

---

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Financial Statements

December 31, 2017

With Independent Auditors' Report Thereon

---



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Financial Statements

December 31, 2017

With Independent Auditors' Report Thereon

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

December 31, 2017

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 24

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
University of New Orleans  
Research and Technology Foundation, Inc.

We have audited the accompanying financial statements of the University of New Orleans Research and Technology Foundation, Inc., (a nonprofit organization) (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of New Orleans Research and Technology Foundation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
May 11, 2018

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statements of Financial Position

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 1 and 16)	\$ 1,634,566	\$ 1,762,187
Receivables (Note 3 and 12)	1,656,801	3,035,846
Financing lease receivable (Note 14)	980,000	900,000
Investments (Note 1, 2 and 6)	8,282,030	6,562,651
Other current assets	186,020	194,913
Total current assets	12,739,417	12,455,597
<b>Non-current assets:</b>		
Investments (Note 1, 2 and 6)	758,461	753,882
Financing lease receivable (Note 14)	33,295,000	34,275,000
Property and equipment, net of accumulated depreciation of \$36,905,871 and \$34,324,844, respectively (Note 4)	49,425,965	51,996,522
Other non-current assets	467,613	548,292
Total non-current assets	83,947,039	87,573,696
Total assets	\$ 96,686,456	\$ 100,029,293
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 527,972	\$ 491,986
Due to affiliates (Note 12)	126,495	392,236
Prepaid rent	615,572	706,226
Amounts held in custody for others (Note 1)	75,857	79,747
Amounts held in custody for affiliates (Note 1 and 12)	339,720	374,228
Compensated absences	143,754	138,911
Interest payable	509,355	519,510
Notes payable (Note 7)	457,169	442,996
Bonds payable, net (Note 8)	1,196,889	1,127,728
Other current liabilities	282,585	1,692,603
Total current liabilities	4,275,368	5,966,171
<b>Non-current liabilities:</b>		
Accounts payable and accrued liabilities	202,959	146,152
Due to affiliates (Note 12)	152,219	109,614
Notes payable (Note 7)	3,631,162	4,088,331
Prepaid rent, net of current portion	2,816,759	3,322,712
Bonds payable, net (Note 8)	34,479,529	35,676,418
Total non-current liabilities	41,282,628	43,343,227
Total liabilities	45,557,996	49,309,398
<b>Net assets:</b>		
Unrestricted	50,995,938	50,584,764
Temporarily restricted (Note 1)	132,522	135,131
Total net assets	51,128,460	50,719,895
Total liabilities and net assets	\$ 96,686,456	\$ 100,029,293

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

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Revenues and support:		
Federal grants and contracts	\$ 1,606,404	\$ 1,230,615
Non-federal grants and contracts	561,028	535,893
International programs	562,275	1,003,521
Property operations	6,466,093	6,356,883
Amortized tenant improvements	505,953	505,953
Student housing	1,523,600	1,549,100
Technology transfer	526,821	425,947
Investment earnings (Note 2)	251,512	111,118
Gain on insurance receivable (Note 3)	600,249	305,921
Other revenues	30,027	30,068
Total unrestricted revenues and other support	12,633,962	12,055,019
before net assets released from restriction	12,633,962	12,055,019
Net assets released from restrictions:		
Net assets released from restriction	2,609	2,610
Net assets released from restrictions	2,609	2,610
Total unrestricted revenues and other support	12,636,571	12,057,629
Expenses (Note 15):		
Program services:		
International programs (Note 12)	535,500	770,937
Property operations	6,409,458	6,056,031
Student housing (Note 12)	1,314,372	1,320,794
Federal grants and contracts	1,544,619	1,173,191
Other University support	724,222	374,314
Technology transfers (Note 12)	396,379	322,504
Building donation to University (Note 4)	-	1,912,187
Total program expenses	10,924,550	11,929,958
Supporting services:		
General and administrative expenses	1,300,847	1,321,544
Total expenses	12,225,397	13,251,502
Increase (Decrease) in unrestricted net assets	411,174	(1,193,873)
Changes in temporarily restricted net assets:		
Net assets released from restrictions:		
Net assets released from restriction	(2,609)	(2,610)
Total temporarily restricted revenues and other support	(2,609)	(2,610)
Decrease in temporarily restricted net assets	(2,609)	(2,610)
Change in net assets	408,565	(1,196,483)
Net assets, at beginning of year	50,719,895	51,916,378
Net assets, at end of year	\$ 51,128,460	\$ 50,719,895

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

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 408,565	\$ (1,196,483)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Amortization of cost of bond issuance and bond insurance	37,451	37,452
Amortization of bond premium	(265,178)	(277,621)
Amortization of tenant improvements	(505,953)	(505,953)
Depreciation expense	2,581,027	2,600,640
Building donation to University	-	1,912,187
Realized loss on investments	-	5,260
Unrealized loss (gain) on investments	(55,062)	22,538
Changes in assets and liabilities:		
Receivables	1,379,045	594,907
Other current assets	8,893	(97,688)
Other non-current assets	80,679	80,679
Compensated absences	4,843	(6,346)
Payables and accrued liabilities	92,794	104,093
Due to affiliates	(223,136)	(94,608)
Prepaid rent	(90,655)	84,707
Amounts held in custody for others and affiliates	(38,398)	(64,202)
Interest payable	(10,155)	(13,025)
Other current liabilities	(1,410,018)	(3,558,777)
Net cash provided by (used in) operating activities	<u>1,994,742</u>	<u>(372,240)</u>
Cash flows from investing activities:		
Net purchases of investments	(1,668,896)	(2,035,593)
Purchases of fixed assets	(10,471)	(10,281)
Net cash used in investing activities	<u>(1,679,367)</u>	<u>(2,045,874)</u>
Cash flows from financing activities:		
Principle payments on notes payable	(442,996)	(399,075)
Receipts on capital leases	900,000	825,000
Principal payments on bonds payable	(900,000)	(825,000)
Net cash used in financing activities	<u>(442,996)</u>	<u>(399,075)</u>
Change in cash and cash equivalents	(127,621)	(2,817,189)
Cash and cash equivalents at beginning of year	<u>1,762,187</u>	<u>4,579,376</u>
Cash and cash equivalents at end of year	<u>\$ 1,634,566</u>	<u>\$ 1,762,187</u>
SUPPLEMENTAL NON-CASH FLOW DISCLOSURE:		
Cash paid during the year for interest	<u>\$ 1,684,025</u>	<u>\$ 1,747,327</u>

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



**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies**

**(a) *History and Organization***

The University of New Orleans Research and Technology Foundation, Inc. (the Foundation), a registered non-profit corporation in Louisiana, was established on March 3, 1997 to accomplish the following purposes:

- 1) As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the University) and the University of Louisiana System (the UL System);
- 2) To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world; be fulfilled and removed by actions of the Foundation pursuant to those stipulations;
- 3) To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- 4) To promote the development of high technology industries and research in Louisiana;
- 5) To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;
- 6) To increase employment opportunities in Louisiana;
- 7) To promote research and development in Louisiana;
- 8) To promote cooperation between the public and private sector with respect to research and development;
- 9) To attract nationally prominent scientists and researchers to the University;
- 10) To maximize research capabilities in Louisiana;

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies (continued)**

**(a) History and Organization (continued)**

- 11) To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- 12) To exercise all such powers and authority as may be necessary for the accomplishment of the objectives and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

Significant sources of revenue to the Foundation include grants, contracts, tenant rents, and property operations revenues and support to carry out these objectives. The Foundation did not receive any state or local governmental funds to support its operations or its programs during the years ended December 31, 2017 and 2016.

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

**(b) Financial Statement Presentation**

The Foundation follows the provisions for not-for-profit organizations and includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted. Also, the Foundation considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receives and sacrifices something of approximately equal value.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As of December 31, 2017 and 2016, temporarily restricted net assets consist of a private donation made in 2012 of property to house an urban art gallery with a carrying amount of \$132,522 and \$135,131 respectively.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. The Foundation has no permanently restricted net assets as of December 31, 2017 and 2016.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies (continued)**

***(c) Cash and Cash Equivalents***

For the purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

***(d) Amounts Held in Custody For Others and Affiliates***

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. Amounts held in custody for affiliates consist of amounts held for use in support of the University.

***(e) Receivables***

Accounts receivable and financing receivables are considered delinquent after a period of nonpayment of 90 days. Although credit risks associated with tenants for accounts receivable or lessees for financing receivables are considered minimal, a review is routinely made of accounts receivable balances, and provisions for doubtful accounts are made. In circumstances where management is aware of a specific inability to meet their financial obligations (e.g., bankruptcy filings), a specific reserve is recorded to reduce the receivable to the amount expected to be collected. For all others, an allowance for bad debts is established by management based on historical trends. Receivables are written off when management deems collectability is doubtful. Bad debt expense, if any, and any related recoveries are included in the Statement of Activities and Changes in Net Assets.

***(f) Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, is recorded in the Statements of Activities and Changes in Net Assets.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

In accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820), the Foundation does not categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies (continued)**

***(g) Property and Equipment***

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on the date of donation, net of accumulated depreciation. Plant, property, and equipment with a unit cost of greater than \$5,000 and a useful life of greater than 1 year is capitalized and depreciated. Depreciation of buildings, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from 3 to 10 years for vehicles and equipment to 10 to 40 years for building improvements and 30 to 40 years for buildings and associated structures.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

***(h) Bond Issuance Costs and Prepaid Bond Insurance***

Bond issuance costs and prepaid bond insurance incurred in the relationship to the bond indebtedness have been capitalized and are amortized over the life of the bond liability which is thirty years. In accordance with ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, the Foundation presents debt issuance costs as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Bond issuance costs amortization for the fiscal years 2017 and 2016 were \$27,629 and \$27,630, respectively, and amortization of prepaid bond insurance for each fiscal year was \$9,822.

***(i) Impairment of Long-Lived Assets***

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

***(j) Income Taxes***

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes on related income has been included in the financial statements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies (continued)**

***(j) Income Taxes (continued)***

The Foundation applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

***(k) Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

***(l) Functional Allocation of Expenses***

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***(m) Reclassification***

Certain reclassifications from prior year information were made to conform to current year presentation.

***(n) Recent Accounting Pronouncements***

On August 18, 2016, the Financial Accounting Standard Board (“FASB”) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU will be effective for the year ended December 31, 2018 and the Foundation expects adoption of this ASU to have no material impact on the total net assets.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(1) Summary of Significant Accounting Policies (continued)**

*(n) Recent Accounting Pronouncements (continued)*

In February 2016, FASB issued ASU No. 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. This ASU is effective for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

**(2) Investments**

Investment earnings consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 196,450	\$ 138,916
Realized losses	-	(5,260)
Unrealized gains (losses)	55,062	(22,538)
Total	\$ 251,512	\$ 111,118

Investments consist of the following at December 31, 2017 and 2016:

	2017	2016
Federated treasury obligations	\$ 535	\$ 17
Certificates of deposit	1,751,475	1,743,625
Mutual funds	7,288,481	5,572,891
Total	\$ 9,040,491	\$ 7,316,533

**(3) Receivables**

Receivables consist of the following at December 31, 2017 and 2016:

	2017	2016
Accounts receivable	\$ 564,406	\$ 471,158
Grants receivable	293,332	134,536
Due from affiliates	677,905	673,719
Tenants receivables	32,375	50,467
Insurance proceeds receivable	88,783	1,705,966
Total	\$ 1,656,801	\$ 3,035,846

Due from affiliates represents amounts due from the University.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(3) Receivables (continued)**

The Foundation recorded a gain of \$600,249 and \$305,921 during the years ended December 31, 2017 and December 31, 2016, respectively, on the collection of an insurance receivable related to damages incurred as a result of Hurricane Katrina. The original receivable amount was based upon the estimated cost to repair the impaired property which was less than the actual cost, resulting in a gain.

There is no allowance recorded on the receivables above as of December 31, 2017 and 2016.

**(4) Property and Equipment**

Property and equipment consist of the following at December 31, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Land improvements	\$ 258,573	\$ 258,573
Building - Avondale	12,754,737	12,754,737
ITC buildings and parking garage	62,321,065	62,321,065
Building - ATC	9,186,680	9,186,680
Building - Shea Penland CERF	894,842	894,842
St. Claude Gallery	145,500	145,500
Construction in progress	705,896	708,665
Office furniture and equipment	57,543	44,304
Artwork	7,000	7,000
	<u>86,331,836</u>	<u>86,321,366</u>
Total fixed assets		
Accumulated depreciation	<u>(36,905,871)</u>	<u>(34,324,844)</u>
Net fixed assets	<u>\$ 49,425,965</u>	<u>\$ 51,996,522</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totals \$2,581,027 and \$2,600,640, respectively.

The Foundation contributed leasehold improvements to the University of New Orleans dated April 30, 2016 related to the Homer L. Hitt Alumni Center with a book value totaling \$1,912,187.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(5) Lease Agreements and Cooperative Endeavor Agreements**

**University of New Orleans/Avondale Maritime Technology Center of Excellence**

Obligations

Avondale, a subsidiary of Huntington-Ingalls, (Avondale) donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility (Facility), including a laboratory and support area for the UNO School of Naval Architecture and Marine Engineering, has been built on such property by the Foundation and is sub-leased to Avondale.

Also, the Foundation has equipped the Facility and leased such equipment to Avondale. Avondale agreed that it will utilize the Facility for the design and construction of vessels pursuant to the Navy LPD-17 Contract and other contracts. Furthermore, Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting 21,000 square feet in the Facility subleased by Avondale from the Foundation.

On May 16, 1997, the Foundation and Avondale entered into a sub-lease agreement, for a term of 50 years which expires in 2047, which provides for Avondale to lease from the Foundation the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

This property is subject to the ground lease discussed in Note 9.

**National Center for Advanced Manufacturing/MAF Research Administration Building**

General

On December 18, 2007, the State, the Foundation, and NASA entered into a Cooperative Endeavor Agreement (the CEA) for a period of thirty (30) years.

The CEA provides for the use of State funds to pay approximately \$40 million of project costs associated with the planning, design, construction and equipping of a new NASA Research Administration Building (the Building) to be built at MAF. The Building will be used collaboratively by the Foundation and NASA for research and development administration, production work on the Orion Project, education, training and related matters for NASA, its contractors, the University, other Federal and State agencies, other higher educational institutions and private industry.

Obligations

As of December 31, 2017 and 2016, the activities related to this project are placed on hold by the State of Louisiana. The Foundation has a balance of \$705,896 in construction in progress as of December 31, 2017 and 2016 related to this CEA. Management will reassess this project annually to determine if such costs are impaired. As of December 31, 2017 and 2016, no impairment has been recognized on this facility by the Foundation.



**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(6) Fair Value of Financial Instruments**

The FASB authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology 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 to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Federated treasury obligations:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded or at the net asset value ("NAV") of shares held at year end as applicable.

*Certificates of deposit:* The fair value of certificates of deposits and term deposits is estimated using third-party quotations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(6) Fair Value of Financial Instruments (continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2017. There have been no changes in the methodologies used at December 31, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federated treasury obligations	\$ 535	\$ -	\$ -	\$ 535
Certificates of deposit	-	1,751,475	-	1,751,475
Mutual funds	<u>1,548,023</u>	-	-	<u>1,548,023</u>
Subtotal	<u>1,548,558</u>	<u>1,751,475</u>	-	<u>3,300,033</u>
High quality bond fund at NAV	-	-	-	2,860,947
Multi strategy bond fund at NAV	-	-	-	<u>2,879,511</u>
Total investments at fair value	<u>\$ 1,548,558</u>	<u>\$ 1,751,475</u>	<u>\$ -</u>	<u>\$ 9,040,491</u>

The Foundation's investment in the high quality bond fund and the multi strategy bond fund, as of December 31, 2017, represents .97% and 1.16%, respectively, of all ownership interests in the fund. The high quality bond fund invests primarily in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest up to 20% of its assets in securities rated below investment grade and certain derivatives, and may use currency hedging. The multi strategy bond funds invest directly or indirectly in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest in global bonds, inflation indexed bonds, high yield bonds, emerging markets debt, and opportunistic fixed income strategies. The multi strategy bond fund also has investments in certain funds affiliated with the investment manager. Fair values of the investments in these classes have been estimated using the net asset value per share of the investments.

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2017.

<u>Instrument</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
High quality bond fund	\$2,860,947	Not applicable	Weekly	5 business days prior
Multi strategy bond fund	\$2,879,511	Not applicable	Monthly	5 business days prior to month end

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(6) Fair Value of Financial Instruments (continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2016. There have been no changes in the methodologies used at December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federated treasury obligations	\$ 17	\$ -	\$ -	\$ 17
Certificates of deposit	-	1,743,625	-	1,743,625
Mutual funds	<u>1,519,266</u>	<u>-</u>	<u>-</u>	<u>1,519,266</u>
Subtotal	<u>1,519,283</u>	<u>1,743,625</u>	<u>-</u>	<u>3,262,908</u>
High quality bond fund at NAV	-	-	-	2,022,535
Multi strategy bond fund at NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,031,090</u>
Total investments at fair value	<u>\$ 1,519,283</u>	<u>\$ 1,743,625</u>	<u>\$ -</u>	<u>\$ 7,316,533</u>

The Foundation's investment in the high quality bond fund and the multi strategy bond fund, as of December 31, 2016, represents .93% and 1.28%, respectively, of all ownership interests in the fund. The high quality bond fund invests primarily in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest up to 20% of its assets in securities rated below investment grade and certain derivatives, and may use currency hedging. The multi strategy bond funds invest directly or indirectly in U.S. dollar-denominated investment grade bonds and other fixed income securities. The high quality bond fund may also invest in global bonds, inflation indexed bonds, high yield bonds, emerging markets debt, and opportunistic fixed income strategies. The multi strategy bond fund also has investments in certain funds affiliated with the investment manager. Fair values of the investments in these classes have been estimated using the net asset value per share of the investments.

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2016.

<u>Instrument</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
High quality bond fund	\$2,022,535	Not applicable	Weekly	5 business days prior
Multi strategy bond fund	\$2,031,090	Not applicable	Monthly	5 business days prior to month end

**(7) Notes Payable**

**Louisiana Public Facilities Authority Note Payable**

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest. The first annual payment was due October 1, 2001 and continued through October 1, 2014.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(7) Notes Payable (continued)**

In March 2014, the Foundation and LFPA entered into a third amendment. The third amendment requires the Foundation to make quarterly payments commencing December 2014 in the amount of \$34,700 through September 2024, the maturity date of this note. An annual payment will be due March 15<sup>th</sup> each year, commencing on March 15<sup>th</sup> 2016, in an amount equal to 87.35% of cash flow of the ATC building for the immediately preceding fiscal year minus the amount of quarterly payments paid on the note during the preceding fiscal year. As of December 31, 2017, the Foundation has made cumulative payments totaling \$564,925 in principal on the note. The carrying amount of the note is \$935,075 as of December 31, 2017.

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements within 180 days of year end. The Foundation is in compliance with the debt covenants as described.

The note is secured by a collateral note signed by the Foundation in the amount of \$2,000,000. This note is subordinate to the bank loan and is secured by a security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statements of Financial Position and has a net book value of \$5,171,031 and \$5,424,406 at December 31, 2017 and 2016, respectively.

**Local Bank Note Payable**

On April 19, 2001, the Foundation entered into a Loan Agreement with a local bank. The balance of the loan at December 31, 2017 is \$3,153,256. The loan was amended in 2011 with an interest rate of 6.5% to mature on April 12, 2016, and again amended in 2016 with an interest rate of 4.5% to mature on April 12, 2021, at which time the remaining unpaid balance of principal and interest will be due. Monthly payments of principal and interest total \$37,969. Although the amendment to the loan covers a five year period, the loan payments are based on a ten year amortization schedule resulting in a final payment in the amount of \$2,071,261, representing all outstanding principal and interest, which is due on April 12, 2021.

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements by May 31<sup>st</sup> following each year end, a debt service coverage ratio of 1.25 to 1, the outstanding principal not to exceed 75% of the fair market value, as appraised of the related property, as well as other negative covenants. The Foundation is in compliance with the debt covenants as described.

The note is collateralized by a collateral note signed by the Foundation in the amount of \$12 million, which is secured by a first lien and security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statements of Financial Position and has a net book value of \$5,171,031 and \$5,424,406 at December 31, 2017 and 2016, respectively.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(7) Notes Payable (continued)**

**Future Payments**

The following is a summary of all notes payable at December 31, 2017 and 2016:

	2017	2016
Louisiana Public Facilities Authority	\$ 935,075	\$ 1,073,874
Local bank	3,153,256	3,457,453
Total notes payable	4,088,331	4,531,327
<i>Less:</i> current portion	(457,169)	(442,996)
Total non-current notes payable	\$ 3,631,162	\$ 4,088,331

The notes are required to be repaid as follows as of December 31, 2017:

2018	\$ 457,169
2019	472,002
2020	487,210
2021	2,292,068
2022	138,798
2023 - 2024	241,084
	\$ 4,088,331

**(8) Bonds Payable**

On August 8, 2006, the Louisiana Public Facilities Authority issued \$38,500,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the public on behalf of the Foundation. The proceeds of the bonds were used for the financing, planning, design, construction, furnishing and equipping of resident facilities for use by the University, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds were also used to pay the costs associated with the issuance of the bonds.

On August 28, 2014, the Louisiana Public Facilities Authority (the Authority) issued \$36,000,000 of its Revenue Refunding Bonds Series 2014 (the Series 2014 Bonds) on behalf of the Foundation to advance refund and defease the Authority's outstanding Series 2006 Bonds. As a result of the advanced refunding and defeasance of the Series 2006 Bonds, the Foundation achieved interest rate savings which resulted in an undiscounted cash savings of \$5,456,855 over the life of the Series 2014 Bonds.

The Series 2014 Bonds were issued at a premium, which totaled \$2,974,068 on the date of issuance of the Series 2014 Bonds. The premium is being amortized over the life of the Series 2014 Bonds. The total amount of premium relating to the Series 2014 Bonds amortized during year ended December 31, 2017 and December 31, 2016, respectively, was \$265,178 and \$277,621, and the unamortized premium relating to the Series 2014 Bonds as of December 31, 2017 and December 31, 2016, respectively, was \$2,063,045 and \$2,328,223.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(8) Bonds Payable (continued)**

The interest rates on the 2014 Bonds range from 3% to 5% per annum with the first interest payment due on March 1, 2015. The first principal payment was due September 1, 2016 with the final principal payment due in 2035.

The 2014 bond issue has debt covenants which are required to be met by the Foundation. Additionally, the bond issue is collateralized by the resident facilities which are recorded as a financing lease receivable from the University (see Note 14). The Foundation is in compliance with the debt covenants.

Bonds payable consists of the following as of December 31, 2017 and 2016:

	2017	2016
Bonds payable	\$ 34,275,000	\$ 35,175,000
Bond premium	2,063,045	2,328,223
Less: prepaid bond insurance	(173,526)	(183,348)
Less: cost of bond issuance	(488,101)	(515,729)
Bonds payable, net	\$ 35,676,418	\$ 36,804,146

The outstanding Series 2014 bonds are required to be repaid as follows for the next five years and five year periods thereafter.

2018	\$ 980,000
2019	1,055,000
2020	1,135,000
2021	1,220,000
2022	1,330,000
2023-2027	8,445,000
2028-2032	9,140,000
2033-2035	10,970,000
Total bonds payable	\$ 34,275,000

**(9) Ground Leases**

**University of New Orleans Ground Lease 1**

On May 16, 1997, the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the Foundation. The terms of the lease agreement provide that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation that will in turn develop construct, maintain, operate, manage, and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(9) Ground Leases (continued)**

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University which is recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$6,403,259 and \$6,731,290 as of December 31, 2017 and 2016, respectively.

**University of New Orleans Ground Lease 2**

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation which was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property that is located in Orleans Parish to the Foundation which will develop, construct, maintain, operate, manage, and/or lease improvements on such land. The lease agreement is for a term of ninety-nine years.

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University. The facilities and related fixtures, equipment, and furnishings are recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$41,505,985 and \$43,717,256 as of December 31, 2017 and 2016, respectively.

**Coastal Education and Research Facility Ground Lease**

On December 22, 2009, the Foundation was assigned leases for four boat slips and received a donation for related leasehold improvements (the Property). \$215,000 was provided by the Foundation towards improvements to the Property. The Foundation entered into an agreement with the University making the Property available to the University for use as the University of New Orleans Shea Penland Coastal Education and Research Facility (CERF) to support the University's mission to establish a wetlands research and education field station.

The CERF building is recorded in property and equipment in the Statements of Financial Position, with a remaining net book value of \$654,391 and \$684,828 as of December 31, 2017 and 2016, respectively.

**(10) Other Lease Agreements**

On January 15, 1998, the Foundation entered into a sub-lease agreement with the United States of America (the Government) to lease space at the Information Technology Center from the Foundation comprising of approximately 300,000 square feet of administrative space, 1,050 hard surface parking spaces, and 11.82 acres of land located at the University of New Orleans Research and Technology Park. As of October 2013, the Government leases two buildings of administrative space totaling approximately 200,000 square feet and 700 hard surface parking spaces.

The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms. The lease is renewed annually per the agreement.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(10) Other Lease Agreements (continued)**

On August 8, 2014, the Foundation entered into a lease agreement with a private tenant to lease the entire Information Technology Center No. 4 building from the Foundation comprising of approximately 104,000 rentable square feet, located at the University of New Orleans Research and Technology Park. The commencement date of the lease was January 1, 2015 with an initial term of ten years with the option to extend the lease for three additional five-year terms.

**(11) Future Lease Rent**

Future rent from all lease agreements is as follows. The schedule below does not include the future rent to be received from the Avondale arrangement described in Note 5 of \$100,000 per year through 2047.

2018	\$ 5,128,617
2019	2,935,328
2020	2,643,870
2021	2,636,044
2022	2,587,027
2023-2025	3,630,249
	<u>\$ 19,561,135</u>

**(12) Due To/From Affiliates/Related Party Transactions**

**University of New Orleans Foundation**

The Foundation received \$525,000 for administrative support provided to the University of New Orleans Foundation (UNOF) during both 2017 and 2016.

The University received \$87,479 in subsidies from the Foundation which was passed through the UNOF during 2017. At December 31, 2017, funds due from the UNOF totaled \$43,750, and funds due to the UNOF totaled \$3,747.

The University received \$56,131 in subsidies from the Foundation which was passed through the UNOF during 2016. At December 31, 2016, funds due from the UNOF totaled \$0, and funds due to the UNOF totaled \$2,464.

**University of New Orleans**

The Foundation enters into certain contracts, and makes the related contract payments, on behalf of the University. The University reimburses the Foundation for such contract payments made on its behalf. The University also makes payments to the Foundation for property management of the Center for Energy Resources Management building.



**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(12) Due To/From Affiliates/Related Party Transactions (continued)**

During the years ended December 31, 2017 and December 31, 2016, the Foundation incurred \$3,110,445 and \$4,983,916 respectively related to the aforementioned contract payments and property management services included on the Statement of Activities and Changes in Net Assets as detailed below.

	2017	2016
Property Operations	\$ 351,153	\$ 360,068
International Programs	535,500	770,937
Student Housing	1,314,372	1,320,794
Technology Transfer	393,685	322,504
Donations to University	30,500	1,944,306
Other payments on behalf of University	485,235	265,307
	\$ 3,110,445	\$ 4,983,916

The balance due from the University related to these contracts and services as of December 31, 2017 and December 31, 2016 total \$677,905 and \$673,719 respectively. Payables to the University as of December 31, 2017 and December 31, 2016 are \$274,967 and \$499,386 respectively, as recorded in the Statements of Financial Position.

The Foundation paid to the University \$34,508 and \$73,576 during the years ended December 31, 2017 and December 31, 2016 related to the Memorandum of Understanding related to National Center for Advanced Manufacturing. The Foundation holds a remaining \$339,720 and \$374,228 as of December 31, 2017 and December 31, 2016, respectively, which is included in the Statements of Financial Position as amounts held in custody for affiliates.

**(13) National Collegiate Athletic Association**

The Foundation has an affiliation agreement with the University which requires the presentation of a supplemental schedule illustrating revenue, support, expenses, and capitalized expenditures made to or on behalf of the University's Intercollegiate Athletics Program for the National Collegiate Athletic Association. During the years ended December 31, 2017 and 2016, the Foundation incurred no such amounts.

**(14) Financing Lease Receivable**

The Foundation entered into a ground lease dated August 8, 2006, and amended in August 2014 with the University for the purpose of financing, planning, constructing, and equipping a student residence facility. Pursuant to a facility lease, the Foundation leased the completed facility to the University. Rent payments from the University are sufficient to pay debt services on the Series 2014 Bonds, which is collateralized by the student residence facilities.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(14) Financing Lease Receivable (continued)**

The lease was determined to meet the requirements of a financing lease and as such, the asset was then transferred from construction in progress to a financing lease receivable. The total financing lease receivable is required to be repaid as follows for the next five years and five year periods thereafter.

2018	\$	980,000
2019		1,055,000
2020		1,135,000
2021		1,220,000
2022		1,330,000
2023-2027		8,445,000
2028-2032		9,140,000
2033-2035		10,970,000
		\$ 34,275,000

**(15) Expenses**

Expenses by natural classification have been incurred for the following for the year ended December 31, 2017:

	Program Expenses	General and administrative expenses	Total
Donations to University/Affiliates	\$ 274,180	\$ -	\$ 274,180
Employee compensation	444,481	1,121,529	1,566,010
Fees for services	612,452	62,438	674,890
Advertising and promotion	-	1,741	1,741
Office expenses	94,580	47,114	141,694
Information technology	-	48,455	48,455
Royalties	383,992	-	383,992
Occupancy	959,644	-	959,644
Travel	539,510	7,109	546,619
Conferences, conventions, and meetings	33,160	12,461	45,621
Interest	1,408,692	-	1,408,692
Insurance	9,940	-	9,940
Depreciation and amortization	2,689,335	-	2,689,335
Federal grant subawards	1,544,619	-	1,544,619
Property operation maintenance services	1,854,477	-	1,845,477
Property operation maintenance supplies	75,488	-	75,488
	\$ 10,924,550	\$ 1,300,847	\$ 12,225,397

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Notes to Financial Statements

December 31, 2017 and 2016

**(15) Expenses (continued)**

Expenses by natural classification have been incurred for the following for the year ended December 31, 2016:

	Program Expenses	General and administrative expenses	Total
Donations to University/Affiliates	\$ 2,000,437	\$ -	\$ 2,000,437
Employee compensation	434,610	1,127,858	1,562,468
Fees for services	335,116	83,941	419,057
Advertising and promotion	-	-	-
Office expenses	134,900	52,626	187,526
Information technology	-	48,164	48,164
Royalties	309,313	-	309,313
Occupancy	920,342	-	920,342
Travel	638,174	5,435	643,609
Conferences, conventions, and meetings	136,555	3,520	140,075
Interest	1,456,682	-	1,456,682
Insurance	10,272	-	10,272
Depreciation and amortization	2,708,948	-	2,708,948
Federal grant subawards	1,173,191	-	1,173,191
Property operation and maintenance	1,671,418	-	1,671,418
	<u>\$ 11,929,958</u>	<u>\$ 1,321,544</u>	<u>\$ 13,251,502</u>

**(16) Concentrations of Risk and Contingencies**

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The Foundation is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position.

**(17) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 11, 2018, and determined that the following subsequent event requires disclosure. On April 21, 2018, the Foundation received a fully executed settlement agreement on a litigation matter resulting in a favorable material award. The revenue from this award will be recognized within the Foundation's 2018 income. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.