# LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

LSU | ALUMNI ASSOCIATION

5499

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

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FAULK & WINKLER
CPAs - BUSINESS ADVISORS

# INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the accompanying consolidated financial statements of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2021, and the changes in net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United Stated of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of activities is presented for purposes of additional analysis and it 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 consolidating schedule of activities is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited the Association's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 7, 2022

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(with comparative amounts for 2020)

### ASSETS

| | 2021 | 2020 |
|---|---|---|
| **CURRENT:** | | |
| Cash and cash equivalents | $ 1,667,904 | $ 1,353,656 |
| Accounts receivable, net | 979,726 | 332,013 |
| Inventory, net | 78,183 | 130,582 |
| Pledges receivable, net | 223,833 | 379,431 |
| Prepaid expenses | 189,769 | 118,854 |
| Total current assets | 3,139,415 | 2,314,536 |
| **INVESTMENTS** | 27,336,874 | 26,260,840 |
| **LONG-TERM PLEDGES RECEIVABLE, net** | 347,648 | 291,157 |
| **PROPERTY AND EQUIPMENT, net** | 13,308,400 | 12,801,272 |
| **DEFERRED INCOME TAXES, net** | 668,000 | 640,000 |
| **OTHER ASSETS** | 10,318 | 10,318 |
| Total assets | $ 44,810,655 | $ 42,318,123 |

### LIABILITIES AND NET ASSETS

| | 2021 | 2020 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued liabilities | $ 1,139,949 | $ 553,117 |
| Deferred revenue | 103,588 | 76,703 |
| Deferred royalty | - | 107,500 |
| Current portion of notes payable | 309,604 | 176,086 |
| Total current liabilities | 1,553,141 | 913,406 |
| **NOTES PAYABLE, less current portion** | 1,902,537 | 2,186,076 |
| **PAYCHECK PROTECTION PROGRAM LOAN** | 568,360 | 568,300 |
| **ACCRUED VACATION PAYABLE** | 157,507 | 208,704 |
| Total liabilities | 4,181,545 | 3,876,486 |
| **NET ASSETS:** | | |
| Without donor restriction | 15,174,082 | 14,495,943 |
| With donor restriction | 25,455,028 | 23,945,694 |
| Total net assets | 40,629,110 | 38,441,637 |
| Total liabilities and net assets | $ 44,810,655 | $ 42,318,123 |

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

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021
(with summarized comparative totals for 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Totals | Totals |
| **REVENUE AND SUPPORT:** | | | | |
| Donations | $ 1,543,897 | $ 637,285 | $ 2,181,182 | $ 1,863,942 |
| Earned: | | | | |
| Hotel | 3,480,754 | - | 3,480,754 | 2,015,981 |
| Merchandise, sales, and trip | 954,208 | - | 954,208 | 780,706 |
| Rental and catering | 491,916 | - | 491,916 | 349,036 |
| Investment, net of fees | 351,003 | 2,222,152 | 2,573,155 | 3,583,221 |
| Royalties | 231,126 | - | 231,126 | 349,348 |
| Other | 208,082 | - | 208,082 | 227,392 |
| Total revenue and support | 7,260,986 | 2,859,437 | 10,120,423 | 9,169,626 |
| **NET ASSETS RELEASED FROM RESTRICTIONS:** | | | | |
| Appropriations from donor endowments | 1,350,103 | (1,350,103) | - | - |
| Total revenue, support, and net assets released from restrictions | 8,611,089 | 1,509,334 | 10,120,423 | 9,169,626 |
| **EXPENSES:** | | | | |
| Program: | | | | |
| Alumni | 2,746,211 | - | 2,746,211 | 2,939,849 |
| The Cook Hotel | 3,674,733 | - | 3,674,733 | 3,064,988 |
| Fundraising | 645,586 | - | 645,586 | 947,322 |
| General and administrative | 1,825,253 | - | 1,825,253 | 1,888,647 |
| Total expenses | 8,891,783 | - | 8,891,783 | 8,840,806 |
| Change in net assets, before other income (expenses) and income taxes | (280,694) | 1,509,334 | 1,228,640 | 328,820 |
| **OTHER INCOME (EXPENSE):** | | | | |
| Interest expense | (75,906) | - | (75,906) | (71,426) |
| Paycheck Protection Program loan forgiveness | 568,300 | - | 568,300 | - |
| Employee Retention Tax Credit | 438,439 | - | 438,439 | - |
| Total other, net | 930,833 | - | 930,833 | (71,426) |
| **PROVISION FOR INCOME TAXES:** | | | | |
| Deferred tax benefit | 28,000 | - | 28,000 | 180,000 |
| Change in net assets | 678,139 | 1,509,334 | 2,187,473 | 437,394 |
| **NET ASSETS** | | | | |
| Beginning of year | 14,495,943 | 23,945,694 | 38,441,637 | 38,004,243 |
| End of year | $ 15,174,082 | $ 25,455,028 | $ 40,629,110 | $ 38,441,637 |

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

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021
(with comparative amounts for 2020)

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 2,187,473 | $ 437,394 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,002,832 | 1,008,879 |
| Bad debt expense | 228,595 | 486,329 |
| Income tax provision | (28,000) | (180,000) |
| Realized gain on investments, net | (1,698,603) | (153,476) |
| Unrealized gain on investments, net | (269,924) | (2,111,738) |
| Contributions with donor restrictions for endowment | (637,285) | (362,754) |
| Forgiveness of Paycheck Protection Program loan | (568,300) | - |
| Change in operating assets and liabilities: | | |
| Net change in gross pledges receivable | 235,856 | 50,268 |
| Decrease in allowance for pledges receivable | (136,749) | - |
| Net change in other operating assets | (894,824) | 186,420 |
| Net change in operating liabilities | 455,020 | (590,895) |
| Net cash used for operating activities | (123,909) | (1,229,573) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (1,305,249) | (4,786,662) |
| Proceeds from sale of investments | 2,197,742 | 5,281,611 |
| Increase in accrued interest receivable, gross | - | (410,070) |
| Acquisition of property and equipment | (1,509,960) | (124,318) |
| Net cash used by investing activities | (617,467) | (39,439) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions with donor restrictions into endowment | 637,285 | 362,754 |
| Proceeds from Paycheck Protection Program loan | 568,360 | 568,300 |
| Principal payments on note payable | (150,021) | (105,017) |
| Net cash provided by financing activities | 1,055,624 | 826,037 |
| Net increase (decrease) in cash and cash equivalents | 314,248 | (442,975) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 1,353,656 | 1,796,631 |
| End of year | $ 1,667,904 | $ 1,353,656 |

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

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021
(with comparative amounts for 2020)

| | 2021 | 2020 |
|---|---|---|
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 75,906 | $ 71,426 |
| **Supplemental disclosure of property cash flow:** | | |
| Fixed assets acquired during the year: | $ 1,509,960 | $ 239,698 |
| Less: fixed asset purchases accrued in accounts payable | - | (115,380) |
| Cash paid for acquisition of property and equipment | $ 1,509,960 | $ 124,318 |

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

Exhibit D

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021
(with summarized comparative totals for 2020)

| | Program | | | | General and | Total | |
|---|---|---|---|---|---|---|---|
| | Alumni | The Cook Hotel | Total Program | Fundraising | Administrative | 2021 | 2020 |
| **EXPENSES:** | | | | | | | |
| Salaries and wages | $ 1,191,169 | $ 763,008 | $ 1,954,177 | $ 208,724 | $ 205,675 | $ 2,368,575 | $ 2,684,664 |
| Payroll taxes and benefits | 203,645 | 101,716 | 305,361 | 35,684 | 35,163 | 376,208 | 391,239 |
| Scholarships and professorships | 1,044,251 | - | 1,044,251 | - | - | 1,044,251 | 977,289 |
| Depreciation | - | 395,917 | 395,917 | - | 606,915 | 1,002,832 | 1,008,879 |
| Hotel operations | - | 539,196 | 539,196 | - | - | 539,196 | 275,200 |
| Utilities | - | 239,475 | 239,475 | - | 289,475 | 528,950 | 357,605 |
| Professional and contracted services | - | 124,850 | 124,850 | - | 343,909 | 468,759 | 547,343 |
| Travel and sports trips | - | 348,722 | 348,722 | 35,470 | - | 384,192 | 465,842 |
| Special events and ticket purchases | - | 146,713 | 146,713 | 177,847 | - | 324,560 | 410,833 |
| Repairs and maintenance | - | 99,739 | 99,739 | - | 152,764 | 252,503 | 246,037 |
| Catering | 50,407 | 200,673 | 251,080 | - | - | 251,080 | 86,938 |
| Bad debt | 228,595 | - | 228,595 | - | - | 228,595 | 410,070 |
| Cost of merchandise sold | - | 200,080 | 200,080 | - | - | 200,080 | 98,451 |
| Supplies | - | 126,415 | 126,415 | - | 21,747 | 148,162 | 110,496 |
| Insurance | - | 72,370 | 72,370 | - | 69,255 | 141,625 | 170,451 |
| Fees | - | 134,495 | 134,495 | - | 237 | 134,732 | 96,380 |
| Printing | - | 8,486 | 8,486 | 108,981 | - | 117,467 | 104,921 |
| Telephone | 18,944 | 40,722 | 59,666 | 3,319 | 3,271 | 66,256 | 78,126 |
| Operating leases | - | 24,423 | 24,423 | - | 31,286 | 55,709 | 49,262 |
| Promotional supplies | - | 16,783 | 16,783 | 34,432 | - | 51,215 | 29,896 |
| Taxes | - | 49,929 | 49,929 | - | 595 | 50,524 | 58,170 |
| Postage | - | 9,731 | 9,731 | 33,773 | - | 43,504 | 51,268 |
| Dues and subscriptions | - | 12,938 | 12,938 | - | 18,703 | 31,641 | 27,029 |
| Advertising | | 16,271 | 16,271 | 4,111 | - | 20,382 | 22,415 |
| Other university support | 9,200 | - | 9,200 | - | - | 9,200 | 10,745 |
| Donor recognition | - | 1,057 | 1,057 | 3,245 | - | 4,302 | 3,377 |
| Official functions and entertainment | - | 1,024 | 1,024 | - | - | 1,024 | 19,119 |
| Miscellaneous | - | - | - | - | 46,259 | 46,259 | 48,761 |
| Total expenses | $ 2,746,211 | $ 3,674,733 | $ 6,420,944 | $ 645,586 | $ 1,825,253 | $ 8,891,783 | $ 8,840,806 |

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

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and operations

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

### Basis of presentation and consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Association reports information regarding financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for 2020, from which the summarized information was derived.

### Estimates

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional or when cash is received. Unconditional contributions with donor restrictions are reported as increases in net assets with donor restrictions and are internally tracked as purpose restricted or held in perpetuity, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions. Contributions to certain endowment funds are restricted by the donor to be maintained in perpetuity and the related income earned is classified and expended according to the donor's stipulations.

Pledges receivable are recognized as revenue in the period received. Pledges receivable are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenues from exchange transactions primarily consist of hotel room and facility rentals, travel package sales, catering services, and merchandise sales. The Association has determined that the transaction prices related to contracts entered through exchange transactions are primarily attributable to one performance obligation (room and facility space rentals, travel package sales, catering services, merchandise sales, etc.). Payments are sometimes received in advance of providing the service and are reported as deferred revenue. The Association recognizes revenue when the performance obligation is satisfied (rooms are checked in, sport events are attended, merchandise is purchased/shipped, etc.).

Sales and other taxes the Hotel (Association) collects in conjunction with these activities are excluded from revenue. Other incidental items that are immaterial in context of the contract, along with costs incurred to obtain a contract, are expensed as incurred.

Generally, the Hotel's (Association) business does not give rise to variable consideration due to the fact that there are no significant rebates, allowances, or returns that decrease the original transaction price. Additionally, the Association has no contract assets or liabilities at December 31, 2021.

### Cash and cash equivalents

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pledges receivable

Pledges receivable are recorded net of any allowance for doubtful pledges that is based on management's estimate of collectability. The Association records contributions received as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

### Accounts receivable

Accounts receivable are recorded at invoiced amounts, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Association does not require collateral for its receivables. Accounts receivable outstanding more than 90 days totaled $79,886 at December 31, 2021. See Note 3.

### Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Association uses the First-In-First-Out (FIFO) method to account for its inventory. The Association has a reserve for slow-moving inventory of $18,646 at December 31, 2021.

### Investment valuation and income recognition

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

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

Level 2 – Inputs include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investment valuation and income recognition (continued)**

Level 3 – Inputs that are unobservable and significant to the fair value measurement. The Association has no Level 3 investments at December 31, 2021.

Investments in equity securities and shares of mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker-dealers who actively make markets in these securities. Investments in equity securities without readily determinable fair values and that do not qualify for the practical expedient to estimate fair value are measured at cost minus impairment, if any.

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

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

**Fair value of financial instruments**

The carrying value of cash, receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rated offered for debt of comparable maturities and collateral requirements. Financial instruments are not held for trading purposes.

**Property and equipment**

Property and equipment are carried at cost. Additions and improvements that extend the useful lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to thirty-nine years.

The Association does not capitalize its collection at the Andonie Museum, which is located on the LSU campus. The collection consists of historical objects related to LSU sports history which have been estimated to have a market value of approximately $650,000 at the date of acquisition. There were no significant changes to the collection during 2021.

Periodically, the Association reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property and equipment (continued)

Impairment is measured by comparing the carrying value of the sum of the expected future cash flows resulting from the use of the asset and its eventual disposition. The Association did not have any impairment of assets during the year ended December 31, 2021.

### Income taxes and unrelated business income

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

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

The Association follows the provisions of the FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Association's open audit periods are 2018 through 2021.

### Deferred revenues

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

### Advertising

During 2021, the Association expensed $71,597 in advertising and promotional costs as incurred.

### Subsequent events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 7, 2022, which was the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

Investments, at December 31, 2021, consisted of the following:

| | Amount | |
|---|---|---|
| | Market | Cost |
| Equities | $17,890,972 | $13,817,160 |
| Mutual funds | 6,564,724 | 6,574,002 |
| Fixed income | 2,317,408 | 2,313,034 |
| Stock in privately held companies | - | 3,417,254 |
| Money market funds | 563,770 | 563,770 |
| Total | $27,336,874 | $26,685,220 |

The summary of investment return and its classification in the consolidated statement of activities for the year ended December 31, 2021 is as follows:

| | Amount |
|---|---|
| Unrealized gains, net | $ 269,924 |
| Interest and dividends | 768,064 |
| Realized gains, net | 1,698,603 |
| Investment fees | (163,436) |
| Total | $ 2,573,155 |

At December 31, 2021, the fair value hierarchy of the Association's investments was as follows:

| | Amount | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities | $17,890,972 | $ - | $ - | $17,890,972 |
| Mutual funds | - | 6,564,724 | - | 6,564,724 |
| Fixed income | - | 2,317,408 | - | 2,317,408 |
| Stock in privately held companies | - | - | - | - |
| Money market funds | 563,770 | - | - | 563,770 |
| Total | $18,454,742 | $ 8,882,132 | $ - | $27,336,874 |

**Stock in privately held company**

The Association invested in a Company that has developed a medical device to provide alternative treatment to prescribed medication for various disorders. The former Board Chairman of the Company was a board member of the Association at the time the original investment was made.

## NOTE 2 – INVESTMENTS (CONTINUED)

### Stock in privately held company (continued)

On February 2014, the Association and the Company entered into an unsecured note purchase agreement where the Association purchased a convertible promissory note in the principal amount of $2,000,000, with interest accruing at the rate of 10-percent per annum and maturing on the first to occur of: (i) two year anniversary of the note (February 2016), (ii) merger or consolidation or other reorganization of the Company, with or into one or more entities, or (iii) the liquidation or dissolution of the Company. Furthermore, if maturity of the note occurs on the provisions defined in (ii) above, the outstanding note would be converted into shares of the surviving entity.

Upon maturity of the original agreement with the Company in 2016, the Association and the Company entered into second agreement to extend the original maturity date to October 2017 and convert previously accrued interest of $434,521 on the original note into principal ($2,434,521 in principal balance) and increase the interest rate to 12-percent per annum. In 2017, the Association and the Company entered into a third agreement to extend the maturity date to April 2019 and convert previously accrued interest of $413,451 on the note into principal ($2,847,972 in principal balance). In 2019, the Association and the Company entered into a fourth agreement to extend the maturity date to June 2021 and convert previously accrued interest into principal of $569,282 on the note into principal ($3,417,254 in principal balance). In May 2021, the Association and the Company entered into a fifth agreement to extend the maturity date to June 1, 2022.

On October 14, 2021, the Association and the Company agreed to a debt conversion agreement, whereby the Association agreed to convert its outstanding note purchase agreement with the Company in the principal amount of $3,417,254 into capital stock, contingent upon the Company acquiring certain financing requirements from a third-party investor. On December 31, 2021, the Company acquired the financing, and as a result, the Association's note purchase agreement was converted into 14,500,893 shares of capital stock of the Company.

Prior to the conversion of the note receivable, the Association recorded impairment losses on the note purchase agreement of $3,417,254 and related accrued interest as of $649,278.

As of December 31, 2021, the Company's unaudited financial statements reported cash of $4,628,817, assets of $6,045,257, stockholders' deficit of $7,204,254, and a net loss of $22,983,124 for the year then ended. The Company is currently seeking approval from United States drug regulators for domestic sales of its product while selling its product in other countries and pursuing options to secure additional financing resources.

The outcome of the events described above are uncertain at this time. While management of the Association will continue to monitor the operations of the Company, the investment in the Company is not considered to have a readily determinable fair value. As a result, the Association measures the investment in the Company at cost minus impairment, resulting in a net book value of $-0-.

## NOTE 3 - ACCOUNTS RECEIVABLE

At December 31, 2021, accounts receivable are as follows:

| | Amount |
|---|---|
| Employee Retenion Tax Credit | $ 438,439 |
| LSU Foundation | 316,686 |
| Room rental, occupancy, and others | 180,122 |
| Catering, sports trips, and events | 49,479 |
| Accounts receivable, gross | 984,726 |
| Less: Allowance for uncollectible accounts | (5,000) |
| Accounts receivable, net | $ 979,726 |

## NOTE 4 - PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2021, are as follows:

| | Amount |
|---|---|
| Current pledges receivable, gross | $ 290,028 |
| Long-term pledges receivable, gross | 378,741 |
| Total pledges receivable | 668,769 |
| Less: Allowance for uncollectible pledges | (66,195) |
| Less: Discount to present value for long-term pledges | (31,093) |
| Pledges receivable, net | $ 571,481 |

## NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2021 were as follows:

| Description | Service Life | Amount |
|---|---|---|
| Buildings and improvements | 15 - 39 years | $ 24,972,861 |
| Furniture and equipment | 5 - 10 years | 5,611,428 |
| Automobiles | 5 years | 79,720 |
| Software | 3 years | 80,730 |
| | | 30,744,739 |
| Less: accumulated depreciation | | (17,436,339) |
| Property and equipment, net | | $ 13,308,400 |

Depreciation expense was $1,002,832 for 2021.

## NOTE 6 - NOTES PAYABLE

### Construction Loan

In 2016, the Hotel (Association) entered into a bank loan to fund renovations. The loan functioned as a line of credit with a limit of $3,200,000 for contractor costs. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel. The note requires monthly payments of $31,263 at 3.2% interest and matures in November 2027. The Hotel's outstanding balance as of December 31, 2021 is $2,212,141.

### Construction Loan Payment Deferment

As part of the Hotel's (Association's) efforts to mitigate the current financial impacts of COVID-19, the Hotel restructured its loan agreement on May 1, 2020. The restructured loan agreement allows the Hotel to temporarily modify its loan payments to consist of interest only payments for a six-month period beginning May 1, 2020. In January 2021, the Hotel was approved for an additional five months of payment deferrals with the same provisions as previously stated. During the deferment periods, the outstanding loan amount will not be reduced and will have a cumulative effect that will result in a balloon payment of approximately $236,457 at maturity in November 2027. Except as described above, all other terms and conditions of the loan remain unchanged and in full force and effect. In June 2021, the Hotel recommenced regularly scheduled payments and incurred interest expenses of approximately $75,906 during the period.

Future maturities under notes payable as of December 31, 2021, are as follows:

| Year ended December 31, | Amount |
|---|---|
| 2022 | $ 309,604 |
| 2023 | 319,658 |
| 2024 | 330,039 |
| 2025 | 340,756 |
| 2026 | 351,822 |
| 2027 | 560,262 |
| Total | $ 2,212,141 |

### Coronavirus Aid, Relief and Economic Security Act Funding (CARES Act)

On April 30, 2020, the Association received loan proceeds in the amount of $568,300 under the Paycheck Protection Program (PPP). The PPP, establish as a part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll certain employee benefits, rent and utilities, and maintains certain payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

## NOTE 6 - NOTES PAYABLE (CONTINUED)

### Coronavirus Aid, Relief and Economic Security Act Funding (CARES Act) (continued)

On July 30, 2021, the Association's loan was forgiven in full as a result of the Association meeting the required criteria for loan forgives as stated in the paragraph above. The Association recognized the forgiveness as other income of $568,300 for the fiscal year ended December 31, 2021.

On March 17, 2021, the Association received loan proceeds in the amount of $568,360 under the second round of the PPP, which is also subject to the terms disclosed above. Repayment of the second PPP loan begins on the earlier of (i) 10 months after the covered period (July 1, 2022) or (ii) when the SBA notifies the lender that forgiveness is not allowed. On March 22, 2022, the Association's second PPP loan was forgiven in full as a result of the Association meeting the required criteria for loan forgiveness as stated in the paragraph above. As a result, no portions of the PPP have been presented as current maturities of notes payable at December 31, 2021. The forgiveness will be recognized as other income for the 2022 fiscal year.

## NOTE 7 - DEFERRED ROYALTY

The Association has a royalty agreement with a third-party for the use of the Association's logo on credit cards and access to alumni member lists. Under the terms of the agreement, the Association will receive $1,075,000 in royalty guarantee payments from July 1, 2016 to June 30, 2021. Earned royalties are applied against the advances, and the Association receives an additional amount for royalties earned in excess of the guarantee. Effective July 1, 2021, the Association will receive royalties based on earned amounts through June 30, 2023. The Association accepted royalties of $134,101 in 2021 related to this agreement and is included in royalty income in the statement of activities.

## NOTE 8 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $28,000 for 2021, and the tax effects of temporary differences at December 31, 2021 are as follows:

| **Noncurrent deferred tax asset** | Amount |
|---|---|
| Net operating loss carryforward | $ 775,000 |
| Depreciation | (107,000) |
| | $ 668,000 |

At December 31, 2021, the Hotel had a net operating loss carryforward of approximately $3.7 million. Approximately $1,909,700 of the total net operating loss carryforward is available through 2029 and $1,778,786 of the total net operating loss may be carried forward indefinitely. These amounts are reflective of the Hotel's effective tax rate of 21% for 2021. Management anticipates utilizing the net operating loss carryforwards available through 2029 prior to their expiration in addition to utilizing carryforward losses that are indefinite. Effective for the period ending December 31, 2021, and future periods, net operating loss carryforwards can offset only 80% of taxable income in the year the carryforward is used.

## NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

| | Amount |
|---|---|
| **Amounts to be held in perpetuity** | |
| Endowed scholarships and professorships | $ 20,793,969 |
| Corpus of investments not held in endowment | 402,813 |
| Endowment pledges receivable, net | 195,975 |
| Total to be held in perpetuity | 21,392,757 |
| **Amounts restricted for for future periods** | |
| Scholarships and professorships for future periods | 4,062,271 |
| Total net assets with donor restrictions | $ 25,455,028 |

## NOTE 10 - ENDOWMENT

The Association's investment policy for donor-restricted endowments stipulates that the primary investment objective of the Association's endowment is to earn an average annual real return of at least 5% per year over the long term, net of costs. Attainment of this objective will enable the Association to maintain the purchasing power of endowment assets in perpetuity and meet its spending policy. The primary objective of the Association's asset allocation policy is to provide a strategic mix of asset classes that produce a high expected investment return within a prudent risk framework.

The endowment activity during 2021 was as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 4,774,631 | $ 22,741,872 | $ 27,516,503 |
| Interest and dividends | 81,817 | 597,203 | 679,020 |
| Unrealized gains, net | 26,298 | 1,424,956 | 1,451,255 |
| Realized gains, net | 184,089 | 199,994 | 384,083 |
| Contributions | 516,259 | 538,985 | 1,055,244 |
| Net assets released from restrictions: | | | |
| Appropriations from donor endowments | (502,907) | (1,214,659) | (1,717,566) |
| Endowment net assets, end of year | $ 5,080,188 | $ 24,288,351 | $ 29,368,539 |

## NOTE 10 - ENDOWMENT (CONTINUED)

### Endowment without donor restrictions

Endowment net assets without donor restrictions are comprised of funds designated by the Board of Directors for operating purposes, including maintenance on buildings. Additionally, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may decline in value below the level that the donor requires the Association to retain as a fund of perpetual duration.

### Endowment with donor restrictions

Endowment with donor restrictions as of December 31, 2021, were as follows:

| **With donor restrictions** | Amount |
|---|---|
| Endowed scholarships and professorships | $ 22,276,696 |
| Unendowed scholarships and professorships | 2,011,655 |
| Total with donor restrictions | $ 24,288,351 |

The Association classifies as donor restricted net assets that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The portion of the donor-restricted endowment fund that is not classified as net assets with donor restriction - endowed is classified as net assets with donor restrictions - unendowed until those amounts are appropriated for expenditure by the Association.

The Association has a policy of appropriating 5% of the endowment fund's market value for professorships and scholarships. Upon payment of professorships and scholarships, donor purpose restrictions are satisfied and endowments with donor restrictions are released from restrictions and reclassified as an increase in endowments without donor restrictions.

### Investment objectives

The investment objective is to maintain the purchasing power of the endowment assets over the long-term while meeting current obligations. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide annual distributions of professorships, scholarships, and building and operating expenses.

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

## NOTE 10 - ENDOWMENT (CONTINUED)

### "Underwater" Endowments

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that donors require the Association to retain as a fund of perpetual duration. Deficiencies of this nature sometimes occur due to market volatility and currently exist in some individual endowment funds. However, the Association maintains additional unrestricted funds within the endowment totaling $5,080,188.

| | Without donor restrictions | With donor restrictions: Original gift amount | With donor restrictions: Accumulated gains (losses) and other | With donor restrictions: Total with donor restrictions | Total endowment |
|---|---|---|---|---|---|
| Endowed scholarships | $ - | $ 20,806,495 | $ 1,470,201 | $ 22,276,696 | $22,276,696 |
| Unendowed scholarships | - | 2,233,876 | (222,221) | 2,011,655 | 2,011,655 |
| Without restriction | 5,080,188 | - | - | - | 5,080,188 |
| Total | $ 5,080,188 | $ 23,040,371 | $ 1,247,980 | $ 24,288,351 | $29,368,539 |

## NOTE 11 - RENT & LEASE EXPENSE

Rent and lease expense incurred was $55,709 for 2021. These rentals and leases are short term and cancelable by either party. The Association has also entered into a 99-year land lease with the University which expires December 31, 2092. The annual rent expense associated with this lease is nominal.

## NOTE 12 - DONATED SERVICES

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

## NOTE 13 - RETIREMENT PLAN

The Association has a 401(k)-retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions as well as discretionary Association matching and profit-sharing contributions. Employees may contribute up to 25% of their compensation limited to $19,500 annually. Due to the financial implications of the COVID-19 pandemic, the Association suspended its matching and profit-sharing contributions to the plan effective July 1, 2020 through March 31, 2021. The Association contributed $69,618 to the plan from April 1, 2021 through December 31, 2021.

## NOTE 14 - CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Association to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments. Management periodically evaluates the Association's credit risk associated with its investments, which are not collateralized. Future changes in market value may make such investments less valuable. The Association typically maintains cash and cash equivalents, and temporary investments in local banks that may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits. Management believes this risk is limited. The Association's exposure above the FDIC limit as of December 31, 2021 is $1,019,128.

## NOTE 15 - RELATED PARTIES

During 2021, the Association paid $533,939 to the University and agencies of the University for various services and supplies. As of December 31, 2021, the Association owed the University $178,199 and is reflected in accounts payable on the consolidated statement of financial position.

The Association had funds invested with the LSU Foundation totaling approximately $316,686 at December 31, 2021 and is reflected in accounts receivable on the consolidated statement of financial position.

The Association earned $708,977 of hotel revenue from various departments of the University and had $47,777 of related receivables at year end. These amounts are reflected in hotel revenue and accounts receivable on the consolidated statement of financial position and consolidated statement of activities, respectively.

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

## NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts on pledges and scholarships funded in the fourth quarter of the fiscal year and a concentration of contributions received near year end.

The Association's financial assets available within one year of the balance sheet date for general expenditure are as follows:

| | Amount |
|---|---|
| Financial assets: | |
| Cash | $ 1,667,904 |
| Accounts receivable, net | 979,726 |
| Current portion of unrestricted pledges receivable | 223,833 |
| Unrestricted endowment | 5,080,188 |
| Financial assets available within one year, at year-end | $ 7,951,651 |

**NOTE 17 - CARES ACT – EMPLOYEE RETENTION TAX CREDITS**

During 2021, the Association applied for fully refundable Employee Retention Tax Credits (ERC) provided for in the CARES Act and expanded upon by the Consolidated Appropriations Act and the American Rescue Plan Act of 2021, based on qualified wages (including allocable qualified health plan expenses) paid to its employees. The Association's application for these credits was based, in part, on eligibility determinations confirmed by an independent consultant experienced with federal tax credit programs. Because the ERC are requested through original and/or amended payroll tax returns, the returns and related credits are subject to audit by the Internal Revenue Service for the standard three-year audit period. Management of the Association believes that all requirements for eligibility have been met.

At December 31, 2021, the Association reported a ERC receivable of $438,439. This amount is comprised of the credits of $218,807 and $219,632 based on qualified wages paid in 2021 and 2020, respectively. All credit amounts are reported as other income in the consolidated statement of activities for the year ended December 31, 2021. This is the period in which management determined all conditions for eligibility were substantially met.

**NOTE 18 – SUBSEQUENT EVENTS**

On March 22, 2022, the Association's second PPP loan that was originated on March 27, 2021 in the amount of $568,360 was forgiven.

# SUPPLEMENTARY INFORMATION

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2021
(with summarized comparative totals for 2020)

| | Alumni Association | Scholarship Fund | The Cook Hotel | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Revenue and support:** | | | | | |
| **Donations** | $ 1,605,913 | $ 575,269 | $ - | $ 2,181,182 | $ 1,863,942 |
| **Earned:** | | | | | |
| Hotel | - | - | 3,480,754 | 3,480,754 | 2,015,981 |
| Merchandise, sales, and trips | 104,479 | - | 849,729 | 954,208 | 780,706 |
| Rental and catering | 390,182 | - | 101,734 | 491,916 | 349,036 |
| **Investment income, net of fees** | 270,014 | 2,299,344 | 3,797 | 2,573,155 | 3,583,221 |
| **Other:** | | | | | |
| Royalties | 231,126 | - | - | 231,126 | 349,348 |
| Advertising sales | - | - | 21,169 | 21,169 | 68,401 |
| On campus events | 60,854 | - | - | 60,854 | 364 |
| Miscellaneous | 114,635 | - | 11,424 | 126,059 | 158,627 |
| Total revenue and support | 2,777,203 | 2,874,613 | 4,468,607 | 10,120,423 | 9,169,626 |
| **Expenses:** | | | | | |
| **Occupancy:** | | | | | |
| Depreciation | 606,915 | - | 395,917 | 1,002,832 | 1,008,879 |
| Utilities | 289,475 | - | 239,475 | 528,950 | 357,605 |
| Professional and contracted services | 343,909 | - | 124,850 | 468,759 | 547,343 |
| Repairs and maintenance | 152,764 | - | 99,739 | 252,503 | 246,037 |
| Hotel operations | - | - | 539,196 | 539,196 | 275,200 |
| Taxes | 595 | - | 49,929 | 50,524 | 58,170 |
| Supplies | 21,747 | - | 126,415 | 148,162 | 110,496 |
| Operating leases | 31,286 | - | 24,423 | 55,709 | 49,262 |
| Other | 46,259 | - | - | 46,259 | 48,761 |
| Total occupancy | 1,492,950 | - | 1,599,944 | 3,092,894 | 2,701,753 |
| **Personnel:** | | | | | |
| Salaries | 1,605,567 | - | 763,008 | 2,368,575 | 2,684,664 |
| Staff benefits | 274,492 | - | 101,716 | 376,208 | 391,239 |
| Total personnel | 1,880,059 | - | 864,724 | 2,744,783 | 3,075,903 |
| **Promotional:** | | | | | |
| Scholarships and professorships | - | 1,044,251 | - | 1,044,251 | 977,289 |
| Travel and sports trips | 35,470 | - | 348,722 | 384,192 | 465,842 |
| Special events ticket purchases | 177,847 | - | 146,713 | 324,560 | 410,833 |
| Cost of merchandise sold | - | - | 200,080 | 200,080 | 98,451 |
| Printing | 108,981 | - | 8,486 | 117,467 | 104,921 |
| Postage | 33,773 | - | 9,731 | 43,504 | 51,268 |
| Official functions and entertainment | - | - | 1,024 | 1,024 | 19,119 |
| Catering | 50,407 | - | 200,673 | 251,080 | 86,938 |
| Other support | - | 9,200 | - | 9,200 | 10,745 |
| Promotional supplies | 34,432 | - | 16,783 | 51,215 | 29,896 |
| Advertising | 4,111 | - | 16,271 | 20,382 | 22,415 |
| Donor recognition | 3,245 | - | 1,057 | 4,302 | 3,377 |
| Total promotional | 448,266 | 1,053,451 | 949,540 | 2,451,257 | 2,281,094 |
| **General and Administrative:** | | | | | |
| Fees | 237 | - | 134,495 | 134,732 | 96,380 |
| Bad debt | - | 228,595 | - | 228,595 | 410,070 |
| Telephone | 25,534 | - | 40,722 | 66,256 | 78,126 |
| Insurance | 69,255 | - | 72,370 | 141,625 | 170,451 |
| Dues and subscriptions | 18,703 | - | 12,938 | 31,641 | 27,029 |
| Total general and administrative | 113,729 | 228,595 | 260,525 | 602,849 | 782,056 |
| Total expenses | 3,935,004 | 1,282,046 | 3,674,733 | 8,891,783 | 8,840,806 |
| Change in net assets, before income taxes | (1,157,801) | 1,592,567 | 793,874 | 1,228,640 | 328,820 |
| **Other Income (Expense):** | | | | | |
| Interest expense | - | - | (75,906) | (75,906) | (71,426) |
| Paycheck Protection Program loan forgiveness | 334,471 | - | 233,829 | 568,300 | - |
| Employee Retention Tax Credit | 271,692 | - | 166,747 | 438,439 | - |
| Total other income (expense) | 606,163 | - | 324,670 | 930,833 | (71,426) |
| **Provision for Income Taxes** | | | | | |
| Income tax benefit | - | - | 28,000 | 28,000 | 180,000 |
| Change in net assets | $ (551,638) | $ 1,592,567 | $ 1,146,544 | $ 2,187,473 | $ 437,394 |

See Independent Auditors' Report

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

## MANAGEMENT LETTER

December 31, 2021

FAULK & WINKLER
CPAs - BUSINESS ADVISORS

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

In planning and performing our audit of the consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency noted at 2021-1 in the Association's internal control to be a material weakness.

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 7, 2022



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### 2021-1 Monitoring and Collection of Outstanding Pledges Receivable

**Observation:** During the audit of the consolidated financial statements, certain tests were performed on outstanding pledge receivable balances. As part of these tests, we sent confirmation letters to donors who had an outstanding pledge balance at December 31, 2021. The results of our tests indicated that significant amounts of alumni fund pledges and scholarship pledges did not receive payments during 2021 and more notably, outstanding pledge receivable balances are not routinely monitored and evaluated for collection.

Confirmation attempts for gross pledges totaling approximately $230,000 received unfavorable results during the 2021 audit. Of the $230,000 in pledges that received an unfavorable result, approximately $165,000 balance of pledges tested failed to receive a response and the remaining $65,000 received responses stating the donor had no knowledge of an outstanding pledge balance due to the Association. Additionally, many of the pledges tested during the audit procedures for the year ended December 31, 2021 were also tested in prior audits and have not received any payments since the original pledge date.

The results of our confirmation tests were reviewed with management of the Association where a formal review and assessment was made on all outstanding pledge balances at December 31, 2021. Management's assessment resulted in an adjusting entry to remove approximately $360,000 in outstanding pledge receivable balances from the Association's financial statements. The adjustment of the pledge receivable balance was applied against the Association's allowance for doubtful accounts ($203,000) and bad debt expense ($157,000).

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

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

**Management's response:** Management agrees with the recommendation above and intends to implement procedures to monitor and evaluate outstanding pledges on an ongoing basis.

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

## FINANCIAL STATEMENTS

December 31, 2021 and 2020

THE COOK HOTEL

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

## TABLE OF CONTENTS

December 31, 2021 and 2020

FAULK & WINKLER
CPAs - BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

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

***Opinion***

We have audited the accompanying financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) (a Louisiana limited liability company and wholly owned subsidiary of the LSU Alumni Association), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in member's equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hotel, as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hotel and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the 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 Hotel's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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

In performing an audit in accordance with GAAS, 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 Hotel'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 or events, considered in the aggregate, that raise substantial doubt about the Hotel's ability to continue as a going concern for a reasonable period of time.

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

***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The schedule of operating expenses is presented for purposes of additional analysis and it not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedule of activities is fairly stated in all material respects in relation to the financial statements as a whole.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 7, 2022

# THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

## BALANCE SHEETS

December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT:** | | |
| Cash | $ 1,048,883 | $ 978,057 |
| Accounts receivable, net | 212,678 | 33,652 |
| Inventory, net | 78,183 | 130,582 |
| Prepaid expenses | 73,562 | 74,128 |
| Total current assets | 1,413,306 | 1,216,419 |
| **INVESTMENTS** | - | 597,192 |
| **PROPERTY AND EQUIPMENT, net** | 3,280,622 | 2,742,977 |
| **DEFERRED INCOME TAXES, net** | 668,000 | 640,000 |
| Total assets | $ 5,361,928 | $ 5,196,588 |
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| **CURRENT:** | | |
| Accounts payable and accrued expenses | $ 180,289 | $ 149,705 |
| Due to Association | 2,471,856 | 2,209,594 |
| Deferred revenue | 77,427 | 55,928 |
| Current portion of notes payable | 309,604 | 176,086 |
| Total current liabilities | 3,039,176 | 2,591,313 |
| **NOTE PAYABLE, less current portion** | 1,902,537 | 2,186,076 |
| **ACCRUED VACATION PAYABLE** | 31,421 | 13,490 |
| Total liabilities | 4,973,134 | 4,790,879 |
| **MEMBER'S EQUITY** | 388,794 | 405,709 |
| Total liabilities and member's equity | $ 5,361,928 | $ 5,196,588 |

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

# THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

## STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY

For the years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **REVENUES:** | | |
| Rooms | $ 3,404,585 | $ 1,974,618 |
| Travel packages | 533,106 | 538,726 |
| Gift shop | 316,623 | 181,497 |
| Food, beverage, and other | 112,559 | 122,852 |
| Catering | 101,734 | 82,450 |
| Total revenues | 4,468,607 | 2,900,143 |
| **OPERATING EXPENSES:** | | |
| Property | 2,913,259 | 2,258,271 |
| Travel packages | 605,005 | 471,066 |
| Gift shop | 434,369 | 340,269 |
| General and administration | 742,100 | 590,382 |
| Total operating expenses | 4,694,733 | 3,659,988 |
| Net loss from operations | (226,126) | (759,845) |
| **OTHER INCOME (EXPENSE):** | | |
| Interest expense | (75,906) | (71,426) |
| Paycheck Protection Program loan forgiveness | 90,369 | - |
| Employee Retention Tax Credit | 166,748 | - |
| Total other, net | 181,211 | (71,426) |
| Net loss before income taxes | (44,915) | (831,271) |
| **PROVISION FOR INCOME TAXES:** | | |
| Deferred tax benefit | 28,000 | 180,000 |
| Net loss | (16,915) | (651,271) |
| **MEMBER'S EQUITY:** | | |
| Beginning of year | 405,709 | 265,412 |
| Member contributions | - | 791,568 |
| End of year | $ 388,794 | $ 405,709 |

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

# THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (16,915) | $ (651,271) |
| Adjustments to reconcile change in net assets to net cash provided by the operating activities: | | |
| Depreciation | 395,917 | 391,379 |
| Deferred income tax benefit, net | (28,000) | (180,000) |
| Forgiveness of amounts due to Association | (257,117) | - |
| Change in operating assets and liabilities: | | |
| Net change in operating assets | (126,061) | 67,081 |
| Net change in operating liabilities | 70,014 | (370,731) |
| Net cash provided (used) by operating activities | 37,838 | (743,542) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of investments | - | (147,598) |
| Sale of investments | 597,192 | - |
| Acquisition of property and equipment | (933,562) | (230,961) |
| Net cash used for investment activities | (336,370) | (378,559) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in due to Association | 519,379 | 966,970 |
| Member contributions | - | 791,568 |
| Principal payments on note payable | (150,021) | (105,017) |
| Net cash provided by financing activities | 369,358 | 1,653,521 |
| Net increase in cash and cash equivalents | 70,826 | 531,420 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 978,057 | 446,637 |
| End of year | $ 1,048,883 | $ 978,057 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the year for interest | $ 75,906 | $ 71,426 |

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

# THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and operations

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

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

### Basis of presentation

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

### Estimates

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

### Revenue recognition policies and performance obligations

Revenues from exchange transactions primarily consist of hotel room and facility rentals, travel package sales, catering services, and merchandise sales. The Hotel has determined that the transaction prices related to contracts entered through exchange transactions are primarily attributable to one performance obligation (room and facility space rentals, travel package sales, catering services, merchandise sales, etc.).

(continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition policies and performance obligations (continued)

Payments are sometimes received in advance of providing the service and are reported as deferred revenue, the Hotel recognizes revenue when the performance obligations are satisfied (rooms are checked in, sport events are attended, merchandise is purchased/shipped, etc.).

Sales and other taxes the Hotel collect in conjunction with these activities are excluded from revenue. Other incidental items that are immaterial in context of the contract, along with costs incurred to obtain a contract, are expensed as incurred.

Generally, the Hotel's business does not give rise to variable consideration due to the fact that there are no significant rebates, allowances, or returns that decrease the original transaction price. Additionally, the Hotel has no contract assets or liabilities at December 31, 2021 and 2020.

### Cash and cash equivalents

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

### Accounts receivable

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

### Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Hotel uses the First-In-First-Out (FIFO) method to account for its inventory. The Hotel has a reserve for slow-moving inventory of $18,646 at December 31, 2021 and 2020, respectively.

(continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment valuation

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

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

Level 2 – Inputs include:

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

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

Level 3 – Inputs that are unobservable and significant to the fair value measurement. The Hotel had no Level 3 investments at December 31, 2021 or December 31, 2020.

Investments shares of mutual funds with readily determinable fair values are recorded at fair value based on quoted market prices.

### Property and equipment

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

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

Periodically, the Hotel reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured by comparing the carrying value of the sum of the expected future cash flows resulting from the use of the asset and its eventual disposition. The Association did not have any impairment of assets during the years ended December 31, 2021 or December 31, 2020.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income taxes

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

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

The Hotel follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Hotel's open audit periods are 2018 through 2021.

### Deferred revenues

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

### Fair value of financial instruments

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

### Advertising

During 2021 and 2020, the Hotel expensed $32,754 and $12,840, respectively, in advertising and promotional costs as incurred.

### Subsequent events

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through June 7, 2022, which was the date the financial statements were available to be issued.

## NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2021 and 2020, accounts receivable balances were as follows:

| | 2021 | 2020 |
|---|---|---|
| Rooms | $ 162,349 | $ 12,253 |
| Catering and event space | 42,611 | 8,293 |
| Sports trips | 6,868 | 3,868 |
| Magazine and other | 5,850 | 14,238 |
| Accounts receivable, gross | 217,678 | 38,652 |
| Less: allowance for uncollectible accounts | (5,000) | (5,000) |
| Accounts receivable, net | $ 212,678 | $ 33,652 |

Accounts receivable at December 31, 2021 and 2020 outstanding for more than 90 days were $79,886 and $9,210, respectively.

## NOTE 3 - INVESTMENTS

The Hotel had no investments at December 31, 2021. The fair value hierarchy of the Hotel's investments at December 31, 2020 were as follows:

Investments at December 31, 2020 were as follows:

| | 2020 | |
|---|---|---|
| | Cost | Market |
| Mutual funds | $ 451,761 | $ 450,390 |
| Fixed income | 145,000 | 146,802 |
| Total | $ 596,761 | $ 597,192 |

| | 2020 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Mutual funds | $ 450,390 | $ - | $ 450,390 |
| Fixed income | - | 146,802 | 146,802 |
| Total | $ 450,390 | $ 146,802 | $ 597,192 |

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2021 and 2020, were as follows:

| Description | Service Life | 2021 | 2020 |
|---|---|---|---|
| Building improvements | 5-20 years | $ 3,189,071 | $ 2,120,664 |
| Furniture and equipment | 5-10 years | 4,141,755 | 4,089,632 |
| Automobile | 5 years | 21,392 | 21,392 |
| Software | 3 years | 79,230 | 79,230 |
| Construction in progress | - | - | 186,968 |
| | | 7,431,448 | 6,497,886 |
| Less accumulated depreciation | | (4,150,826) | (3,754,909) |
| Property and equipment, net | | $ 3,280,622 | $ 2,742,977 |

Depreciation expense was $395,917 and $391,379 for 2021 and 2020, respectively.

## NOTE 5 - NOTE PAYABLE

### Construction Loan

In 2016, the Hotel entered into a bank loan to fund renovations throughout the Hotel. The loan functioned as a line of credit with a limit of $3,200,000 for contractor costs. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel when the Association began making payments on the loan in December 2018. The note requires monthly payments of $31,263 at 3.2% interest and matures in November 2027.

### Construction Loan Payment Deferment

As part of the Hotel's efforts to mitigate the current financial impacts of COVID-19, the Hotel restructured its loan agreement on May 1, 2020. The restructured loan agreement allows the Hotel to temporarily modify its loan payments to consist of interest only payments for a six-month period beginning May 1, 2020. In January 2021, the Hotel was approved for an additional five months of payment deferrals with the same provisions as previously stated. During the deferment periods, the outstanding loan amount will not be reduced and will have a cumulative effect that will result in a balloon payment of approximately $236,457 at maturity in November 2027. Except as described above, all other terms and conditions of the loan remain unchanged and in full force and effect. In June 2021, the Hotel recommenced regularly scheduled payments and incurred interest expenses of approximately $75,906.

## NOTE 5 - NOTE PAYABLE (CONTINUED)

Future maturities under note payable as of December 31, 2021, were as follows:

| Year ended December 31, | Amount |
|---|---|
| 2022 | $ 309,604 |
| 2023 | 319,658 |
| 2024 | 330,039 |
| 2025 | 340,756 |
| 2026 | 351,822 |
| 2027 | 560,262 |
| Total | $ 2,212,141 |

## NOTE 6 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $28,000 and $180,000 for 2021 and 2020, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2021 and 2020 are as follows:

| **Noncurrent deferred tax asset** | 2021 | 2020 |
|---|---|---|
| Net operating less carryforward | $ 775,000 | $ 767,000 |
| Depreciation | (107,000) | (127,000) |
| | $ 668,000 | $ 640,000 |

At December 31, 2021, the Hotel had a net operating loss carryforward of approximately $3.7 million. Approximately $1,909,700 of the total net operating loss carryforward is available through 2029 and $1,778,786 of the total net operating loss may be carried forward indefinitely. These amounts are reflective of the Hotel's effective tax rate of 21% for 2021. Management anticipates utilizing the net operating loss carryforwards available through 2029 prior to their expiration in addition to utilizing carryforward losses that are indefinite. Net operating losses carried forward to 2020 can offset 100% of taxable income for that year. Effective for the period ending December 31, 2021, and future periods, net operating loss carryforwards can offset only 80% of taxable income in the year the carryforward is used.

**NOTE 7 - RETIREMENT PLAN**

The Hotel, through the LSU Alumni Association, has a 401(k)-retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions, as well as discretionary Hotel matching and profit-sharing contributions. Employees may contribute up to 25% of their compensation limited to $19,500 annually. Due to the financial implications of the COVID-19 pandemic, the Hotel suspended its matching and profit-sharing contributions to the plan effective July 1, 2020 through March 1, 2021. The Hotel contributed approximately $20,500 from January 1, 2020 through June 30, 2020 and approximately $21,500 from March 1, 2021 through December 31, 2021.

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits. Management believes that this risk is limited. The Hotel's exposure above the FDIC limit as of December 31, 2021 is $465,730.

As of December 31, 2021, the Hotel had an outstanding accounts receivable of $93,186 related to one vendor. This outstanding balance was in relation to housing arrangements made during and after Hurricane Ida.

**NOTE 9 - RELATED PARTIES**

The Hotel has a five-year lease for the hotel property with the Association through February 2023 and incurs a management fee. The payments made to the Association are as follows:

| | 2021 | 2020 |
|---|---|---|
| Rent | $ 840,000 | $ 490,000 |
| Management fee | 180,000 | 105,000 |
| Total payments | 1,020,000 | 595,000 |

Hotel revenue of $708,977 and $352,669 for 2021 and 2020, respectively, was received from departments of the University, with related outstanding receivables of $47,777 and $4,869 at December 31, 2021 and 2020, respectively.

## NOTE 10 - CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT FUNDING (CARES ACT)

### Paycheck Protection Program Loan (PPP)

On July 30, 2021, the Association's loan was forgiven in full as a result of the Association meeting the required criteria for loan forgiveness as stated in Note 7 of the Association's report. The Association recognized the forgiveness as other income of $568,300 for the fiscal year ended December 31, 2021.

The Hotel recorded $90,369 as other income in 2021 related to the forgiveness of the PPP loan. The amount is based on the Hotel's portion of qualified business expenses as described in Note 7 in the Association's report. The Hotel has recognized the PPP forgiveness as a reduction of its payable due to the Association for personnel costs.

### Employee Retention Tax Credits

During 2021, the Hotel applied for fully refundable Employee Retention Tax Credits (ERC) provided for in the CARES Act and expanded upon by the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021, based on qualified wages (including allocable qualified health plan expenses) paid to its employees. The Hotel's application for these credits was based, in part, on eligibility determinations confirmed by an independent consultant experienced with federal tax credit programs. Because the ERC are requested through original and/or amended payroll tax returns, the returns and related credits are subject to audit by the Internal Revenue Service for the standard three-year audit period. Management of the Hotel believes that all requirements for eligibility have been met.

The Hotel recorded ERC of $166,748 as other income in 2021. This amount is comprised of credits of $90,369 and $76,379 based on qualified wages paid in 2021 and 2020, respectively. All credit amounts were recognized in 2021, the period in which the Hotel determined all conditions for eligibility were substantially met.

The related ERC receivable of $166,748 is reported on the Association's consolidated financial statements at December 31, 2021. The Hotel has recognized the ERC as forgiveness of a portion of its payable that is due to the Association for personnel costs.

# THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

## SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2021
(with summarized comparative totals for 2020)

| | Property | Travel Packages | Gift Shop | General and Administration | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| **OPERATING EXPENSES** | | | | | | |
| Personnel | $ 491,126 | $ 28,174 | $ 170,069 | $ 175,355 | $ 864,724 | $ 942,388 |
| Rent to Association | 840,000 | - | - | - | 840,000 | 490,000 |
| Rooms | 615,041 | - | - | - | 615,041 | 336,879 |
| Direct travel | 100 | 494,170 | - | 1,165 | 495,435 | 439,955 |
| Depreciation | 395,917 | - | - | - | 395,917 | 391,379 |
| Occupancy and supplies | 238,365 | 6,247 | 11,112 | 70,163 | 325,887 | 240,973 |
| Food, beverage, and other | 178,693 | 58,831 | - | 5,159 | 242,683 | 87,364 |
| Merchandise sold | - | - | 201,280 | - | 201,280 | 107,248 |
| Management fee to Association | - | - | - | 180,000 | 180,000 | 105,000 |
| Professional services | - | - | 50,633 | 74,217 | 124,850 | 159,324 |
| Repairs and maintenance | 60,936 | - | 847 | 19,800 | 81,583 | 77,611 |
| Insurance | 10,825 | - | - | 61,545 | 72,370 | 87,032 |
| Taxes and licenses | 49,929 | - | - | 3,418 | 53,347 | 63,480 |
| Marketing and advertising | 20,397 | 10,088 | 97 | 2,172 | 32,754 | 12,840 |
| Operating leases | 1,985 | - | - | 22,438 | 24,423 | 21,831 |
| Other | 9,945 | 7,495 | 331 | 126,668 | 144,439 | 96,684 |
| Total operating expenses | $ 2,913,259 | $ 605,005 | $ 434,369 | $ 742,100 | $ 4,694,733 | $ 3,659,988 |

See Independent Auditors' Report.