

**NORTHWESTERN STATE UNIVERSITY  
FOUNDATION**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2019**

Northwestern State University Foundation  
Annual Financial Report  
June 30, 2019

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**T | C | B | T**  
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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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update No. 2016-14, “*Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*” in the current year related to the presentation of financial statements. 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. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

We have previously audited the Northwestern State University Foundation, Inc.’s financial statements for the year ended June 30, 2018, and we expressed an unmodified opinion on those audited financial statements in our report dated September 20, 2018. In our opinion, the summarized information as of and for the year ended June 30, 2018, presented herein for comparative purposes, is consistent, in material respects, with the audited financial statements from which it has been derived.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2019, on our consideration of Northwestern State University Foundation, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern State University Foundation, Inc.’s internal control over financial reporting and compliance.

*Thomas, Cunningham Broadway + Todtenbier, CPA's*

Thomas, Cunningham, Broadway & Todtenbier  
Certified Public Accountants  
Natchitoches, Louisiana

September 17, 2019

## FINANCIAL STATEMENTS

Northwestern State University Foundation  
Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Assets-		
Cash & Cash Equivalents	\$ 693,292	\$ 1,070,500
Investments	18,303,011	17,431,566
Revenue Receivables	277,688	63,712
CSV of Life Insurance Policies	58,197	56,501
Collections & Works of Art	20,000	20,000
Construction in Progress	0	34,830
Land	80,000	80,000
Buildings	1,080,000	1,080,000
Remodeling/ Refurbishing	1,749,989	0
Property & Equipment	5,000	5,000
Accumulated Depreciation	<u>(89,160)</u>	<u>(24,988)</u>
Total Assets	<u>\$22,178,017</u>	<u>\$19,817,121</u>
Liabilities-		
Accounts Payable	\$ 1,000,043	\$ 93,293
Accrued Interest Payable	4,294	4,570
Unearned Revenue	606,667	0
Current Portion of Long-Term Debt	52,175	49,636
Funds Held In Custody	1,141,646	1,148,120
Long-Term Debt, net of current portion	<u>978,189</u>	<u>1,030,364</u>
Total Liabilities	<u>\$ 3,783,014</u>	<u>\$ 2,325,983</u>
Net Assets-		
Without Donor Restrictions	\$ 1,085,203	\$ 1,399,147
With Donor Restrictions	<u>17,309,800</u>	<u>16,091,991</u>
Total Net Assets	<u>\$18,395,003</u>	<u>\$17,491,138</u>
Total Liabilities & Net Assets	<u>\$22,178,017</u>	<u>\$19,817,121</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, 2019  
(With Comparative Totals for 2018)

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>	<u>2018</u>
<u>Changes in Net Assets:</u>				
Revenue:				
Contributions	\$ 2,288,845	\$ 305,587	\$ 2,594,432	\$ 2,681,825
Fundraising	443,572	119,706	563,278	908,764
Fees	98,454	23,020	121,474	133,403
Investment Return, Net	1,311,504	5,738	1,317,242	1,182,843
Commissions	260,059	15,612	275,671	33,930
Rental Income	178,775	9,680	188,455	61,193
Net Assets Released from Restrictions	<u>(3,363,400)</u>	<u>3,363,400</u>	<u>0</u>	<u>0</u>
Total Revenues and Reclassifications	<u>\$ 1,217,809</u>	<u>\$3,842,743</u>	<u>\$ 5,060,552</u>	<u>\$ 5,001,958</u>
Expenses:				
<u>Program Services</u>				
Marketing and Promotions	\$ 0	\$ 52,244	\$ 52,244	\$ 294,899
Scholarships	0	2,085,531	2,085,531	2,151,142
Support to NSU	0	1,251,288	1,251,288	91,805
<u>Support Services</u>				
Fundraising	0	286,677	286,677	224,169
Management and General	<u>0</u>	<u>480,947</u>	<u>480,947</u>	<u>1,447,089</u>
Total Expenses	<u>\$ 0</u>	<u>\$4,156,687</u>	<u>\$ 4,156,687</u>	<u>\$ 4,209,104</u>
Increase in Net Assets	\$ 1,217,809	\$ (313,944)	\$ 903,865	\$ 792,854
Net Assets- Beginning of Year	<u>16,091,991</u>	<u>1,399,147</u>	<u>17,491,138</u>	<u>16,698,284</u>
Net Assets- End of Year	<u>\$17,309,800</u>	<u>\$1,085,203</u>	<u>\$18,395,003</u>	<u>\$17,491,138</u>

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

Northwestern State University Foundation, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Program Services			Supporting Services			2019 Total	
	Scholar-ships	Marketing & Promotions	Direct Support to NSU	Total Program Services	Fund-raising	Management and General		Total Supporting Services
EXPENSES:								
Marketing & promotions	\$ 0	\$45,884	\$ 99,924	\$ 145,808	\$ 57,780	\$ 28,584	\$ 86,364	\$ 232,172
Materials & supplies	0	0	263,895	263,895	0	126,987	126,987	390,882
Professional Services	0	0	40,061	40,061	0	36,650	36,650	76,711
Camps	0	0	57,841	57,841	0	0	0	57,841
Scholarships	2,085,531	0	0	2,085,531	0	0	0	2,085,531
Travel	0	0	117,454	117,454	37,615	0	37,615	155,069
Fundraising	0	0	0	0	176,097	0	176,097	176,097
Administrative	0	6,360	264,722	271,082	15,185	241,285	256,470	527,552
Other	0	0	407,391	407,391	0	47,441	47,441	454,832
Total Expenses	<u>\$2,085,531</u>	<u>\$52,244</u>	<u>\$1,251,288</u>	<u>\$3,389,063</u>	<u>\$286,677</u>	<u>\$480,947</u>	<u>\$767,624</u>	<u>\$4,156,687</u>

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

Northwestern State University Foundation  
Statement of Cash Flows  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in Net Assets	\$ 903,865	\$ 792,854
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	64,172	24,988
(Increase) Decrease in Accounts Receivable	(213,976)	666,824
(Increase) in CSV of Life Insurance	(1,696)	(1,714)
Increase (Decrease) in Funds Held in Custody	(6,474)	(252,358)
Increase (Decrease) in Unearned Revenue	606,667	0
Increase (Decrease) in Accounts Payables	<u>906,473</u>	<u>(96)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,259,031</u>	<u>\$ 1,230,498</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Capital Assets	\$(1,715,159)	\$(1,119,830)
Purchase of Investments	(1,083,713)	(999,119)
Withdrawal of Investments	1,505,066	192,974
Net Reinvestment Earnings	<u>(1,292,797)</u>	<u>(1,180,225)</u>
Net Cash Used by Investing Activities	<u>\$(2,586,603)</u>	<u>\$(3,106,200)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan Proceeds	\$ 0	\$ 1,080,000
Principal payments on notes payable	<u>(49,636)</u>	<u>(319,697)</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ (49,636)</u>	<u>\$ 760,303</u>
Net Decrease in Cash	\$ (377,208)	\$(1,115,399)
Cash at Beginning of Year	<u>1,070,500</u>	<u>2,185,899</u>
Cash at End of Year	<u>\$ 693,292</u>	<u>\$ 1,070,500</u>
Total Interest Paid in Cash	<u>\$ 52,879</u>	<u>\$ 35,491</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, 2019

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 NSU Foundation.

1. 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 Financial Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation; therefore, the Foundation's policy is to record these net assets as without donor restrictions.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets

- 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”. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation’s Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015 through 2019 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.
- F. Funds Held in Custody - 1986 LA Constitutional Amendment VII section 10.1(d) formed the LA Education Quality Support Fund (LEQSF) from settlement of disputed oil & gas revenues used to endow two funds in the state treasury: The Louisiana Education Quality Trust Fund and the Board of Regents Support Fund (BoRSF). The revenues from these endowments are used to provide enhancement, research and support funds for Louisiana colleges and universities. The BoRSF currently operates subprograms through its four primary program areas: Research & Development, Endowment Matching, Enhancement, and Recruitment of Superior Graduate Students.
- 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 at \$20,000. Donated properties are not used for the Foundation’s operations.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

- 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.
- 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. Property, Plant, and Equipment:

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to 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. When donor stipulations are absent 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. The Association maintains a threshold level of \$5,000 or more for capitalizing property and equipment. Property and equipment are depreciated using the straight-line method. Purchased property and equipment are recorded at cost.

- K. Cash and Cash 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. For the purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.
- L. Functional Allocation of Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and administrative activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

2. Asset Liquidity:

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while investing available funds in accordance with the Foundation's investment policy. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Foundation anticipates revenues to be sufficient to meet its general expenditure needs.

The Foundation does not consider assets including principal of investments, cash surrender value of life insurance policies, collections and works of art, and fixed assets to be available for general expenditure. Principal balances on investments are restricted by donor intent. Cash surrender values of life insurance policies have not matured. Collection and works of art cannot be liquidated due to donor intent. Fixed assets cannot be liquidated due to donor and self-imposed restrictions.

As of June 30, 2019, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 693,292
Investments	18,303,011
Revenue Receivables	277,688
CSV of Life Insurance Policies	58,197
Collections & Works of Art	20,000
Fixed Assets, net of accumulated depreciation	<u>2,825,829</u>
Total financial assets, period end	<u>\$22,178,017</u>
Less, those unavailable for general expenditures	
within one year, due to:	
Principal of Investments	\$10,933,945
CSV of Life Insurance Policies	58,197
Collections of Works of Art	20,000
Fixed Assets, net of accumulated depreciation	<u>2,825,829</u>
	<u>\$13,837,971</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 8,340,046</u>

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be made available as general expenditures, liabilities, and other obligations become due. This structure provides for monthly meetings between the Executive Director and Business Manager to review balances of cash, cash equivalents and non-principal investment earnings. If the balances for cash and cash equivalents are deemed sufficient, excess funds are transferred to the investment fund. If balances for cash and cash equivalents are not deemed sufficient, funds are transferred from the cash portion of non-principal investment earnings to the Foundation's operating account.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

3. Donated Services:

During the year ended June 30, 2019, 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.

4. 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, 2019.

5. 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, 2019, cash and cash equivalents totaling \$693,292 as follows:

Interest bearing demand deposit accounts	\$653,656
Money market accounts	<u>39,636</u>
Total	<u>\$693,292</u>

Bank balances at June 30, 2019 totaled \$713,935. Deposits of \$250,000 were secured by FDIC insurance, while the remaining \$463,935 was unsecured.

6. Cash Surrender Value of Life Insurance Policies:

The cash surrender value of life insurance policies totaled \$58,197 for the year ended June 30, 2019. The cash surrender value of life insurance policies is net of any outstanding policy loans. Various individuals donated the policies, with the Foundation designated as beneficiary and owner.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

7. Transactions with Northwestern State University:

During the year ended June 30, 2019, the University provided certain personnel services, usage of office space and equipment, and travel expenses to the Foundation that is not reflected in the financial statements. The estimated value of these transactions for the year ended June 30, 2019 was \$225,648. In return, the Foundation solicits and collects funds for the benefit of the University.

8. Comparative Totals for Prior Year:

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

9. Investments:

At June 30, 2019, the Foundation had investments summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Market Value
Certificates of Deposit, maturities >90 days	\$ 348,794	\$ 16,678	\$ 365,472
Corporate Bonds	2,772,600	2,473,288	5,245,888
Mutual Funds	1,450,781	66,738	1,517,519
Equity Securities	5,983,885	5,190,247	11,174,132
Total	\$10,556,060	\$7,746,951	\$18,303,011

*Interest Rate Risk.* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is its fair value to changes in market interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the Foundation diversifies its investments by security type and institution.

*Credit Risk:* Generally, credit risk is the risk that the issuer of a debt type investment will not fulfill its obligation to the holder of the investment. United States government securities or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk exposure. The Foundation's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Foundation may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Foundation may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

10. Fair Value of Financial Instruments:

Investment earnings included in the statement of activities were comprised of the following for the year ended June 30, 2019:

Unrealized gains on investments	\$1,002,391
Management fees	(46,663)
Interest income	<u>361,514</u>
Total investment return, net	<u>\$1,317,242</u>

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, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of Deposit, maturities > 90 days	\$ 365,472	\$0	\$0	\$ 365,472
Corporate Bonds	5,245,888	0	0	5,245,888
Mutual Funds	1,517,519	0	0	1,517,519
Equity Securities	11,174,132	0	0	11,174,132
CSV of Life Insurance	58,197	0	0	58,197
Total	<u>\$18,361,208</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,361,208</u>

Northwestern State University Foundation  
Notes to Financial Statements  
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11. Funds Held in Custody:

1986 LA Constitutional Amendment VII section 10.1(d) formed the LA Education Quality Support Fund (LEQSF) from settlement of disputed oil & gas revenues used to endow two funds in the state treasury: The Louisiana Education Quality Trust Fund and the Board of Regents Support Fund (BoRSF). The revenues from these endowments are used to provide enhancement, research and support funds for Louisiana colleges and universities. The BoRSF currently operates subprograms through its four primary program areas: Research & Development, Endowment Matching, Enhancement, and Recruitment of Superior Graduate Students. With \$600,000 in private funds, BoRSF matches \$400,000 through competitive review to establish a \$1,000,000 Endowed Chair. With \$60,000 in private funds, BoRSF matches \$40,000 through competitive review to establish a \$100,000 Superior Graduate Scholarship. With \$80,000 in private funds, BoRSF matches \$20,000 to establish a \$100,000 Endowed Professorship or First Generation Scholarship (prior to July, 2017, Endowed Professorships and First Generation Scholarships were matched with \$40,000) "Funds Held in Custody" represents the private funds received by the Foundation for these endowments. These funds are transferred to the University when the University receives the BoRSF match.

At June 30, 2019, the Foundation had funds held in custody for professorships and scholarships summarized as follows:

State match applied for	\$1,040,000
Other professorships & scholarships	<u>101,646</u>
Total funds held in custody	<u>\$1,141,646</u>

12. Capital Assets:

The following is a summary of changes in capital assets for the Foundation for the year ended June 30, 2019:

	Balance <u>7/1/18</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/19</u>
Non-Depreciable Capital Assets-				
Collections- Works of Art	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Construction in Progress	34,830	0	34,830	0
Land	<u>80,000</u>	<u>0</u>	<u>0</u>	<u>80,000</u>
Total Non-Depreciable Assets	<u>\$ 134,830</u>	<u>\$ 0</u>	<u>\$34,830</u>	<u>\$ 100,000</u>
Depreciable Capital Assets-				
Buildings	\$1,080,000	\$ 0	\$ 0	\$1,080,000
Remodel/Refurbishing	0	1,749,989	0	1,749,989
Property & Equipment	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
Total Depreciable Capital Assets	<u>\$1,085,000</u>	<u>\$1,749,989</u>	<u>\$ 0</u>	<u>\$2,834,989</u>
Total Capital Assets	\$1,219,830	\$1,749,989	\$34,830	\$2,934,989
Less: Accumulated Depreciation	<u>(24,988)</u>	<u>(64,172)</u>	<u>0</u>	<u>(89,160)</u>
Total Capital Assets, Net	<u>\$1,194,842</u>	<u>\$1,685,817</u>	<u>\$34,830</u>	<u>\$2,845,829</u>

Depreciation expense for the current year totaled \$64,172.

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June 30, 2019

13. Long-Term Debt:

On February 8, 2018, the Foundation obtained a debt issue in the amount of \$1,080,000 bearing an interest rate of 5%. It is a multiple indebtedness mortgage maturing June 30, 2023 with a balloon payment. The loan is to be repaid with one interest-only payment on June 1, 2018, following with monthly principal and interest payments of \$8,543 beginning July 1, 2018. The final principal and interest payment of \$817,003 will be due on June 30, 2023.

The following is a summary of debt transactions for the year ended June 30, 2019:

<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount Due</u> <u>in One Year</u>
<u>\$1,080,000</u>	<u>\$0</u>	<u>\$(49,636)</u>	<u>\$1,030,364</u>	<u>\$52,175</u>

The annual requirements to amortize all debt outstanding as of June 30, 2019, including interest expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 52,175	\$ 50,340	\$ 102,515
2021	54,844	47,671	102,515
2022	57,650	44,865	102,515
2023	<u>865,695</u>	<u>41,915</u>	<u>907,610</u>
Total	<u>\$1,030,364</u>	<u>\$184,791</u>	<u>\$1,215,155</u>

Total interest expense for all debt for the year ended June 30, 2019 was \$52,879 and is included in other program services expenses.

14. Related Parties:

The Mary R. Gallaspy Charitable Trust #2 (Trust) is a substantial contributor of the Foundation. The Trust instruments dictate that all board members of the Foundation will also act as trustees of the Trust. The Director of the Foundation is a paid consultant for the Trust. The Foundation's Accountant is paid by the Trust for bookkeeping services. As described in note 13, on February 8, 2018, the Foundation borrowed from the Trust by executing a multiple indebtedness mortgage and promissory note in the amount of \$1,080,000 bearing interest at a rate of 5% per annum.

15. Restaurant Agreement:

The Foundation entered into a fifteen-year agreement with Sodexo Operations, LLC (Sodexo) to operate a Chick-fil-a inside the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Upon completion of the construction, Sodexo will pay the Foundation an annual rental fee, paid quarterly, of \$45,550 in years one through five, \$47,600 in years six through ten, and \$49,750 in years eleven through fifteen. For the year ended June 30, 2019, rental income totaled \$22,775. Upon completion of the construction, Sodexo will pay commission to the Foundation equal to 5% of net sales. For the year ended June 30, 2019, sales commissions totaled \$45,539.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

16. Bookstore Agreement:

The Foundation entered into a fifteen-year agreement with Follett Higher Education Group, Inc. (Follett) to operate the official campus store in the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Follett will provide \$2,000 annually in textbook scholarships and contribute \$2,000 annually to the Foundation's general scholarship fund. Follett will pay the Foundation a monthly rental fee of \$13,000, to be paid once a year by August 31. Annual increases of 1.5% per year begin July 1, 2019. For the year ended June 30, 2019, rental income totaled \$156,000. Follett will pay commission to the Foundation as follows: 6% of commissionable sales over \$1,000,000 but less than \$3,000,000; 10% of any commissionable sales over \$3,000,000; 7% of commissionable sales of digital course materials. For the year ended June 30, 2019, sales commissions totaled \$196,906.

17. Donor Restricted Net Assets:

At June 30, 2019, the Foundation had net assets with donor restrictions of \$17,309,800. These net assets are restricted for student scholarships, academic enhancement for NSU colleges and departments, and support for numerous affiliated organizations such as the NSU Child and Family Network, the National Center for Preservation Technology Training, and the Creole Heritage Center.

During the year ended June 30, 2019, restricted net assets of \$3,363,400 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

Marketing and promotions	\$ 99,054
Materials and supplies	263,895
Professional services	40,061
Scholarships	2,077,583
Support to NSU	106,365
Payment to NSU Auxiliary Services	200,000
Interest Expense	26,302
Travel	117,454
Camps	57,841
Other program services expenses	56,672
Fundraising	47,093
Administrative	<u>271,080</u>
Total Restrictions Released	<u>\$3,363,400</u>

18. Unearned Revenue:

On July 9, 2018, the Foundation received a one-time payment for \$650,000 from Follett for bookstore renovations. The payment is to be amortized over fifteen years. The Foundation would repay Follett the unamortized balance upon termination of the operating agreement. The unamortized balance at June 30, 2019 was \$606,667.

19. Lease Commitments:

Northwestern State University Foundation was not obligated under any capital or operating lease commitments at June 30, 2019.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

20. Compensation Paid to Board Members:

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

21. New Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers* as a new Topic, Accounting Standards Codification *Topic 606*. The ASU is intended to provide a more robust framework for addressing revenue issues, improving comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The Foundation is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, *Leases*. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The Foundation is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. ASU No. 2016-14 is effective for annual reporting periods beginning after December 15, 2017, and shall be applied retrospectively. Early adoption is permitted. The Foundation has implemented 2016-14 as of July 1, 2018. The net effect is a reclassification of net assets among classes, but total net assets remains the same.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

Northwestern State University Foundation  
Notes to Financial Statements  
June 30, 2019

22. Subsequent Events:

Management has evaluated events through September 17, 2019, the date which the financial statements were available for issue. The following item was identified to be reported.

On July 12, 2019, the Foundation received \$950,525 in additional lending from the Mary R. Gallaspy Charitable Trust #2 to cover remaining project costs for the renovation of NSU Campus Marketplace.

OTHER REPORTS/SCHEDULES

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
*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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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwestern State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northwestern State University Foundation, Inc.'s internal control over financial reporting (internal control) to determine the 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 Northwestern State University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern State University Foundation, Inc.'s internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern State University Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwestern State University Foundation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Thomas, Cunningham, Broadway & Todtenbier  
*Certified Public Accountants*  
Natchitoches, Louisiana

September 17, 2019

Northwestern State University Foundation, Inc.  
Schedule of Audit Findings  
For the Year Ended June 30, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Northwestern State University Foundation, Inc. for the year ended June 30, 2019.
2. No material weaknesses relating to the audit of the financial statements were identified.
3. No instances of noncompliance material to the financial statements of Northwestern State University Foundation, Inc. were disclosed during the audit.
4. Northwestern State University Foundation, Inc. was not subject to a federal single audit for the year ended June 30, 2019.

B. Financial Statement Findings

None identified.

C. Prior Year Findings

Internal Control-

*2018-001* Insufficient Controls over Expenditures

Condition - The Foundation failed to obtain and maintain adequate supporting documentation and proper approval on expenditures.

Status - The finding has been cleared as of June 30, 2019.