

**LSU MEDICAL SCHOOL – NEW ORLEANS**  
**MEDICAL ALUMNI ASSOCIATION, INC.**  
**AS OF AND FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**



**ERICKSEN KRENTEL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## **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, 2018, 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 7, 2019

***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, 2018, 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.

***Change in Accounting Principle***

As described in Note 1 to the financial statements LSU School of Medicine – New Orleans Medical Alumni Association adopted the Financial Accounting Standards Board’s ASU 2016-15, Not-for-Profit Entities for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

May 7, 2019  
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel, LLP".

Certified Public Accountants

**LSU SCHOOL OF MEDICINE-NEW ORLEANS  
MEDICAL ALUMNI ASSOCIATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 1,099,697
Prepaid expenses	20,000
Certificates of deposit	<u>403,544</u>
Total current assets	<u>1,523,241</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>\$ 1,523,241</u>

**NET ASSETS**

**NET ASSETS:**

Without donor restrictions	\$ 1,309,668
With donor restrictions	<u>213,573</u>
Total net assets	<u>1,523,241</u>
Total liabilities and net assets	<u>\$ 1,523,241</u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS  
MEDICAL ALUMNI ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS :**

**Revenues and Gains:**

Contributions:	
Alumni and others	\$ 661,096
Special events	226,623
Investment income	<u>7,038</u>
Total revenues without donor restrictions	<u>894,757</u>

**Net Assets Released From Restrictions:**

Restrictions satisfied by payments	<u>2,850</u>
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**Expenses:**

Program services:	
Special events	294,782
Donations	67,452
Support services:	
General and administrative	76,093
Fundraising	<u>86,839</u>
Total expenses	<u>525,166</u>

Increase in net assets without donor restrictions	372,441
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**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS :**

Net assets released from restrictions	(2,850)
Contributions	<u>55,364</u>
Increase in net assets with donor restrictions	52,514
Increase in net assets	424,955
Net assets, beginning of year	<u>1,098,286</u>
Net assets, end of year	<u>\$ 1,523,241</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LSU SCHOOL OF MEDICINE-NEW ORLEANS  
 MEDICAL ALUMNI ASSOCIATION, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Special Events</u>	<u>Donations</u>	<u>Management and General</u>	<u>Fundraising</u>	
Contract Labor	\$ -	\$ -	\$ 42,100	\$ 9,600	\$ 51,700
Total contract labor	-	-	42,100	9,600	51,700
Accounting fees	-	-	18,770	-	18,770
Bank and credit card fees	-	-	7,982	-	7,982
Gala	107,549	-	-	-	107,549
Operations	-	-	2,904	-	2,904
Postage	-	-	-	25,041	25,041
Printing	-	-	-	47,902	47,902
Reunion	187,233	-	-	-	187,233
Scholarships	-	67,452	-	-	67,452
Supplies	-	-	-	4,296	4,296
Travel and meetings	-	-	4,337	-	4,337
Total expenses	<u>\$ 294,782</u>	<u>\$ 67,452</u>	<u>\$ 76,093</u>	<u>\$ 86,839</u>	<u>\$ 525,166</u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS  
MEDICAL ALUMNI ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:**

Increase in net assets	\$ 424,955
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:	
(Increase) decrease in:	
Accounts receivable	16,212
Prepaid expenses	(20,000)
Receipt of donor specified contributions on behalf of Foundation	203,084
Transfer of contributions to Foundation	<u>(203,084)</u>
Net cash from operating activities	<u>421,167</u>

**CASH FLOWS (USED FOR) INVESTING ACTIVITIES:**

Purchases of certificates of deposit	<u>(403,544)</u>
Net cash (used for) investing activities	<u>(403,544)</u>
Net increase in cash and cash equivalents	17,623
Cash and cash equivalents, beginning of year	<u>1,082,074</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,099,697</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LSU SCHOOL OF MEDICINE – NEW ORLEANS  
MEDICAL ALUMNI ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

(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, 2018

(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 1.7% to 2.1% 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.

**Public Support and 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.

**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, 2018

(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, 2018 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 7, 2019, which is the date the financial statements were available to be issued.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – the Presentation of Financial Statements of Not-for-Profit Entities. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Alumni Association has adjusted the presentation of these statements accordingly.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS  
 MEDICAL ALUMNI ASSOCIATION, INC.**  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

**(2) RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2018, as an agent for the Center, the Alumni Association collected cash contributions of \$203,084 and remitted \$203,084 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, 2018, and will not be reimbursed to the Center or to the School.

**(3) 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, 2018, cash deposits in excess of the insured limits totaled \$849,704. 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.

No individual donor contributed more than 10% of total revenues to the Alumni Association for the year ended December 31, 2018.

**(4) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for the following activities at December 31, 2018:

Isidore Cohn Student Learning Center	\$ 163,848
Murphey Memorial Fund	3,578
Alumni Affairs – Oliver	565
AZAR	6,500
Robichaux	24,885
Class of '76	<u>14,197</u>
Total	<u>\$ 213,573</u>

**Released from Restrictions**

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended December 31, 2018:

Alumni Affairs – Oliver	\$ 1,000
Alumni Affairs – Narayanan Scholarship	425
Alumni Affairs – Nobles	225
Robichaux	<u>1,200</u>
Total	<u>\$ 2,850</u>

**LSU SCHOOL OF MEDICINE – NEW ORLEANS  
MEDICAL ALUMNI ASSOCIATION, INC.**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

**(5) LIQUIDITY**

The Alumni Association's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Cash and cash equivalents	\$ 1,099,697
Prepaid expenses	20,000
Certificates of deposit	<u>189,971</u>
Total	<u>\$ 1,309,668</u>

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, 2018, the Alumni Association had an additional \$213,573 in certificates of deposit that are unavailable for general expenditures within one year due to donor restrictions.



**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, 2018.

**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



To the Board of Directors of  
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.  
May 7, 2019  
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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 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 7, 2019  
New Orleans, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants