

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

JUNE 30, 2020 AND 2019

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 4, 2020

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Louisiana Tech University Foundation, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the 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, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 19 through 20 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020 on our consideration of Louisiana Tech University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2020 AND 2019

<u>A S S E T S</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	4,059,787	6,995,587
Accounts receivable	322,965	-
Contributions receivable, net - Note 6	13,913,419	14,014,507
Note receivable - Press Box	900,000	428,549
Investments - Note 3 and 4	32,798,767	30,577,018
Fixed assets, net - Note 5	544,763	580,911
Other assets	321,006	351,143
Long-term note receivable	10,457,737	11,357,737
Restricted assets - investments - Notes 3 and 4	<u>41,203,277</u>	<u>42,766,173</u>
 Total assets	 <u>104,521,721</u>	 <u>107,071,625</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>Liabilities:</u>		
Accounts payable	341,549	268,735
Accrued interest payable	25,231	12,016
Line of credit - Note 7	1,501,000	1,500,750
Current portion of long-term debt - Note 7	339,899	233,307
Current portion of Press Box note payable - Note 7	900,000	428,549
Annuities liability - Note 10	104,373	119,506
Long-term debt - Note 7	943,096	932,995
Long-term portion of Press Box Note payable - Note 7	10,457,737	11,357,737
Due to Louisiana Tech University	<u>36,723,278</u>	<u>38,706,175</u>
Total liabilities	51,336,163	53,559,770
 <u>Net assets:</u>		
Without donor restrictions:		
Undesignated	3,766,969	3,279,296
Invested in capital assets, net of related debt	<u>514,891</u>	<u>544,010</u>
	4,281,860	3,823,306
With donor restrictions:		
Restricted for specific purposes (non-endowment)	8,104,088	10,056,458
Restricted for specific purposes (endowment)	<u>40,799,610</u>	<u>39,632,091</u>
	48,903,698	49,688,549
Total net assets	<u>53,185,558</u>	<u>53,511,855</u>
 Total liabilities and net assets	 <u>104,521,721</u>	 <u>107,071,625</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Contributions	3,673,745	7,856,390	11,530,135
Contributed services	822,355	-	822,355
Net investment income	12,226	1,238,393	1,250,619
Lease income	253,133	-	253,133
Service charges	1,272,295	24,703	1,296,998
Other	206,730	2,195,495	2,402,225
	<u>6,240,484</u>	<u>11,314,981</u>	<u>17,555,465</u>
Net assets released from restrictions	<u>12,099,832</u>	<u>(12,099,832)</u>	<u>-</u>
Total revenues, gains, and other support	<u>18,340,316</u>	<u>(784,851)</u>	<u>17,555,465</u>
<u>Expenses:</u>			
Program expenses in support of			
Louisiana Tech University	9,508,638	-	9,508,638
General administrative and investment services	4,804,529	-	4,804,529
Fundraising	3,248,595	-	3,248,595
	<u>17,561,762</u>	<u>-</u>	<u>17,561,762</u>
Assets dedicated to Louisiana Tech University, net	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Change in net assets	458,554	(784,851)	(326,297)
<u>Net assets, beginning of year</u>	<u>3,823,306</u>	<u>49,688,549</u>	<u>53,511,855</u>
<u>Net assets, end of year</u>	<u>4,281,860</u>	<u>48,903,698</u>	<u>53,185,558</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Contributions	977,700	24,660,038	25,637,738
Contributed services	1,996,371	-	1,996,371
Net investment income	(19,627)	2,205,984	2,186,357
Service charges	1,404,479	26,041	1,430,520
Other	189,850	1,890,460	2,080,310
	<u>4,548,773</u>	<u>29,015,296</u>	<u>33,564,069</u>
Net assets released from restrictions	<u>13,570,714</u>	<u>(13,570,714)</u>	<u>-</u>
	<u>18,119,487</u>	<u>15,444,582</u>	<u>33,564,069</u>
Total revenues, gains, and other support			
<u>Expenses:</u>			
Program expenses in support of			
Louisiana Tech University	11,601,246	-	11,601,246
General administrative and investment services	4,478,941	-	4,478,941
Fundraising	2,861,269	-	2,861,269
	<u>18,941,456</u>	<u>-</u>	<u>18,941,456</u>
Total expenses			
Assets dedicated to Louisiana Tech University, net	<u>-</u>	<u>-</u>	<u>-</u>
	(821,969)	15,444,582	14,622,613
Change in net assets			
<u>Net assets, beginning of year</u>	<u>4,645,275</u>	<u>34,243,967</u>	<u>38,889,242</u>
<u>Net assets, end of year</u>	<u>3,823,306</u>	<u>49,688,549</u>	<u>53,511,855</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(326,297)	14,622,613
Depreciation and amortization	36,147	52,357
Net unrealized (gain) on long-term investments	(90,765)	(490,089)
Realized (gain) loss on sale of investments	39,642	(198,730)
Gain on sale of fixed assets	(10,000)	-
Accounts receivable	(322,965)	698,503
Contributions receivable	101,088	(8,610,975)
Other assets	30,137	14,463
Accounts payable	72,815	115,590
Accrued interest payable	13,215	11,225
Annuities liability	(15,133)	(14,539)
Deferred revenue	-	(655,253)
Contributions restricted for long-term investments	<u>(1,506,501)</u>	<u>(5,573,516)</u>
Net cash provided (used) by operating activities	(1,978,617)	(28,351)
<u>Cash flows from investing activities:</u>		
Purchases of fixed assets	-	(78,268)
Proceeds from sale of fixed assets	10,000	29,823
Purchases of investments	(7,488,124)	(6,256,449)
Proceeds on sale of investments	7,363,674	4,665,577
Issuance of notes receivable	-	-
Proceeds from notes receivable	428,549	486,521
Increase (decrease) in due to Louisiana Tech University	<u>(2,466,177)</u>	<u>(2,346,323)</u>
Net cash provided (used) by investing activities	(2,152,078)	(3,499,119)
<u>Cash flows from financing activities:</u>		
Contributions restricted for investment in endowment	1,506,501	5,573,516
Payments of notes payable	(661,606)	(2,101,304)
Proceeds from issuance of debt	<u>350,000</u>	<u>1,171,574</u>
Net cash provided (used) by financing activities	<u>1,194,895</u>	<u>4,643,786</u>
<u>Increase (decrease) in cash and cash equivalents</u>	(2,935,800)	1,116,316
<u>Cash and cash equivalents-beginning of year</u>	<u>6,995,587</u>	<u>5,879,271</u>
<u>Cash and cash equivalents-end of year</u>	<u>4,059,787</u>	<u>6,995,587</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 (Louisiana Tech University). 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 because the Foundation controls the entity. 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.

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.

1. **Organization and Significant Accounting Policies** (Continued)

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.

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 is distributed to the various endowments using a pooled income approach. This approach distributes income following the fair value unit method, which is based on the number of units each endowment owns in the managed investment pool.

1. **Organization and Significant Accounting Policies** (Continued)

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 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 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.

Recently Adopted Accounting Pronouncements – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU provides for a variety of changes to the presentation of the financial statements of not-for-profit entities, including changing from three classes of net assets to two classes of net assets, enhancing disclosure requirements related to liquidity concerns and endowment management, a requirement to present expenses classified by both their nature and their function and other changes to presentation and disclosure. This standard is effective for fiscal years beginning after December 15, 2017, and the Foundation adopted ASU 2016-14 in fiscal year 2019.

1. Organization and Significant Accounting Policies (Continued)

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Foundation's revenue is composed of net investment income and contributions. The scope of the guidance explicitly excludes investment income and contributions as well as many other revenues for financial assets and liabilities including loans, leases, and derivatives. Accordingly, the Foundation's revenues were not affected. This standard was adopted for the fiscal year ending June 30, 2020, and did not have an impact on the Foundation's financial statements.

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.

3. Investments

Fair values and unrealized appreciation (depreciation) of investments at June 30, 2020 and 2019 are summarized as follows:

	2020			2019		
	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)
Held by investment custodians:						
Cash and cash equivalents	5,493,985	5,493,985	-	3,029,616	3,029,616	-
Certificates of deposit	285,000	285,000	-	285,000	285,000	-
Mutual funds	13,531,120	16,621,677	3,090,557	15,419,363	19,968,934	4,549,571
Government obligations and corporate bonds	28,148,469	29,367,541	1,219,072	27,517,718	27,874,402	356,684
Common stocks	11,580,613	17,248,841	5,668,228	12,231,098	17,203,739	4,972,641
Real estate held by the Foundation	<u>4,985,000</u>	<u>4,985,000</u>	<u>-</u>	<u>4,981,500</u>	<u>4,981,500</u>	<u>-</u>
	<u>64,024,187</u>	<u>74,002,044</u>	<u>9,977,857</u>	<u>63,464,295</u>	<u>73,343,191</u>	<u>9,878,896</u>
Included on the Statement of Financial Position:						
Investments	30,368,894	32,798,767	2,429,873	28,294,851	30,577,018	2,282,167
Restricted assets-investments	<u>33,655,293</u>	<u>41,203,277</u>	<u>7,547,984</u>	<u>35,169,444</u>	<u>42,766,173</u>	<u>7,596,729</u>
	<u>64,024,187</u>	<u>74,002,044</u>	<u>9,977,857</u>	<u>63,464,295</u>	<u>73,343,191</u>	<u>9,878,896</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2020 and 2019:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends income	1,824	1,197,671	1,199,496	5,560	1,114,086	1,119,646
Net realized and unrealized gains (losses)	<u>10,401</u>	<u>40,721</u>	<u>51,122</u>	<u>(25,590)</u>	<u>1,091,898</u>	<u>1,066,308</u>
Total investment return	<u>12,226</u>	<u>1,238,392</u>	<u>1,250,618</u>	<u>(20,030)</u>	<u>2,205,984</u>	<u>2,185,954</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, 2020 and 2019 are as follows:

	<i>Assets at Fair Value as of June 30, 2020</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Markets	5,493,985	-	-	5,493,985
Certificates of Deposit	285,000	-	-	285,000
Mutual Funds:				
Domestic Blended	248,613	-	-	248,613
Domestic Growth	442,364	-	-	442,364
Foreign Blended	604,647	-	-	604,647
Foreign Growth	<u>391,517</u>	<u>-</u>	<u>-</u>	<u>391,517</u>
Total Mutual Funds	1,687,141	-	-	1,687,141
Exchange Traded Funds	12,988,927	-	-	12,988,927
Government Obligations and Corporate Bonds	-	29,367,541	-	29,367,541
Common Stocks-Domestic	17,248,841	-	-	17,248,841
Alternatives	764,425	1,181,184	-	1,945,609
Real Estate	<u>-</u>	<u>-</u>	<u>4,985,000</u>	<u>4,985,000</u>
Total	<u>38,468,319</u>	<u>30,548,725</u>	<u>4,985,000</u>	<u>74,002,044</u>

4. Fair Value of Financial Instruments (Continued)

	<i>Assets at Fair Value as of June 30, 2019</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money Markets	3,029,616	-	-	3,029,616
Certificates of Deposit	285,000	-	-	285,000
Mutual Funds:				
Domestic Blended	253,574	-	-	253,574
Domestic Growth	449,263	-	-	449,263
Foreign Blendupdateed	647,573	-	-	647,573
Foreign Growth	408,119	-	-	408,119
Total Mutual Funds	<u>1,758,529</u>	<u>-</u>	<u>-</u>	<u>1,758,529</u>
Exchange Traded Funds	16,227,844	-	-	16,227,844
Government Obligations and Corporate Bonds	-	27,874,402	-	27,874,402
Common Stocks-Domestic	17,203,739	-	-	17,203,739
Alternatives	854,046	1,128,515	-	1,982,561
Real Estate	<u>-</u>	<u>-</u>	<u>4,981,500</u>	<u>4,981,500</u>
Total	<u>39,358,774</u>	<u>29,002,917</u>	<u>4,981,500</u>	<u>73,343,191</u>

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

	<u>2020</u>	<u>2019</u>
Balance-July 1	4,981,500	5,134,918
Gains (losses) realized and unrealized	-	-
Purchases, issuances, and settlements	3,500	522,094
Sales	-	(675,512)
Transfers in and/or out of Level 3, net	<u>-</u>	<u>-</u>
Balance-June 30	<u>4,985,000</u>	<u>4,981,500</u>

5. Fixed Assets

A summary of the fixed assets at June 30, 2020 and 2019 follows:

	<u>Depreciable Lives</u>	<u>2020</u>	<u>2019</u>
Automobiles	2-3	54,863	152,460
Furniture, fixtures and equipment	3-10	3,620,225	3,620,223
Engineering equipment	3-10	550,000	666,682
Real estate and other	-	<u>114,557</u>	<u>114,557</u>
		4,339,645	4,553,922
<u>Less-accumulated depreciation</u>		<u>(3,794,882)</u>	<u>(3,973,011)</u>
		<u>544,763</u>	<u>580,911</u>

Depreciation of \$36,147 and \$52,357 was recorded for the years ended June 30, 2020 and 2019, respectively.

6. Contributions Receivable

Contributions receivable, net, is summarized as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unconditional pledges expected to be collected in:		
Less than one year	2,816,353	4,388,484
One year to five years	<u>11,491,862</u>	<u>10,580,042</u>
	14,308,215	14,968,201
<u>Less</u> -discount on future contributions receivable (discount rate of .17% and 1.76% in 2020 and 2019, respectively)	(99,682)	(513,140)
<u>Less</u> -allowance for uncollectible contributions receivable	<u>(295,114)</u>	<u>(440,879)</u>
Contributions receivable, net	<u>13,913,419</u>	<u>14,014,507</u>

7. Notes Payable

Notes payable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Line of credit to Origin Bank for operating capital up to \$3,000,500 dated June 29, 2018, renewed June 8, 2020, secured by cross-collateralization of other loans. Interest at banks prime rate (3.75% and 5.00% at June 30, 2020 and 2019, respectively) maturing June 7, 2021.	1,501,000	1,500,750
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 \$1,129,402, interest rate at 5.110%, payable in nine semi-annual payments of \$130,000 and one final payment estimated at \$98,792, matures January 15, 2024.	903,123	1,129,401
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	350,000	-
Note payable to Ford Motor Credit for the purchase of a 2018 Ford Explorer dated August 31, 2018, original purchase of \$42,173, fixed interest rate of 0.00%, payable monthly for 72 months beginning October 15, 2018.	<u>29,872</u>	<u>36,901</u>
	<u>2,783,995</u>	<u>2,667,052</u>

7. Notes Payable (Continued)

Notes payable maturities are as follows:

Year Ended June 30,	
2021	1,840,899
2022	351,359
2023	362,290
2024	227,690
2025	1,757
Thereafter	-
	<u>2,783,995</u>

Interest expense for the years ended June 30, 2020 and 2019 was \$130,759 and \$178,482, 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 \$11,357,737 and \$11,786,286 as of June 30, 2020 and 2019, respectively, and an unsecured note payable in the same amount of \$11,357,737 and \$11,786,286 to the Louisiana Tech University Foundation endowment investment account.

8. 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, 2020, contributed personnel costs and operating services were determined to be \$821,884 and \$471, respectively. For the year ended June 30, 2019, contributed personnel costs and operating services were determined to be \$1,982,641 and \$13,730, 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, 2020 and 2019, expenses totaling approximately \$9,919,465 and \$10,436,531, 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, 2020 and 2019 is \$36,723,278 and \$38,706,175, 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.

9. Commitments

As of June 30, 2020 and 2019, there was approximately \$1,540,168 and \$1,191,827, respectively, in awarded but unpaid scholarships, which were funded subsequent to year-end.

10. 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 \$104,373 and \$119,506 at June 30, 2020 and 2019, respectively. The liabilities were calculated using discount rates of 4.9%, 5.0%, 3.25%, and 7.5%.

11. 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. As payment for the rights granted under this agreement, Learfield will pay the Foundation an annual minimum guaranteed payment of \$655,253 each year for the remainder of the contract.

Due to COVID-19 and the cancellation of various sporting events, the payment amount was delayed to September 2020. Payments of \$357,368 and \$655,253 were received under this agreement for the fiscal years ended June 30, 2020 and 2019, respectively, and recorded as other income. A receivable of \$323,465 was recorded as of June 30, 2020.

12. 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, 2020 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.

12. 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, 2020:

	<u>With Donor Restriction</u>
Endowment net assets, June 30, 2019	39,632,091
Contributions	1,506,501
Net investment income	1,263,054
Other income	544,450
Released from restriction	(1,827,287)
Assets dedicated to LA Tech University	<u>(320,000)</u>
Endowment net assets, June 30, 2020	<u>40,799,610</u>

Endowment fund net asset composition as of June 30, 2019:

	<u>With Donor Restriction</u>
Endowment net assets, June 30, 2018	34,204,178
Contributions	5,573,516
Net investment income	1,660,944
Other income	449,405
Released from restriction	(2,255,952)
Assets dedicated to LA Tech University	<u>-</u>
Endowment net assets, June 30, 2019	<u>39,632,091</u>

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

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose for benefit of University	8,104,088	10,056,458

14. 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.

14. Functional Expenses (Continued)

Expense allocation for the year ended June 30, 2020 is as follows:

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Support on behalf of the College	4,115,375	1,050,315	-	5,165,690
Scholarships and awards for the College	1,552,198	-	-	1,552,198
Personnel	-	549,359	739,043	1,288,402
Athletics	3,804,917	-	-	3,804,917
Administration	-	3,204,855	-	3,204,855
Depreciation	36,147	-	-	36,147
Donor cultivation/stewardship			<u>2,509,553</u>	<u>2,509,553</u>
Total	<u>9,508,638</u>	<u>4,804,529</u>	<u>3,248,595</u>	<u>17,561,762</u>

Expense allocation for the year ended June 30, 2019 is as follows:

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Support on behalf of the College	4,716,786	442,668	-	5,159,454
Scholarships and awards for the College	1,803,575	-	-	1,803,575
Personnel	-	574,670	417,496	992,166
Athletics	4,921,824	-	-	4,921,824
Administration	-	3,461,603	-	3,461,603
Depreciation	52,357	-	-	52,357
Donor cultivation/stewardship	<u>106,704</u>		<u>2,443,773</u>	<u>2,550,477</u>
Total	<u>11,601,246</u>	<u>4,478,941</u>	<u>2,861,269</u>	<u>18,941,456</u>

15. 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 \$1,575,646 and \$543,354 at June 30, 2020 and 2019, 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.

16. 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 4, 2020, and noted the following subsequent event.

16. Subsequent Events (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Foundation anticipates this could negatively affect its operating results, the related financial impact and duration cannot be reasonable estimated at this time.

SUPPLEMENTARY INFORMATION

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

<u>ASSETS</u>	Louisiana Tech University Foundation	Louisiana Tech Research Corporation	Eliminations	Consolidated
Cash and cash equivalents	3,923,377	136,410	-	4,059,787
Accounts receivable	803,465	(500)	(480,000)	322,965
Contributions receivable, net	13,913,419	-	-	13,913,419
Note receivable - Press Box	900,000	-	-	900,000
Investments	32,793,506	5,261	-	32,798,767
Fixed assets, net	544,763	-	-	544,763
Other assets	321,006	-	-	321,006
Long-term note receivable - Press Box	10,457,737	-	-	10,457,737
Restricted assets - investments	<u>41,203,277</u>	<u>-</u>	<u>-</u>	<u>41,203,277</u>
Total assets	<u>104,860,550</u>	<u>141,171</u>	<u>(480,000)</u>	<u>104,521,721</u>
 <u>LIABILITIES AND NET ASSETS</u> 				
<u>Liabilities:</u>				
Accounts payable	759,890	61,659	(480,000)	341,549
Accrued interest payable	25,231	-	-	25,231
Line of credit - Note 7	1,501,000			1,501,000
Current portion of long-term debt - Note 7	339,899			339,899
Current portion of Press Box note payable	900,000			900,000
Annuities liability - Note 10	104,373	-	-	104,373
Long-term debt - Note 7	943,096	-	-	943,096
Long-term portion of Press Box note payable	10,457,737	-	-	10,457,737
Due to Louisiana Tech University	<u>36,723,278</u>	<u>-</u>	<u>-</u>	<u>36,723,278</u>
Total liabilities	51,754,504	61,659	(480,000)	51,336,163
 <u>Net assets:</u>				
Without donor restrictions	4,202,348	79,512	-	4,281,860
With donor restrictions	<u>48,903,698</u>	<u>-</u>	<u>-</u>	<u>48,903,698</u>
Total net assets	<u>53,106,046</u>	<u>79,512</u>	<u>-</u>	<u>53,185,558</u>
Total liabilities and net assets	<u>104,860,550</u>	<u>141,171</u>	<u>(480,000)</u>	<u>104,521,721</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

DETAILS OF CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Louisiana Tech University Foundation	Louisiana Tech Research Corporation	Eliminations	Consolidated
<u>Revenues, gains, and other support:</u>				
Contributions	11,529,635	500	-	11,530,135
Contributed services	822,355	-	-	822,355
Net investment income	1,249,979	640	-	1,250,619
Lease income	232,773	-	-	232,773
Service charges	1,296,998	-	-	1,296,998
Other	2,215,854	206,730	-	2,422,584
Total revenues, gains, and other support	17,347,594	207,870	-	17,555,464
<u>Net assets released from restrictions</u>	-	-	-	-
Total revenues, gains, and other support after reclassifications	17,347,594	207,870	-	17,555,464
<u>Expenses:</u>				
Program expenses in support of Louisiana Tech University	11,643,402	86,692	-	11,730,094
General administrative and investment services	3,204,855	117,259	-	3,322,114
Fundraising	2,509,553	-	-	2,509,553
Total expenses	17,357,810	203,951	-	17,561,761
Assets dedicated to Louisiana Tech University, net	320,000	-	-	320,000
<u>Change in net assets</u>	(330,216)	3,919	-	(326,297)
<u>Net assets, beginning of year</u>	53,436,262	75,593	-	53,511,855
<u>Net assets, end of year</u>	53,106,046	79,512	-	53,185,558

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

November 4, 2020

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., which comprise the consolidated statement of financial position as of June 30, 2020, 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 4, 2020.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, MELROY & VESTAL, L.L.C.

Shreveport, Louisiana

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Louisiana Tech University Foundation, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements were reported.
3. No instances of noncompliance material to the consolidated 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, 2020.

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, 2020

No matters were noted in the prior year.