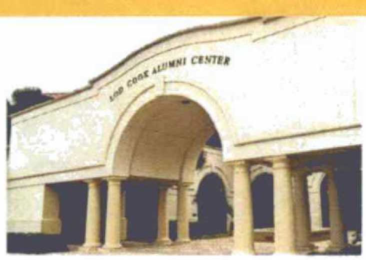
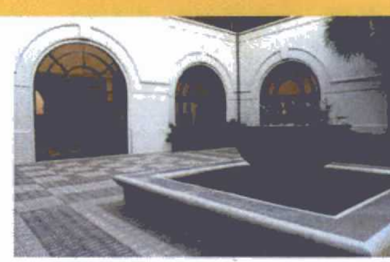
5499

47

2017 CONSOLIDATED FINANCIAL STATEMENTS





LSU | ALUMNI ASSOCIATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

TABLE OF CONTENTS

December 31, 2017

	Exhibit	Page
INDEPENDENT AUDITORS' REPORT		1
CONSOLIDATED FINANCIAL STATEMENTS		
Consolidated Statement of Financial Position	A	3
Consolidated Statement of Activities	B	4
Consolidated Statement of Cash Flows	C	5
Notes to the Consolidated Financial Statements	D	6
SUPPLEMENTARY INFORMATION	**Schedule**	
Consolidating Schedule of Activities	1	18

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LSU Alumni Association
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association")(a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 our audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 consolidated financial statements.

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

6811 Jefferson Highway • Baton Rouge, LA 70806 • (225) 927-6811 • Facsimile: (225) 932-0000
712 N. Burnside Avenue • Gonzales, LA 70737 • (225) 647-6811

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** as of December 31, 2017, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Activities on page 18 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Association's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
September 5, 2018

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017
(with comparative amounts for 2016)

ASSETS

	2017	2016
CURRENT		
Cash	$ 1,101,272	$ 1,477,513
Accounts receivable, net	307,819	353,548
Inventory, net	116,037	110,847
Pledges receivable, net	300,036	675,239
Prepaid expenses	209,459	123,979
Property held for sale	-	170,000
Total current assets	2,034,623	2,911,126
INVESTMENTS:		
Unrestricted	536,465	481,233
Endowment	21,563,157	18,494,925
LONG-TERM PLEDGES RECEIVABLE, net	441,407	279,559
PROPERTY AND EQUIPMENT, net	15,121,136	13,746,625
DEFERRED INCOME TAXES, net	346,000	235,000
OTHER ASSETS	10,318	10,318
Total assets	$ 40,053,106	$ 36,158,786

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 605,840	$ 1,173,364
Deferred revenue	166,740	110,392
Deferred royalty	153,400	142,500
Current portion of note payable	284,500	-
Total current liabilities	1,210,480	1,426,256
NOTE PAYABLE, less current portion	2,639,828	19,037
ACCRUED VACATION PAYABLE	223,054	222,605
Total liabilities	4,073,362	1,667,898
NET ASSETS		
Unrestricted	13,635,128	14,420,109
Temporarily restricted	2,402,390	280,662
Permanently restricted	19,942,226	19,790,117
Total net assets	35,979,744	34,490,888
Total liabilities and net assets	$ 40,053,106	$ 36,158,786

The accompanying notes to consolidated financial statements are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2017
(with summarized comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
REVENUE AND SUPPORT					
Donations	$ 2,253,194	$ 59,700	$ 569,397	$ 2,882,291	$ 3,216,622
Earned:					
Hotel	2,806,319	-	-	2,806,319	3,618,476
Merchandise, sales, and trip	1,245,041	-	-	1,245,041	3,146,298
Rental and catering	726,422	-	-	726,422	850,264
Investments:					
Interest and dividends	33,705	770,774	-	804,479	717,865
Unrealized gain, net	107,876	2,466,963	-	2,574,839	678,438
Realized gain (loss), net	3,001	68,637	-	71,638	(18,143)
Royalties	530,382	-	-	530,382	541,065
Other	202,856	-	-	202,856	248,897
Total revenue and support	7,908,796	3,366,074	569,397	11,844,267	12,999,782
NET ASSETS RELEASED FROM RESTRICTIONS	1,661,634	(1,244,346)	(417,288)	-	-
Total revenue, support, and net assets released from restrictions	9,570,430	2,121,728	152,109	11,844,267	12,999,782
EXPENSES					
Program	7,074,171	-	-	7,074,171	8,694,582
Fundraising	1,360,633	-	-	1,360,633	1,504,796
General and administrative	2,031,607	-	-	2,031,607	1,375,973
Total expenses	10,466,411	-	-	10,466,411	11,575,351
Change in net assets, before income taxes	(895,981)	2,121,728	152,109	1,377,856	1,424,431
PROVISION FOR INCOME TAXES					
Deferred tax benefit (expense)	111,000	-	-	111,000	(81,000)
Change in net assets	(784,981)	2,121,728	152,109	1,488,856	1,343,431
NET ASSETS					
Beginning of year	14,420,109	280,662	19,790,117	34,490,888	33,147,457
End of year	$ 13,635,128	$ 2,402,390	$ 19,942,226	$ 35,979,744	$ 34,490,888

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017
(with comparative amounts for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,488,856	$ 1,343,431
Adjustments to reconcile change in net assets to net cash provided by the operating activities:		
Depreciation	811,157	684,359
Increase in allowance for note, pledges, accounts, and interest receivable	1,322,822	323,854
Income tax provision	(111,000)	81,000
Realized (gain) loss on investments, net	(71,638)	18,143
Unrealized (gain) loss on investments, net	(2,574,839)	(678,438)
Increase in accrued interest receivable, gross	(352,819)	(247,259)
Temporarily restricted contributions	(59,700)	(404,599)
Permanently restricted contributions	(569,397)	(583,652)
Change in operating assets and liabilities:		
Net increase in gross pledges receivable	(330,588)	(126,496)
Net decrease in other operating assets	(271,177)	388,163
Net decrease in operating liabilities	(529,651)	(66,292)
Net cash (used) provided by operating activities	(1,247,974)	732,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,002,433)	(1,816,100)
Proceeds from sale of investments	1,525,446	1,068,550
Acquisition of property and equipment	(2,185,668)	(1,247,164)
Net cash used by investing activities	(2,662,655)	(1,994,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Temporarily restricted contributions	59,700	404,599
Permanently restricted contributions	569,397	583,652
Proceeds from note payable	2,929,451	19,037
Payments on note payable	(24,160)	-
Net cash provided by financing activities	3,534,388	1,007,288
Net decrease in cash and cash equivalents	(376,241)	(255,212)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,477,513	1,732,725
End of year	$ 1,101,272	$ 1,477,513

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The LSU Alumni Association is a non-profit corporation organized to foster, protect, and promote the welfare of Louisiana State University and Agricultural and Mechanical College (the University) and to maintain a mutually beneficial relationship between the University and its alumni. The majority of the Association's revenues are derived from contributions made by individual alumni and various organizations, as well as revenues earned through the Alumni Center and Hotel. The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel), is a wholly-owned subsidiary that operates the for-profit activities of the Association. The Hotel and Alumni Center are located on land owned by the University.

Basis of presentation and consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Association reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Association's consolidated financial statements for 2016, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. Estimates are used primarily when accounting for the valuation of receivables (allowances and discount to present value), inventory, depreciation, deferred revenue, and deferred income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all demand deposits and money market accounts to be cash and cash equivalents, except that cash and cash equivalents that are restricted by donors are included with restricted or endowed investments.

Pledges receivable and contributions

Pledges receivable are recognized as revenue in the period received. Pledges receivable are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are recorded net of an allowance for doubtful pledges that is based on management's estimate of collectability. The Association records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional or when cash is received. Unconditional contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets. Contributions to permanently restricted funds are restricted by the donor to be maintained in perpetuity and the related income earned is classified and expended according to the donor's stipulations.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Association does not require collateral for its receivables. Accounts receivable outstanding more than 90 days totaled \$32,908 at December 31, 2017.

Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Association uses the First-In-First-Out (FIFO) method to account for its inventory.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment valuation and income recognition

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in equity securities and shares of mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker-dealers who actively make markets in these securities. Investments in hedge funds are managed by external advisors and are reported at fair value utilizing the most current information provided by the fund manager through such methods mentioned in the following paragraph.

Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividends, interest, and other investment income are recorded as an increase in net assets.

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. The Association typically converts donated investments to cash as soon as possible upon receipt with the proceeds deposited into the Association's investment accounts. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification cost method. These realized gains and losses are recognized in current year operations as increases or decreases in net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rated offered for debt of comparable maturities and collateral requirements. None of the financial instruments are held for trading purposes.

Property and equipment

Property and equipment are carried at cost. Additions and improvements that extend the useful lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to thirty-nine years.

The Association does not capitalize its collection at the Andonie Museum, which is located on the LSU campus. The collection consists of historical objects related to LSU sports history which have been estimated to have a market value of approximately $650,000 at the date of acquisition. There were no significant changes to the collection during 2017.

Income taxes and unrelated business income

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for the majority of the Association's revenues; however, the Association's subsidiary, the Hotel, is a for-profit corporation for income tax purposes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

Deferred revenues

Funds that are received for prepayment of lodging and sports trips, or deposits for events scheduled in the subsequent year, are recorded as deferred revenues until they are earned.

Advertising

During 2017, the Association expensed $30,647 in advertising and promotional costs as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, September 5, 2018, which was the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments, at December 31, 2017, consisted of the following:

	Amount	
	Cost	Market
Equities	$ 9,931,210	$ 15,218,667
Fixed income	3,160,504	3,413,355
Hedge funds	1,692,452	1,611,570
Money market funds	1,319,556	1,319,556
Mutual funds	523,743	536,474
Total	$ 16,627,465	$ 22,099,622

The investment return for 2017 is as follows:

	Amount
Unrealized losses, net	$ 2,574,839
Interest and dividends	804,479
Realized gains, net	71,638
Total	$ 3,450,956

As December 31, 2017, the fair value hierarchy of the Association's investments was as follows:

	Amount			
	Level 1	Level 2	Level 3	Total
Equities	$ 15,218,667	$ -	$ -	$ 15,218,667
Fixed income	-	3,413,355	-	3,413,355
Hedge funds	-	-	1,611,570	1,611,570
Money market funds	1,319,556	-	-	1,319,556
Mutual funds	536,474	-	-	536,474
Total	$ 17,074,697	$ 3,413,355	$ 1,611,570	$ 22,099,622

NOTE 2 - INVESTMENTS (CONTINUED)

The change in fair value in Level 3 investments as measured at fair value on a recurring basis for 2017 is as follows:

	Hedge Funds
Beginning of year	$ 1,271,011
Additions	100,000
Interest and dividends	73,150
Unrealized gains, net	167,409
End of year	$ 1,611,570

NOTE 3 - PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2017, are as follows:

	Amount
Current pledges receivable, gross	$ 542,992
Long-term pledges receivable, gross	472,500
Total pledges receivable	1,015,492
Less: Allowance for uncollectible accounts	(242,956)
Discount to present value for long-term pledges	(31,093)
Pledges receivable, net	$ 741,443

NOTE 4 - ACCOUNTS RECEIVABLE

At December 31, 2017, accounts receivable are as follows:

	Amount
LSU Foundation	$ 211,804
Room rental, occupancy, and other	91,403
Catering and events	37,520
Accounts receivable, gross	340,727
Less: Allowance for uncollectible accounts	(32,908)
Accounts receivable, net	$ 307,819

NOTE 5 - NOTE RECEIVABLE

The Association has invested in a Company that has developed a medical device to provide alternative treatment to prescribed medication for various disorders. The Board Chairman of the Company is an ex-officio board member of the Association.

The Association has an unsecured 12% convertible promissory note receivable of $2,847,972 as of December 31, 2017, with $85,439 in accrued interest. The principal balance and accrued interest are due April 1, 2019.

At March 31, 2018, the Company's unaudited financial statements reported cash of $84,000, assets of $850,000, and a stockholders' deficit of $35,567000. The Company is currently seeking approval from United States drug regulators for domestic sales of its product while selling its product in other countries, and pursuing options to secure additional financing resources.

The outcome of the events described above are uncertain at this time. While management of the Association will continue to monitor the operations of the Company, a loss provision has been recorded for the note principal ($2,847,972) and the related interest due ($85,439).

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2017 were as follows:

Description	Service Life	Amount
Buildings and improvements	15 - 39 years	$ 23,057,122
Furniture and equipment	5 - 10 years	5,356,905
Automobiles	5 years	79,720
Software	3 years	80,730
		28,574,477
Less: accumulated depreciation		(13,453,341)
Property and equipment, net		$ 15,121,136

Depreciation expense was $811,157 for 2017.

(Continued)

NOTE 7 - NOTE PAYABLE

In 2016, the Hotel (Association) entered into a bank loan to fund renovations. The loan operates as a line of credit with a limit of $3,200,000 for contractor costs. The Association has the ability to draw $257,672 on the loan as of December 31, 2017. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel when the Association began making payments on the loan in December 2017. The note requires monthly payments of $31,263 at 3.2% interest and matures in November 2027.

Future maturities under note payable as of December 31, 2017, were as follows:

Year ended December 31,	Amount
2018	$ 284,500
2019	293,869
2020	303,338
2021	313,536
2022	323,861
2023-2026	1,405,224
Total	$ 2,924,328

NOTE 8 - DEFERRED ROYALTY

The Association has a royalty agreement with a third-party for the use of the Association's logo on credit cards and access to alumni member lists. Under the terms of the agreement, the Association will receive $1,075,000 in royalty guarantee payments from July 1, 2016 to June 30, 2021. Earned royalties are applied against the advances, and the Association receives an additional amount for royalties earned in excess of the guarantee. Effective July 1, 2021, the Association will receive royalties based on earned amounts through June 30, 2023. The Association earned royalties of $216,800 in 2017 related to this agreement.

NOTE 9 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $111,000 for 2017, and the tax effects of temporary differences at December 31, 2017 are as follows:

Noncurrent deferred tax asset	Amount
Net operating loss carryforward	$ 407,000
Depreciation	(61,000)
	$ 346,000

NOTE 9 - PROVISION FOR INCOME TAXES (CONTINUED)

At December 31, 2017, the Hotel had a net operating loss carry-forward of approximately $1,939,500 available through 2031. This amount is reflective of the Hotel's effective tax rate of 21% for 2018. Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 10 - NET ASSETS

The endowment net assets had activity during 2017 as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,293,559	$ 280,662	$ 19,790,117	$ 22,364,338
Interest and dividends	207,941	770,774	-	978,715
Unrealized gains	499,134	2,466,963	-	2,966,097
Realized gains, net	-	68,637	-	68,637
Contributions	386,399	59,700	569,397	1,015,496
Amounts appropriated for expenditure	(11,872)	(1,244,346)	(417,288)	(1,673,506)
Endowment net assets, end of year	$ 3,375,161	$ 2,402,390	$ 19,942,226	$ 25,719,777

Unrestricted endowment net assets

Unrestricted endowment net assets are comprised of funds designated by the Board of Directors for operating purposes, including maintenance on buildings. Additionally, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may decline in value below the level that the donor requires the Association to retain as a fund of perpetual duration.

Temporarily restricted endowment net assets

The Association has a policy of appropriating 5% of the endowment fund's average market value for the preceding 3 years for professorships and scholarships. Upon payment of professorships and scholarships, donor-restrictions are satisfied and temporarily restricted net assets are released from restrictions and reclassified as an increase in unrestricted net assets. At December 31, 2017, the Association had $2,402,390 in temporarily restricted net assets available for professorships and scholarships, respectively.

NOTE 10 - NET ASSETS (CONTINUED)

Permanently restricted endowment net assets

The Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association.

Investment objectives

The investment objective is to maintain the purchasing power of the endowment assets over the long-term while meeting current obligations. 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 annual distributions of professorships, scholarships, and building and operating expenses.

To satisfy the long-term rate-of-return objectives, the Association relies on a return strategy in which investment returns are achieved through market appreciation (realized and unrealized), and interest and dividends. The Association uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 11 - RENT EXPENSE

Rent and lease expense incurred was $81,371 for 2017. These rentals and leases are short term and cancelable by either party. The Association has also entered into a 99-year land lease with the University which expires December 31, 2092. The annual rent expense associated with this lease is nominal.

NOTE 12 - DONATED SERVICES

A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Association's programs, principally in fund raising activities, operations, and board participation. The value of this donated time is not reflected in these statements since the services do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 13 - RETIREMENT PLAN

The Association has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions as well as discretionary Association matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to $18,000 annually. The Association contributed $98,900 to the plan during 2017.

NOTE 14 - CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Association to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments. Management periodically evaluates the Association's credit risk associated with its investments, which are not collateralized. Future changes in market value may make such investments less valuable.

The Association typically maintains cash and cash equivalents, and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes this risk is limited.

NOTE 15 - RELATED PARTIES

During 2017, the Association paid $814,796 to the University and agencies of the University for reimbursement for personnel, various services, and supplies. As of December 31, 2017, the Association owed the University $88,409.

The Association had funds invested with the LSU Foundation totaling approximately $211,804 at December 31, 2017.

The Association earned $676,631 of hotel revenue from various departments of the University and had $19,557 of related receivables at year end.

The Association received $840,000 in rental income, and $180,000 in management fees from the Hotel. However, rent and management fee transactions have been eliminated in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2017
(with summarized comparative totals for 2016)

	Alumni Association	Scholarship Fund	The Cook Hotel	Total 2017	Total 2016
Revenue and support:					
Donations	$ 2,283,996	$ 598,295	$ -	$ 2,882,291	$ 3,216,622
Earned:					
Hotel	-	-	2,806,319	2,806,319	3,618,476
Merchandise, sales, and trips	260,706	-	984,335	1,245,041	3,146,298
Rental and catering	570,780	-	155,642	726,422	850,264
Investments:					
Dividend and interest	25,428	778,478	573	804,479	717,865
Unrealized gain (loss)	2,574,839	-	-	2,574,839	678,438
Realized gain (loss)	-	71,638	-	71,638	(18,143)
Other:					
Royalties	530,382	-	-	530,382	541,065
Advertising sales	-	-	71,341	71,341	130,590
On campus events	74,557	-	-	74,557	50,437
Golf tournament	12,400	-	-	12,400	15,100
Miscellaneous	33,486	-	11,072	44,558	52,770
Total revenue and support	6,366,574	1,448,411	4,029,282	11,844,267	12,999,782
Expenses:					
Personnel:					
Salaries	1,843,363	-	885,269	2,728,632	2,675,170
Staff benefits	316,598	-	168,935	485,533	471,955
Total personnel	2,159,961	-	1,054,204	3,214,165	3,147,125
Occupancy:					
Depreciation	626,874	-	184,283	811,157	684,359
Utilities	244,304	-	190,741	435,045	436,893
Professional and contracted services	303,013	15,200	136,471	454,684	508,566
Repairs and maintenance	150,893	-	106,990	257,883	362,916
Hotel operations	-	-	338,350	338,350	629,487
Taxes	610	-	17,445	18,055	23,990
Supplies	35,006	-	117,625	152,631	180,368
Rent	62,530	-	18,841	81,371	65,933
Miscellaneous operating services	46,894	-	-	46,894	47,516
Total occupancy	1,470,124	15,200	1,110,746	2,596,070	2,940,028
Promotional:					
Scholarships and professorships	-	982,685	-	982,685	724,659
Travel and sports trips	109,776	-	769,965	879,741	2,337,629
Special events ticket purchases	575,141	-	-	575,141	467,064
Cost of merchandise sold	-	-	220,654	220,654	282,735
Printing	115,785	-	3,401	119,186	168,237
Postage	62,994	-	8,261	71,255	73,758
Official functions and entertainment	8,113	-	3,768	11,881	20,792
Catering	107,967	-	1,299	109,266	126,597
Other support	73,048	-	-	73,048	99,990
Promotional supplies	65,610	-	-	65,610	89,508
Advertising	13,046	-	17,601	30,647	55,349
Gifts of appreciation/donor recognition	25,445	-	-	25,445	184,343
Total promotional	1,156,925	982,685	1,024,949	3,164,559	4,630,661
General and Administrative:					
Fees	27,633	107,621	208,771	344,025	313,910
Bad debt	-	872,998	29,824	902,822	323,854
Telephone	25,721	-	42,202	67,923	70,548
Insurance	91,739	-	57,019	148,758	119,933
Dues and subscriptions	22,225	-	5,864	28,089	29,292
Total general and administrative	167,318	980,619	343,680	1,491,617	857,537
Total expenses	4,954,328	1,978,504	3,533,579	10,466,411	11,575,351
Change in net assets, before income taxes	1,412,246	(530,093)	495,703	1,377,856	1,424,431
Income tax benefit (expense)	-	-	111,000	111,000	(81,000)
Change in net assets	$ 1,412,246	$ (530,093)	$ 606,703	$ 1,488,856	$ 1,343,431

See Independent Auditors' Report

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

MANAGEMENT LETTER

December 31, 2017

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

Board of Directors
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

In planning and performing our audit of the consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Association'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 and other deficiencies that we consider to be significant deficiencies.

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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies noted at 2017-2 and 2017-3 to be material weaknesses.

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. We consider the deficiency noted at 2017-1 to be a significant deficiency.

This communication is intended solely for the information and use of the Board of Directors, the Association's management, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
September 5, 2018

6811 Jefferson Highway • Baton Rouge, LA 70806 • (225) 927-6811 • Facsimile: (225) 932-0000
712 N. Burnside Avenue • Gonzales, LA 70737 • (225) 647-6811

2017-1 - Financial Statement Preparation

Observation: The Association's internal financial statements are prepared and reviewed monthly by management and presented at board meetings. At year-end, the Association provides the internal financial statements and relies on the auditors to assist in preparing the financial statements in accordance with U.S. generally accepted accounting principles, which includes additional presentation requirements and note disclosures.

The Association's procedures do not include the preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles. Furthermore, under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure relative to the preparation of financial statements.

Recommendation: We recommend management explore the resources necessary to prepare year-end financial statements in accordance with generally accepted accounting principles to determine if it would represent responsible stewardship.

Management's Response: Management understands this finding results from professional standards that have been adopted by the accounting profession. Significant factors are as follows:

- The Association generates the appropriate financial information to effectively manage its operations in a timely manner.
- The resources necessary to prepare financial statements in accordance with generally accepted accounting principles would not represent responsible stewardship by our management at this time.

Accordingly, while this finding is necessary for the professional reasons cited above, we do not consider our current situation to be "deficient", and, therefore, conclude that remedying of the "deficiency" does not represent an approach that the Association should adopt at this time.

2017-2 Monitoring and Collection of Outstanding Pledges Receivable

Observation: During the audit of the financial statements, it was noted that several outstanding pledges did not have any payments during 2017 and that pledges receivable recorded in prior years are not routinely monitored for collection. As a result, it was determined through confirmation with donors that approximately $417,300 of previously recorded receivables are not considered collectible, causing an adjustment to bad debt expense and the related pledges for $417,300. In total, an adjustment was recorded to increase the allowance for uncollectible pledges by approximately $103,000.

Recommendation: We recommend that the Association implement procedures to enhance the collectability of pledges. First, we recommend that the development department engage in ongoing conversations with the pledging donors to collect outstanding pledges in accordance with pledge commitments from donors.

2017-2 Monitoring and Collection of Outstanding Pledges Receivable (Continued)

Second, we recommend that the results of collection efforts then be communicated with the finance committee and department on a timely basis so that the financial statements properly reflect collectability of outstanding pledges.

Management's response: Of the $417,300 in pledges that were deemed to be uncollectible, $395,000 relates to the recent passing of a donor in which the estate is no longer able to honor the pledge. However, management agrees with the recommendation above and intends to implement procedures to monitor and evaluate outstanding pledges on an ongoing basis.

2017-3 Accounting Oversight

Observation: During the audit of the 2017 financial statements, significant audit adjustments were required to fairly present the financial statements:

- Accounts payable for catering were understated by $79,000; with catering receivables understated and catering revenue overstated by $18,000, and $61,000, respectively,
- Accounts payable and scholarship expenses were understated by $122,000,
- Investment balances were overstated and scholarship expenses were understated by $66,000 and $59,000, respectively,
- Pledges receivable were overstated by approximately $417,000, the allowance for doubtful pledges and bad debt expense were understated by $102,000 and $520,000, respectively, and
- Accounts payable and utilities expense were understated by $35,000.

In summary, the net effect of the adjusting entries above and other journal entries reduced the change in net assets by approximately $803,000 as follows:

Assets:		
Accounts receivable	$	18,000
Investments		(66,000)
Pledge receivable		(417,000)
Allowance for uncollectible		(102,000)
Liabilities:		
Accounts payable		(236,000)
Total	$	(803,000)

Recommendation: We recommend that the Association implement financial statement closing procedures that capture all relevant information necessary to reconcile accounts to supporting documentation.

Management's response: Of the audit adjustments noted above, $395,000 of the pledge receivables and the corresponding allowance adjustment related to a donor that recently passed away as summarized in item 2017-2. Additionally, adjustments related to accounts payable are primarily due to delays in receiving monthly invoices from the University during the closing process. Management intends to resolve the remaining matters in 2018.

LSU | ALUMNI ASSOCIATION

2017 COOK HOTEL FINANCIAL STATEMENTS

THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC
Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2017 and 2016

THE COOK HOTEL

THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC
Baton Rouge, Louisiana

TABLE OF CONTENTS

December 31, 2017 and 2016

	Exhibit	Page
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Balance Sheets	A	3
Statements of Operations and Changes in Member's Equity	B	4
Statements of Cash Flows	C	5
Notes to the Financial Statements	D	6
SUPPLEMENTAL INFORMATION	**Schedule**	
Schedule of Operating Expenses	1	12

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Managers
The Lod and Carole Cook Conference Center and Hotel, LLC
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) (a Louisiana limited liability company and wholly owned subsidiary of the LSU Alumni Association) which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and changes in member's equity 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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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 error or fraud.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Hotel'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 Hotel'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 opinion.

6811 Jefferson Highway • Baton Rouge, LA 70806 • (225) 927-6811 • Facsimile: (225) 932-0000
712 N. Burnside Avenue • Gonzales, LA 70737 • (225) 647-6811

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** as of December 31, 2017 and 2016, and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic 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.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
September 5, 2018

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

BALANCE SHEETS

December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT		
Cash	$ 317,027	$ 474,427
Accounts receivable, net	80,695	138,983
Inventory, net	116,037	110,847
Prepaid expenses	117,094	18,829
Total current assets	630,853	743,086
PROPERTY AND EQUIPMENT, net	3,333,895	1,540,612
DEFERRED INCOME TAXES, net	346,000	235,000
Total assets	$ 4,310,748	$ 2,518,698
LIABILITIES AND MEMBER'S EQUITY		
CURRENT		
Accounts payable and accrued expenses	$ 230,279	$ 305,163
Due to Association	254,252	942,237
Deferred revenue	162,032	99,264
Current portion of note payable	284,500	-
Total current liabilities	931,063	1,346,664
NOTE PAYABLE, less current portion	2,639,828	19,037
ACCRUED VACATION PAYABLE	16,330	16,173
Total liabilities	3,587,221	1,381,874
MEMBER'S EQUITY	723,527	1,136,824
Total liabilities and member's equity	$ 4,310,748	$ 2,518,698

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY

For the years ended December 31, 2017 and 2016

	2017	2016
REVENUES		
Rooms	$ 2,736,577	$ 3,513,191
Travel packages	701,218	2,494,231
Gift shop	283,117	342,595
Food, beverage, and other	152,728	242,118
Catering	155,642	217,299
Total revenues	4,029,282	6,809,434
OPERATING EXPENSES		
Property	2,683,613	3,061,408
Travel packages	734,239	2,348,161
Gift shop	350,628	387,308
General and administration	785,099	559,818
Total operating expenses	4,553,579	6,356,695
Net (loss) income from operations	(524,297)	452,739
PROVISION FOR INCOME TAXES		
Deferred tax benefit (expense)	111,000	(81,000)
Net (loss) income	(413,297)	371,739
MEMBER'S EQUITY		
Beginning of year	1,136,824	765,085
End of year	$ 723,527	$ 1,136,824

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (413,297)	$ 371,739
Adjustments to reconcile change in net assets to net cash provided by the operating activities:		
Depreciation	184,283	85,725
Deferred income tax (benefit) expense, net	(111,000)	81,000
Change in operating assets and liabilities:		
Net change in operating assets	(45,167)	401,374
Net change in operating liabilities	(699,944)	141,762
Net cash (used) provided by operating activities	(1,085,125)	1,081,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,977,566)	(1,128,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	2,929,451	19,037
Payments on note payable	(24,160)	-
Net cash provided by financing activities	2,905,291	19,037
Net decrease in cash and cash equivalents	(157,400)	(27,917)
CASH AND CASH EQUIVALENTS		
Beginning of year	474,427	502,344
End of year	$ 317,027	$ 474,427

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel) is a wholly owned subsidiary of the LSU Alumni Association (the Association) and is doing business as The Cook Hotel. The Hotel is organized as a Louisiana limited liability company to operate the for-profit activities of the Association.

The Hotel is located on the Baton Rouge campus of Louisiana State University (the University) and provides overnight lodging, catering, and conference room rentals to the University community and public. Other major operations include travel packages for LSU athletic events, primarily the football games away from Baton Rouge.

Basis of presentation

The financial statements of the Hotel have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Estimates are primarily used when accounting for valuation and collection of receivables, inventory, deferred taxes, depreciation, and deferred revenue.

Cash and cash equivalents

For purposes of the statements of cash flows, the Hotel considers all demand deposits and money market accounts to be cash and cash equivalents. The Hotel considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Hotel does not require collateral for its receivables.

Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Hotel uses the First-In-First-Out (FIFO) method to account for its inventory.

Property and equipment

Property and equipment are carried at cost. Additions and improvements that extend the useful lives of assets are capitalized, and maintenance and repair expenditures are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to twenty years.

Income taxes

The Hotel is a limited liability company that is taxed as a C-corporation. The Hotel uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

Deferred revenues

Funds that are received for prepayment of lodging, use of facility space, and deposits for travel and sporting events are recorded as deferred revenues until they are earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The carrying value of receivables, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rated offered for debt of comparable maturities and collateral requirements. No financial instruments are held for trading purposes.

Advertising

During 2017 and 2016, the Hotel expensed $17,600 and $34,500, respectively, in advertising and promotional costs as incurred.

Subsequent events

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, September 5, 2018, which was the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2017 and 2016, accounts receivable balances were as follows:

	2017	2016
Rooms	$ 26,075	$ 54,311
Catering and event space	37,520	43,071
Magazine and other	50,008	44,685
	113,603	142,067
Less: allowance for uncollectible accounts	(32,908)	(3,084)
Accounts receivable, net	$ 80,695	$ 138,983

Accounts receivable at December 31, 2017 and 2016 outstanding for more than 90 days were $32,908 and $6,500, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2017 and 2016, were as follows:

Description	Service Life	2017	2016
Building improvements	5-20 years	$ 1,818,625	$ 200,315
Furniture and equipment	5-10 years	3,987,424	2,516,620
Automobile	5 years	21,392	21,392
Software	3 years	79,230	79,230
Construction in progress	-	-	1,111,548
		5,906,671	3,929,105
Less accumulated depreciation		(2,572,776)	(2,388,493)
Property and equipment, net		$ 3,333,895	$ 1,540,612

Depreciation expense was $184,283 and $85,725 for 2017 and 2016, respectively.

NOTE 4 - NOTE PAYABLE

In 2016, the Hotel entered into a bank loan to fund renovations throughout the Hotel. The loan operates as a line of credit with a limit of $3,200,000 for contractor costs. The Association has the ability to draw $257,672 on the loan as of December 31, 2017. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel when the Association began making payments on the loan in December 2017. The note requires monthly payments of $31,263 at 3.2% interest and will mature in November 2027.

Future maturities under note payable as of December 31, 2017, were as follows:

Year ended December 31,	Amount
2018	$ 284,500
2019	293,869
2020	303,338
2021	313,536
2022	323,861
2023-2026	1,405,224
Total	$ 2,924,328

NOTE 5 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax expense (benefit) of ($111,000) and $81,000 for 2017 and 2016, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2017 and 2016 are as follows:

Noncurrent deferred tax asset	2017	2016
Net operating loss carryforward	$ 407,000	$ 266,000
Depreciation	(61,000)	(31,000)
	$ 346,000	$ 235,000

At December 31, 2017, the Hotel had a net operating loss carry-forward of approximately $1,939,500 available through 2031. This amount is reflective of the Hotel's effective tax rate of 21% for 2018. Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 6 - RETIREMENT PLAN

The Hotel, through the LSU Alumni Association, has a 401(k)-retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions, as well as discretionary Hotel matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to $18,000 annually. The Hotel contributed approximately $29,400 and $31,200 during 2017 and 2016, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

NOTE 8 - RELATED PARTIES

The Hotel has a five-year lease for the hotel property with the Association (parent) through February 2018 and incurs a management fee. Payments made to the Association are as follows:

	2017	2016
Rent	$ 840,000	$ 840,000
Management fee	180,000	180,000
Total payments	$ 1,020,000	$ 1,020,000

NOTE 8 - RELATED PARTIES (CONTINUED)

Hotel revenue of $676,631 and $656,674 for 2017 and 2016, respectively, was received from departments of the University, with related outstanding receivables of $19,557 and $10,666 at each year end.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2017
(with summarized comparative totals for 2016)

	Property	Travel Packages	Gift Shop	General and Administration	Total 2017	2016
OPERATING EXPENSES						
Personnel	$ 713,608	$ 19,616	$ 145,311	$ 170,250	$ 1,048,785	$ 1,061,558
Rent to Association	840,000	-	-	-	840,000	840,000
Travel	-	707,683	-	-	707,683	2,306,308
Rooms	401,987	-	-	-	401,987	536,644
Professional services	-	1,999	-	248,696	250,695	274,022
Occupancy	244,668	1,214	1,214	-	247,096	280,867
Merchandise	-	-	192,561	-	192,561	243,047
Depreciation	184,283	-	-	-	184,283	85,725
Management fee to Association	-	-	-	180,000	180,000	180,000
Food, beverage, and other	156,043	-	-	-	156,043	245,863
Repairs and maintenance	102,252	-	-	-	102,252	136,964
Interest	-	-	-	58,729	58,729	51
Bad debt	-	-	-	29,824	29,824	-
Marketing	-	3,185	-	20,131	23,316	50,065
Taxes and licenses	21,931	-	-	-	21,931	12,663
Operating leases	18,841	-	-	-	18,841	17,889
Other	-	542	11,542	77,469	89,553	85,029
Total operating expenses	$ 2,683,613	$ 734,239	$ 350,628	$ 785,099	$ 4,553,579	$ 6,356,695

See Independent Auditors' Report.

LSU | ALUMNI ASSOCIATION

2017 AGREED UPON PROCEDURES

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

December 31, 2017

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of the LSU Alumni Association and Subsidiary (Association) and the Louisiana State University System (University System), (the specified parties), in regards to the Association's compliance with the Affiliation Agreement with the University System for the year ended December 31, 2017. The Association's management is responsible for compliance with the Affiliation Agreement. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

With respect to your representations relating to the Affiliation Agreement, as of December 31, 2017, and for the year then ended, we applied the following agreed-upon procedures:

1. The Affiliate is required to maintain a written policy regarding the handling and resolution of audit findings, audit exceptions, and any misuse of funds. We determined whether the policy is in place.

   The Association is in compliance with this requirement.

2. The governing board of the Affiliate has established and implemented policies governing all disbursements for administrative and operating expenses. The policies provide for sound and prudent business practices, the payment or reimbursement of ordinary, necessary and reasonable business expenses, and the avoidance of conflicts-of-interests. We determined whether the enacted policies of the Association comply with the Affiliation Agreement.

   The Association's policy manual includes a written policy concerning reimbursable expenses and conflicts of interest.

3. No supplemental compensation or benefit, as defined by paragraph A.2 of the Addendum, has been paid directly to a University employee without an exception approved by the President of the System (President). We obtained a sample of cash disbursements for 2017 to determine whether such payments were made and, if so, whether proper approval from the President was obtained.

Based on our procedures performed, there was one instance in which supplemental compensation was paid directly to a University employee from the Association for $5,000. This payment was a bonus to reward the employee's additional workload during the period of renovations at the Cook Hotel. This direct supplemental compensation was approved by both the President and Executive VP/CFO, of the University, and the President/CEO of the Association, and, therefore, meets the criteria necessary to be permitted under the Affiliation Agreement.

4. All payments made to or on behalf of University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's dean, vice chancellor, or other equivalent administrative official. We determined, from our sample of disbursements selected, whether such payments were made and comply with the Affiliation Agreement.

   During 2017, the Association disbursed 5 reimbursements to University employees. Such payments consisted primarily of monthly expense reimbursements that were filed with the Association and were approved by the appropriate authority.

   We selected 5 disbursements to test for compliance with the terms as described in Steps 5 through 13. The results of our testing are depicted in the various steps below.

5. All payments for moving and relocation expenses of University employees covered by PM 69 have been approved by the President. We reviewed supporting documentation from our sample of disbursements selected for 2017 to determine whether such payments were made and comply with the Affiliations Agreement.

   Based on our supporting documentation for the disbursements selected in Step 4, no disbursements were made to University employees relating to moving or relocation expenses.

6. There have been no payments made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business) except for payments for which this prohibition does not apply as indicated in paragraph B.1 of the Addendum. We reviewed supporting documentation from our sample of disbursements selected for 2017 to determine whether such payments were made.

   Based on supporting documentation for the disbursements selected in Step 4, all payments made related to Association business operations.

7. No fines, forfeitures or penalties of University employees have been paid. We reviewed a sample of cash disbursements for 2017 to determine whether such payments were made.

   Based on supporting documentation for the disbursements selected in Step 4, we found no payments made related to fines, forfeitures or penalties for University employees.

8. No gifts represented to be personally from a University employee have been made by the Affiliate nor has any University employee been reimbursed for the purchase of such a gift. We reviewed supporting documentation from our sample of disbursements for 2017 to determine whether such payments were made.

   Based on supporting documentation for the disbursements selected in Step 4, we found no payments made related to gifts to be personally from or a reimbursement for University employees.

9. No political contributions which are prohibited by applicable Internal Revenue Service Regulations or state law have been made or reimbursed. We reviewed a sample of cash disbursements for 2017 to determine whether such payments were made. We performed the following steps with respect to this requirement:

   a. We reviewed the vendor listing of the Association to identify potential political contributions,
   b. We reviewed the 2017 general ledger for potential political contributions,
   c. We inquired of Association personnel as to the existence of any political contributions,
   d. We reviewed supporting documentation for a sample of cash disbursements to determine if such amounts related to political contributions.

   Based the steps noted above, no political contributions were identified.

10. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the benefit to the individual University employee outweighs the benefit to the University. In accordance with paragraph B.5 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed supporting documentation from our sample of disbursements selected for 2017 to determine whether such payments were made and determine that such procedures are in place.

    Based on supporting documentation for the disbursements selected in Step 4, the payments made to University employees related to Association business operations.

11. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the amount is extravagant or lavish beyond the appropriate University purpose. In accordance with paragraph B.6 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed supporting documentation from our sample of disbursements for 2017 to determine whether such payments were made and determine that such procedures are in place.

    Based on supporting documentation for the disbursements selected in Step 4, we found the payments made to University employees were related to Association business, and were not extravagant or lavish beyond the appropriate University purpose.

12. No funds have been disbursed in connection with contracts (or other agreements) between the Affiliate and a University employee unless an exception has been approved by the President. We reviewed supporting documentation from our sample of disbursements selected for 2017 to determine whether such disbursements were made on such contracts or other agreements.

    Based on the supporting documentation for the disbursements selected in Step 4, we found that the payments made to University employees were for normal expenses for Association operations. The disbursements made did not relate to any contract or agreement between the Association and the University employee.

13. All other payments to or on behalf of University employees, i.e. payments not specifically addressed above, have been made in accordance with specific approval of the President or written joint amendment or clarification of the Addendum. We reviewed supporting documentation from our sample of disbursements selected for 2017 to determine whether such payments were approved or clarified.

    None of the disbursements selected in Step 4 were subject to this provision.

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 compliance with the Affiliation Agreement. 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 Board of Directors and management of the LSU Alumni Association and Subsidiary and the Louisiana State University System, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
September 5, 2018

LSU | ALUMNI ASSOCIATION

3848 WEST LAKESHOE DRIVE | BATON ROUGE, LA 70808
WWW.LSUALUMNI.ORG | WWW.THECOOKHOTEL.COM