

RECEIVED
LEGISLATIVE AUDITOR
2010 NOV -3 AM 9:44

**NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 11/10/10

**HINES, SHEFFIELD & SQUYRES, LLC
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • NATCHITOCHEs, LA 71457**

Frank S. Hines, CPA
Lewis C. Hines, CPA

Jay H. Sheffield, CPA
James S. Sheffield, CPA

E. Merlin Squyres, CPA

Telephone: 318.352.6458
Fax: 318.352.0404
office@hjhepa.biz

**NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2010**

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
TABLE OF CONTENTS
JUNE 30, 2010

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

HINES, SHEFFIELD & SQUYRES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHE, LA 71457

Telephone (318) 352-6458
FAX (318) 352-0404
office@hjhcpa.biz

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAMES S. SHEFFIELD, CPA
JAY H. SHEFFIELD, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwestern State University Foundation
Natchitoches, Louisiana

We have audited the accompanying statement of financial position of the Northwestern State University Foundation (a non-profit organization), as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwestern State University Foundation, as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hines, Sheffield & Squyres
Natchitoches, Louisiana
October 25, 2010

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,751,631
Promises to give	0
Investments	8,111,717
Other current assets	<u>2,886</u>
Total Current Assets	9,866,234
Fixed assets, net	0
Other assets	<u>83,385</u>
Total Assets	<u>\$ 9,949,619</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Current portion of long-term debt	\$ 169,165
Accounts payable and accruals	142,958
Funds held in custody	<u>0</u>
Total Current Liabilities	312,123
Long-term debt, net of current portion	<u>1,276,000</u>
Total Liabilities	1,588,123
Net Assets	
Unrestricted	223,651
Temporarily restricted	886,368
Permanently restricted	<u>7,251,477</u>
Total Net Assets	<u>8,361,496</u>
Total Liabilities and Net Assets	<u>\$ 9,949,619</u>

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

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Contributions	\$ 232,393	\$ 1,230,313	\$ 636,336	\$ 2,099,042
Fund raising	90,508	515,128	0	605,636
Investment income	15,157	200,252	0	215,409
Sales and fees	7,905	308,040	0	315,945
Unrealized (gains)/losses on investments	24,315	745,841	0	770,156
Other	3,016	253,614	35	256,665
Net Assets Released from Restrictions:				
Satisfactions of Program Restrictions	<u>2,092,147</u>	<u>(2,111,483)</u>	<u>19,336</u>	<u>0</u>
 Total Public Support, Revenues and Reclassifications	 2,465,441	 1,141,705	 655,707	 4,262,853
EXPENSES				
Program services				
Equipment purchases for NSU	64,888	0	0	64,888
Marketing and promotions	240,184	0	0	240,184
Materials and supplies	309,216	0	0	309,216
Professional services	195,087	0	0	195,087
Scholarships	393,544	0	0	393,544
Transfers to NSU	190,000	0	0	190,000
Travel	101,216	0	0	101,216
Other program services expenses	325,438	0	0	325,438
Supporting services				
Fund raising	400,636	0	0	400,636
Management and general	<u>206,014</u>	<u>0</u>	<u>0</u>	<u>206,014</u>
 Total Expenses	 <u>2,426,223</u>	 <u>0</u>	 <u>0</u>	 <u>2,426,223</u>
Change in Net Assets	39,218	1,141,705	655,707	1,836,630
Net Assets, Beginning of year	<u>184,433</u>	<u>(255,337)</u>	<u>6,595,770</u>	<u>6,524,866</u>
Net Assets, End of year	<u>\$ 223,651</u>	<u>\$ 886,368</u>	<u>\$ 7,251,477</u>	<u>\$ 8,361,496</u>

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

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities	
Change in net assets	\$ 1,836,630
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	1,696
Gain on sale of assets	(1,000)
Unrealized losses on investments	(770,156)
(Increase)/decrease in operating assets	
Promises to give	20,000
Other current assets	853
Other assets	(25,005)
Increase/(decrease) in operating liabilities	
Accounts payable and accruals	19,797
Funds held in custody	<u>(300,000)</u>
Net Cash Provided By/(Used In) Operating Activities	782,815
 Cash Flows From Investing Activities	
Proceeds from sale assets	1,000
Purchase of investments	<u>(443,647)</u>
Net Cash Provided By/(Used In) Investing Activities	(442,647)
 Cash Flows From Financing Activities	
Proceeds from notes payable	0
Principal payments on notes payable	<u>(204,835)</u>
Net Cash Provided By/(Used In) Financing Activities	<u>(204,835)</u>
 Net Increase in Cash and Cash Equivalents	135,333
 Cash and Cash Equivalents, Beginning of year	<u>1,616,298</u>
 Cash and Cash Equivalents, End of year	<u>\$ 1,751,631</u>

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

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Northwestern State University Foundation (the Foundation) is a non-profit corporation formed in 1960. Its purpose is to promote the educational and cultural welfare of Northwestern State University (the University) and to aid students in their studies at the University and to solicit and accept funds to achieve the foregoing objectives. The Foundation serves as an umbrella organization for the Northwestern State University Alumni Association and the Northwestern State University Athletic Association, each of which has its own board of directors. Funds for each of these organizations are combined with funds of the Foundation for presentation in these financial statements.

B. Cash and Cash Equivalents

Consistent with FASB 95, Statement of Cash Flows, The Northwestern State University Foundation defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

C. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Northwestern State University Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Allowance for Doubtful Accounts

Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular promise to give. At June 30, 2010, \$0 were considered to be uncollectible.

E. Investments

Investments consist of U.S. Government securities and obligations, marketable debt and equity securities, mutual funds, and money market funds. The Northwestern State University Foundation accounts for its investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments by Not-for-Profit Organizations." Accordingly, investments in these securities are reported at fair value. Fair value is determined using quoted market price of identical or similar securities. Investments are diversified across many types of securities as well as many different issuers primarily operating across the United States.

Donated investments are recorded at fair market value at date of receipt, which is then treated as cost. 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 method. Realized gains and losses are recognized in the Foundation's current operations.

F. Fixed Assets

Fixed assets are carried at historical costs. Depreciation of all fixed assets used by the Northwestern State University Foundation are charged against operations. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. When donor stipulations are absent regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Collections and Works of Art

Donated collections and works of art are recorded as support at their estimated fair value at the date of receipt. The Northwestern State University Foundation has donated collections and works of art consisting of a collection of Southern History Journals and Salvador Dali paintings. These items are being carried on the Foundations books at \$20,000. Donated properties are not used for Foundation operations.

H. Funds Held in Custody

Northwestern State University participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Programs sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Northwestern State University Foundation, establishes endowment funds, which are accumulated and maintained by the University. The state match constitutes 40% of the total endowment. The liability "Funds Held in Custody" represents the donations received by the Foundation for these endowments. These funds are transferred to the University upon receipt of the State match.

I. Net Assets

The Northwestern State University Foundation presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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.

J. Contributions

The Northwestern State University Foundation has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Income Taxes

The Northwestern State University Foundation qualifies as a tax-exempt organization (an "other than private foundation") under Section 501 (c)(3) of the Internal Revenue Code.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2010, the Northwestern State University Foundation had cash and cash equivalents totaling \$1,751,631, as follows:

Non-interest bearing demand deposit accounts	\$	416
Interest bearing demand deposit accounts		1,711,956
Money market accounts		<u>39,259</u>
Total	\$	<u>1,751,631</u>

At June 30, 2010, the Foundation had \$2,402,455 in bank deposits. These deposits are secured from risk by \$1,137,739 of federal deposit insurance and the remaining \$1,264,716 was unsecured.

NOTE 3 PROMISES TO GIVE

At June 30, 2010, the Northwestern State University Foundation had unconditional promises to give consisting of the following:

Unrestricted promises to give	\$	0
Temporarily restricted		0
Restricted promises to give		<u>0</u>
Total	\$	<u>0</u>

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 3 PROMISES TO GIVE (CONTINUED)

The amounts are expected to be collected as follows:

Less than one year	\$	0
One to five years		<u>0</u>
 Total	 \$	 <u>0</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

Certain donors have stipulated in their will to make donations to the Northwestern State University Foundation upon death. The total amount of conditional promises to give was unknown at June 30, 2010. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

NOTE 4 INVESTMENTS

At June 30, 2010, the Northwestern State University Foundation had investments summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
Certificates of Deposit, maturities greater than 90 days	\$ 484,930	\$ 0	\$ 0	\$ 484,930
Corporate bonds	2,205,635	69,632	0	2,275,267
Equity securities	5,004,017	20,939	1,030,308	3,994,648
Mutual funds	1,389,347	47,903	85,676	1,351,574
Other	<u>5,278</u>	<u>168</u>	<u>148</u>	<u>5,298</u>
 Total	 <u>\$ 9,089,207</u>	 <u>\$ 138,642</u>	 <u>\$ 1,116,132</u>	 <u>\$ 8,111,717</u>

Investment earnings included in the statement of activities was comprised of the following for the year ended June 30, 2010:

Investment income	\$	215,409
Unrealized gains/(losses) on investments		<u>770,156</u>
Total	\$	<u>985,565</u>

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 5 FIXED ASSETS

At June 30, 2010, the Northwestern State University Foundation had fixed assets summarized as follows:

	Cost	Accumulated Depreciation	Net	Depreciation This Year
Automobiles	\$ 0	\$ 0	\$ 0	\$ 1,696
Total	\$ 0	\$ 0	\$ 0	\$ 1,696

NOTE 6 OTHER ASSETS

At June 30, 2010, the Northwestern State University Foundation had other assets summarized as follows:

Cash surrender value of life insurance (3 policies)	\$ 40,385
Collections and works of art	20,000
Other	23,000
Total	\$ 83,385

NOTE 7 ACCOUNTS PAYABLE AND ACCRUALS

At June 30, 2010, the Northwestern State University Foundation had accounts payable and accruals of the following:

Vendor	\$ 87,753
Interest expense	54,579
Salaries and related benefits	626
Total	\$ 142,958

NOTE 8 FUNDS HELD IN CUSTODY

At June 30, 2010, the Northwestern State University Foundation had funds held in custody summarized as follows:

Endowed professorships	\$ 0
Total	\$ 0

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 9 LONG-TERM DEBT

The following is a summary of debt transactions of Northwestern State University Foundation for the year ended June 30, 2010:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Amounts</u>
Note payable - BOM 09	\$ 55,000	\$ 0	\$ 45,335	\$ 9,665	\$ 9,665
Note payable - PSB 09	<u>1,595,000</u>	<u>0</u>	<u>159,500</u>	<u>1,435,500</u>	<u>159,500</u>
Total	<u>\$ 1,650,000</u>	<u>\$ 0</u>	<u>\$ 204,835</u>	<u>\$ 1,445,165</u>	<u>\$ 169,165</u>

The terms of the individual debt issues of the District are as follows:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Note payable - BOM 09	5.0%	2010	\$ 55,000	\$ 9,665
Note payable - PSB 09	4.5%	2019	<u>1,595,000</u>	<u>1,435,500</u>
Total			<u>\$ 1,650,000</u>	<u>\$ 1,445,165</u>

The annual requirements to amortize all debt outstanding as of June 30, 2010, including interest payments are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 169,165	\$ 64,635	\$ 233,800
2012	159,500	57,420	216,920
2013	159,500	50,243	209,743
2014	159,500	43,065	202,565
2015	159,500	35,888	195,388
2016-2020	<u>638,000</u>	<u>71,775</u>	<u>709,775</u>
Total	<u>\$ 1,445,165</u>	<u>\$ 323,026</u>	<u>\$ 1,768,191</u>

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

All temporarily restricted net assets are immediately available for use by incurring expenses satisfying the purpose restrictions specified by donors. During the year ended June 30, 2010, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Equipment purchases for NSU	\$ 64,888
Marketing and promotions	172,636
Materials and supplies	303,821
Professional services	156,923
Scholarships	360,899
Transfers to NSU	190,000
Travel	94,337
Other program services expenses	296,355
Fund raising	327,931
Management and general	<u>143,693</u>
Total Restrictions Released	<u>\$ 2,111,483</u>

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2010, the Northwestern State University Foundation had net assets permanently restricted for the following purposes:

Athletics	\$ 1,423,701
Scholarships	<u>5,827,776</u>
Total Permanently Restricted Net Assets	<u>\$ 7,251,477</u>

NOTE 12 LEASE OBLIGATIONS

The Northwestern State University Foundation was not obligated under any capital or operating leases at June 30, 2010.

NOTE 13 LITIGATION

There was no outstanding litigation against the Northwestern State University Foundation at June 30, 2010.

NORTHWESTERN STATE UNIVERSITY FOUNDATION
NATCHITOCHEs, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 14 DONATED SERVICES

During the year ended June 30, 2010, the Northwestern State University Foundation received a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

NOTE 15 TRANSACTIONS WITH NORTHWESTERN STATE UNIVERSITY

During the year ended June 30, 2010, Northwestern State University provided certain personnel services and usage of office space and equipment to the Northwestern State University Foundation. In return, the Foundation solicited and accepted funds for the benefit of the University. The estimated value of these transactions for the year ended June 30, 2010 was \$172,363.