from restriction	2,609	2,609
Net assets released from restrictions	<u>2,609</u>	<u>2,609</u>
Total revenues and other support without donor restrictions	<u>14,295,077</u>	<u>12,623,293</u>
Expenses:		
Program services:		
International programs (Note 13)	491,394	535,500
Property operations	6,501,545	6,409,458
Student housing (Note 13)	1,298,011	1,314,372
Federal grants and contracts	1,067,861	1,544,619
Other University support	781,585	724,222
Technology transfers (Note 13)	253,195	396,379
Loss on asset impairment	705,896	-
Loss on insurance receivables	73,116	-
Total program expenses	<u>11,172,603</u>	<u>10,924,550</u>
Supporting services:		
General and administrative expenses	1,312,303	1,287,569
Settlement agreement expenses (Note 16)	437,848	-
Total expenses	<u>12,922,754</u>	<u>12,212,119</u>
Increase in net assets without donor restrictions	<u>1,372,323</u>	<u>411,174</u>
Changes in net assets with donor restrictions:		
Net assets released from restrictions:		
Net assets released from restrictions	(2,609)	(2,609)
Total revenues and other support with donor restrictions	<u>(2,609)</u>	<u>(2,609)</u>
Decrease in net assets with donor restrictions	<u>(2,609)</u>	<u>(2,609)</u>
Change in net assets	1,369,714	408,565
Net assets, at beginning of year	<u>51,128,460</u>	<u>50,719,895</u>
Net assets, at end of year	<u>\$ 52,498,174</u>	<u>\$ 51,128,460</u>

The accompanying notes are an integral part of these financial statements

UNIVERSITY OF NEW ORLEANS

RESEARCH AND TECHNOLOGY FOUNDATION, INC.

Statements of Functional Expense

For the Years Ended December 31, 2018 and 2017

<u>2018</u>	Program expenses	General and administrative expenses	Total
Donations to university/affiliates	\$ 491,652	\$ -	\$ 491,652
Employee compensation	550,465	1,054,228	1,604,693
Fees for services	307,559	154,106	461,665
Advertising and promotion	25,000	-	25,000
Office expenses	108,925	33,658	142,583
Information technology	22,339	45,347	67,686
Royalties	239,028	-	239,028
Occupancy	973,636	-	973,636
Travel	485,337	6,632	491,969
Conferences, conventions, and meetings	35,998	18,332	54,330
Interest	1,377,550	-	1,377,550
Insurance	9,822	-	9,822
Depreciation and amortization	2,689,069	-	2,689,069
Federal grant subawards	1,067,861	-	1,067,861
Property operation/maintenance services	1,925,399	-	1,925,399
Property operation/maintenance supplies	83,951	-	83,951
Total expenses by function	<u>10,393,591</u>	<u>1,312,303</u>	<u>11,705,894</u>
Plus non-recurring expenses			
Settlement expenses	-	-	437,848
Loss	-	-	779,012
Total expenses included on the statement of activities	<u>\$ 10,393,591</u>	<u>\$ 1,312,303</u>	<u>\$ 12,922,754</u>

<u>2017</u>	Program expenses	General and administrative expenses	Total
Donations to university/affiliates	\$ 274,180	\$ -	\$ 274,180
Employee compensation	444,481	1,121,529	1,566,010
Fees for services	612,452	62,438	674,890
Advertising and promotion	-	1,741	1,741
Office expenses	94,580	33,836	128,416
Information technology	-	48,455	48,455
Royalties	383,992	-	383,992
Occupancy	959,644	-	959,644
Travel	539,510	7,109	546,619
Conferences, conventions, and meetings	33,160	12,461	45,621
Interest	1,408,692	-	1,408,692
Insurance	9,940	-	9,940
Depreciation and amortization	2,689,335	-	2,689,335
Federal grant subawards	1,544,619	-	1,544,619
Property operation/maintenance services	1,854,477	-	1,854,477
Property operation/maintenance supplies	75,488	-	75,488
	<u>\$ 10,924,550</u>	<u>\$ 1,287,569</u>	<u>\$ 12,212,119</u>

The accompanying notes are an integral part of these financial statements

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,369,714	\$ 408,565
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Amortization of cost of bond issuance and bond insurance	37,450	37,451
Amortization of bond premium	(254,339)	(265,178)
Amortization of tenant improvements	(505,953)	(505,953)
Depreciation expense	2,580,762	2,581,027
Unrealized loss (gain) on investments	245,463	(55,062)
Impairment of construction in progress	705,896	-
Loss on insurance receivable	73,116	-
Changes in assets and liabilities:		
Receivables	181,127	1,379,045
Other current assets	83,722	8,893
Other non-current assets	80,679	80,679
Compensated absences	5,541	4,843
Payables and accrued liabilities	63,327	92,794
Due to affiliates	6,453	(223,136)
Prepaid rent	(33,757)	(90,655)
Amounts held in custody for others and affiliates	(18,727)	(38,398)
Interest payable	(10,964)	(10,155)
Other current liabilities	(133,434)	(1,410,018)
Net cash provided by operating activities	<u>4,476,076</u>	<u>1,994,742</u>
Cash flows from investing activities:		
Net purchases of investments	(4,281,008)	(1,668,896)
Purchases of fixed assets	-	(10,471)
Net cash used in investing activities	<u>(4,281,008)</u>	<u>(1,679,367)</u>
Cash flows from financing activities:		
Principle payments on notes payable	(457,169)	(442,996)
Receipts on capital leases	980,000	900,000
Principal payments on bonds payable	(980,000)	(900,000)
Net cash used in financing activities	<u>(457,169)</u>	<u>(442,996)</u>
Change in cash and cash equivalents	(262,101)	(127,621)
Cash and cash equivalents at beginning of year	<u>1,634,566</u>	<u>1,762,187</u>
Cash and cash equivalents at end of year	<u>\$ 1,372,465</u>	<u>\$ 1,634,566</u>
 SUPPLEMENTAL NON-CASH FLOW DISCLOSURE:		
Cash paid during the year for interest	<u>\$ 1,642,852</u>	<u>\$ 1,684,025</u>

The accompanying notes are an integral part of these financial statements

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) History and Organization

The University of New Orleans Research and Technology Foundation, Inc. (the Foundation), a registered non-profit corporation in Louisiana, was established on March 3, 1997 to accomplish the following purposes:

- 1) As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the University) and the University of Louisiana System (the UL System);
- 2) To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world; be fulfilled and removed by actions of the Foundation pursuant to those stipulations;
- 3) To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- 4) To promote the development of high technology industries and research in Louisiana;
- 5) To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;
- 6) To increase employment opportunities in Louisiana;
- 7) To promote research and development in Louisiana;
- 8) To promote cooperation between the public and private sector with respect to research and development;
- 9) To attract nationally prominent scientists and researchers to the University;
- 10) To maximize research capabilities in Louisiana;

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

- 11) To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- 12) To exercise all such powers and authority as may be necessary for the accomplishment of the objectives and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

Significant sources of revenue to the Foundation include grants, contracts, tenant rents, and property operations revenues and support to carry out these objectives. The Foundation did not receive any state or local governmental funds to support its operations or its programs during the years ended December 31, 2018 and 2017.

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

(b) Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as without donor restrictions. The Foundation considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receives and provides something of approximately equal value.
- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(b) Basis of Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets. Net assets with donor restrictions consist of a private donation made in 2012 of property to house an urban art gallery with a book value of \$129,913 and \$132,522 as of December 31, 2018 and 2017, respectively.

(c) Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(d) Amounts Held in Custody For Others and Affiliates

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. Amounts held in custody for affiliates consist of amounts held for use in support of the University.

(e) Receivables

Accounts receivable and financing receivables are considered delinquent after a period of nonpayment of 90 days. Although credit risks associated with tenants for accounts receivable or lessees for financing receivables are considered minimal, a review is routinely made of accounts receivable balances, and provisions for doubtful accounts are made. In circumstances where management is aware of a specific inability to meet their financial obligations (e.g., bankruptcy filings), a specific reserve is recorded to reduce the receivable to the amount expected to be collected. For all others, an allowance for bad debts is established by management based on historical trends. Receivables are written off when management deems collectability is doubtful. Bad debt expense, if any, and any related recoveries are included in the Statements of Activities and Changes in Net Assets. Management considers the receivable balances to be fully collectible, and as a result, an allowance for bad debt is not recorded.

(f) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, is reported as investment earnings net of related investment expenses in the Statements of Activities and Changes in Net Assets.

In accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820), the Foundation does not categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(g) Property and Equipment

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on the date of donation, net of accumulated depreciation. Plant, property, and equipment with a unit cost of greater than \$5,000 and a useful life of greater than 1 year is capitalized and depreciated. Depreciation of buildings, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from 3 to 10 years for vehicles and equipment to 10 to 40 years for building improvements and 30 to 40 years for buildings and associated structures.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

(h) Impairment of Long-Lived Assets

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. An impairment loss was recognized in the current year. See Note 6.

(i) Bond Issuance Costs and Prepaid Bond Insurance

Bond issuance costs and prepaid bond insurance incurred in the relationship to the bond indebtedness have been capitalized and are amortized over the life of the bond liability which is thirty years. The Foundation presents debt issuance costs as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Bond issuance costs amortization for the fiscal years 2018 and 2017 were \$27,627 and \$27,628, respectively, and amortization of prepaid bond insurance for each the fiscal years 2018 and 2017 was \$9,823 and \$9,222, respectively.

(j) Revenue Recognition

Revenue is recognized when earned.

Grant revenues are recognized when allowable expenditures are incurred under such agreements and contracts.

Contract revenue is recognized when contractual obligations have been fulfilled and the fees are received or otherwise deemed collectible.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(j) Revenue Recognition (continued)

Rental income is recognized as the rent becomes due. Rental payments received in advance are deferred until earned. All leases between the Foundation and the tenants of the property are operating leases. Tenant rent charges for the current month are generally due on the first of the month.

(k) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. The majority of expenses have been specifically identified with a program or supporting service. Certain costs have been allocated among the programs and supporting services benefited using appropriate methodologies such as time and effort. The Statements of Functional Expense present a reconciliation of expenses by natural classification to expenses by function.

(l) Income Taxes

The Foundation is exempt from income tax under Internal Revenue Code Section 501(c)(3), though it is subject to tax on income unrelated to its purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

(n) Reclassification

Certain reclassifications from prior year information were made to conform to current year presentation.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(o) Accounting Change

As of January 1, 2018 the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This adoption of ASU 2016-14 had no impact on the Foundation's total net assets.

(p) Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. This ASU is effective for the Foundation for the fiscal year ending December 31, 2020. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the fiscal year ending December 31, 2019. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This ASU is effective for the Foundation for the fiscal year ending December 31, 2019. The Foundation is currently assessing the impact of this pronouncement on the financial statements.

(2) Asset Liquidity

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while investing available funds in accordance with the Foundation's investment policy. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Foundation anticipates revenues to be sufficient to meet its general expenditure needs.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(2) Asset Liquidity (continued)

The Foundation does not consider most major facility maintenance or capital improvements to be general expenditures, but considers these items maintenance reserve transactions. The Foundation funds a maintenance reserve for its properties to support planned and expected required property maintenance and improvements. The maintenance reserve balances are self-imposed limits designated by the Foundation's Board of Directors.

The Foundation's Board of Directors has designated a portion of its unrestricted resources for capital improvements across the Research Park. This amount is identified as board-designated in the table below.

The Foundation has other amounts that have been set aside for specific programmatic purposes and are understood as self-imposed limitations on the use of those resources which are directed by the University or its designee.

The following schedule identifies the financial assets of the Foundation and any requirement, designation, earmark, or restriction on the use of those assets. Financial assets available for general expenditures over the next 12 months are able to be used to satisfy all existing and future obligations, liabilities, and expenditures of the Foundation.

Total assets	\$ 95,774,598
Less: non-current and non-financial assets	
Non-current investments	1,738,005
Non-current financing lease receivable	32,240,000
Property and equipment	46,139,307
Other current assets	102,298
Other non-current assets	386,934
Total financial assets at December 31, 2018	15,168,054
Less: financial asset designations:	
Board designated building maintenance reserve balances	7,974,307
Board designated resources for capital improvements	771,795
Other programmatic designations	703,693
Financial assets available for general expenditures over the next 12 months	\$ 5,718,259
Total current liabilities	\$ 4,351,187
Less: non-financial liabilities:	
Amortized prepaid rent	505,953
Amortized bonds payable	208,203
Total financial liabilities at year end	\$ 3,637,031
Financial assets available for general expenditures over the next 12 months	\$ 5,718,159
Less: financial liabilities at year end	3,637,031
Net financial assets available for general expenditures over the next 12 months	\$ 2,081,128

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(3) Investments

Investments consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Federated treasury obligations	\$ 1,593	\$ 535
Certificates of deposit	2,745,078	1,751,475
Corporate bonds	989,077	-
Mutual funds	<u>9,340,288</u>	<u>7,288,481</u>
Total	<u>\$ 13,076,036</u>	<u>\$ 9,040,491</u>

(4) Receivables

Receivables consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 328,305	\$ 564,406
Grants receivable	331,892	293,332
Due from affiliates	694,028	677,905
Tenants receivables	38,743	32,375
Insurance proceeds receivable	<u>9,590</u>	<u>88,783</u>
Total	<u>\$ 1,402,558</u>	<u>\$ 1,656,801</u>

Due from affiliates represents amounts due from the University.

There is no allowance recorded on the receivables above as of December 31, 2018 and 2017.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(5) Property and Equipment

Property and equipment consist of the following at December 31, 2018 and 2017:

<u>Description</u>	2018	2017
Land improvements	\$ 258,573	\$ 258,573
Building - Avondale	12,754,737	12,754,737
ITC buildings and parking garage	62,321,065	62,321,065
Building - ATC	9,186,680	9,186,680
Building - Shea Penland CERF	894,842	894,842
St. Claude Gallery	145,500	145,500
Construction in progress	-	705,896
Office furniture and equipment	57,543	57,543
Artwork	7,000	7,000
Total fixed assets	85,625,940	86,331,836
Accumulated depreciation	(39,486,633)	(36,905,871)
Net fixed assets	\$ 46,139,307	\$ 49,425,965

(6) Lease Agreements and Cooperative Endeavor Agreements

University of New Orleans/Avondale Maritime Technology Center of Excellence

Obligations

Avondale, a subsidiary of Huntington-Ingalls, (Avondale) donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility (Facility), including a laboratory and support area for the UNO School of Naval Architecture and Marine Engineering, has been built on such property by the Foundation and is sub-leased to Avondale.

Also, the Foundation has equipped the Facility and leased such equipment to Avondale. Avondale agreed that it will utilize the Facility for the design and construction of vessels pursuant to the Navy LPD-17 Contract and other contracts. Furthermore, Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting 21,000 square feet in the Facility subleased by Avondale from the Foundation.

On May 16, 1997, the Foundation and Avondale entered into a sub-lease agreement, for a term of 50 years which expires in 2047, which provides for Avondale to lease from the Foundation the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

This property is subject to the ground lease discussed in Note 10.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(6) Lease Agreements and Cooperative Endeavor Agreements (continued)

National Center for Advanced Manufacturing/MAF Research Administration Building

General

On December 18, 2007, the State, the Foundation, and NASA entered into a Cooperative Endeavor Agreement (the CEA) for a period of thirty (30) years.

The CEA provides for the use of State funds to pay approximately \$40 million of project costs associated with the planning, design, construction and equipping of a new NASA Research Administration Building (the Building) to be built at MAF. The Building will be used collaboratively by the Foundation and NASA for research and development administration, production work on the Orion Project, education, training and related matters for NASA, its contractors, the University, other Federal and State agencies, other higher educational institutions and private industry.

Obligations

As of December 31, 2018 and 2017, the activities related to this project are placed on hold by the State of Louisiana. In 2018, the Foundation determined the design costs in construction in progress of \$705,896 were fully impaired based on a reassessment of the asset and were written off.

(7) Fair Value of Financial Instruments

The FASB authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(7) Fair Value of Financial Instruments (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Federated treasury obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded or at the net asset value (“NAV”) of shares held at year end as applicable.

Certificates of deposit: The fair value of certificates of deposits and term deposits is estimated using third-party quotations.

Corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investment assets at fair value as of December 31, 2018. There have been no changes in the methodologies used at December 31, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federated treasury obligations	\$ 1,593	\$ -	\$ -	\$ 1,593
Certificates of deposit	-	2,745,078	-	2,745,078
Corporate bonds	-	989,077	-	989,077
Mutual funds	2,594,851	-	-	2,594,851
Subtotal	2,596,444	3,734,155	-	6,330,599
High quality bond mutual fund at NAV	-	-	-	3,365,436
Multi strategy bond mutual fund at NAV	-	-	-	3,380,001
Total investments at fair value	<u>\$ 2,596,444</u>	<u>\$ 3,734,155</u>	<u>\$ -</u>	<u>\$13,076,036</u>

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(7) Fair Value of Financial Instruments (continued)

The Foundation's investment in the high quality bond fund and the multi strategy bond fund, as of December 31, 2018, represents 1.19% and 1.41%, respectively, of all ownership interests in the fund. The high quality bond fund invests primarily in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest up to 20% of its assets in securities rated below investment grade and certain derivatives, and may use currency hedging. The multi strategy bond funds invest directly or indirectly in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest in global bonds, inflation indexed bonds, high yield bonds, emerging markets debt, and opportunistic fixed income strategies. The multi strategy bond fund also has investments in certain funds affiliated with the investment manager. Fair values of the investments in these classes have been estimated using the net asset value per share of the investments.

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2018.

Instrument	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
High quality bond mutual fund	\$3,365,436	Not applicable	Weekly	5 business days prior
Multi strategy bond mutual fund	\$3,380,001	Not applicable	Monthly	5 business days prior to month end

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2017. There have been no changes in the methodologies used at December 31, 2017.

	Level 1	Level 2	Level 3	Total
Federated treasury obligations	\$ 535	\$ -	\$ -	\$ 535
Certificates of deposit	-	1,751,475	-	1,751,475
Mutual funds	1,548,023	-	-	1,548,023
Subtotal	1,548,558	1,751,475	-	3,300,033
High quality bond mutual fund at NAV	-	-	-	2,860,947
Multi strategy bond mutual fund at NAV	-	-	-	2,879,511
Total investments at fair value	\$ 1,548,558	\$ 1,751,475	\$ -	\$ 9,040,491

The Foundation's investment in the high quality bond fund and the multi strategy bond fund, as of December 31, 2017, represents .97% and 1.16%, respectively, of all ownership interests in the fund. The high quality bond fund invests primarily in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest up to 20% of its assets in securities rated below investment grade and certain derivatives, and may use currency hedging. The multi strategy bond funds invest directly or indirectly in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest in global bonds, inflation indexed bonds, high yield bonds, emerging markets debt, and opportunistic fixed income strategies. The multi strategy bond fund also has investments in certain funds affiliated with the investment manager. Fair values of the investments in these classes have been estimated using the net asset value per share of the investments.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(7) Fair Value of Financial Instruments (continued)

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2017.

Instrument	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
High quality bond mutual fund	\$2,860,947	Not applicable	Weekly	5 business days prior
Multi strategy bond mutual fund	\$2,879,511	Not applicable	Monthly	5 business days prior to month end

(8) Notes Payable

Louisiana Public Facilities Authority Note Payable

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest. The first annual payment was due October 1, 2001 and continued through October 1, 2014.

In March 2014, the Foundation and LPFA entered into a third amendment. The third amendment requires the Foundation to make quarterly payments commencing December 2014 in the amount of \$34,700 through September 2024, the maturity date of this note. An annual payment will be due March 15th each year, commencing on March 15th 2016, in an amount equal to 87.35% of cash flow of the ATC building for the immediately preceding fiscal year minus the amount of quarterly payments paid on the note during the preceding fiscal year. As of December 31, 2018, the Foundation has made cumulative payments totaling \$703,723 in principal on the note. The carrying amount of the note is \$796,277 as of December 31, 2018.

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements within 180 days of year end. The Foundation is in compliance with the debt covenants as described.

The note is secured by a collateral note signed by the Foundation in the amount of \$2,000,000. This note is subordinate to the bank loan and is secured by a security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statements of Financial Position.

Local Bank Note Payable

On April 19, 2001, the Foundation entered into a Loan Agreement with a local bank. The balance of the loan at December 31, 2018 is \$2,834,885. The loan was amended in 2011 with an interest rate of 6.5% to mature on April 12, 2016, and again amended in 2016 with an interest rate of 4.5% to mature on April 12, 2021, at which time the remaining unpaid balance of principal and interest will be due. Monthly payments of principal and interest total \$37,969. Although the amendment to the loan covers a five year period, the loan payments are based on a ten year amortization schedule resulting in a final payment in the amount of \$2,071,261, representing all outstanding principal and interest, which is due on April 12, 2021.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(8) Notes Payable (continued)

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements by May 31st following each year end, a debt service coverage ratio of 1.25 to 1, the outstanding principal not to exceed 75% of the fair market value, as appraised of the related property, as well as other negative covenants. The Foundation is in compliance with the debt covenants as described.

The note is collateralized by a collateral note signed by the Foundation in the amount of \$12 million, which is secured by a first lien and security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statements of Financial Position.

Future Payments

The following is a summary of all notes payable at December 31, 2018 and 2017:

	2018	2017
Louisiana Public Facilities Authority	\$ 796,277	\$ 935,075
Local bank	2,834,885	3,153,256
Total notes payable	3,631,162	4,088,331
Less: current portion	(472,002)	(457,169)
Total non-current notes payable	\$ 3,159,160	\$ 3,631,162

The notes are required to be repaid as follows as of December 31, 2018:

2019	\$ 472,002
2020	487,210
2021	2,292,068
2022	138,798
2023	138,798
2024	102,286
	\$ 3,631,162

(9) Bonds Payable

On August 8, 2006, the Louisiana Public Facilities Authority issued \$38,500,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the public on behalf of the Foundation. The proceeds of the bonds were used for the financing, planning, design, construction, furnishing and equipping of resident facilities for use by the University, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds were also used to pay the costs associated with the issuance of the bonds.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(9) Bonds Payable (continued)

On August 28, 2014, the Louisiana Public Facilities Authority (the Authority) issued \$36,000,000 of its Revenue Refunding Bonds Series 2014 (Series 2014) on behalf of the Foundation to advance refund and defease the Authority's outstanding Series 2006.

Series 2014 were issued at a premium, which totaled \$2,974,068 on the date of issuance of the Series 2014 Bonds. The premium is being amortized over the life of the Series 2014. The total amount of premium relating to the Series 2014 amortized during year ended December 31, 2018 and December 31, 2017, respectively, was \$254,339 and \$265,178.

The interest rates on the Series 2014 range from 3% to 5% per annum with the first interest payment due on March 1, 2015. The first principal payment was due September 1, 2016 with the final principal payment due in 2035.

The Series 2014 issue has debt covenants which are required to be met by the Foundation. Additionally, the bond issue is collateralized by the resident facilities which are recorded as a financing lease receivable from the University (see Note 15). The Foundation is in compliance with the debt covenants.

Bonds payable consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bonds payable	\$ 33,295,000	\$ 34,275,000
Bond premium	1,808,706	2,063,045
Less: prepaid bond insurance	(163,703)	(173,526)
Less: cost of bond issuance	(460,474)	(488,101)
Bonds payable, net	<u>34,479,529</u>	<u>35,676,418</u>
Less: current portion	(1,263,203)	(1,196,889)
Total non-current bonds payable	<u>\$ 33,216,326</u>	<u>\$ 34,479,529</u>

The outstanding Series 2014 bonds are required to be repaid as follows for the next five years and five year periods thereafter.

2019	\$ 1,055,000
2020	1,135,000
2021	1,220,000
2022	1,330,000
2023	1,445,000
2024-2028	9,075,000
2029-2033	7,065,000
2034-2035	<u>10,970,000</u>
Total bonds payable	<u>\$ 33,295,000</u>

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(10) Ground Leases

University of New Orleans Ground Lease 1

On May 16, 1997, the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the Foundation. The terms of the lease agreement provide that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation that will in turn develop construct, maintain, operate, manage, and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years.

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University which is recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$6,075,229 and \$6,403,259 as of December 31, 2018 and 2017, respectively.

University of New Orleans Ground Lease 2

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation which was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property that is located in Orleans Parish to the Foundation which will develop, construct, maintain, operate, manage, and/or lease improvements on such land. The lease agreement is for a term of ninety-nine years.

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University. The facilities and related fixtures, equipment, and furnishings are recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$39,295,067 and \$41,505,985 as of December 31, 2018 and 2017, respectively.

Coastal Education and Research Facility Ground Lease

On December 22, 2009, the Foundation was assigned leases for four boat slips and received a donation for related leasehold improvements (the Property). \$215,000 was provided by the Foundation towards improvements to the Property. The Foundation entered into an agreement with the University making the Property available to the University for use as the University of New Orleans Shea Penland Coastal Education and Research Facility (CERF) to support the University's mission to establish a wetlands research and education field station.

The CERF building is recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$623,955 and \$654,391 as of December 31, 2018 and 2017, respectively.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(11) Other Lease Agreements

On January 15, 1998, the Foundation entered into a sub-lease agreement with the United States of America (the Government) to lease space at the Information Technology Center from the Foundation comprising of approximately 300,000 square feet of administrative space, 1,050 hard surface parking spaces, and 11.82 acres of land located at the University of New Orleans Research and Technology Park. As of October 2013, the Government leases two buildings of administrative space totaling approximately 200,000 square feet and 700 hard surface parking spaces.

The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms. The lease is renewed annually per the agreement.

On August 8, 2014, the Foundation entered into a lease agreement with a private tenant to lease the entire Information Technology Center No. 4 building from the Foundation comprising of approximately 104,000 rentable square feet, located at the University of New Orleans Research and Technology Park. The commencement date of the lease was January 1, 2015 with an initial term of ten years with the option to extend the lease for three additional five-year terms.

(12) Future Lease Rent

Future rent from all lease agreements is as follows. The schedule below does not include the future rent to be received from the Avondale arrangement described in Note 6 of \$100,000 per year through 2047.

2019	\$ 4,599,057
2020	2,710,215
2021	2,694,625
2022	2,644,382
2023	2,627,634
2024-2025	1,084,324
	<u>\$ 16,360,237</u>

(13) Due To/From Affiliates/Related Party Transactions

University of New Orleans Foundation

The Foundation received \$525,000 for contracted administrative support to the University of New Orleans Foundation (UNOF) during both 2018 and 2017.

The University received \$33,183 in subsidies from the Foundation which was passed through the UNOF during 2018. The Foundation made other donations to the UNOF during 2018 of \$13,425. At December 31, 2018, funds due from the UNOF totaled \$0, and funds due to the UNOF totaled \$16,406.

The University received \$87,479 in subsidies from the Foundation which was passed through the UNOF during 2017. At December 31, 2017, funds due from the UNOF totaled \$43,750, and funds due to the UNOF totaled \$3,747.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(13) Due To/From Affiliates/Related Party Transactions (continued)

University of New Orleans

The Foundation enters into certain contracts, and makes the related contract payments, on behalf of the University. The University reimburses the Foundation for such contract payments made on its behalf. The University also makes payments to the Foundation for property management of the Center for Energy Resources Management building.

During the years ended December 31, 2018 and December 31, 2017, the Foundation incurred \$3,119,887 and \$3,110,445 respectively related to the aforementioned contract payments and property management services included on the Statement of Activities and Changes in Net Assets as detailed below.

	2018	2017
Property Operations	\$ 397,652	\$ 351,153
International Programs	491,394	535,500
Student Housing	1,298,011	1,314,372
Technology Transfer	253,195	393,685
Donations to University	455,044	30,500
Other payments on behalf of University	224,590	485,235
	\$ 3,119,887	\$ 3,110,445

Additionally, during the years ended December 31, 2018 and 2017, the Foundation incurred \$980,000 and \$900,000, respectively, in principle payments on the Series 2014 bonds.

As of December 31, 2018 and 2017, the Foundation recorded reimbursements and accrued revenue related to these contracts, services, and principle payments from the University of \$3,384,232 and \$3,331,351, respectively. Amounts still owed to the Foundation as of December 31, 2018 and December 31, 2017 total \$694,028 and \$677,905 respectively. Payables to the University as of December 31, 2018 and December 31, 2017 are \$268,761 and \$274,967 respectively, as recorded in the Statements of Financial Position.

The Foundation paid to the University \$9,303 and \$34,508 during the years ended December 31, 2018 and December 31, 2017 related to the Memorandum of Understanding related to National Center for Advanced Manufacturing. The Foundation holds a remaining \$330,417 and \$339,720 as of December 31, 2018 and December 31, 2017, respectively, which is included in the Statements of Financial Position as amounts held in custody for affiliates.

(14) National Collegiate Athletic Association

The Foundation has an affiliation agreement with the University which requires the presentation of a supplemental schedule illustrating revenue, support, expenses, and capitalized expenditures made to or on behalf of the University's Intercollegiate Athletics Program for the National Collegiate Athletic Association. During the years ended December 31, 2018 and 2017, the Foundation incurred no such amounts.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2018 and 2017

(15) Financing Lease Receivable

The Foundation entered into a ground lease dated August 8, 2006, and amended in August 2014 with the University for the purpose of financing, planning, constructing, and equipping a student residence facility. Pursuant to a facility lease, the Foundation leased the completed facility to the University. Rent payments from the University are sufficient to pay debt services on the Series 2014 Bonds, which is collateralized by the student residence facilities.

The lease was determined to meet the requirements of a financing lease and as such, the asset was then transferred from construction in progress to a financing lease receivable. The total financing lease receivable is required to be repaid as follows for the next five years and five year periods thereafter.

2019	\$ 1,055,000
2020	1,135,000
2021	1,220,000
2022	1,330,000
2023	1,445,000
2024-2028	9,075,000
2029-2033	7,065,000
2034-2035	<u>10,970,000</u>
	<u>\$ 33,295,000</u>

(16) Settlement Agreement

In April 2018, the Foundation received a fully executed settlement agreement on a litigation matter resulting in a favorable material award. The revenue from this award is recorded as settlement agreement proceeds and the related expenses are recorded as settlement agreement expenses in the Statements of Activities and Changes in Net Assets.

(17) Concentrations of Risk and Contingencies

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The Foundation is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position.

(18) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 31, 2019, and determined that there were no subsequent events requiring disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Single Audit Report

December 31, 2018



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**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Single Audit Report

December 31, 2018

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

December 31, 2018

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
University of New Orleans Research and Technology Foundation
New Orleans, 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 University of New Orleans Research and Technology Foundation, Inc. (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation'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.



Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

May 31, 2019
Metairie, Louisiana

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
University of New Orleans Research and Technology Foundation, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the compliance of University of New Orleans Research and Technology Foundation, Inc. (the Foundation) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2018. The Foundation's major federal program is identified in the Summary of Independent Auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on its Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.



Postlethwaite & Netterville

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses deficiencies or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the Foundation as of and for the year ended December 31, 2018, and have issued our report thereon dated May 31, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

May 31, 2019
Metairie, Louisiana

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2018

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Federal Expenditures</u>	<u>Passed through to Sub-recipients</u>
<u>Research and Development Cluster</u>				
<i>U.S. Environmental Protection Agency</i>				
<i>Direct Awards</i>				
Lake Pontchartrain Basin Restoration Program (PRP)	66.125	N/A	\$ 1,125,365	\$ 1,067,861
Total U.S. Environmental Protection Agency			<u>1,125,365</u>	<u>1,067,861</u>
Total Research and Development Cluster			<u>1,125,365</u>	<u>1,067,861</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,125,365</u></u>	<u><u>\$ 1,067,861</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the University of New Orleans Research and Technology Foundation, Inc. (the Foundation) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

The Foundation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted as of a date subsequent to December 31, 2018.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

(1) Summary of the Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial report:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major program: Unmodified

Did the audit disclose any audit findings which the independent auditor is required to report under the Uniform Guidance? No

Identification of major program:

Research and Development Cluster:
Lake Pontchartrain Basin Restoration Program - CFDA #66.125

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as a low risk auditee under the Uniform Guidance: Yes

(2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None

(3) Findings and Questioned Costs Relating to Federal Awards: None

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2018

None noted.