

L.S.U. AT EUNICE FOUNDATION, INC.

Eunice, Louisiana

FINANCIAL REPORT

Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
L.S.U. at Eunice Foundation, Inc.
Eunice, Louisiana

We have audited the accompanying financial statements of L.S.U. at Eunice Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L.S.U. at Eunice Foundation, Inc. (a nonprofit organization) as of June 30, 2014 and 2013, 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.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of L.S.U. at Eunice 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 L.S.U. at Eunice Foundation, Inc.'s internal control over financial reporting and compliance.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

December 12, 2014

L.S.U. AT EUNICE FOUNDATION, INC.

Statements of Financial Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
ASSETS		
Current assets		
Investments in L.S.U. Foundation managed assets, at market	<u>\$ 2,299,912</u>	<u>\$ 2,102,397</u>
Total assets	<u>\$ 2,299,912</u>	<u>\$ 2,102,397</u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
Unrestricted	\$ 658,681	\$ 615,366
Permanently restricted	<u>1,641,231</u>	<u>1,487,031</u>
Total net assets	<u>2,299,912</u>	<u>2,102,397</u>
Total liabilities and net assets	<u>\$ 2,299,912</u>	<u>\$ 2,102,397</u>

The accompanying notes are an integral part of the financial statements.

L.S.U. AT EUNICE FOUNDATION, INC.

Statements of Activities
Years Ended June 30, 2014 and 2013

	Year Ended June 30, 2014		
	Unrestricted	Permanently Restricted	Total
REVENUES, GAINS, AND RECLASSIFICATIONS			
Contributions	\$ 189,295	\$ 5,210	\$ 194,505
Investment earnings	3,949	85,217	89,166
Unrealized gains (losses) on investments	1,541	3,792	5,333
Realized gains (losses) on investments	47,986	67,719	115,705
Net assets released from restrictions	<u>7,738</u>	<u>(7,738)</u>	<u>-</u>
Total revenues, gains, and reclassifications	<u>250,509</u>	<u>154,200</u>	<u>404,709</u>
EXPENSES			
Supporting services -			
Fellowships	51,516	-	51,516
Travel	4,648	-	4,648
Operating services	24,764	-	24,764
Operating supplies	41,941	-	41,941
Professional services	17,056	-	17,056
Other charges	33,748	-	33,748
Student scholarships	30,400	-	30,400
Equipment/acquisitions	<u>3,121</u>	<u>-</u>	<u>3,121</u>
Total expenses	<u>207,194</u>	<u>-</u>	<u>207,194</u>
CHANGE IN NET ASSETS	43,315	154,200	197,515
NET ASSETS AT BEGINNING OF YEAR	<u>615,366</u>	<u>1,487,031</u>	<u>2,102,397</u>
NET ASSETS AT END OF YEAR	<u>\$ 658,681</u>	<u>\$ 1,641,231</u>	<u>\$2,299,912</u>

Year Ended June 30, 2013

Unrestricted	Permanently Restricted	Total
\$ 144,662	\$ 53,940	\$ 198,602
16,142	62,447	78,589
(185)	(462)	(647)
23,884	59,709	83,593
<u>33,485</u>	<u>(33,485)</u>	<u>-</u>
<u>217,988</u>	<u>142,149</u>	<u>360,137</u>
41,317	-	41,317
5,139	-	5,139
81,229	-	81,229
42,766	-	42,766
4,443	-	4,443
-	-	-
25,000	-	25,000
<u>1,139</u>	<u>-</u>	<u>1,139</u>
<u>201,033</u>	<u>-</u>	<u>201,033</u>
16,955	142,149	159,104
<u>598,411</u>	<u>1,344,882</u>	<u>1,943,293</u>
<u>\$ 615,366</u>	<u>\$ 1,487,031</u>	<u>\$2,102,397</u>

The accompanying notes are an integral part of the financial statements.

L.S.U. AT EUNICE FOUNDATION, INC.

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 197,515	\$ 159,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	(115,705)	(83,593)
Unrealized (gain) loss on investments	<u>(5,333)</u>	<u>647</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>76,477</u>	<u>76,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments in L.S.U. Foundation managed assets	(194,505)	(198,602)
Reinvestment of income in L.S.U. Foundation managed assets	(89,166)	(78,589)
Withdrawal of investments in L.S.U. Foundation managed assets	<u>207,194</u>	<u>201,033</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(76,477)</u>	<u>(76,158)</u>
NET INCREASE IN CASH	-	-
CASH AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

L.S.U. AT EUNICE FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The L.S.U. at Eunice Foundation, Inc. is a non-profit corporation formed to promote the educational cultural welfare of Louisiana State University at Eunice by accepting gifts for the purpose of providing scholarships, aiding research or such other designated projects for the benefit of the University.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958-225 (formerly SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*.) Under FASB ASC 958-225, the Foundation, is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Uses of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made. However, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal years audited.

The Foundation elected the provisions of FASB ASC 740-10. It has not adopted any uncertain tax positions with respect to those amounts reported in its fiscal years ended June 30, 2014 and 2013 financial statements.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to U.S. federal, state, and local examinations by tax authorities for years before 2011.

L.S.U. AT EUNICE FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through December 12, 2014, the date the financial statements were available.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2 INVESTMENTS IN L.S.U. FOUNDATION MANAGED ASSETS

The Foundation entered into a management agreement with the L.S.U. Foundation whereby the L.S.U. Foundation shall hold funds on behalf of the Foundation solely for the purpose of investing the funds. The L.S.U. Foundation may assess its standard service fees annually to cover its administrative costs. The agreement shall remain in effect until 180-day written notice is given by either party to the other party.

Investments held by the L.S.U. Foundation on behalf of the Foundation are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. Investment in L.S.U. Foundation managed assets consisted of the following as of June 30:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Unrestricted	\$ 602,927	\$ 658,681	\$ 266,964	\$ 615,366
Permanently Restricted	<u>1,273,969</u>	<u>1,641,231</u>	<u>1,535,467</u>	<u>1,487,031</u>
	<u>\$1,876,896</u>	<u>\$2,299,912</u>	<u>\$1,802,431</u>	<u>\$2,102,397</u>

L.S.U. AT EUNICE FOUNDATION, INC.

Notes to Financial Statements

NOTE 2 INVESTMENTS IN L.S.U. FOUNDATION MANAGED ASSETS (Continued)

Fair Values of Financial Instruments

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

These levels are:

- Level 1 -inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 -inputs are based upon quoted prices for similar instruments 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 or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 -inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair Value of Assets Measured on a Recurring Basis

The Foundation's investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments, where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data. The Foundation utilizes several externally managed funds of funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. The Foundation relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The application of those valuation procedures and methodologies are borne out in each manager's FASB ASC 820 compliant annual audited financial statements and were monitored through the L.S.U. Foundation's reporting period ended June 30, 2014.

L.S.U. AT EUNICE FOUNDATION, INC.

Notes to Financial Statements

NOTE 2 INVESTMENTS IN L.S.U. FOUNDATION MANAGED ASSETS (Continued)

The following tables present the fair value at June 30, 2014 and 2013, for each of the fair-value hierarchy levels, the Foundation's portion of the pooled financial assets and liabilities that are measured at fair value on a recurring basis as managed by the L.S.U. Foundation.

	2014		
	Level 1	Level 2	Level 3
Certificate of Deposit	\$ -	\$ -	\$ -
Government/Agency Obligations	-	241,472	-
Corporate Obligations	-	186,985	-
Common stock	14,162	332	-
Commingled Funds	-	-	75,622
Hedge Funds	-	-	379,562
Municipal Bonds	-	13,434	-
Private Equity/Venture Capital	-	-	194,950
Mutual Funds	1,189,027	-	-
Short Term Investment Fund	-	-	-
Real Estate Investment Trusts	-	-	-
Trust Funds Held by Agent	1,987	-	-
Preferred Stock	-	-	-
Pooled Income Fund	-	-	-
Beneficial Interest in Split Interest Agreements	-	-	2,379
Total	\$ 1,205,176	\$ 442,223	\$ 652,513
	2013		
	Level 1	Level 2	Level 3
Government/Agency Obligations	\$ -	\$ 278,838	\$ -
Corporate Obligations	-	100,541	-
Common stock	14,990	64	-
Commingled Funds	-	1,836	317,126
Hedge Funds	-	-	320,001
Municipal Bonds	-	17,982	-
Private Equity/Venture Capital	-	-	112,707
Mutual Funds	928,083	-	-
Short Term Investment Fund	-	-	-
Trust Funds Held by Agent	1,898	-	-
Pooled Income Fund	136	-	-
Beneficial Interest in Split Interest Agreement	-	-	8,195
Total	\$ 945,107	\$ 399,261	\$ 758,029

L.S.U. AT EUNICE FOUNDATION, INC.

Notes to Financial Statements

NOTE 2 INVESTMENTS IN L.S.U. FOUNDATION MANAGED ASSETS (Continued)

The following table presents the changes in fair value for the year ended June 30, 2014, in Level 3 instruments that are measured at fair value on a recurring basis:

	Commingled Funds	Hedge Funds	Private Equity/Venture Capital	Total
Balance, June 30, 2013	\$ 317,126	\$ 320,001	\$ 120,902	\$ 758,029
Purchases	31,178	94,214	107,895	233,287
Sales	(259,800)	(34,186)	(58,904)	(352,890)
Unrealized gains (losses)	19,358	1,756	36,380	57,494
Realized gains (losses)	(32,240)	(2,223)	(8,944)	(43,407)
Transfers in (out) of Level	-	-	-	-
Balance, June 30, 2014	<u>\$ 75,622</u>	<u>\$ 379,562</u>	<u>\$ 197,329</u>	<u>\$ 652,513</u>

Fair Value of Assets Measured on a Nonrecurring Basis

The Foundation had no material assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2014.

NOTE 3 RESTRICTIONS ON NET ASSETS

Permanently restricted net assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Endowment funds	<u>\$ 1,641,231</u>	<u>\$ 1,487,031</u>

NOTE 4 COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Grants, bequests, and endowments require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

NOTE 5 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets, derived from reserved earnings of endowment funds, were released from restrictions, in the amount of \$7,738 and \$33,485, in order to meet spending requirements for the years ended June 30, 2014 and 2013, respectively.

ADDITIONAL INFORMATION

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**Darnall, Sikes,
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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 *Governmental Auditing Standards*

To the Board of Directors
L.S.U. at Eunice Foundation, Inc.
Eunice, Louisiana

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Emile M. Joseph III, CPA

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 L.S.U. at Eunice Foundation, Inc. (a nonprofit organization), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise L.S.U. at Eunice Foundation, Inc.'s basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered L.S.U. at Eunice 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of considered L.S.U. at Eunice Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness L.S.U. at Eunice 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether L.S.U. at Eunice 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than those specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
December 12, 2014

L.S.U. AT EUNICE FOUNDATION, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part I Summary of auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on L.S.U. at Eunice Foundation, Inc.'s financial statements as of and for the year ended June 30, 2014.

Deficiencies and Material Weaknesses in Internal Control– Financial Reporting

There were no deficiencies or material weaknesses in internal control noted during the audit of the financial statements.

Material Noncompliance or Other Matters – Financial Reporting

There was no instance of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2014.

Part II Findings relating to an Audit in Accordance with *Government Auditing Standards*

There were no reportable conditions or instances of material noncompliance noted during the audit.

Part III Findings and Questioned Costs Relating to Federal Programs

At June 30, 2014, L.S.U. at Eunice Foundation, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

Part IV Management Letter

The auditor did not issue a management letter this year.

L.S.U. AT EUNICE FOUNDATION, INC.

Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

There were no prior year findings.

L.S.U. AT EUNICE FOUNDATION, INC.

Management's Corrective Action Plan
Year Ended June 30, 2014

No current year findings were noted, therefore, no response is deemed necessary.