

**NORTHWESTERN STATE UNIVERSITY
FOUNDATION**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

Northwestern State University Foundation
Annual Financial Report
June 30, 2017

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Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northwestern State University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Northwestern State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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.

Auditor's 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 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 Northwestern State University Foundation, Inc. as of June 30, 2017, 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.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's
Natchitoches, Louisiana

October 4, 2017

FINANCIAL STATEMENTS

Northwestern State University Foundation
Statement of Financial Position
June 30, 2017

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
Assets-			
Cash & Cash Equivalents	\$ 2,178,042	\$ 7,857	\$ 2,185,899
Investments	15,353,792	91,403	15,445,195
Revenue Receivables	725,965	4,572	730,537
Land	80,000	0	80,000
Other Assets	<u>74,787</u>	<u>0</u>	<u>74,787</u>
Total Assets	<u>\$18,412,586</u>	<u>\$103,832</u>	<u>\$18,516,418</u>
Liabilities-			
Accounts Payable	\$ 78,129	\$ 7,675	\$ 85,804
Accrued Interest Payable	12,155	0	12,155
Current Portion of Long-Term Debt	159,500	0	159,500
Funds Held In Custody	641,514	0	641,514
Long-Term Debt, net of current portion	<u>160,197</u>	<u>0</u>	<u>160,197</u>
Total Liabilities	<u>\$ 1,051,495</u>	<u>\$ 7,675</u>	<u>\$ 1,059,170</u>
Net Assets-			
Unrestricted	\$ 281,783	\$ (578)	\$ 281,205
Temporarily Restricted	7,752,283	96,735	7,849,018
Permanently Restricted	<u>9,327,025</u>	<u>0</u>	<u>9,327,025</u>
Total Net Assets	<u>\$17,361,091</u>	<u>\$ 96,157</u>	<u>\$17,457,248</u>
Total Liabilities & Net Assets	<u>\$18,412,586</u>	<u>\$103,832</u>	<u>\$18,516,418</u>

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

Northwestern State University Foundation
Statement of Activities
For the Year Ended June 30, 2017

	<u>Foundation</u>	<u>Alumni</u>	<u>Total</u>
Changes in Unrestricted Net Assets			
Revenue:			
Contributions	\$ 294,035	\$ 5,415	\$ 299,450
Fundraising	59,265	105,826	165,091
Fees	0	21,739	21,739
Investment Income	3,278	62	3,340
Other Income	61,394	11,356	72,750
Interfund Transfers	109,188	79,400	188,588
Net Assets Released from Restrictions	2,864,928	145	2,865,073
Total Revenues and Reclassifications	<u>\$ 3,392,088</u>	<u>\$223,943</u>	<u>\$ 3,616,031</u>
Expenses:			
Program Services			
Marketing and Promotions	\$ 247,445	\$ 31,216	\$ 278,661
Materials and Supplies	365,828	29,945	395,773
Professional Services	79,099	0	79,099
Scholarships	1,657,406	0	1,657,406
Camps	69,743	0	69,743
Travel	115,291	3,847	119,138
Transfers to NSU	207,775	0	207,775
Interfund Transfers	188,587	0	188,587
Other	75,875	2,452	78,327
Support Services			
Fundraising	36,183	120,448	156,631
Management and General	381,564	40,829	422,393
Total Expenses	<u>\$ 3,424,796</u>	<u>\$228,737</u>	<u>\$ 3,653,533</u>
Decrease in Unrestricted Net Assets	<u>\$ (32,708)</u>	<u>\$ (4,794)</u>	<u>\$ (37,502)</u>
Changes in Temporarily Restricted Net Assets			
Contributions	\$ 1,821,118	\$ 0	\$ 1,821,118
Fundraising	429,783	0	429,783
Fees	104,036	0	104,036
Investment Income	1,643,209	11,654	1,654,863
Other Income	25,528	0	25,528
Net Assets Released from Restrictions	(2,803,115)	(145)	(2,803,260)
Increase in Temp. Restricted Net Assets	<u>\$ 1,220,559</u>	<u>\$ 11,509</u>	<u>\$ 1,232,068</u>

Continued on next page.

Northwestern State University Foundation
Statement of Activities
For the Year Ended June 30, 2017

	<u>Foundation</u>	<u>Alumni</u>	<u>Total</u>
Changes in Permanently Restricted Net Assets			
Contributions	\$ 1,132,882	\$ 0	\$ 1,132,882
Net Assets Released from Restrictions	(61,813)	0	(61,813)
Increase in Permanently Restricted Net Assets	<u>\$ 1,071,069</u>	<u>\$ 0</u>	<u>\$ 1,071,069</u>
Increase in Net Assets	\$ 2,258,920	\$ 6,715	\$ 2,265,635
Net Assets - Beginning of Year*, As Restated	<u>\$15,102,171</u>	<u>\$89,442</u>	<u>\$15,191,613</u>
Net Assets - End of Year	<u>\$17,361,091</u>	<u>\$96,157</u>	<u>\$17,457,248</u>

* Restated for prior period adjustment. See note 16.

Northwestern State University Foundation
Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Increase in Net Assets	\$ 2,258,920	\$ 6,715	\$ 2,265,635
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by Operating Activities:			
(Increase) Decrease in Accounts Receivable	39,459	(3,138)	36,321
Increase in CSV of Life Insurance	(3,087)	0	(3,087)
Increase in Funds Held in Custody	172,844	0	172,844
Increase (Decrease) in Accounts Payable	<u>23,268</u>	<u>6,437</u>	<u>29,705</u>
Net Cash Provided by Operating Activities	<u>\$ 2,491,404</u>	<u>\$10,014</u>	<u>\$ 2,501,418</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	\$ (321,316)	\$ 0	\$ (321,316)
Withdrawal of Investments	341,183	0	341,183
Net Reinvestment Earnings	<u>(1,593,807)</u>	<u>(7,263)</u>	<u>(1,601,070)</u>
Net Cash Used by Investing Activities	<u>\$ (1,573,940)</u>	<u>\$ (7,263)</u>	<u>\$ (1,581,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on notes payable	\$ <u>(159,500)</u>	\$ <u>0</u>	\$ <u>(159,500)</u>
Net Increase in Cash	\$ 757,964	\$ 2,751	\$ 760,715
Cash at Beginning of Year	<u>1,420,078</u>	<u>5,106</u>	<u>1,425,184</u>
Cash at End of Year	<u>\$ 2,178,042</u>	<u>\$ 7,857</u>	<u>\$ 2,185,899</u>
Total Interest Paid in Cash	<u>\$ 21,923</u>	<u>\$ 0</u>	<u>\$ 21,923</u>

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

NOTES TO FINANCIAL STATEMENTS

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

1. Organization:

The Northwestern State University Foundation, Inc. (the Foundation) is a non-profit organization established on May 20, 1960. The mission of the Foundation is to serve Northwestern State University (the University), its students and its faculty, primarily through financial resources raised and distributed by the corporation. The primary objectives and purposes of the Foundation are to promote the educational and cultural welfare of the University, to aid any student in continuing his or her studies at the University, to solicit and accept funds of all kinds for the purpose of providing scholarships and activities in research or other benefits for the University, its faculty and students and to exercise all powers and authority for the accomplishments of the objectives and purpose of the corporation. The Foundation's Board of Directors is comprised of twenty-five volunteer members.

The Foundation also includes the Northwestern State University Alumni Association (the Association). The mission of the Association is to promote the advancement of academic excellence by developing coalition among alumni, students, friends and the university community while supporting the university's traditions, values, and future. The Alumni Association's Board of Directors is comprised of thirty volunteer members.

The Foundation, as a reporting unit, previously included the Northwestern State University Athletic Association. As of July 1, 2013, the Athletic Association became a separate entity, known as Demons Unlimited Foundation, and is no longer reported under the auspices of the Foundation.

2. Summary of Significant Accounting Policies:

The accounting and reporting policies of Northwestern State University Foundation conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

- A. Financial Statement Presentation - The Foundation has adopted FASB Accounting Standard Codification 958-205 "Not-for-Profit Organizations". Under FASB ASC 958-205, 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. All assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restriction when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

- B. Basis of Accounting - The Foundation uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.
- C. 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.
- D. Endowment Funds - Expenditures from endowed funds are based on donor or other legally imposed restrictions being satisfied. These restrictions are reviewed by management and legal counsel, as necessary.
- E. Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as "other than private foundation". The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014 - 2017 are subject to examination by the IRS, generally for three years after they were filed.
- F. Funds Held in Custody - The University participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Programs sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Foundation, establishes endowment funds, which are accumulated and maintained by the University. The State match constitutes 40% of the total endowment. "Funds Held in Custody" represents the donations received by the Foundation for these endowments. These funds are transferred to the University when the University receives the State match.
- G. Collections and Works of Art - Donated collections and works of art are recorded as support at their estimated fair value at the date of receipt. The Foundation has received donated collections and works of art consisting of a collection of Southern History Journals and Salvador Dali paintings. These items are recorded as other assets at \$20,000. Donated properties are not used for the Foundation's operations.
- H. Promises to Give - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are made or as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. Temporarily and permanently restricted net assets are reclassified to unrestricted net assets in the fiscal year all restrictions are satisfied.

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

- I. Investments – The Foundation has the same investment policy for both endowed and non-endowed funds. The investment objective of the policy is a long-term real total return of at least five percent, net of fees and expenses. The investments are invested in a wide range of asset classes including equities, fixed income, alternative investments, and cash. All investments are pooled to maximize investment efficiency with separate general ledger accounts being maintained for each Endowment and Non-Endowment account. The asset allocations are reviewed annually by the Investment Committee and discussed with the Investment Managers.

Investments are reported at fair value, which is determined using quoted market price of identical or similar securities. Donated investments are recorded at fair market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions of investments are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized and unrealized gains and losses are recognized in the Foundation's current operations.

- J. Cash and Equivalents – Cash and cash equivalents are considered to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

3. Cash and Cash Equivalents:

The cash and cash equivalents of the Foundation are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Foundation that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Foundation's name.

At June 30, 2017, cash and cash equivalents totaling \$2,185,899 as follows:

Interest bearing demand deposit accounts	\$2,153,622
Money market accounts	<u>32,277</u>
Total	<u>\$2,185,899</u>

Bank balances at June 30, 2017 totaled \$2,555,049. Deposits of \$386,035 were secured by FDIC insurance, while the remaining \$2,169,014 was unsecured.

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

4. Other Assets:

At June 30, 2017, the Foundation had other assets consisting of the following:

Cash surrender value of life insurance policies	\$54,787
Collections and works of art	<u>20,000</u>
Total	<u>\$74,787</u>

5. Donated Services:

During the year ended June 30, 2017, the Foundation received donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

6. Promises to Give:

Certain donors have stipulated in their will to donate to the Foundation upon death. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements. The total amount of conditional promises to give was unknown at June 30, 2017.

7. Investments:

At June 30, 2017, the Foundation had investments summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Market Value
Certificates of Deposit, maturities >90 days	\$ 348,794	\$ 14,686	\$ 363,480
Corporate Bonds	2,497,792	1,568,453	4,066,245
Mutual Funds	1,299,921	76,685	1,376,606
Equity Securities	5,909,292	3,729,573	9,638,865
Total	<u>\$10,055,799</u>	<u>\$5,389,397</u>	<u>\$15,445,196</u>

Investment earnings included in the statement of activities were comprised of the following for the year ended June 30, 2017:

Unrealized gains on investments	\$1,435,878
Interest income	<u>222,324</u>
Total investment earnings	<u>\$1,658,202</u>

Total investment fees and expenses incurred on investment accounts for the year ended June 30, 2017, were \$44,028 and are included in the Statement of Activities under other program services expenses.

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

8. Transactions with Northwestern State University:

During the year ended June 30, 2017, the University provided certain personnel services, usage of office space and equipment, and travel expenses to the Foundation. The estimated value of these transactions for the year ended June 30, 2017 was \$220,345. In return, the Foundation solicits and collects funds for the benefit of the University.

9. Fair Value of Financial Instruments:

The Foundation has adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2017 are as follows:

	Level 1	Level 2	Level 3	Fair Value
Certificates of Deposit, maturities > 90 days	\$ 363,480	\$0	\$0	\$ 363,480
Corporate Bonds	4,066,245	0	0	4,066,245
Mutual Funds	1,376,607	0	0	1,376,607
Equity Securities	9,638,863	0	0	9,638,863
CSV of Life Insurance	54,787	0	0	54,787
Total	<u>\$15,499,982</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,499,982</u>

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

10. Long-Term Debt:

On July 23, 2008, the Foundation obtained a debt issue in the amount of \$1,595,000 bearing an interest rate of 4.5%, with a maturity date of August 31, 2018. The note payable was the funding source of a new scoreboard for NSU Athletics.

The following is a summary of debt transactions for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amount Due</u> <u>In One Year</u>
Note Payable					
-MidSouth Bank '09	\$479,197	\$0	\$(159,500)	\$319,697	\$159,500

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$159,500	\$14,626	\$174,126
2019	<u>160,197</u>	<u>7,361</u>	<u>167,558</u>
Total	<u>\$319,697</u>	<u>\$21,987</u>	<u>\$341,684</u>

Total interest expense for the year ended June 30, 2017 was \$15,809 and is included in other program services expenses.

11. Funds Held in Custody:

In 1989, the Louisiana Legislature enacted R.S. 17:3129.5 to establish the Louisiana Endowed Professorship Fund for providing faculty enhancement. Under the direction of the Board of Regents, matching grants are made by the state on a two-thirds basis. In 2008, the Board of Regents established the Endowed Scholarship Program. Effective July 1, 2017, matching from the Board of Regents will be on a one-fourth basis.

At June 30, 2017, the Foundation had funds held in custody for professorships and scholarships summarized as follows:

State match applied for	\$480,000
Other professorships & scholarships	<u>161,514</u>
Total funds held in custody	<u>\$641,514</u>

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

12. Compensation Paid to Board Members:

The members of the Board of Directors serve as volunteers and receive no compensation.

13. Restricted Net Assets:

At June 30, 2017, the Foundation had net assets of \$9,327,025 permanently restricted for scholarships.

At June 30, 2017, the Foundation had temporarily restricted net assets of \$7,849,018. During the year ended June 30, 2017, permanently and temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

Marketing and promotions	\$ 122,398
Materials and supplies	256,311
Professional services	12,209
Scholarships	1,654,329
Transfers to NSU	207,775
Travel	96,075
Camps	69,743
Other program services expenses	67,301
Interfund Transfers	188,588
Fund raising	13,459
Management and general	<u>176,885</u>
Total Restrictions Released	<u>\$2,865,073</u>

14. Endowed Net Assets:

At June 30, 2017, the Foundation's endowed net assets are composed as follows:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Balance at June 30, 2016, as restated*	\$ 6,616,951	\$8,255,955	\$14,872,906
Contributions	1,821,118	1,132,883	2,954,001
Fundraising Income	429,783	0	429,783
Investment income	1,654,862	0	1,654,862
Camps Income	104,036	0	104,036
Other Income	25,528	0	25,528
Released from restriction	<u>(2,803,260)</u>	<u>(61,813)</u>	<u>(2,865,073)</u>
Balance at June 30, 2017	<u>\$ 7,849,018</u>	<u>\$9,327,025</u>	<u>\$17,176,043</u>

*Restated for prior period adjustment. See Note 16.

Northwestern State University Foundation
Notes to Financial Statements
June 30, 2017

15. Lease Commitments:

Northwestern State University Foundation was not obligated under any capital or operating lease commitments at June 30, 2017.

16. Prior Period Adjustment:

In prior years, there were receipts of \$271,035 erroneously reported as revenue instead of Funds Held in Custody. These receipts for scholarships and professorships are held by the Foundation and later transferred to Northwestern State University. The net effect of the restatement was to reduce the endowed and temporarily restricted net position of the Foundation by \$260,162 and \$10,873, respectively. In addition, a piece of land was donated to the Foundation in a prior year and was not recorded. The net effect of the restatement was to increase unrestricted net assets by \$80,000.

17. Litigation:

There was no outstanding litigation against the Northwestern State University Foundation at June 30, 2017.

18. Subsequent Events:

Management has evaluated events through October 4, 2017, the date which the financial statements were available for issue. There were no items to be reported.

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation

Roger M. Cunningham, CPA – A Professional Corporation

Jessica H. Broadway, CPA – A Professional Corporation

Ryan E. Todtenbier, CPA – A Professional Corporation

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Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

October 4, 2017

Northwestern State University Foundation, Inc.
Natchitoches, LA 71497

RE: Management letter
Financial Report – June 30, 2017

We have performed our audit of the Northwestern State University Foundation, Inc. As part of our procedures, we have the following information to report to you.

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare the note disclosures related to the financial statements. We also noted the Foundation is not executing its policies and procedures regarding management oversight over cash and investment reconciliations. In effect, intentional or unintentional errors could be made and not detected within the accounting system.

Sincerely,

Johnson, Thomas + Cunningham, CPA's

Johnson, Thomas & Cunningham, CPA's



NORTHWESTERN STATE FOUNDATION

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October 4, 2017

Louisiana Legislative Auditor
1600 North Third St.
Baton Rouge, LA 70804

RE: Northwestern State University Foundation, Inc.
Financial Report – June 30, 2017

The following is our response to the management letter issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2017.

Management's Corrective Active Plan

It is not economically feasible to add a sufficient number of employees to adequately segregate accounting duties. In addition, we have evaluated the cost/benefit of establishing a system to prepare the notes related to the financial statements and have determined that it is in the best interest of the Foundation to have our independent auditors prepare the notes. We understand that we should review the notes and accept responsibility for their contents and presentation.

In the future, we will take additional measures to ensure management oversees cash and investment reconciliations.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Owens".

Drake Owens, Director