

**NICHOLLS STATE
UNIVERSITY FOUNDATION, INC.**
Thibodaux, LA

Financial Reports

June 30, 2017 and 2016



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Nicholls State University Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017 and 2016, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2016, were audited by other auditors whose report dated October 13, 2017, expressed an unmodified opinion on those statements.

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services, support services, and funds held in custody on pages 19 through 22 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

Houma, LA
August 10, 2018

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 1,348,495	\$ 783,277
Invested Cash	1,025,211	251,448
Total Cash and Cash Equivalents	<u>2,373,706</u>	1,034,725
Restricted Cash - Endowed		
Chairs and Professorships	1,061,758	629,484
Investments	21,641,105	21,184,877
Accrued Interest	63,435	63,551
Accounts Receivable	102,753	73,575
State Matching Funds Receivable	-	40,000
Antique Collection	75,830	75,830
Total Assets	<u><u>\$ 25,318,587</u></u>	<u>\$ 23,102,042</u>
Liabilities		
Accounts Payable	\$ 105,631	\$ 73,855
Long-Term Debt	1,924,230	1,400,000
Funds Held in Custody		
State Funds	3,891,453	3,663,126
University Funds	6,953,174	6,744,815
Total Liabilities	<u>12,874,488</u>	11,881,796
Net Assets		
Unrestricted	(594,563)	(650,797)
Temporarily Restricted	5,420,680	4,505,112
Permanently Restricted	7,617,982	7,365,931
Total Net Assets	<u>12,444,099</u>	11,220,246
Total	<u><u>\$ 25,318,587</u></u>	<u>\$ 23,102,042</u>

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets		
Revenue		
Contributions - Memberships	\$ 74,500	\$ 70,774
Dividends and Interest Income	65,800	51,334
Gain (Loss) on Investments, Net	132,389	(194,989)
Other Revenues	82,583	96,293
Total Revenues	<u>355,272</u>	<u>23,412</u>
Net Assets Released from Restrictions		
Satisfaction by Payment	<u>2,715,827</u>	3,039,103
Total Unrestricted Revenue	<u>3,071,099</u>	<u>3,062,515</u>
Expenses		
Program Services	2,588,440	2,333,895
Support Services	426,425	463,522
Total Expenses	<u>3,014,865</u>	<u>2,797,417</u>
Increase in Unrestricted Net Assets	<u>56,234</u>	265,098
Changes in Temporarily Restricted Net Assets		
Contributions	1,347,672	1,154,128
Dividends and Interest Income	259,853	216,923
Gain (Loss) on Investments, Net	610,955	(76,307)
Colonels Brigade Support	1,286,239	1,355,965
John Folse Culinary Institute Support	39,174	47,325
Special Fundraising Events	107,081	127,047
Transfer to Permanently Restricted Net Assets	(19,579)	(74,370)
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>(2,715,827)</u>	<u>(3,039,103)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>915,568</u>	<u>(288,392)</u>
Changes in Permanently Restricted Net Assets		
Contributions	232,472	292,527
Transfers from Temporarily Restricted Net Assets	19,579	74,370
Increase in Permanently Restricted Net Assets	<u>252,051</u>	<u>366,897</u>
Increase in Net Assets	1,223,853	343,603
Net Assets, Beginning of Year	11,220,246	10,876,643
Net Assets, End of Year	\$ 12,444,099	\$ 11,220,246

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 1,223,853	\$ 343,603
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Proceeds of Contributions Restricted for Endowment Purposes	(232,472)	(292,527)
Net Gain from Investments	(92,624)	(269,279)
(Appreciation) Depreciation in Value of Investments	(650,720)	522,289
(Increase) Decrease in:		
Accrued Interest	116	(43,810)
Accounts Receivable	(29,178)	(32,647)
State Matching Funds Receivable	40,000	120,000
Increase (Decrease) in:		
Accounts Payable	31,776	32,827
Funds Held in Custody	436,686	(525,183)
Net Cash Provided by (Used in) Operating Activities	727,437	(144,727)
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	6,354,618	7,367,990
Purchase of Investments	(6,499,776)	(7,031,030)
Net Cash (Used in) Provided by Investing Activities	(145,158)	336,960
Cash Flows from Financing Activities		
Proceeds from Notes Payable	524,230	(200,000)
Endowment Fund Contributions	232,472	292,527
Net Cash Provided by Financing Activities	756,702	92,527
Net Increase in Cash and Cash Equivalents	1,338,981	284,760
Cash and Cash Equivalents, Beginning of Year	1,034,725	749,965
Cash and Cash Equivalents, End of Year	\$ 2,373,706	\$ 1,034,725

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Accounting and Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and other highly liquid, unrestricted investments with an initial maturity of three months or less.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Other investments, including hedge funds and other externally managed investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor. These investments are reported at net asset value (NAV) as a practical expedient to fair value.

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

Antique Collection

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

Funds Held in Custody

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

Financial Statement Presentation

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

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

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

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions

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

Promises to Give

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

Collections

Donations of collections are recorded as support at their estimated fair value at the date of their donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expense Allocation

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as a public charity.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Foundation believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Adoption of ASU 2015-07

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. Management elected to early-adopt the provisions of this ASU. Accordingly, the amendment was retrospectively applied resulting in the elimination of investments measured using the NAV practical expedient from categorization within the fair value hierarchy table in Note 4 and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting the new revenue standard on the financial statements.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Adopted (Continued)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which amends the existing requirements for the financial statements and notes of not-for-profit entities (NFP). This update is the first phase of the FASB's two phase project. Entities are required to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for *net assets without donor restrictions*, as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, a not-for-profit entity has the option to omit certain information for any periods presented before the period of adoption. Management is currently evaluating the impact of ASU 2016-14 on the financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management does not expect ASU 2016-02 to have a significant impact on the financial statements as there are no leases.

Note 2. Cash and Cash Equivalents and Restricted Cash

The Foundation maintains several bank accounts at Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution exceeded federally insured limits by \$1,120,457 and \$564,955 at June 30, 2017 and 2016. Money market mutual funds included in cash equivalents totaled \$775,211 and \$251,448 at June 30, 2017 and 2016, respectively. These amounts were uninsured. Restricted cash, which consists of money market mutual funds invested for the Endowed Chairs and Professorships Program, totaled \$1,061,758 and \$629,484 at June 30, 2017 and 2016, respectively. These amounts were also uninsured.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 3. Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the Foundation reports certain equity and all debt securities at fair value. The composition of investment securities at June 30, 2017 and 2016, is as follows:

	2017	2016
Equity Securities		
Corporate Securities	\$ 5,706,612	\$ 4,469,250
Mutual Funds and Exchange Traded Funds	6,435,639	7,391,363
Real Estate Investment Trusts	167,096	-
Debt Securities		
Corporate Bonds	6,097,303	4,521,335
Obligations of States and Municipal Governments	1,936,792	2,045,538
Equity Linked Notes	-	1,045,219
Alternative Investments	1,297,663	1,712,172
Total	\$ 21,641,105	\$ 21,184,877

Alternative investments include hedge funds and a futures fund, which are sophisticated, multi-strategy investments managed by external advisors. Such investments are not readily marketable and are reported at fair value by the use of calculated net asset value per ownership share.

The following schedules summarized the investment return and its classification in the statement of activities for the years ended June 30, 2017 and 2016. Interest, dividends, and net gains (losses) have been distributed to Unrestricted, Temporarily Restricted, or Permanently Restricted based on each classification's pro-rata share of investments.

2017	Unrestricted	Temporarily Restricted	Temporarily Restricted	Total
Dividends and Interest	\$ 65,800	\$ 259,853	\$ -	\$ 325,653
Net Gain	132,389	610,955	-	743,344
Total Investment Return	\$ 198,189	\$ 870,808	\$ -	\$ 1,068,997

2016	Unrestricted	Temporarily Restricted	Temporarily Restricted	Total
Dividends and Interest	\$ 51,334	\$ 216,923	\$ -	\$ 268,257
Net Loss	(194,989)	(76,307)	-	(271,296)
Total Investment Return	\$ (143,655)	\$ 140,616	\$ -	\$ (3,039)

Investment, custodial, and advisory fees paid during the years ending June 30, 2017 and 2016 totaled \$133,484 and \$118,355, respectively.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 3. Investments (Continued)

As of June 30, 2017 and 2016, investments include funds held for Professorships and Chairs of Nicholls State University in the amount of \$6,953,174 and \$6,744,815, respectively, and state matching funds in the amount of \$3,891,453 and \$3,663,126, respectively. Once a chair or professorship has been matched by the state program, funds are transferred to UBS Financial Services, Inc. for investment purposes.

Note 4. Fair Values of Financial Instruments

The Foundation follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The inputs in the three levels of this hierarchy are described as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The Foundation's measurements of fair value are made on a recurring basis, and its valuation techniques for assets and liabilities recorded at fair value are as described in the preceding section.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 4. Fair Values of Financial Instruments (Continued)

Recurring Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017 and 2016:

<u>June 30, 2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities				
Corporate Securities	\$ 5,706,612	\$ 5,706,612	\$ -	\$ -
Mutual Funds and Exchange Traded Funds	6,435,639	6,435,639	-	-
Real Estate Investment Trusts	167,096	167,096	-	-
Debt Securities				
Corporate Bonds	6,097,303	4,396,884	1,125,810	574,609
Obligations of States and Municipal Governments	1,936,792	-	1,936,792	-
Hedge Fund and Futures Fund Measured at NAV (a)	1,297,663	-	-	-
Total	\$ 21,641,105	\$ 16,706,231	\$ 3,062,602	\$ 574,609
<u>June 30, 2016</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities				
Corporate Stock	\$ 4,469,250	\$ 4,469,250	\$ -	\$ -
Mutual Funds and Exchange Traded Funds	7,391,363	7,391,363	-	-
Debt Securities				
Corporate Bonds	4,521,335	-	4,521,335	-
Obligations of States and Municipal Governments	2,045,538	-	2,045,538	-
Equity Linked Notes	1,045,219	-	1,045,219	-
Hedge Fund and Futures Fund Measured at NAV (a)	1,712,172	-	-	-
Total	\$ 21,184,877	\$ 11,860,613	\$ 7,612,092	\$ -

(a) Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Changes in the amounts of Level 3 investments reported in the statement of financial position are as follows for the year ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Corporate Bonds, Beginning of Year	\$ -	\$ -
Net Purchases and Sales	581,000	-
Unrealized Gain (Loss)	(6,391)	-
Corporate Bonds, End of Year	<u>\$ 574,609</u>	<u>\$ -</u>

Investments in Certain Entities that are Measured at Net Asset Value Per Share as a Practical Expedient

The FASB issued a standards update pertaining to *Fair Value Measurements and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. Fair values of certain investments are determined by the use of calculated net asset value per ownership share.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 4. Fair Values of Financial Instruments (Continued)

Investments in Certain Entities that are Measured at Net Asset Value Per Share as a Practical Expedient (Continued)

The Foundation's investments at June 30, 2017 that feature net asset value per share are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Fund (a)	\$ 594,723	N/A	Quarterly	90 Days
Futures Fund (b)	702,940	N/A	Quarterly	30 Days
Total	<u>\$ 1,297,663</u>			

- (a) This category includes a multi-strategy fund which combines hedged funds with private investments.
- (b) This category includes investments in a futures fund which invests primarily in equity securities of U.S. and foreign companies.

Note 6. Unconditional Promises to Give

Pledged support receivable in more than one year is discounted based on U.S. Government issues. There were no unconditional promises to give at June 30, 2017 and 2016.

Note 7. State Matching Funds Receivable

State matching funds receivable, comprised of the amounts due from the State of Louisiana in regard to Endowed Chair, Endowed Professorship, and Endowed Scholarship Program, totaled \$-0- and \$40,000 as of June 30, 2017 and 2016, respectively.

Note 8. Funds Held in Custody

Under agreements with Nicholls State University (the University), the Foundation holds and manages funds received by the University as State matching funds for the accounts of the Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs. Also, under an agreement with Nicholls State University, the Foundation holds and manages the donated and state matching funds for the University.

As of June 30, 2017 and 2016, the funds held in custody are as follows:

	2017	2016
State Funds Held in Custody	\$ 3,891,453	\$ 3,663,126
University Endowments Held in Custody	6,953,174	6,744,815
Total Funds Held in Custody	<u>\$ 10,844,627</u>	<u>\$ 10,407,941</u>

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 9. Long-Term Debt

The Foundation has a revolving line of credit with a local bank. Maximum borrowings on the line are \$1,300,000. Monthly interest payments are required at a rate of 4.750%. The line of credit is secured by a continuing security interest in any and all funds on deposit or in certificates of deposit held at the Lender. As of June 30, 2017 and 2016, the outstanding balance was \$524,230 and \$-0-.

Notes payable consists of loans from two board members, which were made to provide the funding needed for the furnishing of certain kitchen and culinary equipment necessary to complete the four teaching kitchens at the Chef John Folse Culinary Institute. The notes bear no interest and have no maturity date or repayment schedule. No assets have been pledged as collateral and the lenders waived any rights to seek repayment from the assets of the Foundation. Nicholls State University and the Chef John Folse Culinary Institute have entered into a Memorandum of Agreement with the Foundation under which the parties pledge to continue fundraising efforts until the loans are repaid. As a result of those fundraising efforts, the Foundation made principal payments on the notes totaling \$-0- and \$200,000 during the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the notes payable balance was \$1,400,000.

Note 10. Restrictions on Net Assets

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

As of June 30, 2017 and 2016, temporarily restricted net assets are as follows:

	2017	2016
Other University Projects	\$ 2,543,668	\$ 2,301,447
Endowed Chairs, Professorships, and 1st Generation Scholarships	1,037,021	809,837
Scholarships	1,028,423	866,559
Business Capstone Funds	464,347	470,347
Institutional Advancement	347,221	56,922
Total	\$ 5,420,680	\$ 4,505,112

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 10. Restrictions on Net Assets (Continued)

As of June 30, 2017 and 2016, permanently restricted net assets are as follows:

	2017	2016
Endowed Chairs, Professorships, and 1st Generation Scholarships	\$ 4,800,000	\$ 4,620,000
Scholarships	2,817,982	2,745,931
Total	\$ 7,617,982	\$ 7,365,931

Note 11. Endowed Net Assets

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

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

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Note 11. Endowed Net Assets (Continued)

The composition and changes in donor restricted endowments funds for the years ended June 30, 2017 and 2016 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2015	\$ 2,575,187	\$ 6,999,034	\$ 9,574,221
Investment Return			
Investment Income	215,907	-	215,907
Net Depreciation	(58,954)	-	(58,954)
Contributions	776,254	292,527	1,068,781
Transferred to Permanently Restricted	(74,370)	74,370	-
Released from Restrictions	(1,067,508)	-	(1,067,508)
Balance at June 30, 2016	2,366,516	7,365,931	9,732,447
Investment Return			
Investment Income	258,857	-	258,857
Net Appreciation	609,400	-	609,400
Contributions	766,210	232,472	998,682
Transferred to Permanently Restricted	(19,579)	19,579	-
Released from Restrictions	(649,167)	-	(649,167)
Balance at June 30, 2017	<u>\$ 3,332,237</u>	<u>\$ 7,617,982</u>	<u>\$ 10,950,219</u>

Note 12. Support Services

A summary of supporting services on a functional basis for the years ended June 30, 2017 and 2016 follows:

	2017	2016
Institutional Support and Development	\$ 162,010	\$ 190,675
Management and General	198,052	192,667
Fundraising	66,363	80,180
Total Support Services	<u>\$ 426,425</u>	<u>\$ 463,522</u>

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 10, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION SECTION

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Schedules of Program Services
For the Years Ended June 30, 2017 and 2016

Schedule 1

	2017	2016
Endowed Chairs, Professorships, and 1st Generation Scholarships	\$ 225,881	\$ 192,418
Colonel's Brigade	1,440,996	1,235,550
Scholarships	290,346	319,938
Other Program Services	631,217	585,989
Total Program Services	<u>\$ 2,588,440</u>	<u>\$ 2,333,895</u>

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Schedules of Support Services
For the Years Ended June 30, 2017 and 2016

Schedule 2

	2017	2016
Institutional Support and Development		
Athletic	\$ 26,818	\$ 28,987
Institutional Development	135,192	161,688
	<u>162,010</u>	<u>190,675</u>
 Management and General		
Foundation Office	797	1,523
Foundation Meeting	8,964	6,820
Professional Services	46,028	69,756
Other	142,263	114,568
	<u>198,052</u>	<u>192,667</u>
 Fundraising	<u>66,363</u>	<u>80,180</u>
 Total Support Services	<u>\$ 426,425</u>	<u>\$ 463,522</u>

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Schedules of Funds Held in Custody
For the Years Ended June 30, 2017 and 2016

Schedule 3

	2017	2016
State Funds Held in Custody		
Agnes H. Candies Professorship	\$ 49,409	\$ 46,606
American Association of Drilling Engineers Professorship	48,697	47,097
Bell South Culinary Professorship	49,217	47,672
Bell South/Brady, Miller, Theriot Callais Professorship	48,390	46,757
Bell South/Picou Professorship	47,853	46,163
Bell South/Picou Professorship #2	48,477	46,854
Bonnie Bourg Professorship	49,292	47,756
Capital One Professorship	47,098	45,405
Cenac Towing Chair	517,191	504,336
CETFGE Geomatic/Surveying Professorship	48,842	48,175
Clarence J. Riviere Professorship	50,301	48,873
Durel Matrin Professorship	47,515	45,790
Harvey Peltier, Sr. Professorship	50,380	48,960
Maxine Giardina Professorship	48,577	46,964
Morris and Sandy Hebert Professorship	50,150	48,706
Jimmy and Glenny Lee Buquet Professorship	46,054	44,444
McIlhenny Professorship	47,019	45,332
Minor J. Cheramie Professorship	48,805	47,217
Orleans A. Pitre Professorship	51,599	47,295
Otto Candies Chair	559,057	545,611
T. Baker Smith Professorship	49,180	47,631
T. Shepard Endowed Professorship	49,648	48,150
1st Generation Scholarship	53,375	50,791
J Maselli Professorship	47,251	45,547
B Raziano Professorship	47,078	45,387
R E Miller Professorship	48,208	46,555
Goldring Foundation Professorship	49,173	47,624
Gueydan Professorship	49,899	48,428
Henry & Kim Lafont 1st Generation Scholarship	51,724	49,270
Harold Callais Professorship	247,012	239,388
Paul Callais Professorship	122,538	118,622
Peter Callais Professorship	122,554	118,643
Nolen Professorship	46,335	44,702
George Picou Professorship	50,984	48,587
Swanner 1st Generation Scholarship	53,391	50,806
Danos 1st Generation Scholarship	48,653	45,639
B & J Bollinger Scholarship	49,945	47,428
Danos Family Nursing Scholarship	43,712	40,236
R & C Cheramie Scholarship	49,730	46,632
Jack Cenac Scholarship	45,488	43,922
Jock Cenac Scholarship	46,274	44,645
Stephen & Rebecca Hulbert Scholarship	39,819	39,828
Gloria Callais Professorship	44,372	40,792
Michael & Christine Bourgeois 1st Generation Scholarship #2	46,103	42,482
R & J Bartels 1st Generation Scholarship	43,771	40,341
Harold Callais 1st Generation Scholarship	39,823	39,823
Burguieres 1st Generation Scholarship	42,473	40,341
J & T Sanford 1st Generation Scholarship	46,103	42,482
John Brady Jr. Professorship	44,377	40,797
Alfred Delahaye Professorship	43,261	40,000
Mitch Hebert 1st Generation Scholarship	44,377	40,797
Michael & Christine Bourgeois 1st Generation Scholarship #2	44,377	40,797
Wayne Patten Endowed Professorship #1	43,261	-
Wayne Patten Endowed Professorship #2	43,261	-
Total State Funds Held in Custody	3,891,453	3,663,126

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Schedules of Funds Held in Custody (Continued)
For the Years Ended June 30, 2017 and 2016

Schedule 3

	2017	2016
University Funds Held in Custody		
Argent Bank Endowed Professorship in Business Administration	135,221	133,206
Belle & Leonard Toups Chair in English	1,186,407	1,147,984
Betsy Ayo Endowed Professorship in Accounting and Business Law	131,211	128,753
Boysie Bollinger Super Endowed Professorship in Business	600,493	582,082
Andie Bollinger Endowed Professorship in Business	306,951	298,491
Charlotte Bollinger Endowed Professorship in Business	297,501	287,991
Contractor's Educational Trust Fund Endowed Professorship in Manufacturing Technology	274,306	268,406
Entergy Endowed Professorship in Computer Science	152,907	141,428
Entergy Endowed Professorship in Information Systems	129,927	127,330
Gerald Gaston Endowed Professorship in the College of Business Administration	129,268	126,595
Jerry Ledet Foundation Endowed Professorship in Environmental Biology	118,338	114,459
Lorio Foundation Endowed Professorship in Fine Arts	111,250	102,885
Lorio Foundation Endowed Professorship in Language and Literature	111,511	103,063
Lorio Foundation Endowed Professorship in Nursing	115,633	111,940
Lorio Foundation Endowed Professorship in Physical Science	111,648	103,203
Peltier Foundation Endowed Professorship in College of Business Administration	119,784	113,286
Terrebonne General Medical Center Founding Physicians Endowed Professorship in Nursing and Allied Health	315,662	308,168
Terrebonne General Medical Center Devoted Volunteers Endowed Professorship in Nursing and Allied Health	306,586	298,091
Terrebonne General Medical Center Compassionate Staff Endowed Professorship in Nursing and Allied Health	305,649	297,050
Terrebonne General Medical Center Faithful Sisters Endowed Professorship in Nursing and Allied Health	305,534	296,922
Thibodaux Hospital and Health Center Endowed Professorship in Nursing	142,656	141,463
John Brady, Sr. and Pat Brady Endowed Professorship in Computer Science	639,208	625,090
John Brady, Sr. and John Brady Jr. Endowed Professorship in Biological Sciences	647,482	634,286
John C. Daigle Endowed Professorship in Free Enterprise	124,925	121,773
Donald Peltier Endowed Professorship	133,116	130,870
Total University Fnds Held in Custody	6,953,174	6,744,815
Total Funds Held in Custody	\$ 10,844,627	\$ 10,407,941

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

In planning and performing our audit of the financial statements of Nicholls State University Foundation, Inc. (the Foundation), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Foundation's internal control to be a material weakness:

2017-001 **Timely Reconciliation of Account Balances**

Condition: A lack of timely reconciliation of account balances.

Criteria: Good internal controls should ensure all account balances are reconciled on a timely basis.

Cause: Turnover within the Foundation.

Effect: Failure to perform timely reconciliations could lead to incorrect financial reporting and increases the risk that errors or fraud could occur and remain undetected.

Recommendation: We proposed management ensure all accounts are reconciled on a timely basis.

Current status: The Foundation has engaged the services of an external accounting firm to assist with recording transactions and maintaining the general ledger for future periods. The matter is considered resolved.

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Houma, LA
August 10, 2018

**NICHOLLS STATE
UNIVERSITY FOUNDATION, INC.**

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2017



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Nicholls State University Foundation, Inc. (the Foundation) and prescribed by the Louisiana Board of Regents, solely to assist you in evaluating the Foundation's compliance with the Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs' policies and objectives for the year ended June 30, 2017. The Foundation's management is responsible for the Foundation's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. Verify that the Foundation's Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs' assets have been managed in compliance with the provisions set forth in the Louisiana Board of Regents' Statement of Investment Policy and Objectives.

Results: No exceptions were found as a result of applying the procedure.

2. Verify that the annual financial reports for the Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs submitted to the Louisiana Board of Regents were accurate and agreed to the accounting records of the Foundation.

Results: No exceptions were found as a result of applying the procedure.

3. Select a sample of disbursements from the Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs and verify that the proceeds were used in accordance with program policies.

Results: No exceptions were found as a result of applying the procedure.

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4. Verify that the investment earnings generated from pooled assets involving the Endowed Chair, Endowed Professorship, or Endowed Scholarship Programs have been properly allocated in accordance with the Louisiana Board of Regents Statement of Investment Policy and Objectives.

Results: No exceptions were found as a result of applying the procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



A Professional Accounting Corporation

Houma, LA
August 10, 2018