

**NICHOLLS STATE
UNIVERSITY FOUNDATION, INC.
THIBODAUX, LOUISIANA**

Audits of Financial Statements

June 30, 2018 and 2017



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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, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 29, 2019

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 1,949,874	\$ 1,348,495
Invested Cash	1,554,949	1,025,211
Total Cash and Cash Equivalents	3,504,823	2,373,706
Restricted Cash - Endowed		
Chairs and Professorships	1,221,662	1,061,758
Investments	21,270,349	21,641,105
Accrued Interest	67,396	63,435
Accounts Receivable	109,904	102,753
Antique Collection	75,830	75,830
Total Assets	\$ 26,249,964	\$ 25,318,587
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 113,060	\$ 105,631
Revolving Line of Credit Payable	-	524,230
Demand Note Payable	1,299,518	-
Notes Payable - Related Parties	1,400,000	1,400,000
Funds Held in Custody		
State Funds	3,907,977	3,891,453
University Funds	6,922,135	6,953,174
Total Liabilities	13,642,690	12,874,488
Net Assets		
Unrestricted	(694,853)	(594,563)
Temporarily Restricted	5,103,832	5,420,680
Permanently Restricted	8,198,295	7,617,982
Total Net Assets	12,607,274	12,444,099
Total Liabilities and Net Assets	\$ 26,249,964	\$ 25,318,587

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Revenue		
Contributions - Memberships	\$ 105,031	\$ 74,500
Dividends and Interest Income	71,227	65,800
Gain on Investments, Net	64,514	132,389
Other Revenues	156,819	82,583
Total Revenues	<u>397,591</u>	<u>355,272</u>
Net Assets Released from Restrictions		
Satisfaction by Payment	4,009,153	2,715,827
Total Unrestricted Revenue	<u>4,406,744</u>	<u>3,071,099</u>
Expenses		
Program Services	3,920,107	2,588,440
Support Services	586,927	426,425
Total Expenses	<u>4,507,034</u>	<u>3,014,865</u>
(Decrease) Increase in Unrestricted Net Assets	<u>(100,290)</u>	<u>56,234</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,791,923	1,347,672
Dividends and Interest Income	215,436	259,853
Gain on Investments, Net	350,205	610,955
Colonel's Brigade Support	1,298,859	1,286,239
John Folse Culinary Institute Support	43,659	39,174
Special Fundraising Events	99,182	107,081
Transfer to Permanently Restricted Net Assets	(106,959)	(19,579)
Net Assets Released from Restrictions		
Restrictions Satisfied by Payment	(4,009,153)	(2,715,827)
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(316,848)</u>	<u>915,568</u>
Changes in Permanently Restricted Net Assets		
Contributions	473,354	232,472
Transfers from Temporarily Restricted Net Assets	106,959	19,579
Increase in Permanently Restricted Net Assets	<u>580,313</u>	<u>252,051</u>
Increase in Net Assets	163,175	1,223,853
Net Assets, Beginning of Year	<u>12,444,099</u>	<u>11,220,246</u>
Net Assets, End of Year	<u>\$ 12,607,274</u>	<u>\$ 12,444,099</u>

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

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 163,175	\$ 1,223,853
Adjustments to Reconcile Increase in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Proceeds of Contributions Restricted for Endowment Purposes	(473,354)	(232,472)
Net Gain from Investments	(414,719)	(743,344)
(Increase) Decrease in:		
Accrued Interest	(3,961)	116
Accounts Receivable	(7,151)	(29,178)
State Matching Funds Receivable	-	40,000
Increase (Decrease) in:		
Accounts Payable	7,429	31,776
Funds Held in Custody	(14,515)	436,686
Net Cash (Used in) Provided by Operating Activities	(743,096)	727,437
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	3,239,019	6,354,618
Purchase of Investments	(2,613,448)	(6,499,776)
Net Cash Provided by (Used in) Investing Activities	625,571	(145,158)
Cash Flows from Financing Activities		
Proceeds from Notes Payable	1,125,288	524,230
Repayment of Notes Payable	(350,000)	-
Endowment Fund Contributions	473,354	232,472
Net Cash Provided by Financing Activities	1,248,642	756,702
Net Increase in Cash and Cash Equivalents	1,131,117	1,338,981
Cash and Cash Equivalents, Beginning of Year	2,373,706	1,034,725
Cash and Cash Equivalents, End of Year	\$ 3,504,823	\$ 2,373,706
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ 14,311	\$ 4,014

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

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.

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.

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. All 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.

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.

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 does not believe the adoption of the new revenue standard will have a significant impact on the financial statements.

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.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Adopted (Continued)

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 \$1,729,995 and \$1,120,457 at June 30, 2018 and 2017. Money market mutual funds included in cash equivalents totaled \$1,304,949 and \$775,211 at June 30, 2018 and 2017, respectively. These amounts were uninsured. Restricted cash, which consists of money market mutual funds invested for the Endowed Chairs and Professorships Program, totaled \$1,221,662 and \$1,061,758 at June 30, 2018 and 2017, respectively. These amounts were also uninsured.

Note 3. Investments

In accordance with the *NFP 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, 2018 and 2017, is as follows:

	2018	2017
Equity Securities		
Corporate Securities	\$ 6,038,884	\$ 5,706,612
Mutual Funds and Exchange Traded Funds	5,881,498	6,435,639
Real Estate Investment Trusts	280,653	167,096
Debt Securities		
Corporate Bonds	5,778,177	6,097,303
Obligations of States and Municipal Governments	1,874,463	1,936,792
Alternative Investments	1,416,674	1,297,663
Total	\$ 21,270,349	\$ 21,641,105

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana

Notes to Financial Statements

Note 3. Investments (Continued)

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 statements of activities for the years ended June 30, 2018 and 2017. Interest, dividends, and net gains have been distributed to unrestricted, temporarily restricted, or permanently restricted based on each classification's pro-rata share of investments.

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and Interest Income	\$ 71,227	\$ 215,436	\$ -	\$ 286,663
Net Gain	64,514	350,205	-	414,719
Total Investment Return	\$ 135,741	\$ 565,641	\$ -	\$ 701,382

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

Investment, custodial, and advisory fees paid during the years ended June 30, 2018 and 2017 totaled \$124,759 and \$133,484, respectively.

As of June 30, 2018 and 2017, investments include funds held for Endowed Professorships and Endowed Chairs of Nicholls State University in the amount of \$6,922,135 and \$6,953,174, respectively, and state matching funds in the amount of \$3,907,977 and \$3,891,453, 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.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana

Notes to Financial Statements

Note 4. Fair Values of Financial Instruments (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018 and 2017:

June 30, 2018	Total	Level 1	Level 2	Level 3
Equity Securities				
Corporate Securities	\$ 6,038,884	\$ 6,038,884	\$ -	\$ -
Mutual Funds and Exchange Traded Funds	5,881,498	5,881,498	-	-
Real Estate Investment Trusts	280,653	280,653	-	-
Debt Securities				
Corporate Bonds	5,778,177	4,180,819	1,057,028	540,330
Obligations of States and Municipal Governments	1,874,463	27,521	1,846,942	-
Hedge Fund and Futures Fund Measured at NAV (a)	1,416,674	-	-	-
Total	\$ 21,270,349	\$ 16,409,375	\$ 2,903,970	\$ 540,330

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana

Notes to Financial Statements

Note 4. Fair Values of Financial Instruments (Continued)

June 30, 2017	Total	Level 1	Level 2	Level 3
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

(a) Certain investments measured at fair value using the NAV 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, 2018 and 2017:

	2018	2017
Corporate Bonds, Beginning of Year	\$ 574,609	\$ -
Net Purchases and Sales	581,000	581,000
Transfers to Level 2	(549,254)	-
Unrealized Loss	(66,025)	(6,391)
Corporate Bonds, End of Year	\$ 540,330	\$ 574,609

Investments in Certain Entities that are Measured at NAV 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 NAV per Share*. Fair values of certain investments are determined by the use of calculated NAV per ownership share.

The Foundation's investments at June 30, 2018 that feature NAV per share are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Fund (a)	\$ 618,169	N/A	Quarterly	90 Days
Futures Fund (b)	798,505	N/A	Quarterly	30 Days
Total	\$ 1,416,674			

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana

Notes to Financial Statements

Note 4. Fair Values of Financial Instruments (Continued)

- (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 5. 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, 2018 and 2017.

Note 6. Funds Held in Custody

Under agreements with 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 the University, the Foundation holds and manages the donated and state matching funds for the University.

As of June 30, 2018 and 2017, the funds held in custody are as follows:

	2018	2017
State Funds Held in Custody	\$ 3,907,977	\$ 3,891,453
University Endowments Held in Custody	6,922,135	6,953,174
Total Funds Held in Custody	\$ 10,830,112	\$ 10,844,627

Note 7. Revolving Line of Credit and Demand Note Payable

At June 30, 2017, the Foundation had 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 was secured by a continuing security interest in any and all funds on deposit or in certificates of deposit held at the Lender, and it matured on March 28, 2018. As of June 30, 2017, the outstanding balance was \$524,230.

The revolving line of credit was refinanced on May 1, 2018 as a demand note payable. Payments of principal and interest totaling \$46,665 are due quarterly with a final payment of \$708,163 due at maturity on May 1, 2023. The note is secured by a continuing security interest in any and all funds on deposit or certificates of deposit held at the Lender, and certain investment securities. As of June 30, 2018, the outstanding balance was \$1,299,518.

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana

Notes to Financial Statements

Note 8. Notes Payable to Related Parties

Notes payable to related parties consist of loans from two board members, which were made to provide the funding needed for the furnishing of certain kitchen and culinary equipment necessary to complete the four teaching kitchens at the Chef John Folse Culinary Institute. The notes bear no interest and have no maturity date or repayment schedule. No assets have been pledged as collateral and the lenders waived any rights to seek repayment from the assets of the Foundation. The 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. No principal payments were made on these notes during the years ended June 30, 2018 and 2017. As of June 30, 2018 and 2017, the notes payable balance was \$1,400,000.

Note 9. Restrictions on Net Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the 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, 2018 and 2017, temporarily restricted net assets are as follows:

	2018	2017
Other University Projects	\$ 2,190,881	\$ 2,543,668
Endowed Chairs, Professorships, and 1st Generation Scholarships	1,165,526	1,037,021
Scholarships	962,106	1,028,423
Business Capstone Funds	475,346	464,347
Institutional Advancement	309,973	347,221
Total	\$ 5,103,832	\$ 5,420,680

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.
Thibodaux, Louisiana

Notes to Financial Statements

Note 9. Restrictions on Net Assets (Continued)

As of June 30, 2018 and 2017, permanently restricted net assets are as follows:

	2018	2017
Endowed Chairs, Professorships, and 1st Generation Scholarships	\$ 4,800,000	\$ 4,800,000
Scholarships	3,398,295	2,817,982
Total	\$ 8,198,295	\$ 7,617,982

Note 10. 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.
Thibodaux, Louisiana

Notes to Financial Statements

Note 10. Endowed Net Assets (Continued)

The composition and changes in donor restricted endowments funds for the years ended June 30, 2018 and 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
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	3,332,237	7,617,982	10,950,219
Investment Return			
Investment Income	240,601	-	240,601
Net Appreciation	322,368	-	322,368
Contributions	636,733	473,354	1,110,087
Transferred to Permanently Restricted	(6,959)	106,959	100,000
Released from Restrictions	(925,921)	-	(925,921)
Balance at June 30, 2018	<u>\$ 3,599,059</u>	<u>\$ 8,198,295</u>	<u>\$ 11,797,354</u>

Note 11. Support Services

A summary of supporting services on a functional basis for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Institutional Support and Development	\$ 165,394	\$ 162,010
Management and General	294,452	198,052
Fundraising	127,081	66,363
Total Support Services	<u>\$ 586,927</u>	<u>\$ 426,425</u>

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 29, 2019, and determined the following events occurred which require disclosure:

Two members of the board of directors agreed to forgive a loans made to the Foundation in the amount of \$700,000 each, on December 8, 2018 and April 17, 2019, respectively.

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

SUPPLEMENTARY INFORMATION

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Schedules of Program Services
For the Years Ended June 30, 2018 and 2017

Schedule 1

	<u>2018</u>	<u>2017</u>
Endowed Chairs, Professorships, and 1st Generation Scholarships	\$ 456,231	\$ 225,881
Colonel's Brigade Support	2,382,501	1,440,996
Scholarships	266,682	290,346
Other Program Services	<u>814,693</u>	<u>631,217</u>
 Total Program Services	 <u>\$ 3,920,107</u>	 <u>\$ 2,588,440</u>

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Schedules of Support Services
For the Years Ended June 30, 2018 and 2017

Schedule 2

	2018	2017
Institutional Support and Development		
Athletic	\$ -	\$ 26,818
Institutional Development	<u>165,394</u>	<u>135,192</u>
	165,394	162,010
Management and General		
Foundation Office	4,284	797
Foundation Meeting	11,119	8,964
Professional Services	93,194	46,028
Other	<u>185,855</u>	<u>142,263</u>
	294,452	198,052
Fundraising	<u>127,081</u>	<u>66,363</u>
Total Support Services	<u>\$ 586,927</u>	<u>\$ 426,425</u>

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Schedules of Funds Held in Custody
For the Years Ended June 30, 2018 and 2017

Schedule 3

	2018	2017
State Funds Held in Custody		
Agnes H. Candies Professorship	\$ 49,120	\$ 49,409
American Association of Drilling Engineers Professorship	48,494	48,697
Bell South Culinary Professorship	48,952	49,217
Bell South/Brady, Miller, Theriot Callais Professorship	48,223	48,390
Bell South/Picou Professorship	47,751	47,853
Bell South/Picou Professorship #2	48,301	48,477
Bonnie Bourg Professorship	49,018	49,292
Capital One Professorship	47,086	47,098
Cenac Towing Chair	511,542	517,191
CETFE Geomatic/Surveying Professorship	48,622	48,842
Clarence J. Riviere Professorship	49,906	50,301
Durel Matrin Professorship	47,453	47,515
Harvey Peltier, Sr. Professorship	49,976	50,380
Maxine Giardina Professorship	48,388	48,577
Morris and Sandy Hebert Professorship	49,773	50,150
Jimmy and Glenn Lee Buquet Professorship	46,163	46,054
McIlhenny Professorship	47,016	47,019
Minor J. Cheramie Professorship	48,589	48,805
Orleans A. Pitre Professorship	53,946	51,599
Otto Candies Chair	552,769	559,057
T. Baker Smith Professorship	48,919	49,180
T. Shepard Endowed Professorship	49,331	49,648
1st Generation Scholarship	54,214	53,375
J Maselli Professorship	47,221	47,251
B Raziano Professorship	47,069	47,078
R E Miller Professorship	48,063	48,208
Goldring Foundation Professorship	48,913	49,173
Gueydan Professorship	49,553	49,899
Henry & Kim Lafont 1st Generation Scholarship	52,687	51,724
Harold Callais Professorship	245,575	247,012
Paul Callais Professorship	121,932	122,538
Peter Callais Professorship	121,953	122,554
Nolen Professorship	46,415	46,335
George Picou Professorship	51,714	50,984
Swanner 1st Generation Scholarship	54,430	53,391
Danos 1st Generation Scholarship	50,071	48,653
B & J Bollinger Scholarship	51,422	49,945
Danos Family Nursing Scholarship	43,714	43,712
R & C Cheramie Scholarship	51,396	49,730
Jack Cenac Scholarship	45,625	45,488
Jock Cenac Scholarship	46,393	46,274
Stephen & Rebecca Hulbert Scholarship	44,266	39,819
Gloria Callais Professorship	44,722	44,372
Michael & Christine Bourgeois 1st Generation Scholarship #2	47,883	46,103
R & J Bartels 1st Generation Scholarship	45,563	43,771
Harold Callais 1st Generation Scholarship	44,039	39,823
Burquieres 1st Generation Sholarship	43,213	42,473

NICHOLLS STATE UNIVERSITY FOUNDATION, INC.
Thibodaux, Louisiana
Schedules of Funds Held in Custody (Continued)
For the Years Ended June 30, 2018 and 2017

Schedule 3

	2018	2017
State Funds Held in Custody (Continued)		
J & T Sanford 1st Generation Scholarship	47,207	46,103
John Brady Jr. Professorship	46,396	44,377
Alfred Delahaye Professorship	45,229	43,261
Mitch Hebert 1st Generation Scholarship	45,403	44,377
Michael & Christine Bourgeois 1st Generation Scholarship #2	45,900	44,377
Wayne Patten Endowed Professorship #1	45,229	43,261
Wayne Patten Endowed Professorship #2	45,229	43,261
Total State Funds Held in Custody	3,907,977	3,891,453
University Funds Held in Custody		
Argent Bank Endowed Professorship in Business Administration	132,837	135,221
Belle & Leonard Toups Chair in English	1,182,819	1,186,407
Betsy Ayo Endowed Professorship in Accounting and Business Law	129,316	131,211
Boysie Bollinger Super Endowed Professorship in Business	597,809	600,493
Andie Bollinger Endowed Professorship in Business	304,790	306,951
Charlotte Bollinger Endowed Professorship in Business	296,495	297,501
Contractor's Educational Trust Fund Endowed Professorship in Manufacturing Technology	269,073	274,306
Entergy Endowed Professorship in Computer Science	159,648	152,907
Entergy Endowed Professorship in Information Systems	128,190	129,927
Gerald Gaston Endowed Professorship in the College of Business Administration	127,611	129,268
Jerry Ledet Foundation Endowed Professorship in Environmental Biology	118,016	118,338
Lorio Foundation Endowed Professorship in Fine Arts	111,185	111,250
Lorio Foundation Endowed Professorship in Language and Literature	111,458	111,511
Lorio Foundation Endowed Professorship in Nursing	115,640	115,633
Lorio Foundation Endowed Professorship in Physical Science	111,601	111,648
Peltier Foundation Endowed Professorship in College of Business Administration	119,295	119,784
Terrebonne General Medical Center Founding Physicians Endowed Professorship in Nursing and Allied Health	312,437	315,662
Terrebonne General Medical Center Devoted Volunteers Endowed Professorship in Nursing and Allied Health	304,470	306,586
Terrebonne General Medical Center Compassionate Staff Endowed Professorship in Nursing and Allied Health	320,898	305,649
Terrebonne General Medical Center Faithful Sisters Endowed Professorship in Nursing and Allied Health	303,546	305,534
Thibodaux Hospital and Health Center Endowed Professorship in Nursing	139,363	142,656
John Brady, Sr. and Pat Brady Endowed Professorship in Computer Science	631,794	639,208
John Brady, Sr. and John Brady Jr. Endowed Professorship in Biological Sciences	639,057	647,482
John C. Daigle Endowed Professorship in Free Enterprise	123,798	124,925
Donald Peltier Endowed Professorship	130,989	133,116
Total University Funds Held in Custody	6,922,135	6,953,174
Total Funds Held in Custody	\$ 10,830,112	\$ 10,844,627

To the Board of Directors
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, 2018, 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in the Foundation's internal control to be material weaknesses:

2018-001 Errors on Spreadsheets Used in Financial Reporting Process

Condition: Spreadsheets used to track the balances of temporarily restricted net assets contained input and formula errors in calculating the ending balances of temporarily restricted net assets.

Criteria: Spreadsheet tools used for calculating general ledger balances should be reliable and produce accurate information for making journal entries.

Cause: There were no procedures in place to test the accuracy of the spreadsheet data or calculations.

Effect: The balances of temporarily restricted net assets and unrestricted net assets were not properly classified on the general ledger.

Recommendation: Procedures should be developed to reconcile data input to the related general ledger account balances and to review spreadsheet formulas for accuracy.

Current status: The external accountants corrected the spreadsheet errors and provided a corrected spreadsheet and general ledger to the auditors.

2018-002 Prior year Unrecorded Liabilities

Condition: An invoice paid through a draw on the Foundation's line of credit should have been recorded as a liability in the prior period.

Criteria: Internal control procedures should allow for recording transactions in the proper period.

Cause: Control procedures in place to review invoices received after year-end for recording in the proper period did not detect this transaction, possibly because the amount was drawn on the line of credit rather than being paid by check drawn on the Foundation's cash account.

Effect: The balance of accounts payable was understated and net assets were overstated at June 30, 2017, and expenses that should have been recorded in the year ended June 30, 2017 were recorded in the year ended June 30, 2018.

Recommendation: Year-end cutoff procedures should be reviewed and modified to prevent a recurrence of this issue.

Current status: The external accountants are reviewing year-end cutoff procedures and will make recommendations for improvements to the board if necessary.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Foundation, 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 Professional Accounting Corporation

Houma, LA
August 29, 2019

**NICHOLLS STATE
UNIVERSITY FOUNDATION, INC.**

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2018



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, 2018. 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: One of the reports did not agree to the accounting records of the Foundation regarding the amounts reported for investment income in Section I of the report. Investment income in the report totaled \$11,317 and totaled \$7,003 in the accounting records. One of the reports did not agree to the accounting records of the Foundation regarding the amounts reported for Portfolio Composition/Asset Allocation in Section IV.a. (Amount in Hedge Funds) of the report. Amount in Hedge Funds in the report totaled \$6,988 and totaled \$3,988 in the accounting records.

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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RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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
September 5, 2019