

LSU MEDICAL SCHOOL – NEW ORLEANS

MEDICAL ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2020



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS:</u>	
Exhibit "A" Statement of Financial Position	3
Exhibit "B" Statement of Activities	4
Exhibit "C" Statement of Functional Expenses	5
Exhibit "D" Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11
 REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH LSU AFFILIATION AGREEMENT	



INDEPENDENT AUDITORS' REPORT

The Board of Directors of
LSU School of Medicine-New Orleans Medical Alumni Association, Inc.
New Orleans, Louisiana

We have audited the accompanying financial statements of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (Alumni Association), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.



To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
May 29, 2021

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

May 29, 2021
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,591,546
Certificates of deposit	418,708
Prepaid expenses	38,084
Prepaid inventory	<u>12,103</u>
Total current assets	<u>3,060,441</u>

PROPERTY AND EQUIPMENT:

Furniture, fixtures and equipment	<u>11,710</u>
Less: accumulated depreciation	<u>(11,710)</u>
Net property and equipment	<u>-</u>
Total assets	<u>\$ 3,060,441</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 6,175</u>
Total current liabilities	<u>6,175</u>

NET ASSETS:

Without donor restrictions	2,575,018
With donor restrictions	<u>479,248</u>
Total net assets	<u>3,054,266</u>
Total liabilities and net assets	<u>\$ 3,060,441</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS :

Revenues and Gains:

Contributions:	
Alumni and others	\$ 1,376,703
Special events	19,740
Investment income	<u>9,407</u>
Total revenues without donor restrictions	<u>1,405,850</u>

Net Assets Released From Restrictions:

Restrictions satisfied by payments	<u>36,181</u>
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Expenses:

Program services:	
Special events	41,598
Donations	225,295
Support services:	
General and administrative	79,250
Fundraising	<u>94,629</u>
Total expenses	<u>440,772</u>

Increase in net assets without donor restrictions	1,001,259
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS :

Net assets released from restrictions	(36,181)
Contributions	<u>268,487</u>
Increase in net assets with donor restrictions	232,306
Increase in net assets	1,233,565
Net assets, beginning of year	<u>1,820,701</u>
Net assets, end of year	<u><u>\$ 3,054,266</u></u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
 MEDICAL ALUMNI ASSOCIATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services		Supporting Services		Total
	Special Events	Donations	Management and General	Fundraising	
Contract labor	\$ -	\$ -	\$ 46,185	\$ 19,131	\$ 65,316
Total contract labor	-	-	46,185	19,131	65,316
Accounting fees	-	-	18,590	-	18,590
Bank and credit card fees	-	-	5,170	-	5,170
Gala	400	-	-	-	400
Operations	-	-	6,087	-	6,087
Postage	-	-	-	31,036	31,036
Printing	-	-	-	43,921	43,921
Reunion	20,170	-	-	-	20,170
Special alumni events	21,028	-	-	-	21,028
Scholarships	-	225,295	-	-	225,295
Supplies	-	-	-	541	541
Travel and meetings	-	-	3,218	-	3,218
Total expenses	<u>\$ 41,598</u>	<u>\$ 225,295</u>	<u>\$ 79,250</u>	<u>\$ 94,629</u>	<u>\$ 440,772</u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>	
Increase in net assets	\$ 1,233,565
Adjustments to reconcile increase in net assets to net cash from (used for) operating activities:	
(Increase) decrease in:	
Inventories	(12,103)
Prepaid expenses	(38,084)
Receipt of donor specified contributions on behalf of Foundation	77,520
Transfer of contributions to Foundation	(77,520)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>6,175</u>
Net cash from operating activities	<u>1,189,553</u>
<u>CASH FLOWS (USED FOR) INVESTING ACTIVITIES:</u>	
Purchases of certificates of deposit	<u>(6,692)</u>
Net cash (used for) investing activities	<u>(6,692)</u>
Net increase in cash and cash equivalents	1,182,861
Cash and cash equivalents, beginning of year	<u>1,408,685</u>
Cash and cash equivalents, end of year	<u>\$ 2,591,546</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (the Alumni Association) supports and promotes the research, educational and service work of the LSU School of Medicine – New Orleans (the School) and the LSU Health Sciences Center (the Center).

The Alumni Association began operations on December 3, 2003. It acts as a fundraising arm, in an agency relationship, for the LSU Health Sciences Center. Alumni and corporate sponsor directed contributions collected for endowments are remitted to the LSU Health Sciences Center Foundation (the Foundation) to fund professorships, chairs, scholarships, awards, etc. Alumni and corporate sponsor directed contributions collected for dues, reunion expenses, certain professional education activities, and construction are maintained by the Alumni Association.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Alumni Association is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Those net assets whose use is not restricted by donors.

Net Assets With Donor Restrictions – Those net assets whose use by the Alumni Association has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alumni Association considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

The certificates bear interest ranging from .85% to 1% and have maturities ranging from six to seven months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Property and Equipment

Equipment and furniture are depreciated over their estimated useful lives of 7 years using the straight-line method of depreciation. Depreciable assets are valued at cost if purchased or fair value if contributed.

Contribution Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases 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. Restricted contributions that are used in the reporting period in which the contribution is made are reported as unrestricted contribution revenue.

Special Event Revenue

Special event revenue is generated from individual class reunions and the gala, which are held in June and November, respectively. A portion of this revenue is recognized as a contribution and in part as an exchange transaction for the event when it occurs.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Alumni Association.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Transactions

The Alumni Association acts as the fundraising agent for the Center. In accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, donor directed contributions received on behalf of the Center and subsequently transferred to the Foundation are not reported as revenue and expenses in the accompanying financial statements.

Income Taxes

The Alumni Association is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes.

The Alumni Association's evaluation as of December 31, 2020 and concluded their organization has taken no uncertain tax positions that require adjustment or disclosure to the financial statements to comply with the provisions of the accounting guidance for income tax.

Subsequent Events

Subsequent events have been evaluated through May 29, 2021, which is the date the financial statements were available to be issued and determined that the event below occurred that require disclosure.

Prepaid inventory was completed in 2021. See Note (3).

No additional subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

(2) LIQUIDITY

The Alumni Association's financial assets available within one year of December 31, 2020 for general expenditure are as follows:

Financial assets, at year end	\$ 3,060,441
Less those unavailable for general expenditure	
Within one year due to:	
Donor-imposed restrictions	<u>479,248</u>
Financial assets available to meet cash needs for	
General expenditures within one year	<u>\$ 2,581,193</u>

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
 MEDICAL ALUMNI ASSOCIATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

(2) LIQUIDITY (CONTINUED)

The Alumni Associations' financial assets have been reduced by amounts not available for general use because of donor restrictions.

As part of the Alumni Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Alumni Association invests cash in excess of daily liquidity requirements in short-term investments. Although the Alumni Association does not intend to spend from its certificates of deposit other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its certificates of deposit could be made available if necessary. At December 31, 2020, the Alumni Association had an additional \$418,708 in certificates of deposit that are unavailable for general expenditures within one year due to donor restrictions.

(3) PREPAID INVENTORY

Prepaid inventory is made up of publishing expenses of a book the Alumni Association is funding on behalf of one of the donors. After year end, the books were completed, the Alumni Association paid an additional \$51,955 in costs, and they received all copies. The books will be sold or donated by the Alumni Association.

(4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the following activities at December 31, 2020:

Isidore Cohn Student Learning Center	\$ 454,409
Murphey Memorial Fund	3,578
Alumni Affairs – Oliver	565
AZAR	6,500
Class of '76	<u>14,196</u>
Total	<u>\$ 479,248</u>

Released from Restrictions

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended December 31, 2020:

Isidore Cohn Student Learning Center	\$ 15,153
Oliver	1,000
Robichaux	<u>20,028</u>
Total	<u>\$ 36,181</u>

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

(5) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, as an agent for the Center, the Alumni Association collected cash contributions of \$77,520 and remitted \$77,520 to the Foundation.

The Center and the School provide space and office equipment to the Alumni Association at no cost. These costs have not been determined for the year ended December 31, 2020, and will not be reimbursed to the Center or to the School.

(6) CONCENTRATION OF CREDIT RISK

The Alumni Association maintains its cash and cash equivalents in a local financial institution in Louisiana. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, cash deposits in excess of the insured limits totaled \$2,299,033. The Alumni Association has not experienced a loss in such accounts and believe it is not exposed to any significant credit risk related to cash.

Two individual donors contributed 62% of total revenues to the Alumni Association for the year ended December 31, 2020.

(7) RISK AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency including the state of Louisiana. It is anticipated that these impacts will continue for some time. All reunions and the gala have been postponed this year. The future effects of these issues are unknown.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH LSU AFFILIATION AGREEMENT**

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
New Orleans, Louisiana

Report on Compliance with LSU Affiliation Agreement

We have audited the LSU School of Medicine – New Orleans Medical Alumni Association, Inc.’s (the Organization) compliance with the Affiliation Agreement and its Addendum dated July 1, 2009 (LSU Affiliation Agreement) between this entity and the Board of Supervisors of LSU and Agricultural and Mechanical College.

Management’s Responsibility

Management is responsible for compliance with the LSU Affiliation Agreement.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Organization’s compliance based on our audit of the compliance requirements of the LSU Affiliation Agreement. We conducted our audit of compliance in accordance with the 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 noncompliance with the LSU Affiliation Agreement occurred. An audit includes examining, on a test basis, evidence about the Organization’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 with LSU Affiliation Agreement. However, our audit does not provide a legal determination of the Organization’s compliance with the LSU Affiliation Agreement.

Opinion on Compliance with LSU Affiliation Agreement

In our opinion, the LSU School of Medicine – New Orleans Medical Alumni Association, Inc. complied, in all material respects, with the LSU Affiliation Agreement for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The management of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of the LSU Affiliation Agreement. In planning and performing our audit of compliance, we considered LSU School of Medicine – New Orleans Medical Alumni Association, Inc.’s internal control over compliance with the LSU Affiliation Agreement in order



To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
May 29, 2021
Page 2

to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance with LSU Affiliation Agreement, 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 LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s internal control over compliance with the LSU Affiliation Agreement.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 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 compliance 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 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.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Board of Supervisors of LSU and Agricultural and Mechanical College and is not intended to be and should not be used by anyone other than these specified parties.

May 29, 2021
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants