

**NORTHWESTERN STATE UNIVERSITY
FOUNDATION, INC.**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2022**

Northwestern State University Foundation, Inc.
Annual Financial Report
June 30, 2022

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	---	1-3
<u>Financial Statements</u>		
Statement of Financial Position	A	5
Statement of Activities	B	6
Statement of Functional Expenses	C	7
Statement of Cash Flows	D	8
Notes to Financial Statements	---	10-22
<u>Other Reports/Schedules</u>		
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 <i>Government Auditing Standards</i>	-	24-25
Schedule of Audit Results	-	26

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Northwestern State University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards and *Government Audit Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation'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 evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions and events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Other Matters

Other Information

We have previously audited the Northwestern State University Foundation, Inc.'s financial statements for the year ended June 30, 2021, and we expressed an unmodified opinion on those audited financial statements in our report dated September 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of Northwestern State University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern State University Foundation, Inc.'s internal control over financial reporting and compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

September 30, 2022

FINANCIAL STATEMENTS

Northwestern State University Foundation, Inc.
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets-		
Cash & Cash Equivalents	\$ 1,855,710	\$ 742,431
Investments	19,134,426	22,271,555
Revenue Receivables	199,321	251,956
CSV of Life Insurance Policies	62,097	61,262
Collections & Works of Art	20,000	20,000
Land	80,000	80,000
CIP	0	48,600
Buildings	1,520,000	1,520,000
Remodeling/ Refurbishing	2,174,300	1,790,305
Property & Equipment	5,000	5,000
Accumulated Depreciation	<u>(467,085)</u>	<u>(335,577)</u>
Total Assets	<u>\$24,583,769</u>	<u>\$26,455,532</u>
Liabilities-		
Accounts Payable	\$ 133,847	\$ 102,791
Accrued Interest Payable	8,663	8,210
Unearned Revenue	476,668	520,000
Current Portion of Long-Term Debt	938,846	127,080
Funds Held in Custody	242,693	342,693
Long-Term Debt, net of current portion	<u>1,141,901</u>	<u>2,080,747</u>
Total Liabilities	<u>\$ 2,942,618</u>	<u>\$ 3,181,521</u>
Net Assets-		
Without Donor Restrictions	\$ 536,709	\$ 1,273,569
With Donor Restrictions	<u>21,104,442</u>	<u>22,000,442</u>
Total Net Assets	<u>\$21,641,151</u>	<u>\$23,274,011</u>
Total Liabilities & Net Assets	<u>\$24,583,769</u>	<u>\$26,455,532</u>

See independent auditors' report and notes to financial statements.

Northwestern State University Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>With Donor</u> <u>Restrictions</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>2022</u> <u>Total</u>	<u>2021</u>
<u>Changes in Net Assets:</u>				
Revenues and Other Support:				
Contributions of Cash and Other				
Financial Assets	\$ 4,004,398	\$ 178,305	\$ 4,182,703	\$ 2,933,878
Contributions of Nonfinancial Assets	0	3,602	3,602	0
Fundraising	595,934	80,818	676,752	397,552
Fees	74,130	20,256	94,386	76,420
Investment Return, Net	(3,001,643)	2,004	(2,999,639)	4,531,436
Commissions	211,236	4,122	215,358	216,517
Rental Income	236,279	10,648	246,927	242,213
Other	150,000	45,223	195,223	0
Net Assets Released from Restrictions	<u>(3,166,334)</u>	<u>3,166,334</u>	<u>0</u>	<u>0</u>
Total Revenues and Reclassifications	<u>\$ (896,000)</u>	<u>\$3,511,312</u>	<u>\$ 2,615,312</u>	<u>\$ 8,398,016</u>
Expenses:				
<u>Program Services</u>				
Marketing and Promotions	\$ 0	\$ 26,331	\$ 26,331	\$ 2,772
Scholarships	0	2,048,333	2,048,333	2,182,088
Support to NSU	0	1,461,002	1,461,002	1,167,600
<u>Support Services</u>				
Fundraising	0	314,327	314,327	113,663
Management and General	<u>0</u>	<u>398,179</u>	<u>398,179</u>	<u>485,618</u>
Total Expenses	<u>\$ 0</u>	<u>\$4,248,172</u>	<u>\$ 4,248,172</u>	<u>\$ 3,951,741</u>
Increase (Decrease) in Net Assets	\$ (896,000)	\$ (736,860)	\$ (1,632,860)	\$ 4,446,275
Net Assets- Beginning of Year	<u>22,000,442</u>	<u>1,273,569</u>	<u>23,274,011</u>	<u>18,827,736</u>
Net Assets- End of Year	<u>\$21,104,442</u>	<u>\$ 536,709</u>	<u>\$21,641,151</u>	<u>\$23,274,011</u>

See independent auditors' report and notes to financial statements.

Northwestern State University Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services			Supporting Services			2022 Total	
	Scholarships	Marketing & Promotions	Direct Support to NSU	Total Program Services	Fundraising	Management and General		Total Supporting Services
EXPENSES:								
Marketing & promotions	\$ 0	\$ 24,132	\$ 85,402	\$ 109,534	\$ 70,320	\$ 18,900	\$ 89,220	\$ 198,754
Materials & supplies	0	0	240,087	240,087	0	57,080	57,080	297,167
Professional Services	0	0	9,840	9,840	0	14,000	14,000	23,840
Camps	0	0	1,508	1,508	0	0	0	1,508
Scholarships	2,048,333	0	0	2,048,333	0	0	0	2,048,333
Travel	0	0	82,771	82,771	8,141	0	8,141	90,912
Fundraising	0	0	0	0	231,095	0	231,095	231,095
Administrative	0	2,199	415,637	417,836	4,771	215,375	220,146	637,982
Other	0	0	625,757	625,757	0	92,824	92,824	718,581
Total Expenses	<u>\$2,048,333</u>	<u>\$ 26,331</u>	<u>\$1,461,002</u>	<u>\$3,535,666</u>	<u>\$314,327</u>	<u>\$398,179</u>	<u>\$712,506</u>	<u>\$4,248,172</u>

For the Year Ended June 30, 2021

	Program Services			Supporting Services			2021 Total	
	Scholarships	Marketing & Promotions	Direct Support to NSU	Total Program Services	Fundraising	Management and General		Total Supporting Services
EXPENSES:								
Marketing & promotions	\$ 0	\$ 2,772	\$ 92,656	\$ 95,428	\$ 42,850	\$ 14,386	\$ 57,236	\$ 152,664
Materials & supplies	0	0	230,525	230,525	0	58,780	58,780	289,305
Professional Services	0	0	7,102	7,102	0	14,500	14,500	21,602
Scholarships	2,182,088	0	0	2,182,088	0	0	0	2,182,088
Travel	0	0	23,308	23,308	1,921	0	1,921	25,229
Fundraising	0	0	0	0	65,871	0	65,871	65,871
Administrative	0	0	386,218	386,218	3,021	240,547	243,568	629,786
Other	0	0	427,791	427,791	0	157,405	157,405	585,196
Total Expenses	<u>\$2,182,088</u>	<u>\$ 2,772</u>	<u>\$1,167,600</u>	<u>\$3,352,460</u>	<u>\$113,663</u>	<u>\$485,618</u>	<u>\$599,281</u>	<u>\$3,951,741</u>

See independent auditors' report and notes to financial statements.

Northwestern State University Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received for operations	\$ 5,205,301	\$ 3,435,276
Commissions and rental income	462,285	458,730
Cash payments to vendors	(4,229,322)	(3,849,145)
Interest and dividends received	<u>383,924</u>	<u>20,627</u>
Net Cash Provided by Operating Activities	<u>\$ 1,822,188</u>	<u>\$ 65,488</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	\$ (335,395)	\$ (236,740)
Purchase of investments	(162,819)	(780,367)
Contributions restricted for endowments	708,386	486,275
Withdrawal of investments	1,298,157	1,166,622
Net reinvestment earnings (losses)	<u>(2,090,158)</u>	<u>(480,706)</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ (581,829)</u>	<u>\$ 155,084</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan Proceeds	\$ 0	\$ 175,000
Principal Payments -Notes Payable	<u>(127,080)</u>	<u>(112,201)</u>
Net Cash Provided by Financing Activities	<u>\$ (127,080)</u>	<u>\$ 62,799</u>
Net Increase (Decrease) in Cash	\$ 1,113,279	\$ 283,371
Cash at Beginning of Year	<u>742,431</u>	<u>459,060</u>
Cash at End of Year	<u>\$ 1,855,710</u>	<u>\$ 742,431</u>
Total Interest Paid in Cash	<u>\$ 104,894</u>	<u>\$ 105,640</u>

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

Organization:

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

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

1. Summary of Significant Accounting Policies:

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

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

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

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

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

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

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

- B. Basis of Accounting - The Foundation uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.
- C. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- D. Endowment Funds - Expenditures from endowed funds are based on donor or other legally imposed restrictions being satisfied. These restrictions are reviewed by management and legal counsel, as necessary.
- E. Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as “other than private foundation”. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. Certain revenues generated from activities unrelated to the Foundation’s exempt purpose may be subject to federal income tax under Internal Revenue Code Section 522(a)(2)(B).
- F. Funds Held in Custody - 1986 LA Constitutional Amendment VII section 10.1(d) formed the LA Education Quality Support Fund (LEQSF) from settlement of disputed oil & gas revenues used to endow two funds in the state treasury: The Louisiana Education Quality Trust Fund and the Board of Regents Support Fund (BoRSF). The revenues from these endowments are used to provide enhancement, research and support funds for Louisiana colleges and universities. The BoRSF currently operates subprograms through its four primary program areas: Research & Development, Endowment Matching, Enhancement, and Recruitment of Superior Graduate Students.
- G. Collections and Works of Art - Donated collections and works of art are recorded as support at their estimated fair value at the date of receipt. The Foundation has received donated collections and works of art consisting of a collection of Southern History Journals and Salvador Dali paintings. These items are recorded at \$20,000. Donated properties are not used for the Foundation’s operations.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

H. Recently Adopted Accounting Standards –

In September, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The standard requires not-for-profit entities to expand their financial statement presentation and disclosure of contributed nonfinancial assets (commonly referred to as gifts-in-kind). The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Foundation adopted the standard on a retrospective basis as of July 1, 2021. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosures (See Note 9 – Contributed Nonfinancial Assets).

- I. Promises to Give - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are reported as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- J. Investments - The Foundation has established prudent investment and spending policies with the long-term return objective of preserving and enhancing the inflation-adjusted (real) value of the corpus in perpetuity. A further key objective is to provide a relatively predictable and growing stream of annual distributions in support of the Foundation's activities. The Foundation's investment policy applies to both endowed and non-endowed assets. The investments are invested in a wide range of asset classes including equities, fixed income, diversifying assets, and cash. All investments are pooled to maximize investment efficiency with separate general ledger accounts being maintained for each Endowment and Non-Endowment account. The asset allocations are reviewed annually by the Investment Committee and discussed with the Investment Managers.

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

- K. Cash and Cash Equivalents - Cash and cash equivalents are considered to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

L. Property, Plant, and Equipment:

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. When donor stipulations are absent regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies donor-restricted net assets to net assets without donor restrictions at that time. The Association maintains a threshold level of \$5,000 or more for capitalizing property and equipment. Property and equipment are depreciated using the straight-line method. Purchased property and equipment are recorded at cost.

- M. Functional Allocation of Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and administrative activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

2. Cash and Cash Equivalents:

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

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

At June 30, 2022, cash and cash equivalents total \$1,855,710 as follows:

Interest bearing demand deposit accounts	\$ 519,870
Money market accounts (in investments)	<u>1,335,840</u>
Total	<u>\$1,855,710</u>

Bank balances at June 30, 2022 totaled \$954,669. Deposits of \$250,000 were secured by FDIC insurance, while the remaining \$704,669 was unsecured.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

3. Asset Liquidity:

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

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

As of June 30, 2022, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 1,855,710
Investments	19,134,426
Revenue Receivables	199,321
CSV of Life Insurance Policies	62,097
Collections & Works of Art	20,000
Fixed Assets, net of accumulated depreciation	<u>3,312,215</u>
Total financial assets, period end	<u>\$24,583,769</u>
Less, those unavailable for general expenditures	
within one year, due to:	
Principal of Investments	\$11,174,532
CSV of Life Insurance Policies	62,097
Collections of Works of Art	20,000
Fixed Assets, net of accumulated depreciation	<u>3,312,215</u>
	<u>\$14,568,844</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$10,014,925</u>

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

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

4. Promises to Give:

Certain donors have stipulated in their will to donate to the Foundation upon death. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements. The total amount of conditional promises to give was unknown at June 30, 2022.

5. Cash Surrender Value of Life Insurance Policies:

The cash surrender value of three life insurance policies totaled \$62,097 for the year ended June 30, 2022. The cash surrender value of life insurance policies is net of any outstanding policy loans. Various individuals donated the policies, with the Foundation designated as beneficiary and owner.

6. Comparative Totals for Prior Year:

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

7. Investments:

At June 30, 2022, the Foundation had investments summarized as follows:

	Amortized Cost	Gross Unrealized Gains(Losses)	Market Value
Certificates of Deposit, maturities >90 days	\$ 348,794	\$ 19,760	\$ 368,554
Corporate Bonds	2,034,422	2,819,099	4,853,521
Mutual Funds	2,450,781	57,829	2,508,610
Equity Securities	6,340,535	5,063,206	11,403,741
Total	<u>\$11,174,532</u>	<u>\$7,959,894</u>	<u>\$19,134,426</u>

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is its fair value to changes in market interest rates. As a means of offsetting exposure to interest rate risk, the Foundation diversifies its investments by security type and institution.

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

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

Objectives: The organizational objective of the Foundation is to attain an average (as measured over rolling five-year periods, net of investment fees) annual total return equivalent to the investment fund's average annual spending rate, plus inflation (as measured by the Consumer Price Index). The Foundation recognizes that this objective may not be attained in every rolling five-year period, but anticipates that it should be attainable over a series of rolling five-year periods. A secondary long-term investment objective of the Foundation is to attain an average annual return (as measured over rolling three-year periods, net of investment fees) equal to or greater than a broad market "Policy Benchmark" of 70% Equities / 30% Fixed Income with the MSCI ACWI NR Index being the benchmark for the Equities component and the Bloomberg Barclays Aggregate Bond Index being the benchmark for the Fixed Income component of this Policy Benchmark. The Foundation recognizes that this objective may not be attained in every rolling three-year period, but anticipates that it should be attainable over a series of rolling three-year periods.

Asset Allocation: The Foundation recognizes the importance of clearly reflecting the investment fund's short-term and long-term return objectives and risk tolerances in an asset allocation framework that provides for both strategic intent and effective implementation. To that end, the Foundation has established the following asset allocation framework and guidelines to direct the prudent design and implementation of the Foundation's investment portfolio. The Foundation has established the following broad asset allocation guideline:

Major Asset Class	Minimum (%)	Preliminary Target (%)	Maximum (%)
Total Equities	55	70	80
Total Fixed Income	20	30	45
Diversifying Assets	0	0	15
Cash	0	<u>0</u>	10
Total		<u>100</u>	

Allowable Investments: The Foundation's investments are limited to the following securities and instruments:

- Equities – broadly defined as representing publicly traded common stock, ordinary shares and/or American Depository Receipts (ADRs) in the form of individual securities, exchange traded funds or mutual funds of US, developed international or emerging market companies.
- Fixed Income – broadly defined as individual securities, exchanged traded funds or mutual funds of the U.S. Treasury, agency and corporate debt securities as well as securitized debt securities (such as mortgage-backed and asset-backed instruments). Fixed Income may also include emerging markets and high yield bonds and leveraged loans in the form of exchange traded funds and/or mutual funds.
- Diversifying Assets – defined as "any asset which, in substance and/or construction, is not itself traditionally recognized as: (i) cash or cash equivalent, (ii) a mutual fund or an exchange traded fund intended to represent allocations to equities or fixed income, or (iii) an individual stock, depository receipt, or bond listed on a nationally recognized domestic

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

or international securities exchange; and/or not characterized by both: (a) daily updated market value and (b) full daily liquidity.

Direct investment in commodities, futures or options are prohibited.

8. Fair Value of Financial Instruments:

Investment earnings included in the statement of activities were comprised of the following for the year ended June 30, 2022:

Unrealized losses on investments	\$(2,883,306)
Realized losses on investments	(447,545)
Management fees	(52,712)
Interest income	<u>383,924</u>
Total investment return (loss), net	<u>\$(2,999,639)</u>

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

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

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

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

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of Deposit, maturities > 90 days	\$ 368,554	\$0	\$0	\$ 368,554
Corporate Bonds	4,853,521	0	0	4,853,521
Mutual Funds	2,508,610	0	0	2,508,610
Equity Securities	11,403,741	0	0	11,403,741
CSV of Life Insurance	<u>62,097</u>	<u>0</u>	<u>0</u>	<u>62,097</u>
Total	<u>\$19,196,523</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,196,523</u>

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

9. Contributed Nonfinancial Assets:

The Foundation received the following contributions of nonfinancial assets for the years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Materials and Supplies	\$3,602	\$ 0

Contributed materials and supplies received by the Foundation are recorded as in-kind contribution revenue with a corresponding increase to materials and supplies expenses. Donated materials and supplies are valued based upon estimates of fair market or wholesale values that would be received for selling similar goods in their principal market considering their condition. All contributed materials and supplies were utilized by the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated items.

The Foundation receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program services, special events, and fund-raising campaigns. Donated services are recognized as in-kind revenues at their estimated fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that would need to be purchased if they were not donated. Donated services are reported using current rates for similar services. No amounts have been recognized in the accompanying statements of activities for the years ended June 30, 2022 and 2021, because the criteria for recognition have not been satisfied.

During the year ended June 30, 2022, the University provided certain personnel services, usage of office space and equipment, and travel expenses to the Foundation that are not reflected in the financial statements. The estimated value of these transactions for the year ended June 30, 2022 was \$207,220. In return, the Foundation solicits and collects funds for the benefit of the University.

10. Funds Held in Custody:

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

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

At June 30, 2022, the Foundation had funds held in custody for professorships and scholarships summarized as follows:

State match applied for	\$140,000
Other professorships & scholarships	<u>102,693</u>
Total funds held in custody	<u>\$242,693</u>

11. Capital Assets:

The following is a summary of changes in capital assets for the Foundation for the year ended June 30, 2022:

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
Non-Depreciable Capital Assets-				
Collections- Works of Art	\$ 20,000	\$ 0	\$ 0	\$ 20,000
CIP	48,600	0	48,600	0
Land	<u>80,000</u>	<u>0</u>	<u>0</u>	<u>80,000</u>
Total Non-Depreciable Assets	<u>\$ 148,600</u>	<u>\$ 00</u>	<u>\$48,600</u>	<u>\$ 100,000</u>
Depreciable Capital Assets-				
Buildings	\$1,520,000	\$ 0	\$ 0	\$1,520,000
Remodel/Refurbishing	1,790,305	383,995	0	2,174,300
Property & Equipment	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
Total Depreciable Capital Assets	<u>\$3,315,305</u>	<u>\$ 383,995</u>	<u>\$ 0</u>	<u>\$3,699,300</u>
Total Capital Assets	\$3,463,905	\$ 383,995	\$48,600	\$3,799,300
Less: Accumulated Depreciation	<u>(335,577)</u>	<u>(131,508)</u>	<u>0</u>	<u>(467,085)</u>
Total Capital Assets, Net	<u>\$3,128,328</u>	<u>\$ 252,487</u>	<u>\$48,600</u>	<u>\$3,332,215</u>

Depreciation expense for the current year totaled \$131,508.

12. Long-Term Debt:

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

On July 12, 2019, the Foundation obtained a debt issue in the amount of \$950,525 bearing an interest rate of 5.5%. It is a multiple indebtedness mortgage maturing July 1, 2024 with a balloon payment. The loan is to be repaid with monthly principal and interest payments of \$7,757 beginning August 1, 2019. The final principal and interest payment of \$722,347 will be due on July 1, 2024.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

On November 21, 2019, the Foundation obtained a debt issue in the amount of \$265,000 bearing an interest rate of 4.75%. It is a multiple indebtedness mortgage maturing February 21, 2025 with a balloon payment. The loan is to be repaid with three interest-only payments beginning on March 21, 2020, following with monthly principal and interest payments of \$2,086 beginning June 21, 2020. The final principal and interest payment of \$201,050 will be due on February 21, 2025.

On July 14, 2020, the Foundation obtain a debt issue in the amount of \$175,000 bearing an interest rate of 3.25%. It is a multiple indebtedness mortgage maturing July 1, 2025 with a balloon payment. The loan is to be repaid with monthly principal and interest payments of \$1,228 beginning August 1, 2020. The final principal and interest payment of \$126,920 will be due on July 1, 2025.

The four debts described above were for the purchase of real estate and were borrowed from the Mary R. Gallaspy Charitable Trust #2. The following is a summary of debt transactions for the year ended June 30, 2022:

<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount Due</u> <u>in One Year</u>
\$2,207,827	\$ 0	\$(127,080)	\$2,080,747	\$938,846

The annual requirements to amortize all debt outstanding as of June 30, 2022, including interest expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 938,846	\$101,750	\$1,040,596
2024	76,803	55,951	132,754
2025	938,516	14,075	952,591
2026	<u>126,582</u>	<u>338</u>	<u>126,920</u>
Total	<u>\$2,080,747</u>	<u>\$172,114</u>	<u>\$2,252,861</u>

Total interest expense for all debt for the year ended June 30, 2022 was \$104,894 and is included in other program services expenses.

13. Related Parties:

The Mary R. Gallaspy Charitable Trust #2 (Trust) is a substantial contributor of the Foundation with current year donations totaling \$2,410,000. The Trust instruments dictate that all board members of the Foundation will also act as trustees of the Trust. The Director of the Foundation is a paid consultant for the Trust. The Foundation's accountant is paid by the Trust for bookkeeping services. As described in note 12, the Foundation has borrowed from the Trust by executing four separate multiple indebtedness mortgage and promissory notes totaling \$2,470,525 bearing interest at a rate of 3.25-5.50% per annum. The balance owed to the Trust at June 30, 2022 was \$2,080,747.

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

14. Restaurant Agreement:

The Foundation entered into a fifteen-year agreement with Sodexo Operations, LLC (Sodexo) to operate a Chick-fil-a inside the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Upon completion of the construction, Sodexo agreed to pay the Foundation an annual rental fee (paid in quarterly installments) of \$45,550 in years one through five, \$47,600 in years six through ten, and \$49,750 in years eleven through fifteen. For the year ended June 30, 2022, rental income totaled \$45,550. In addition, Sodexo also agreed to pay commissions to the Foundation equal to 5% of net sales. For the year ended June 30, 2022, sales commissions totaled \$81,305.

15. Bookstore Agreement:

The Foundation entered into a fifteen-year agreement with Follett Higher Education Group, Inc. (Follett) to operate the official campus store in the NSU Campus Marketplace, effective July 1, 2018 and ending June 30, 2033. Follett agreed to provide \$2,000 annually in textbook scholarships and to contribute \$2,000 annually to the Foundation's general scholarship fund. Follett agreed to pay the Foundation a rental fee, to be paid once a year by August 31. Annual increases of 1.5% per year begin July 1, 2019. For the year ended June 30, 2022, rental income totaled \$163,128. Follett also agreed to pay commissions to the Foundation as follows: 6% of commissionable sales over \$1,000,000 but less than \$3,000,000; 10% of any commissionable sales over \$3,000,000; 7% of commissionable sales of digital course materials. For the year ended June 30, 2022, sales commissions totaled \$117,482.

16. Donor Restricted Net Assets:

At June 30, 2022, the Foundation had net assets with donor restrictions of \$21,104,442. Amounts restricted for endowments is \$12,967,982. The remaining restricted net assets of \$8,136,460 are restricted for student scholarships, academic enhancements for NSU colleges and departments, and support for numerous affiliated organizations such as the NSU Child and Family Network, the National Center for Preservation Technology Training, and the Creole Heritage Center.

During the year ended June 30, 2022, restricted net assets of \$3,166,334 were released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors as follows:

Administrative	\$ 210,871
Fundraising	115,596
Interest Expense	62,334
Marketing and promotions	116,957
Materials and supplies	240,087
Professional services	9,840
Camps	1,508
Scholarships	2,048,333
Support to NSU	104,265
Travel	82,771
Other program services expenses	<u>173,772</u>
Net Assets Released from Restrictions	<u>\$3,166,334</u>

Northwestern State University Foundation, Inc.
Notes to Financial Statements
June 30, 2022

17. Operating Lease Agreement:

The Foundation entered into a twelve-month lease agreement with Mu Rho Home Corporation of Sigma Nu Fraternity, Inc. effective August 1, 2020. After expiration of the original lease, a new month-to-month tenancy can be created, which can be terminated on thirty days written notice served by either party. The lessee will pay the Foundation monthly rent of \$2,300 for occupancy at 730 University Parkway, which the Foundation acquired in July, 2020. Rent revenue for the current year totaled \$27,600.

18. Unearned Revenue:

On July 9, 2018, the Foundation received a one-time payment for \$650,000 from Follett for bookstore renovations. The payment is to be amortized over fifteen years. The Foundation would repay Follett the unamortized balance upon termination of the operating agreement. During the current year, \$43,333 was amortized and recognized as income. The unamortized balance at June 30, 2022 was \$476,668.

19. Compensation Paid to Board Members:

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

20. Subsequent Events:

Management has evaluated events through September 30, 2022, the date which the financial statements were available for issue. There were no items identified to be reported.

OTHER REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

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

Mark D. Thomas, CPA - A Professional Corporation

Roger M. Cunningham, CPA - A Professional Corporation

Jessica H. Broadway, CPA - A Professional Corporation

Ryan E. Todtenbier, CPA - A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwestern State University Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwestern State University Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern State University Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern State University Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

September 30, 2022

Northwestern State University Foundation, Inc.
Schedule of Audit Results
For the Year Ended June 30, 2022

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Northwestern State University Foundation, Inc. for the year ended June 30, 2022.
2. No material weaknesses relating to the audit of the financial statements were identified.
3. No instances of noncompliance material to the financial statements of Northwestern State University Foundation, Inc. were disclosed during the audit.

B. Financial Statement Findings

None identified.

C. Prior Year Findings

None identified.