

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

JUNE 30, 2022 AND 2021

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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November 21, 2022

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Independent Auditor's Report

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Tech University Foundation, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Louisiana Tech University Foundation, Inc. as of June 30, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Louisiana Tech University Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Louisiana Tech University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Louisiana Tech University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt Louisiana Tech University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Details of Consolidated Statements of Financial Position and Activities included on pages 20 and 21 are presented for the purposes of additional analysis and are 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 and *Government Auditing Standards*. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the organization'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 solely 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 the effectiveness of the organization's 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 Louisiana Tech University Foundation, Inc.'s internal control over financial reporting and compliance.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	7,827,188	6,130,729
Accounts receivable	186,970	248,386
Contributions receivable, net	10,612,380	12,101,985
Note receivable - Press Box	900,000	900,000
Receivable - LED	746,433	-
Investments	41,259,006	40,004,744
Fixed assets, net	1,367,775	509,351
Other assets	650,998	431,814
Long-term note receivable	8,657,737	9,557,737
Restricted assets - investments	<u>36,662,074</u>	<u>47,983,080</u>
 Total assets	 <u><u>108,870,561</u></u>	 <u><u>117,867,826</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	654,315	269,563
Accrued interest payable	17,903	22,749
Line of credit	3,127,667	3,590,154
Current portion of long-term debt	362,290	351,359
Current portion of press box note payable	900,000	900,000
Annuities liability	72,212	88,617
Deferred revenue	876,141	-
Contractual obligations	1,958,333	-
Long-term debt	229,818	591,719
Long-term portion of press box note payable	8,657,737	9,557,737
Due to Louisiana Tech University	<u>36,431,808</u>	<u>43,814,143</u>
Total liabilities	53,288,224	59,186,041
<u>Net assets:</u>		
Without donor restrictions:		
Undesignated	1,219,603	3,949,580
Invested in capital assets, net of related debt	<u>1,351,961</u>	<u>486,508</u>
	2,571,564	4,436,088
With donor restrictions:		
Restricted for specific purposes (non-endowment)	7,891,788	6,375,541
Restricted for specific purposes (endowment)	<u>45,118,985</u>	<u>47,870,156</u>
	<u>53,010,773</u>	<u>54,245,697</u>
Total net assets	<u><u>55,582,337</u></u>	<u><u>58,681,785</u></u>
 Total liabilities and net assets	 <u><u>108,870,561</u></u>	 <u><u>117,867,826</u></u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Contributions and other receipts	72,552	14,730,330	14,802,882
Contributed services	1,568,789	-	1,568,789
Net investment income (loss)	2,122	(2,682,216)	(2,680,094)
Lease income	232,773	18,354	251,127
Service charges	1,975,039	(108)	1,974,931
Other	6,550	70,294	76,844
	<u>3,857,825</u>	<u>12,136,655</u>	<u>15,994,479</u>
Net assets released from restrictions	<u>13,371,579</u>	<u>(13,371,579)</u>	<u>-</u>
Total revenues, gains, and other support	<u>17,229,403</u>	<u>(1,234,924)</u>	<u>15,994,479</u>
<u>Expenses:</u>			
Program expenses in support of LA Tech University	13,462,943	-	13,462,943
General administrative and investment services	3,408,066	-	3,408,066
Fundraising	1,782,918	-	1,782,918
	<u>18,653,927</u>	<u>-</u>	<u>18,653,927</u>
Assets dedicated to Louisiana Tech University, net	<u>440,000</u>	<u>-</u>	<u>440,000</u>
Change in net assets	(1,864,524)	(1,234,924)	(3,099,448)
<u>Net assets, beginning of year</u>	<u>4,436,088</u>	<u>54,245,697</u>	<u>58,681,785</u>
<u>Net assets, end of year</u>	<u>2,571,564</u>	<u>53,010,773</u>	<u>55,582,337</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Contributions and other receipts	208,070	14,091,309	14,299,379
Contributed services	1,916,345	-	1,916,345
Net investment income	14,120	6,995,453	7,009,573
Lease income	232,773	-	232,773
Service charges	1,814,729	16,558	1,831,287
Other	20,498	219,851	240,349
	<u>4,206,535</u>	<u>21,323,171</u>	<u>25,529,706</u>
Net assets released from restrictions	<u>15,981,172</u>	<u>(15,981,172)</u>	<u>-</u>
	<u>20,187,707</u>	<u>5,341,999</u>	<u>25,529,706</u>
<u>Expenses:</u>			
Program expenses in support of LA Tech University	14,021,849	-	14,021,849
General administrative and investment services	3,104,594	-	3,104,594
Fundraising	2,647,036	-	2,647,036
	<u>19,773,479</u>	<u>-</u>	<u>19,773,479</u>
Assets dedicated to Louisiana Tech University, net	<u>260,000</u>	<u>-</u>	<u>260,000</u>
	154,228	5,341,999	5,496,227
<u>Net assets, beginning of year</u>	<u>4,281,860</u>	<u>48,903,698</u>	<u>53,185,558</u>
<u>Net assets, end of year</u>	<u>4,436,088</u>	<u>54,245,697</u>	<u>58,681,785</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(3,099,448)	5,496,227
Depreciation and amortization	27,717	35,412
Net unrealized (gain) loss on long-term investments	2,178,175	(12,191,044)
Realized (gain) loss on sale of investments	(439,264)	(950,215)
Gain on sale of fixed assets	-	(1,600)
Accounts receivable	61,416	74,579
Contributions receivable	1,489,605	1,811,434
Receivable from LED	(746,433)	-
Prepaid expenses	(311,250)	(104,968)
Other assets	92,066	(5,840)
Accounts payable	384,752	(71,986)
Accrued interest payable	(4,846)	(2,482)
Annuities liability	(16,405)	(15,756)
Deferred revenue	876,141	-
Contractual obligations	1,958,333	-
Contributions restricted for long-term investments	<u>(2,706,403)</u>	<u>(1,701,532)</u>
Net cash (used) by operating activities	(255,845)	(7,627,771)
<u>Cash flows from investing activities:</u>		
Additions to fixed assets	(886,141)	-
Proceeds from sale of fixed assets	-	1,600
Purchases of investments	(1,112,590)	(10,517,236)
Proceeds on sale of investments	9,440,423	9,672,715
Proceeds from notes receivable	900,000	900,000
Increase (decrease) in due to Louisiana Tech University	<u>(7,382,335)</u>	<u>7,090,865</u>
Net cash provided (used) by investing activities	959,358	7,147,944
<u>Cash flows from financing activities:</u>		
Contributions restricted for investment in endowment	2,706,403	1,701,532
Payments of notes payable	(1,250,970)	(1,239,917)
Payments of line of credit	(462,487)	(1,000,000)
Proceeds from line of credit	<u>-</u>	<u>3,089,154</u>
Net cash provided by financing activities	<u>992,946</u>	<u>2,550,769</u>
<u>Increase in cash and cash equivalents</u>	1,696,459	2,070,942
<u>Cash and cash equivalents-beginning of year</u>	<u>6,130,729</u>	<u>4,059,787</u>
<u>Cash and cash equivalents-end of year</u>	<u>7,827,188</u>	<u>6,130,729</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. Organization and Significant Accounting Policies

Organization

The Louisiana Tech University Foundation, Inc. (the Foundation) was organized to solicit, receive, hold, invest and transfer funds for the benefit of Louisiana Tech University (LTU). Additionally, the Foundation assists Louisiana Tech University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Louisiana Tech University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Louisiana Tech University. The Foundation is a separate legal entity and is not included as part of the reporting entity of Louisiana Tech University.

Consolidation

The consolidated financial statements include the Louisiana Tech Research Corporation and Tech Pointe II, LLC because the Foundation maintains control of the entities. All material intercompany transactions have been eliminated in the consolidated financial statements.

Significant Accounting Policies

Basis of Accounting – The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting under the financial reporting framework of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*.

Basis of Presentation – The Foundation’s net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. This includes funds that are designated for discretionary use by the Foundation and board-designated funds functioning as endowments.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. This includes annuity and life income funds, term endowments, the present value of contributions receivable, and earnings on investments. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use a portion of the income earned on the related investments for specified purposes.

1. Organization and Significant Accounting Policies (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released between the applicable classes of net assets. Revenues with donor restrictions that are used in the year of receipt are classified as net assets with donor restrictions and released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income and realized and unrealized net gains or losses on investments are reported as follows:

Without Donor Restrictions – As increases or decreases in net assets if the terms of the gift are not considered to have donor restrictions.

With Donor Restrictions – As increases or decreases in net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the timing or the use of the income or by law.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment - Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

In-Kind Gifts

Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

Accounts Receivable

Accounts receivable consists of amounts due from outside parties. Management evaluates the collectability and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

1. Organization and Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

Investment income, net of external and internal management expenses and fees, and gains and losses arising from the sale or other disposition of investments and other noncash assets are pooled in a separate general ledger account for the payment of scholarships and other purposes in accordance with the intent of the endowment agreement. Scholarships and other payments from the general endowment pool are determined based on four percent of the specific endowment corpus.

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, earnings, not to exceed a specified percentage, could be used to support the intended purposes. An appropriation from the endowment for expenditures that support the intended purpose may be made to the extent it is deemed prudent, unless otherwise restricted by the donor in the gift instrument.

The Foundation's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Fixed Assets

Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from two to ten years. The Foundation capitalizes expenditures in excess of \$2,500 for fixed assets at cost.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Therefore, no provision for income taxes has been made in the consolidated financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and to determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for generally the past three years remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted

1. Organization and Significant Accounting Policies (Continued)

in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to significant change within one year relate to the determination of the fair value of financial instruments.

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

2. Cash and Cash Equivalents

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits, which is a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

Of the bank balances, those funds not covered by federal deposit insurance were covered by collateral held by the pledging banks' trust department.

3. Investments

Fair values and unrealized appreciation (depreciation) of investments classification at June 30, 2022 and 2021 are summarized as follows:

	2022			2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Included on the Statement of Financial Position:						
Investments	38,994,470	41,259,006	2,264,536	36,827,053	40,004,744	3,177,691
Restricted assets-investments	<u>28,283,900</u>	<u>36,662,074</u>	<u>8,378,174</u>	<u>28,856,999</u>	<u>47,983,080</u>	<u>19,126,081</u>
	<u>67,278,370</u>	<u>77,921,080</u>	<u>10,642,710</u>	<u>65,684,052</u>	<u>87,987,824</u>	<u>22,303,772</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2022 and 2021:

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends income	833	1,094,509	1,095,342	950	2,122,963	2,123,913
Net realized and unrealized gains	<u>1,289</u>	<u>(3,776,725)</u>	<u>(3,775,436)</u>	<u>13,170</u>	<u>4,872,490</u>	<u>4,885,660</u>
Total investment return	<u>2,122</u>	<u>(2,682,216)</u>	<u>(2,680,094)</u>	<u>14,120</u>	<u>6,995,453</u>	<u>7,009,573</u>

4. Fair Value of Financial Instruments

The Foundation adopted FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820). 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 included:

- 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, and
- 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, 2022 and 2021 are as follows:

	<i>Assets at Fair Value as of June 30, 2022</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Markets	5,809,398	-	-	5,809,398
Certificates of Deposit	285,000	-	-	285,000
Mutual Funds	1,232,412	-	-	1,232,412
Exchange Traded Funds	17,547,731	-	-	17,547,731
Government Obligations and Corporate Bonds	-	28,319,986	-	28,319,986
Common Stocks-Domestic	18,440,339	-	-	18,440,339
Alternatives	578,652	1,114,975	-	1,693,627
Real Estate	<u>-</u>	<u>-</u>	<u>4,592,587</u>	<u>4,592,587</u>
Total	<u>43,893,532</u>	<u>29,434,961</u>	<u>4,592,587</u>	<u>77,921,080</u>

4. Fair Value of Financial Instruments (Continued)

	Assets at Fair Value as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Markets	4,462,827	-	-	4,462,827
Certificates of Deposit	285,000	-	-	285,000
Mutual Funds	1,521,396	-	-	1,521,396
Exchange Traded Funds	24,389,191	-	-	24,389,191
Government Obligations and Corporate Bonds	-	27,810,186	-	27,810,186
Common Stocks-Domestic	23,253,260	-	-	23,253,260
Alternatives	622,263	1,051,114	-	1,673,377
Real Estate	<u>-</u>	<u>-</u>	<u>4,592,587</u>	<u>4,592,587</u>
Total	<u>54,533,937</u>	<u>28,861,300</u>	<u>4,592,587</u>	<u>87,987,824</u>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2022</u>	<u>2021</u>
Balance-July 1	4,592,587	4,985,000
Gains (losses) realized and unrealized	-	-
Purchases, issuances, and settlements	-	30,678
Sales	-	(423,091)
Transfers in and/or out of Level 3, net	<u>-</u>	<u>-</u>
Balance-June 30	<u>4,592,587</u>	<u>4,592,587</u>

5. Fixed Assets

A summary of the fixed assets at June 30, 2022 and 2021 follows:

	<u>Depreciable Lives</u>	<u>2022</u>	<u>2021</u>
Automobiles	2-3	52,173	42,172
Furniture, fixtures and equipment	3-10	3,564,230	3,620,225
Engineering equipment	3-10	550,000	550,000
Real estate and other	-	114,557	114,557
Construction in progress	-	<u>876,141</u>	<u>-</u>
		5,157,101	4,326,954
<u>Less-accumulated depreciation</u>		<u>(3,789,326)</u>	<u>(3,817,603)</u>
		<u>1,367,775</u>	<u>509,351</u>

Depreciation of \$27,717 and \$35,412 was recorded for the years ended June 30, 2022 and 2021, respectively.

6. **Contributions Receivable**

Contributions receivable, net, is summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional pledges expected to be collected in:		
Less than one year	1,745,402	1,931,120
One year to five years	<u>10,326,242</u>	<u>10,739,799</u>
	12,071,644	12,670,919
<u>Less</u> -discount on future contributions receivable (discount rate of 2.90% and 0.26% in 2022 and 2021, respectively)	(1,112,370)	(152,950)
<u>Less</u> -allowance for uncollectible contributions receivable	<u>(346,894)</u>	<u>(415,984)</u>
Contributions receivable, net	<u><u>10,612,380</u></u>	<u><u>12,101,985</u></u>

7. **Receivable - LED**

Tech Pointe II, LLC ("TPII") is a wholly owned subsidiary of Louisiana Tech University Foundation. The Foundation is initially funding construction expenditures for TPII which will be reimbursed to the Foundation as related funding from Louisiana Economic Development ("LED") is received, in accordance with the cooperative endeavor agreement. For the year ended June 30, 2022, construction expenditures totaling \$876,141 were paid for by the Foundation. As of June 30, 2022, \$129,708 had been received from LED and reimbursed from TPII to the Foundation. On a consolidated basis, the remaining \$746,433 due from LED was recorded on the balance sheet as a receivable from LED as of June 30, 2022.

8. **Notes Payable**

Notes payable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Line of credit to Origin Bank for operating capital up to \$6,001,400 dated June 15, 2021, secured by cross-collateralization of other loans. Interest at banks prime rate (4.75% at June 30, 2022), maturing September 14, 2022.	3,127,667	3,590,154
Note payable to Origin Bank for the consolidation of the football stadium video board and basketball arena video board dated May 30, 2019, original amount of \$1,129,401.49, interest rate at 5.110%, payable in nine semi-annual payments of \$130,000 and one final payment estimated at \$98,791.57, matures January 15, 2024.	460,293	687,235

8. Notes Payable (Continued)

	<u>2022</u>	<u>2021</u>
Note payable to Conference USA for operating capital of \$350,000 dated June 30, 2020, interest rate of 3.4%, payable in two annual payments of \$117,000 and one final payment of \$116,000, matures May 31, 2023.	116,000	233,000
Note payable to Ford Motor Credit for the purchase of a 2018 Ford Explorer dated August 31, 2018, original purchase of \$42,172.56, fixed interest rate of 0.00%, payable monthly for 72 months beginning October 15, 2018.	<u>15,815</u>	<u>22,843</u>
	<u>3,719,775</u>	<u>4,533,232</u>

Notes payable maturities are as follows:

Year Ended June 30,	
2023	3,489,957
2024	228,061
2025	1,757
2026	-
Thereafter	<u>-</u>
	<u>3,719,775</u>

Interest expense on the above notes for the years ended June 30, 2022 and 2021 was \$166,424 and \$134,520, respectively.

Effective May 23, 2017, the board of directors approved self-financing, through the Foundation, to facilitate the timely completion of an athletics expansion project with the use of endowment funds. The funds were borrowed at an interest rate of four percent, with no formalized repayment schedule. Funds will be paid back as proceeds from charitable gifts along with income generated from above said project are available, and are estimated to be approximately \$900,000 annually. The financial statements reflect a note receivable from the Foundation, in the amount of \$9,557,737 and \$10,457,737 as of June 30, 2022 and 2021, respectively, and an unsecured note payable in the same amount to the Louisiana Tech University Foundation endowment investment account. Interest expense for the years ended June 30, 2022 and 2021 was \$418,309 and \$454,309, respectively.

9. Transactions with Louisiana Tech University

Louisiana Tech University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Louisiana Tech University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to Louisiana Tech University. For the year ended June 30, 2022, contributed personnel costs and operating services were determined to be \$1,965,656 and \$2,547, respectively. For the year

9. Transactions with Louisiana Tech University (Continued)

ended June 30, 2021, contributed personnel costs and operating services were determined to be \$1,914,135 and \$2,210, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

For the years ended June 30, 2022 and 2021, expenses totaling approximately \$13,642,911 and \$11,786,660, respectively, were paid directly to or for the benefit of Louisiana Tech University.

Funds administered by the Foundation on behalf of Louisiana Tech University are not commingled with funds belonging to the Foundation. Classified as amounts due to Louisiana Tech University at June 30, 2022 and 2021 is \$36,431,808 and \$43,683,080, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the net assets of the Foundation and reflected as due to Louisiana Tech University.

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

10. Commitments

As of June 30, 2022 and 2021, there was approximately \$1,172,981 and \$1,067,309, respectively, in awarded but unpaid scholarships, which were funded subsequent to year-end.

11. Annuities Liability

The Foundation receives donations through split-interest agreements with contributors. These split-interest agreements specify that the donation is made in return for an individual or joint annuity for the remaining lives of the contributors. The difference between the fair market value of the assets received and liability under the annuity is recognized as revenue in the year received. Upon the death of the contributor, the remaining liability, if any, is recognized as revenue. The Foundation has received four donations under such agreements that result in an annuities liability totaling \$72,212 and \$88,617 at June 30, 2022 and 2021, respectively. The liabilities were calculated using discount rates of 3.25%, 4.9%, 5.0%, and 7.50%.

12. Deferred Revenue

Deferred revenue consists of funding received from Louisiana Economic Development with certain metrics attached to be attained by Tech Pointe II, LLC in accordance with the cooperative endeavor agreement. As conditions are met, the funding will be recognized as revenue on the statement of operations as appropriate. As of June 30, 2022 deferred revenue totaled \$876,141.

13. Contractual Obligations

The Foundation is a party to contracts for supplemental pay in support of the Athletic Programs of LTU. Upon certain triggering events, LTUF may be responsible for fulfilling the remaining financial obligations of terminated contracts or entitled to receive payment for certain contract buyout provisions. Events during FY22 resulted in a financial obligation of LTUF of \$2,937,500 to be paid in three installments of \$979,167 by July 15, 2022, July 15, 2023, and July 15, 2024 with no penalty for early payment. LTUF elected to pay the first installment of \$979,167 in June 2022. Subsequent payments of \$979,167, and \$979,166 are due July 15, 2023 and July 15, 2024, respectively. The remaining contractual obligation as of June 30, 2022 was \$1,958,333.

13. Contractual Obligations (Continued)

LTUF received \$425,000 related to contract buyout provisions during FY22. The net impact of contractual obligations and buyout provisions during FY22 was a reduction to net assets of \$2,512,500.

14. Multimedia Sponsorship Rights

On August 28, 2008, the Foundation entered into an agreement with Louisiana Tech University ("University") for the exclusive promotion and management of multimedia sponsorship rights for Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019, extended through June 2027. The agreement indicates that the Foundation will contract with a third party company to sell multimedia sponsorship rights on behalf of Louisiana Tech University Athletics. As payment for rights granted under this agreement, the Foundation is required to pay the University an annual minimum fee of \$200,000, throughout the agreement.

On November 25, 2008, the Foundation entered into an agreement with LA Tech Sports Properties, LLC ("Learfield"), a Missouri limited liability company owned by Learfield Communications, Inc. with respect to the licensing rights related to the promotion of Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019, extended through June 2027. Effective July 16, 2020 the agreement was amended from a guaranteed payment to a revenue-sharing agreement. As payment for the rights granted under this agreement, Learfield will pay the Foundation 50 percent of the first \$1,850,000 in AGR in each athletic year, and 55 percent of AGR in excess of \$1,850,000 in each athletic year. Notwithstanding the foregoing, for the fiscal year ended June 30, 2021 and each year thereafter, the amount will not be less than 90 percent of the amount paid in the immediately preceding athletic year.

Payments of \$731,389 and \$653,602 were received under this agreement for the fiscal years ended June 30, 2022 and 2021, respectively, and recorded as other income. A receivable of \$178,298 and \$248,386 were recorded at June 30, 2022 and 2021, respectively.

15. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Private endowed contributions received for professorships and chairs are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions. Once the match is received, the private endowed funds along with the matching endowed funds are transferred to the Due to Louisiana Tech University liability account. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal year ended June 30, 2022 is 4%. Prior state law dictated that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending. However, in June 2010, the state legislature passed the Uniform Prudential Management of Institutional Funds Act (UPMIFA). This act changed the law regarding spending in endowments, to allow for a portion of the corpus to be spent.

15. Endowed Net Assets (Continued)

The Foundation classifies as donor restricted endowed net assets the original value of gifts donated for endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment fund net asset composition as of June 30, 2022:

	<u>With Donor Restriction</u>
Endowment net assets, June 30, 2021	47,870,156
Contributions	2,706,403
Net investment income (loss)	(2,708,928)
Other income	7,664
Released from restriction	(2,316,310)
Assets dedicated to LA Tech University	<u>(440,000)</u>
Endowment net assets, June 30, 2022	<u>45,118,985</u>

Endowment fund net asset composition as of June 30, 2021:

	<u>With Donor Restriction</u>
Endowment net assets, June 30, 2020	40,799,610
Contributions	1,701,532
Net investment income	8,859,628
Other income	3,107
Released from restriction	(3,313,721)
Assets dedicated to LA Tech University	<u>(180,000)</u>
Endowment net assets, June 30, 2021	<u>47,870,156</u>

16. Net Assets with Donor Restrictions (Non-Endowed)

Net assets with donor restrictions (non-endowed) are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose for benefit of University	7,891,788	6,375,541

17. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include support on behalf of the College, personnel costs, and donor cultivation and stewardship, which are allocated on the basis of estimates of time and effort.

17. Functional Expenses (Continued)

Expense allocation for the year ended June 30, 2022 is as follows:

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Support on behalf of the College	7,232,174	1,415,503	59,130	8,706,807
Scholarships and awards for the College	1,625,528	-	-	1,625,528
Personnel	-	793,358	1,172,298	1,965,656
Athletics	4,585,959	-	-	4,585,959
Administration	-	1,199,204	406,011	1,605,215
Depreciation	19,283	-	8,434	27,717
Donor cultivation/stewardship	-	-	137,046	137,046
Total	<u>13,462,943</u>	<u>3,408,066</u>	<u>1,782,918</u>	<u>18,653,927</u>

Expense allocation for the year ended June 30, 2021 is as follows:

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Support on behalf of the College	9,209,755	1,556,035	15,968	10,781,758
Scholarships and awards for the College	1,235,808	-	-	1,235,808
Personnel	-	382,359	1,797,391	2,179,750
Athletics	3,549,308	-	-	3,549,308
Administration	-	1,166,200	494,155	1,660,355
Depreciation	26,978	-	8,434	35,412
Donor cultivation/stewardship	-	-	331,088	331,088
Total	<u>14,021,849</u>	<u>3,104,594</u>	<u>2,647,036</u>	<u>19,773,479</u>

18. Liquidity and Availability

Financial assets, consisting of cash, investments, and accounts receivable, that are available for general expenditure, that is, without donor or other restrictions limiting their use, amounted to approximately \$32,068 and \$26,615 at June 30, 2022 and 2021, respectively. Management has a general goal of maintaining sufficient financial resources on hand to meet two to three months of operating expenses.

The investment portfolio is subject to annual board-established spending rate. At times it may be necessary to liquidate certain investments, which can be accomplished in two to three days, for operating needs.

19. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through November 21, 2022 and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2022

<u>ASSETS</u>	Louisiana Tech University Foundation	Louisiana Tech Research Corporation	Tech Pointe II	Eliminations Dr (Cr)	Consolidated
Cash and cash equivalents	7,606,952	220,236	-	-	7,827,188
Accounts receivable	186,970	-	-	-	186,970
Contributions receivable, net	10,612,380	-	-	-	10,612,380
Note Receivable - Press Box	900,000	-	-	-	900,000
Receivable - LED	-	-	746,433	-	746,433
Due from Tech Pointe II	746,433	-	-	(746,433)	-
Investments	41,259,006	-	-	-	41,259,006
Fixed assets, net	491,634	-	876,141	-	1,367,775
Other assets	650,998	-	-	-	650,998
Long-term note receivable - Press Box	8,657,737	-	-	-	8,657,737
Restricted assets - investments	36,662,074	-	-	-	36,662,074
Total assets	107,774,184	220,236	1,622,574	(746,433)	108,870,561
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities:</u>					
Accounts payable	654,315	-	-	-	654,315
Accrued interest payable	17,903	-	-	-	17,903
Line of credit	3,127,667	-	-	-	3,127,667
Current portion of long-term debt	362,290	-	-	-	362,290
Current portion of press box note payable	900,000	-	-	-	900,000
Annuities liability	72,212	-	-	-	72,212
Deferred revenue	-	-	876,141	-	876,141
Contractual obligations	1,958,333	-	-	-	1,958,333
Long-term debt	229,818	-	-	-	229,818
Long-term portion of press box note payable	8,657,737	-	-	-	8,657,737
Due to LA Tech Foundation	-	-	746,433	(746,433)	-
Due to Louisiana Tech University	36,431,808	-	-	-	36,431,808
Total liabilities	52,412,083	-	1,622,574	(746,433)	53,288,224
<u>Net assets:</u>					
Without donor restrictions	2,351,328	220,236	-	-	2,571,564
With donor restrictions	53,010,773	-	-	-	53,010,773
Total net assets	55,362,101	220,236	-	-	55,582,337
Total liabilities and net assets	107,774,184	220,236	1,622,574	(746,433)	108,870,561

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

DETAILS OF CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Louisiana Tech University Foundation	Louisiana Tech Research Corporation	Tech Pointe II	Eliminations Dr (Cr)	Consolidated
<u>Revenues, gains, and other support:</u>					
Contributions and other receipts	14,518,240	284,642	-	-	14,802,882
Contributed services	1,568,789	-	-	-	1,568,789
Net investment income	(2,680,460)	366	-	-	(2,680,094)
Lease income	251,127	-	-	-	251,127
Service charges	1,974,931	-	-	-	1,974,931
Other	76,844	-	-	-	76,844
Total revenues, gains, and other support	15,709,471	285,008	-	-	15,994,479
<u>Net assets released from restrictions</u>					
	-	-	-	-	-
Total revenues, gains, and other support after reclassifications	15,709,471	285,008	-	-	15,994,479
<u>Expenses:</u>					
Program expenses in support of LA Tech University	13,263,527	199,416	-	-	13,462,943
General administrative and investment services	3,408,066	-	-	-	3,408,066
Fundraising	1,782,918	-	-	-	1,782,918
Total expenses	18,454,511	199,416	-	-	18,653,927
Assets dedicated to Louisiana Tech University, net	440,000	-	-	-	440,000
<u>Change in net assets</u>	(3,185,040)	85,592	-	-	(3,099,448)
<u>Net assets, beginning of year</u>	58,547,141	134,644	-	-	58,681,785
<u>Net assets, end of year</u>	55,362,101	220,236	-	-	55,582,337

OTHER REPORTS



REGIONS TOWER
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November 21, 2022

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

**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**

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 consolidated financial statements of Louisiana Tech University Foundation, Inc. and Subsidiaries, which comprise the statement of consolidated financial position as of June 30, 2022, and the related consolidated 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 November 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Louisiana Tech University Foundation, Inc.'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 Louisiana Tech University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Tech 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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Tech University Foundation, Inc.'s consolidated 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 consolidated financial statements. 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic consolidated financial statements of Louisiana Tech University Foundation, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of Louisiana Tech University Foundation, Inc. were disclosed during the audit.
4. Louisiana Tech University Foundation, Inc. was not subject to a federal single audit for the year ended June 30, 2022.

B. Financial Statement Findings

No matters were reported.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2022

No matters were noted in the prior year.