**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**
Baton Rouge, Louisiana

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020

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
Baton Rouge, Louisiana

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, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** as of December 31, 2020, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Association has adopted Financial Accounting Standards Board's Accounting Standards Update No. 2018-08 (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* (ASU 2018-08). Our opinion is not modified with respect to this matter.

## Report on Supplementary 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 on page 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## Report on Summarized Comparative Information

We have previously audited the Association's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Faulk + Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 11, 2021

Exhibit A

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020
(with comparative amounts for 2019)

### ASSETS

| | 2020 | 2019 |
|---|---|---|
| **CURRENT:** | | |
| Cash and cash equivalents | $ 1,353,656 | $ 1,796,631 |
| Accounts receivable, net | 332,013 | 478,101 |
| Inventory, net | 130,582 | 87,556 |
| Pledges receivable, net | 379,431 | 373,208 |
| Prepaid expenses | 118,854 | 202,212 |
| Total current assets | 2,314,536 | 2,937,708 |
| **INVESTMENTS** | 26,260,840 | 24,490,575 |
| **LONG-TERM PLEDGES RECEIVABLE, net** | 291,157 | 423,907 |
| **PROPERTY AND EQUIPMENT, net** | 12,801,272 | 13,570,453 |
| **DEFERRED INCOME TAXES, net** | 640,000 | 460,000 |
| **OTHER ASSETS** | 10,318 | 10,318 |
| Total assets | $ 42,318,123 | $ 41,892,961 |

### LIABILITIES AND NET ASSETS

| | 2020 | 2019 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued liabilities | $ 553,117 | $ 956,909 |
| Deferred revenue | 76,703 | 134,831 |
| Deferred royalty | 107,500 | 123,400 |
| Current portion of notes payable | 219,950 | 300,666 |
| Total current liabilities | 957,270 | 1,515,806 |
| **NOTES PAYABLE, less current portion** | 2,710,512 | 2,166,513 |
| **ACCRUED VACATION PAYABLE** | 208,704 | 206,399 |
| Total liabilities | 3,876,486 | 3,888,718 |
| **NET ASSETS:** | | |
| Without donor restriction | 14,495,943 | 14,623,951 |
| With donor restriction | 23,945,694 | 23,380,292 |
| Total net assets | 38,441,637 | 38,004,243 |
| Total liabilities and net assets | $ 42,318,123 | $ 41,892,961 |

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, 2020
(with summarized comparative totals for 2019)

| | 2020 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Totals | 2019 Totals |
| **REVENUE AND SUPPORT:** | | | | |
| Donations | $ 1,501,188 | $ 362,754 | $ 1,863,942 | $ 4,326,748 |
| Earned: | | | | |
| Hotel | 2,015,981 | - | 2,015,981 | 3,555,662 |
| Merchandise, sales, and trip | 780,706 | - | 780,706 | 1,456,889 |
| Rental and catering | 349,036 | - | 349,036 | 784,531 |
| Investment, net of fees | 346,670 | 3,236,551 | 3,583,221 | 4,052,993 |
| Royalties | 349,348 | - | 349,348 | 388,555 |
| Other | 227,392 | - | 227,392 | 260,608 |
| Total revenue and support | 5,570,321 | 3,599,305 | 9,169,626 | 14,825,986 |
| **NET ASSETS RELEASED FROM RESTRICTIONS:** | | | | |
| Appropriations from donor endowments | 3,033,903 | (3,033,903) | - | - |
| Total revenue, support, and net assets released from restrictions | 8,604,224 | 565,402 | 9,169,626 | 14,825,986 |
| **EXPENSES:** | | | | |
| Program: | | | | |
| Alumni | 2,939,849 | - | 2,939,849 | 3,285,358 |
| The Cook Hotel | 3,064,988 | - | 3,064,988 | 4,300,412 |
| Fundraising | 947,322 | - | 947,322 | 1,423,369 |
| General and administrative | 1,888,647 | - | 1,888,647 | 2,075,397 |
| Total expenses | 8,840,806 | - | 8,840,806 | 11,084,536 |
| Change in net assets, before other expenses and income taxes | (236,582) | 565,402 | 328,820 | 3,741,450 |
| **OTHER EXPENSE:** | | | | |
| Interest expense | (71,426) | - | (71,426) | (85,794) |
| **PROVISION FOR INCOME TAXES:** | | | | |
| Deferred tax benefit | 180,000 | - | 180,000 | 71,000 |
| Change in net assets | (128,008) | 565,402 | 437,394 | 3,726,656 |
| **NET ASSETS** | | | | |
| Beginning of year | 14,623,951 | 23,380,292 | 38,004,243 | 34,277,587 |
| End of year | $ 14,495,943 | $ 23,945,694 | $ 38,441,637 | $ 38,004,243 |

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, 2020
(with comparative amounts for 2019)

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 437,394 | $ 3,726,656 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,008,879 | 1,032,210 |
| Increase in allowance for pledges and interest receivable | 410,070 | 449,106 |
| Income tax provision | (180,000) | (71,000) |
| Realized gain on investments, net | (153,476) | (139,141) |
| Unrealized gain on investments, net | (2,111,738) | (2,751,484) |
| Increase in accrued interest receivable, gross | (410,070) | (381,294) |
| Loss on disposal of fixed assets | - | 19,184 |
| Contributions with donor restrictions for endowment | (362,754) | (665,803) |
| Change in operating assets and liabilities: | | |
| Net change in gross pledges receivable | 126,527 | 65,111 |
| Net change in other operating assets | 186,420 | 193,761 |
| Net change in operating liabilities | (590,895) | 324,473 |
| Net cash (used) provided by operating activities | (1,639,643) | 1,801,779 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (4,786,662) | (6,471,515) |
| Proceeds from sale of investments | 5,281,611 | 5,346,807 |
| Acquisition of property and equipment | (124,318) | (275,925) |
| Net cash provided (used) by investing activities | 370,631 | (1,400,633) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions with donor restrictions into endowment | 362,754 | 665,803 |
| Proceeds from Payroll Protection Program note payable | 568,300 | - |
| Principal payments on note payable | (105,017) | (290,002) |
| Net cash provided by financing activities | 826,037 | 375,801 |
| Net (decrease) increase in cash and cash equivalents | (442,975) | 776,947 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 1,796,631 | 1,019,684 |
| End of year | $ 1,353,656 | $ 1,796,631 |

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, 2020
(with comparative amounts for 2019)

| | 2020 | 2019 |
|---|---|---|
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 71,426 | $ 85,794 |
| **Supplemental disclosure of property cash flow:** | | |
| Fixed assets acquired during the year: | $ 239,698 | $ 275,925 |
| Less: fixed asset purchases accrued in accounts payable | (115,380) | - |
| Cash paid for acquisition of property and equipment | $ 124,318 | $ 275,925 |

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, 2020
(with summarized comparative totals for 2019)

| | Program | | | | | Total | |
|---|---|---|---|---|---|---|---|
| | Alumni | The Cook Hotel | Total Program | Fundraising | General and Administrative | 2020 | 2019 |
| **EXPENSES:** | | | | | | | |
| Salaries and wages | $ 1,321,727 | $ 834,509 | $ 2,156,236 | $ 240,520 | $ 287,908 | $ 2,684,664 | $ 3,033,749 |
| Payroll taxes and benefits | 202,429 | 107,879 | 310,308 | 36,837 | 44,095 | 391,239 | 505,590 |
| Depreciation | - | 391,379 | 391,379 | - | 617,500 | 1,008,879 | 1,032,210 |
| Scholarships and professorships | 977,289 | - | 977,289 | - | - | 977,289 | 939,686 |
| Professional and contracted services | - | 159,324 | 159,324 | - | 388,019 | 547,343 | 578,737 |
| Travel and sports trips | - | 439,840 | 439,840 | 26,002 | - | 465,842 | 824,897 |
| Special events and ticket purchases | - | - | - | 410,833 | - | 410,833 | 542,105 |
| Utilities | - | 153,387 | 153,387 | - | 204,218 | 357,605 | 410,891 |
| Hotel operations | - | 275,200 | 275,200 | - | - | 275,200 | 487,723 |
| Repairs and maintenance | - | 95,187 | 95,187 | - | 150,850 | 246,037 | 344,979 |
| Insurance | - | 87,032 | 87,032 | - | 83,419 | 170,451 | 160,597 |
| Supplies | - | 93,596 | 93,596 | - | 16,900 | 110,496 | 180,268 |
| Printing | - | 2,173 | 2,173 | 102,748 | - | 104,921 | 162,406 |
| Cost of merchandise sold | - | 98,451 | 98,451 | - | - | 98,451 | 222,714 |
| Fees | - | 96,126 | 96,126 | - | 254 | 96,380 | 168,557 |
| Catering | - | 63,095 | 63,095 | 23,843 | - | 86,938 | 335,346 |
| Telephone | 17,590 | 53,504 | 71,094 | 3,201 | 3,832 | 78,126 | 82,210 |
| Taxes | - | 56,915 | 56,915 | - | 1,255 | 58,170 | 77,159 |
| Postage | - | 8,774 | 8,774 | 42,494 | - | 51,268 | 61,146 |
| Operating leases | - | 21,831 | 21,831 | - | 27,431 | 49,262 | 70,270 |
| Promotional supplies | - | 689 | 689 | 29,207 | - | 29,896 | 102,610 |
| Dues and subscriptions | - | 12,823 | 12,823 | - | 14,206 | 27,029 | 37,328 |
| Advertising | | 12,151 | 12,151 | 10,264 | - | 22,415 | 61,880 |
| Official functions and entertainment | - | 911 | 911 | 18,208 | - | 19,119 | 18,369 |
| Other university support | 10,745 | - | 10,745 | - | - | 10,745 | 108,428 |
| Donor recognition | - | 212 | 212 | 3,165 | - | 3,377 | 9,391 |
| Bad debt | 410,070 | - | 410,070 | - | - | 410,070 | 449,106 |
| Miscellaneous | - | - | - | - | 48,761 | 48,761 | 76,184 |
| Total expenses | $ 2,939,849 | $ 3,064,988 | $ 6,004,837 | $ 947,322 | $ 1,888,647 | $ 8,840,806 | $ 11,084,536 |

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 2019, 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, deferred revenue, and deferred income taxes.

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

### New accounting pronouncement

During the year ended December 31, 2020, the Association adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this ASU to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The adoption of ASU 2018-08 does not materiality change the way the Association recognizes revenue, therefore, there was no restatement required to net assets as of January 1, 2020.

### 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.

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

### Revenue recognition (continued)

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, 2020.

### 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.

### Pledges receivable

Pledges receivable are recorded net of an 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 $9,210 at December 31, 2020. See Note 4.

### 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, 2020.

(Continued)

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

**Investment valuation and income recognition**

The Financial Accounting Standards Board (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 Association has no Level 3 investments at December 31, 2020.

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.

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.

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

### 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 2020.

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. 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, 2020.

### 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. The Association's open audit periods are 2017 through 2020.

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

### 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 2020, the Association expensed $22,415 in advertising costs as incurred.

### Subsequent events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 11, 2021, which was the date the financial statements were available to be issued.

## NOTE 2 - INVESTMENTS

Investments, at December 31, 2020, consisted of the following:

| | Amount | |
|---|---|---|
| | Market | Cost |
| Equities | $ 16,061,841 | $ 12,860,956 |
| Mutual funds | 6,241,347 | 5,957,082 |
| Fixed income | 3,442,397 | 3,227,708 |
| Money market funds | 515,255 | 515,255 |
| Total | $ 26,260,840 | $ 22,561,001 |

The investment return for 2020 is as follows:

| | Amount |
|---|---|
| Unrealized gains, net | $ 2,111,738 |
| Interest and dividends | 1,465,686 |
| Realized gains, net | 153,476 |
| Investment fees | (147,679) |
| Total | $ 3,583,221 |

**NOTE 2 - INVESTMENTS (CONTINUED)**

As December 31, 2020, the fair value hierarchy of the Association's investments was as follows:

| | Amount | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Equities | $ 16,061,841 | $ - | $ 16,061,841 |
| Mutual funds | - | 6,241,347 | 6,241,347 |
| Fixed income | - | 3,442,397 | 3,442,397 |
| Money market funds | 515,255 | - | 515,255 |
| Total | $ 16,577,096 | $ 9,683,744 | $ 26,260,840 |

**NOTE 3 - ACCOUNTS RECEIVABLE**

At December 31, 2020, accounts receivable are as follows:

| | Amount |
|---|---|
| LSU Foundation | $ 292,362 |
| Catering, sports trips, and events | 12,161 |
| Room rental, occupancy, and others | 32,490 |
| Accounts receivable, gross | 337,013 |
| Less: Allowance for uncollectible accounts | (5,000) |
| Accounts receivable, net | $ 332,013 |

**NOTE 4 - PLEDGES RECEIVABLE**

Unconditional pledges receivable at December 31, 2020, are as follows:

| | Amount |
|---|---|
| Current pledges receivable, gross | $ 582,375 |
| Long-term pledges receivable, gross | 322,250 |
| Total pledges receivable | 904,625 |
| Less: Allowance for uncollectible pledges | (202,944) |
| Discount to present value for long-term pledges | (31,093) |
| Pledges receivable, net | $ 670,588 |

## NOTE 5 - NOTE RECEIVABLE

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.

The Association has an unsecured 12% convertible promissory note receivable of $3,417,254 as of December 31, 2020, with $649,278 in accrued interest. The principal balance and accrued interest mature June 1, 2022. The original cash investment was $2,000,000.

At December 31, 2019, the Company's unaudited financial statements reported cash of $2,500, assets of $1,662,000, and a stockholders' deficit of $34,612,000. 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, a loss provision has been recorded for the note principal ($3,417,254) and the related interest due ($649,278).

## NOTE 6 - PROPERTY AND EQUIPMENT

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

| Description | Service Life | Amount |
|---|---|---|
| Buildings and improvements | 15 - 39 years | $ 23,328,956 |
| Furniture and equipment | 5 - 10 years | 5,558,405 |
| Automobiles | 5 years | 79,720 |
| Software | 3 years | 80,730 |
| Construction in progress | - | 186,968 |
| | | 29,234,779 |
| Less: accumulated depreciation | | (16,433,507) |
| Property and equipment, net | | $ 12,801,272 |

Depreciation expense was $1,008,879 for 2020.

## NOTE 7 - 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, 2020 is $2,362,162.

## NOTE 7 - NOTES PAYABLE (CONTINUED)

### 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. Regularly scheduled payments will begin in June 2021. Except as described above, all other terms and conditions of the loan remain unchanged and in full force and effect. The Hotel incurred interest expenses of approximately $71,426 during the period.

### 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 PPP. The PPP, established as 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 after eight weeks 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 eight-week period. At December 31, 2020, the Association had a note payable balance of $568,300 for the PPP loan proceeds.

On March 27, 2021, the Association received a second round of PPP loan proceeds in the amount of $568,360. The loan is subject to same provisions as mentioned above. The Association believes its use of the loan proceeds are consistent with the provisions set forth by the PPP and will meet the conditions for forgiveness.

Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first sixteen months.

Future maturities under notes payable as of December 31, 2020, are as follows:

| Year ended December 31, | Payroll Protection Program | Construction Loan | Total |
|---|---|---|---|
| 2021 | $ 43,864 | $ 176,086 | $ 219,950 |
| 2022 | 155,500 | 309,604 | 465,104 |
| 2023 | 157,062 | 319,658 | 476,720 |
| 2024 | 158,640 | 330,039 | 488,679 |
| 2025 | 53,234 | 340,756 | 393,990 |
| 2026-2027 | - | 886,019 | 886,019 |
| Total | $ 568,300 | $ 2,362,162 | $ 2,930,462 |

**NOTE 8 - 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 $218,100 in 2020 related to this agreement and is included in royalty income in the statement of activities.

**NOTE 9 - PROVISION FOR INCOME TAXES**

The provision for income taxes consisted of a deferred income tax benefit of $180,000 for 2020, and the tax effects of temporary differences at December 31, 2020 are as follows:

| | |
|---|---|
| **Noncurrent deferred tax asset** | |
| Net operating loss carryforward | $ 767,000 |
| Depreciation | (127,000) |
| | $ 640,000 |

At December 31, 2020, the Hotel had a net operating loss carryforward of approximately $3.6 million. Approximately $1,909,700 of the total net operating loss carryforward is available through 2029 and the remaining amount may be carried forward indefinitely. These amounts are reflective of the Hotel's effective tax rate of 21% for 2020. Management anticipates utilizing the net operating loss carryforwards available through 2029 prior to their expiration in addition to utilizing carryforward losses that are indefinite.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

| | Amount |
|---|---|
| **Amounts to be held in perpetuity** | |
| Endowed scholarships and professorships | $ 20,292,678 |
| Corpus of investments not held in endowment | 402,813 |
| Endowment pledges receivable, net | 257,443 |
| Total to be held in perpetuity | 20,952,934 |
| **Amounts restricted for for future periods** | |
| Scholarships and professorships for future periods | 2,992,760 |
| Total net assets with donor restrictions | $ 23,945,694 |

## NOTE 11 - 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 2020 was as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $4,560,370 | $20,825,081 | $25,385,451 |
| Interest and dividends | 106,204 | 899,452 | 1,005,657 |
| Unrealized losses | 209,090 | 140,539 | 349,629 |
| Realized gains, net | 16,594 | 1,770,797 | 1,787,391 |
| Contributions | 564,942 | 215,460 | 780,402 |
| Net assets released from restrictions: | | | |
| Appropriations from donor endowments | (682,570) | (1,109,457) | (1,792,027) |
| Endowment net assets, end of year | $4,774,631 | $22,741,872 | $27,516,503 |

### 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, 2020, were as follows:

| **With donor restrictions** | Amount |
|---|---|
| Unendowed scholarships and professorships | $ 1,875,320 |
| Endowed scholarships and professorships | 20,866,552 |
| | $ 22,741,872 |

(Continued)

**NOTE 11 - ENDOWMENT (CONTINUED)**

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 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.

**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 Organization 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 $4,774,631.

| | | With donor restrictions | | | |
|---|---|---|---|---|---|
| | Without donor restrictions | Original gift amount | Accumulated gains (losses) and other | Total with donor restrictions | Total endowment |
| Endowed scholarships | $ - | $20,297,702 | $ 568,850 | $20,866,552 | $20,866,552 |
| Unendowed scholarships | - | 2,196,184 | (320,864) | 1,875,320 | 1,875,320 |
| Without restriction | 4,774,631 | - | - | - | 4,774,631 |
| Total | $4,774,631 | $22,493,886 | $ 247,986 | $22,741,872 | $27,516,503 |

## NOTE 12 - RENT & LEASE EXPENSE

Rent and lease expense incurred was $49,262 for 2020. 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 13 - 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 14 - 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 the end of 2020. The Association contributed $66,082 to the plan from January 1, 2020 through June 30, 2020.

## NOTE 15 - 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 FDIC limits. Management believes this risk is limited.

## NOTE 16 - RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through restrictions of university operations, enforced travel restrictions, and maximum attendance restrictions on collegiate sporting events. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the restrictions. Therefore, the Association expects this matter to negatively impact its operating results. As of the date of the auditors' report, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

## NOTE 17 - RELATED PARTIES

During 2020, the Association paid $550,275 to the University and agencies of the University for reimbursement for personnel, various services, and supplies. As of December 31, 2020, the Association owed the University $104,890.

The Association had funds invested with the LSU Foundation totaling approximately $292,362 at December 31, 2020.

The Association earned $352,669 of hotel revenue from various departments of the University and had $4,689 of related receivables at year end.

The Association received $490,000 in rental income, and $105,000 in management fees from the Hotel. However, rent and management fee transactions have been eliminated in the consolidated financial statements.

## NOTE 18 - 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.

| Financial assets: | Amount |
|---|---|
| Cash | $ 1,353,656 |
| Accounts receivable, net | 332,013 |
| Current portion of unrestricted pledges receivable, net | 379,431 |
| Unrestricted endowment | 4,774,631 |
| Financial assets available within one year, at year-end | $ 6,839,731 |

# SUPPLEMENTARY INFORMATION

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2020
(with summarized comparative totals for 2019)

| | Alumni Association | Scholarship Fund | The Cook Hotel | Total 2020 | Total 2019 |
|---|---|---|---|---|---|
| **Revenue and support:** | | | | | |
| **Donations** | $ 1,540,949 | $ 322,993 | $ - | $ 1,863,942 | $ 4,326,748 |
| **Earned:** | | | | | |
| Hotel | - | - | 2,015,981 | 2,015,981 | 3,555,662 |
| Merchandise, sales, and trips | 60,483 | - | 720,223 | 780,706 | 1,456,889 |
| Rental and catering | 266,586 | - | 82,450 | 349,036 | 784,531 |
| **Investment income, net of fees** | 2,120,232 | 1,455,405 | 7,584 | 3,583,221 | 4,072,589 |
| **Other:** | | | | | |
| Royalties | 349,348 | - | - | 349,348 | 388,555 |
| Advertising sales | - | - | 68,401 | 68,401 | 63,340 |
| On campus events | 364 | - | - | 364 | 79,202 |
| Golf tournament | - | - | - | - | 14,600 |
| Miscellaneous | 153,123 | - | 5,504 | 158,627 | 83,870 |
| Total revenue and support | 4,491,085 | 1,778,398 | 2,900,143 | 9,169,626 | 14,825,986 |
| **Expenses:** | | | | | |
| **Personnel:** | | | | | |
| Salaries | 1,850,155 | - | 834,509 | 2,684,664 | 3,044,528 |
| Staff benefits | 283,360 | - | 107,879 | 391,239 | 494,811 |
| Total personnel | 2,133,515 | - | 942,388 | 3,075,903 | 3,539,339 |
| **Occupancy:** | | | | | |
| Depreciation | 617,500 | - | 391,379 | 1,008,879 | 1,032,210 |
| Utilities | 204,218 | - | 153,387 | 357,605 | 410,891 |
| Professional and contracted services | 388,019 | - | 159,324 | 547,343 | 578,737 |
| Repairs and maintenance | 150,850 | - | 95,187 | 246,037 | 344,979 |
| Hotel operations | - | - | 275,200 | 275,200 | 487,723 |
| Taxes | 1,255 | - | 56,915 | 58,170 | 77,159 |
| Supplies | 16,900 | - | 93,596 | 110,496 | 180,268 |
| Operating leases | 27,431 | - | 21,831 | 49,262 | 70,270 |
| Other | 48,761 | - | - | 48,761 | 76,184 |
| Total occupancy | 1,454,934 | - | 1,246,819 | 2,701,753 | 3,258,421 |
| **Promotional:** | | | | | |
| Scholarships and professorships | - | 977,289 | - | 977,289 | 939,686 |
| Travel and sports trips | 26,002 | - | 439,840 | 465,842 | 824,897 |
| Special events ticket purchases | 410,833 | - | - | 410,833 | 542,105 |
| Cost of merchandise sold | - | - | 98,451 | 98,451 | 222,714 |
| Printing | 102,748 | - | 2,173 | 104,921 | 162,406 |
| Postage | 42,494 | - | 8,774 | 51,268 | 61,146 |
| Official functions and entertainment | 18,208 | - | 911 | 19,119 | 18,369 |
| Catering | 23,843 | - | 63,095 | 86,938 | 335,346 |
| Other support | - | 10,745 | - | 10,745 | 108,428 |
| Promotional supplies | 29,207 | - | 689 | 29,896 | 102,610 |
| Advertising | 10,264 | - | 12,151 | 22,415 | 61,880 |
| Donor recognition | 3,165 | - | 212 | 3,377 | 9,391 |
| Total promotional | 666,764 | 988,034 | 626,296 | 2,281,094 | 3,388,978 |
| **General and Administrative:** | | | | | |
| Fees | 254 | - | 96,126 | 96,380 | 168,557 |
| Bad debt | - | 410,070 | - | 410,070 | 449,106 |
| Telephone | 24,622 | - | 53,504 | 78,126 | 82,210 |
| Insurance | 83,419 | - | 87,032 | 170,451 | 160,597 |
| Dues and subscriptions | 14,206 | - | 12,823 | 27,029 | 37,328 |
| Total general and administrative | 122,501 | 410,070 | 249,485 | 782,056 | 897,798 |
| Total expenses | 4,377,714 | 1,398,104 | 3,064,988 | 8,840,806 | 11,084,536 |
| Change in net assets, before income taxes | 113,371 | 380,294 | (164,845) | 328,820 | 3,741,450 |
| **Other Income (Expense):** | | | | | |
| Interest | - | - | (71,426) | (71,426) | (85,794) |
| **Provision for Income Taxes** | | | | | |
| Income tax benefit (expense) | - | - | 180,000 | 180,000 | 71,000 |
| Change in net assets | $ 113,371 | $ 380,294 | $ (56,271) | $ 437,394 | $ 3,726,656 |

See Independent Auditors' Report

**LSU ALUMNI ASSOCIATION AND SUBSIDIARY**
Baton Rouge, Louisiana

**MANAGEMENT LETTER**

December 31, 2020

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, 2020, 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 certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency noted at 2020-2 in the Association's internal control to be a material weakness.

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. We consider the deficiency noted at 2020-1 in the Association's internal control to be a significant deficiency.

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 11, 2021



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1404 S. Burnside Avenue | Gonzales, LA 70737 | (225) 647-6811

## 2020-1 Financial Statement Preparation

**Observation:** The Association's internal financial statements are prepared and reviewed monthly by management and presented at board meetings. At year-end, the Association provides the internal financial statements and relies on the auditors to assist in preparing the financial statements in accordance with U.S. generally accepted accounting principles, which includes additional presentation requirements and note disclosures.

The Association's procedures do not include the preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles. Furthermore, under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure relative to the preparation of financial statements.

**Recommendation:** We recommend management explore the resources necessary to prepare year-end financial statements in accordance with generally accepted accounting principles to determine if it would represent responsible stewardship.

**Management's Response:** Management understands this finding results from professional standards that have been adopted by the accounting profession. Significant factors are as follows:

- The Association generates the appropriate financial information to effectively manage its operations in a timely manner.
- The resources necessary to prepare financial statements in accordance with generally accepted accounting principles would not represent responsible stewardship by our management at this time.

Accordingly, while this finding is necessary for the professional reasons cited above, we do not consider our current situation to be "deficient", and, therefore, conclude that remedying of the "deficiency" does not represent an approach that the Association should adopt at this time.

## 2020-2 Monitoring and Collection of Outstanding Pledges Receivable

**Observation:** During the audit of the financial statements, it was noted through confirmation procedures that significant amounts of alumni fund pledges and scholarship pledges did not have any payments during 2020 and that pledges receivable recorded in prior years are not routinely monitored for collection.

Confirmation attempts for gross pledges totaling approximately $230,000 did not receive responses during the 2020 audit. The Association had previously recorded an allowance of $73,000 related to these pledges, leaving them with a remaining book value of $157,000. Additionally, the Association did not receive any payments on these pledges during 2020. However, these donors have previously confirmed their respective pledge amounts during prior year audits.

**2020-2 Monitoring and Collection of Outstanding Pledges Receivable (Continued)**

**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 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.

# LSU | ALUMNI ASSOCIATION

# 2020 COOK HOTEL FINANCIAL STATEMENTS

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

## FINANCIAL STATEMENTS

December 31, 2020 and 2019

THE COOK HOTEL

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

## TABLE OF CONTENTS

December 31, 2020 and 2019

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

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, 2020 and 2019, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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.

### Auditors' 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 audits 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Hotel'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 Hotel'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.

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



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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** as of December 31, 2020 and 2019, 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.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic 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 information 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 11, 2021

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

Baton Rouge, Louisiana

## BALANCE SHEETS

December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT:** | | |
| Cash | $ 978,057 | $ 446,637 |
| Accounts receivable, net | 33,652 | 151,423 |
| Inventory, net | 130,582 | 87,556 |
| Prepaid expenses | 74,128 | 66,464 |
| Total current assets | 1,216,419 | 752,080 |
| **INVESTMENTS** | 597,192 | 449,594 |
| **PROPERTY AND EQUIPMENT, net** | 2,742,977 | 2,903,395 |
| **DEFERRED INCOME TAXES, net** | 640,000 | 460,000 |
| Total assets | $ 5,196,588 | $ 4,565,069 |
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| **CURRENT:** | | |
| Accounts payable and accrued expenses | $ 149,705 | $ 462,586 |
| Due to Association | 2,209,594 | 1,242,624 |
| Deferred revenue | 55,928 | 110,938 |
| Current portion of notes payable | 176,086 | 300,666 |
| Total current liabilities | 2,591,313 | 2,116,814 |
| **NOTE PAYABLE, less current portion** | 2,186,076 | 2,166,513 |
| **ACCRUED VACATION PAYABLE** | 13,490 | 16,330 |
| Total liabilities | 4,790,879 | 4,299,657 |
| **MEMBER'S EQUITY** | 405,709 | 265,412 |
| Total liabilities and member's equity | $ 5,196,588 | $ 4,565,069 |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **REVENUES:** | | |
| Rooms | $ 1,974,618 | $ 3,460,488 |
| Travel packages | 538,726 | 859,068 |
| Gift shop | 181,497 | 368,554 |
| Food, beverage, and other | 122,852 | 184,161 |
| Catering | 82,450 | 196,468 |
| Total revenues | 2,900,143 | 5,068,739 |
| **OPERATING EXPENSES:** | | |
| Property | 2,258,271 | 3,180,649 |
| Travel packages | 471,066 | 892,006 |
| Gift shop | 340,269 | 478,015 |
| General and administration | 590,382 | 769,742 |
| Total operating expenses | 3,659,988 | 5,320,412 |
| Net loss from operations | (759,845) | (251,673) |
| **OTHER EXPENSE:** | | |
| Interest expense | (71,426) | (85,794) |
| Net loss before income taxes | (831,271) | (337,467) |
| **PROVISION FOR INCOME TAXES:** | | |
| Deferred tax benefit | 180,000 | 71,000 |
| Net loss | (651,271) | (266,467) |
| **MEMBER'S EQUITY:** | | |
| Beginning of year | 265,412 | 531,879 |
| Member contributions | 791,568 | - |
| End of year | $ 405,709 | $ 265,412 |

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, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (651,271) | $ (266,467) |
| Adjustments to reconcile change in net assets to net cash provided by the operating activities: | | |
| Depreciation | 391,379 | 398,257 |
| Deferred income tax benefit, net | (180,000) | (71,000) |
| Change in operating assets and liabilities: | | |
| Net change in operating assets | 67,081 | (47,367) |
| Net change in operating liabilities | (370,731) | 249,159 |
| Net cash (used) provided by operating activities | (743,542) | 262,582 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of investments | (147,598) | (210,681) |
| Acquisition of property and equipment | (230,961) | (179,797) |
| Net cash used for investment activities | (378,559) | (390,478) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in due to Association | 966,970 | 134,686 |
| Member contributions | 791,568 | - |
| Principal payments on note payable | (105,017) | (290,002) |
| Net cash provided (used) by financing activities | 1,653,521 | (155,316) |
| Net increase (decrease) in cash and cash equivalents | 531,420 | (283,212) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 446,637 | 729,849 |
| End of year | $ 978,057 | $ 446,637 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the year for interest | $ 71,426 | $ 85,794 |

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, 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.).

## 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, 2020 and 2019.

### 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, 2020 and 2019.

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

### Investment valuation

The Financial Accounting Standards Board (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, 2020 and 2019.

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.

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

### Property and equipment (continued)

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 year ended December 31, 2020.

### 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. The Hotel's open audit periods are 2017 through 2020.

### 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 2020 and 2019, the Hotel expensed $12,800 and $32,700, respectively, in advertising and promotional costs as incurred.

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

### Subsequent events

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through June 11, 2021, which was the date the financial statements were available to be issued.

## NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2020 and 2019, accounts receivable balances were as follows:

| | 2020 | 2019 |
|---|---|---|
| Rooms | $ 12,253 | $ 24,863 |
| Catering and event space | 8,293 | 24,589 |
| Sports trips | 3,868 | 103,821 |
| Magazine and other | 14,238 | 3,150 |
| Accounts receivable, gross | 38,652 | 156,423 |
| Less: allowance for uncollectible accounts | (5,000) | (5,000) |
| Accounts receivable, net | $ 33,652 | $ 151,423 |

Accounts receivable at December 31, 2020 and 2019 outstanding for more than 90 days were $9,210 and $3,859, respectively.

## NOTE 3 - INVESTMENTS

Investments at December 31, 2020 and 2019, were as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Cost | Market | Cost | Market |
| Mutual funds | $451,761 | $450,390 | $448,125 | $447,879 |
| Fixed income | 145,000 | 146,802 | - | - |
| Money market funds | - | - | 1,715 | 1,715 |
| Total | $596,761 | $597,192 | $449,840 | $449,594 |

## NOTE 3 - INVESTMENTS (CONTINUED)

The fair value hierarchy of the Hotel's investments at December 31, 2020 and 2019 were as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| Mutual funds | $450,390 | $ - | $450,390 | $ - | $447,879 | $447,879 |
| Fixed income | - | 146,802 | 146,802 | - | - | - |
| Money market funds | - | - | - | 1,715 | - | 1,715 |
| Total | $450,390 | $146,802 | $597,192 | $ 1,715 | $447,879 | $449,594 |

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2020 and 2019, were as follows:

| Description | Service Life | 2020 | 2019 |
|---|---|---|---|
| Building improvements | 5-20 years | $ 2,120,664 | $ 2,120,664 |
| Furniture and equipment | 5-10 years | 4,089,632 | 4,045,639 |
| Automobile | 5 years | 21,392 | 21,392 |
| Software | 3 years | 79,230 | 79,230 |
| Construction in progress | - | 186,968 | - |
| | | 6,497,886 | 6,266,925 |
| Less accumulated depreciation | | (3,754,909) | (3,363,530) |
| Property and equipment, net | | $ 2,742,977 | $ 2,903,395 |

Depreciation expense was $391,379 and $398,257 for 2020 and 2019, 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.

## NOTE 5 - NOTE PAYABLE (CONTINUED)

### Construction Loan (Continued)

Future maturities under note payable as of December 31, 2020, were as follows:

| Year ended December 31, | Amount |
|---|---|
| 2021 | $ 176,086 |
| 2022 | 309,604 |
| 2023 | 319,658 |
| 2024 | 330,039 |
| 2025 | 340,756 |
| 2026-2027 | 886,019 |
| | $ 2,362,162 |

### 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. Regularly scheduled payments will begin in June 2021. Except as described above, all other terms and conditions of the loan remain unchanged and in full force and effect. The Hotel incurred interest expenses of approximately $71,426 during the period.

## NOTE 6 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $180,000 and $71,000 for 2020 and 2019, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2020 and 2019 are as follows:

| **Noncurrent deferred tax asset** | 2020 | 2019 |
|---|---|---|
| Net operating loss carryforward | $ 767,000 | $ 596,000 |
| Depreciation | (127,000) | (136,000) |
| | $ 640,000 | $ 460,000 |

**NOTE 6 - PROVISION FOR INCOME TAXES (CONTINUED)**

At December 31, 2020, the Hotel had a net operating loss carryforward of approximately $3.6 million. Approximately $1,909,700 of the total net operating loss carryforward is available through 2029 and $1,742,869 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 2020. Management anticipates utilizing the net operating loss carryforwards available through 2029 prior to their expiration in addition to utilizing carryforward losses that are indefinite.

**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 the end of 2020. The Hotel contributed approximately $20,500 from January 1, 2020 through June 30, 2020, and $31,500 during 2019.

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

**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:

| | 2020 | 2019 |
|---|---|---|
| Rent | $ 490,000 | $ 840,000 |
| Management fee | 105,000 | 180,000 |
| Total payments | $ 595,000 | $ 1,020,000 |

Hotel revenue of $352,669 and $663,753 for 2020 and 2019, respectively, was received from departments of the University, with related outstanding receivables of $4,689 and $19,604 at December 31, 2020 and 2019, respectively.

## NOTE 10 - RISKS AND UNCERTAINITIES

The COVID-19 outbreak in the United States has caused business disruption through restrictions of university operations, enforced travel restrictions, and maximum attendance restrictions on collegiate sporting events. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the restrictions. Therefore, the Hotel expects this matter to continue to negatively impact its operating results. As of the date of the auditors' report, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

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

Baton Rouge, Louisiana

## SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2020
(with summarized comparative totals for 2019)

| | Property | Travel Packages | Gift Shop | General and Administration | Total 2020 | Total 2019 |
|---|---|---|---|---|---|---|
| **OPERATING EXPENSES** | | | | | | |
| Personnel | $ 598,459 | $ 29,172 | $ 168,966 | $ 145,791 | $ 942,388 | $ 1,114,441 |
| Rent to Association | 490,000 | - | - | - | 490,000 | 840,000 |
| Direct travel | 228 | 439,146 | - | 581 | 439,955 | 738,357 |
| Depreciation | 391,379 | - | - | - | 391,379 | 398,257 |
| Rooms | 336,879 | - | - | - | 336,879 | 576,473 |
| Occupancy and supplies | 194,552 | 2,124 | 7,188 | 37,109 | 240,973 | 293,554 |
| Professional services | - | 500 | 53,869 | 104,955 | 159,324 | 164,831 |
| Merchandise sold | - | - | 107,248 | - | 107,248 | 233,862 |
| Management fee to Association | - | - | - | 105,000 | 105,000 | 180,000 |
| Food, beverage, and other | 85,439 | - | - | 1,925 | 87,364 | 263,192 |
| Insurance | 10,214 | - | - | 76,818 | 87,032 | 79,536 |
| Repairs and maintenance | 77,331 | - | - | 280 | 77,611 | 143,333 |
| Taxes and licenses | 56,915 | - | - | 6,565 | 63,480 | 63,373 |
| Operating leases | - | - | - | 21,831 | 21,831 | 28,142 |
| Marketing and advertising | 10,631 | 124 | 1,818 | 267 | 12,840 | 32,731 |
| Other | 6,244 | - | 1,180 | 89,260 | 96,684 | 170,330 |
| Total operating expenses | $ 2,258,271 | $ 471,066 | $ 340,269 | $ 590,382 | $ 3,659,988 | $ 5,320,412 |

See Independent Auditors' Report.

LSU | ALUMNI ASSOCIATION

# 2020 AGREED UPON PROCEDURES

# LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

December 31, 2020

FAULK & WINKLER
CPAs - BUSINESS ADVISORS

# INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below in regards to compliance with the Uniform Affiliation Agreement (UAA) between the Board of Directors and management of the LSU Alumni Association (Association) (Affiliate) and the Louisiana State University System (University System), (the specified parties) for the year then ended December 31, 2020. The Association's management is responsible for compliance with the UAA.

The Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of ensuring that Association is in compliance with the criteria established by the UAA. Additionally, the University System has agreed and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

With respect to your representations relating to the UAA, as of December 31, 2020, and for the year then ended, we applied the following agreed-upon procedures:

1. The Affiliate is required to maintain a written policy regarding the handling and resolution of audit findings, audit exceptions, and any misuse of funds. Any unresolved issues should be reported to the Audit Committee of the LSU Board of Supervisors.

   We determined the policy is in place. The Association is in compliance with this requirement.

2. The governing board of the Affiliate has established and implemented policies governing conflicts-of-interests.

   We determined the enacted policies of the Association comply with the UAA. The Association is in compliance with this requirement.

3. Obtain an understanding of the internal controls in place over cash disbursements and expenditures for the period in question. On the sample of items, inspect written evidence of the internal controls and support for each transaction to determine if the Affiliate has designed and implemented procedures related to the following UAA provisions:



6811 Jefferson Highway | Baton Rouge, LA 70806 | (225) 927-6811 | Facsimile: (225) 932-0000
1404 S. Burnside Avenue | Gonzales, LA 70737 | (225) 647-6811

a) Supplemental compensation or benefits, as defined in section 6.5 of the UAA paid directly to a University employee has written approval by the Chancellor or equivalent and the President of LSU.

   Based on our supporting documentation for the sample of disbursements selected for the period in question, there were no instances in which supplemental compensation or benefits were paid directly to a University employee.

b) Payments made to or on behalf of University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's dean, vice chancellor, or other equivalent administrative official approval in accordance with policies and procedures mutually agreed to by the University and Affiliate.

   During 2020, the Association disbursed two payments to a University employee. Such payments were reimbursements for expenses incurred as a result of performing ordinary business operations of the Association. Each reimbursement was filed with the Association and approved by the appropriate authority.

c) Payments for moving and relocation expenses of University employees covered by PM 13 have been approved in accordance with policies and procedures mutually agreed by the University and Affiliate.

   Based on the sample of disbursements selected for the period in question, no disbursements were made to a University employee relating to moving and relocation expenses.

d) Payments have not been made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business) unless approved in accordance with Section 2 of Exhibit B and Section 6.3 of the UAA.

   Based on the sample of disbursements selected for the period in question, no disbursements were made for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business).

e) Fines, forfeitures or penalties of University employees have not been paid by the Affiliate.

   Based on the sample of disbursements selected for the period in question, no disbursements were made related to fines, forfeitures or penalties for University employees.

f) Gifts represented to be personally from a University employee in his or her personal capacity have not been made by the Affiliate nor has any University employee been reimbursed for the purchase of such gift.

Based on the sample of disbursements selected for the period in question, no disbursements were made related to gifts to be personally from or a reimbursement for a University employee.

g) Political contributions which are prohibited by applicable Internal Revenue Service Regulations or state law have not been made or reimbursed.

Based on the sample of disbursements selected for the period in question, no disbursements were made as political contributions nor has any University employee been reimbursed for any political contributions.

h) Funds have not been disbursed in connection with contracts (or other agreements including employment agreements) between the Affiliate and a University employee unless recommended by the Chancellor (or equivalent) and approved by the LSU President or the Board of Supervisors.

Based on the sample of disbursements selected for the period in question, no disbursements were made in connection with contracts (or other agreements including employment agreements) between the Affiliate and a University employee.

i) Funds have not been disbursed for any purpose which is not consistent with the Affiliate's tax-exempt mission and the purpose(s) stated in section 1.1 of the UAA.

Based on the sample of disbursements selected for the period in question, no disbursements were made for any purpose which is not consistent with the Affiliate's tax-exempt mission and the purpose(s) stated in section 1.1 of the UAA.

j) Funds have not been disbursed for any purpose that would result in a finding that either (i) Affiliate is being operated for the benefit of private interests, or (ii) Affiliate has permitted its net earnings to inure to the benefit of any private shareholder or individual, in violation of applicable provisions of the Internal Revenue Code as amended.

Based on the sample of disbursements selected for the period in question, no disbursements were made for any purpose that would result in a finding that either the Affiliate is being operated for the benefit of the private interests, or the Affiliate has permitted its net earnings to inure to the benefit of any private shareholder or individual.

4. Obtain a written representation from the Affiliate that, in accordance with Section 5.3 of the UAA, the Affiliate has provided us with the following:

   a) A copy of the current UAA including any amendments thereto;

   b) access to all documents and other information relevant to the UAA; and,

   c) represented to us that except to the extent disclosed in writing, to the best of the Affiliate's knowledge, information and belief, the Affiliate has complied with all applicable provisions of the UAA.

We obtained a written representation from the Association acknowledging its compliance with this provision.

We were engaged by the Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accounts. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the UAA. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the LSU Alumni Association and Subsidiary and the Louisiana State University System, 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 11, 2021

LSU | ALUMNI ASSOCIATION

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