
UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidated Financial Statements and Schedules

December 31, 2017

With Independent Auditors' Report Thereon



Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University of New Orleans Foundation

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated 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 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of the University of New Orleans Foundation as of December 31, 2017 and 2016, and the consolidated statements of activities and changes in its net assets and its consolidated statements of cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 23 through 28 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. The supplementary information included in Schedules 1 through 3 on pages 30 through 32 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 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.

A handwritten signature in cursive script that reads 'Postlethwaite & Netterville'.

Metairie, Louisiana
June 26, 2018

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

Assets

	2017	2016
Current assets:		
Cash and cash equivalents (Note 1 and 13)	\$ 2,554,120	\$ 1,649,360
Investments (Note 2 and 11)	9,987,532	6,170,279
Accounts receivable	203,253	614,805
Contributions receivable	136,983	211,968
Unconditional promises to give, net (Note 3)	591,595	438,475
Real estate held for sale, net (Note 4)	-	588,341
Deferred charges and prepaid expenses	41,616	54,748
Total current assets	<u>13,515,099</u>	<u>9,727,976</u>
Noncurrent assets:		
Cash and cash equivalents - endowments (Note 1 and 12)	2,129,814	1,077,836
Investments - endowments (Note 2, 8, 11, and 12)	72,068,803	64,833,192
Unconditional promises to give, net (Note 3)	349,510	72,931
Investments - wholly owned subsidiaries (Note 2 and 11)	264,525	3,273,386
Real estate, net (Note 4)	8,357,404	9,116,749
Other noncurrent assets	174,139	163,403
Total noncurrent assets	<u>83,344,195</u>	<u>78,537,497</u>
Total assets	<u>\$ 96,859,294</u>	<u>\$ 88,265,473</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 230,055	\$ 1,737,912
Amounts held in custody for others (Note 10)	680,231	925,882
Due to affiliates (Note 10)	43,750	-
Other current liabilities - due to University (Note 10)	571,641	309,849
Total current liabilities	<u>1,525,677</u>	<u>2,973,643</u>
Noncurrent liabilities:		
Amounts invested for others (Note 8 and 12)	22,115,761	19,776,860
Total noncurrent liabilities	<u>22,115,761</u>	<u>19,776,860</u>
Total liabilities	<u>23,641,438</u>	<u>22,750,503</u>
Net assets:		
Unrestricted	11,920,568	10,398,598
Temporarily restricted (Note 7 and 12)	29,183,436	23,788,485
Permanently restricted (Note 7 and 12)	32,113,852	31,327,887
Total net assets	<u>73,217,856</u>	<u>65,514,970</u>
Total liabilities and net assets	<u>\$ 96,859,294</u>	<u>\$ 88,265,473</u>

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

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidated Statements of Activities and Changes in Net Assets

For the years ended ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	\$ 998,440	\$ 2,869,306	\$ 735,266	\$ 4,603,012	\$ 454,683	\$ 2,465,718	\$ 527,643	\$ 3,448,044
Investment income (loss), net (Note 2)	1,855,623	6,548,843	19,973	8,424,439	606,976	3,223,165	(838)	3,829,303
Service fees (Note 1)	994,814	222,094	9,462	1,226,370	862,863	254,356	6,129	1,123,348
Rental income	1,572,103	-	-	1,572,103	1,789,843	-	-	1,789,843
Gain on insurance proceeds	472,871	-	-	472,871	458,429	-	-	458,429
Other income	10,988	-	3,929	14,917	542,677	-	-	542,677
Total support and revenue before net assets released from restrictions/transferred	5,904,839	9,640,243	768,630	16,313,712	4,715,471	5,943,239	532,934	11,191,644
Net assets released from restrictions/transferred:								
Net assets released from restrictions	4,227,957	(4,227,957)	-	-	4,360,313	(4,360,313)	-	-
Transfers	-	(17,335)	17,335	-	-	(125,750)	125,750	-
Total net assets released/transferred	4,227,957	(4,245,292)	17,335	-	4,360,313	(4,486,063)	125,750	-
Total revenue and support	10,132,796	5,394,951	785,965	16,313,712	9,075,784	1,457,176	658,684	11,191,644
Expenses:								
Program support (Note 9)	5,409,057	-	-	5,409,057	5,552,469	-	-	5,552,469
Property operations (Note 9)	1,382,659	-	-	1,382,659	1,079,687	-	-	1,079,687
Management and general (Note 9)	872,304	-	-	872,304	904,133	-	-	904,133
Fundraising (Note 9)	946,806	-	-	946,806	897,420	-	-	897,420
Total expenses	8,610,826	-	-	8,610,826	8,433,709	-	-	8,433,709
Change in net assets	1,521,970	5,394,951	785,965	7,702,886	642,075	1,457,176	658,684	2,757,935
Net assets at beginning of year	10,398,598	23,788,485	31,327,887	65,514,970	9,756,523	22,331,309	30,669,203	62,757,035
Net assets at end of year	<u>\$ 11,920,568</u>	<u>\$ 29,183,436</u>	<u>\$ 32,113,852</u>	<u>\$ 73,217,856</u>	<u>\$ 10,398,598</u>	<u>\$ 23,788,485</u>	<u>\$ 31,327,887</u>	<u>\$ 65,514,970</u>

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

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidated 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	\$ 7,702,886	\$ 2,757,935
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	398,556	403,907
Loss on sale of asset	109,254	-
Realized gain on investments, net	(1,728,810)	(314,584)
Unrealized gain on investments, net	(5,609,826)	(2,519,525)
Restricted long-term contributions pledged	(1,255,220)	(539,737)
Recovery of bad debt expense	-	80,075
Changes in assets and liabilities:		
Accounts and contributions receivable	486,537	156,072
Other assets	2,396	(16,444)
Accounts payable, accrued liabilities, and other liabilities	<u>(1,447,966)</u>	<u>147,355</u>
Net cash provided by (used in) operating activities	<u>(1,342,193)</u>	<u>155,054</u>
Cash flows from investing activities:		
Capitalized costs of improvements to real estate, property, and equipment	-	(811,386)
Proceeds from sales of real estate, property, and equipment	839,876	-
Purchases of investments, net	(705,367)	(438,501)
Change in amounts invested for others - noncurrent, net	<u>2,338,901</u>	<u>824,987</u>
Net cash provided by (used in) investing activities	<u>2,473,410</u>	<u>(424,900)</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	825,521	156,700
Repayment of bonds payable and capital lease obligation	<u>-</u>	<u>(188,000)</u>
Net cash provided by (used in) financing activities	<u>825,521</u>	<u>(31,300)</u>
Change in cash and cash equivalents	1,956,738	(301,146)
Cash and cash equivalents including restricted cash at beginning of year	<u>2,727,196</u>	<u>3,028,342</u>
Cash and cash equivalents including restricted cash at end of year	\$ <u>4,683,934</u>	\$ <u>2,727,196</u>
Composition of cash and cash equivalents:		
Current cash and cash equivalents	\$ 2,554,120	\$ 1,649,360
Non-current cash and cash equivalents - endowments	<u>2,129,814</u>	<u>1,077,836</u>
	\$ <u>4,683,934</u>	\$ <u>2,727,196</u>
SUPPLEMENTAL NON-CASH FLOW DISCLOSURE:		
Cash paid during the year for interest	\$ <u>-</u>	\$ <u>3,935</u>

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

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies

(a) *History and Organization*

The University of New Orleans Foundation (the Foundation), a registered nonprofit corporation in Louisiana, was established in 1984 with a mission of serving the University of New Orleans (the University) by raising private sector funds for the advancement of the University. During the year ended December 31, 2013, the Foundation created three wholly owned subsidiaries, University of New Orleans Foundation Real Estate Company, L.L.C. (UNOFREC), University of New Orleans Foundation Working Interest, L.L.C. (UNOFWI), and University of New Orleans Foundation Royalty Company, L.L.C. (UNOFRC), (collectively, the Foundation), which are disregarded entities for income tax purposes. The purpose of the subsidiaries is to receive and hold funds and property for the advancement of the University.

The consolidated 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 consolidated financial statements include the financial statements of the Foundation and its three wholly-owned controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are described below.

(b) *Financial Statement Presentation*

The Foundation follows the provisions for nonprofit organizations and includes three basic consolidated 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.
- 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.
- 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.

(c) *Cash and Cash Equivalents*

For the purposes of the consolidated 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) *Unconditional Promises to Give*

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectability.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(e) *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated ratably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

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 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.

(f) *Real Estate*

Real estate is held for investment, development, or sale purposes and is recorded at cost or fair market value on the date acquired. Depreciation of real estate (excluding land) is calculated on the straight-line basis ranging from 5 years to 20 years for improvements and equipment, and ranging from 20 years to 40 years for buildings.

(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. Depreciation of property, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from 3 years to 7 years for vehicles and equipment.

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) *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. 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.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(i) *Amounts Invested for Others and Amounts Held for Others*

Amounts invested for others represent funds held in trust for others. These amounts are not owned by the Foundation (see Note 8). The Foundation considers unexpended income from these funds as amounts invested for others. In addition, the Foundation administers the financial assets and maintains the financial records of other entities affiliated with the University, which are amounts held for others and not owned by the Foundation (see Note 10).

(j) *Restricted and Unrestricted Revenue*

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

Service fee revenue primarily relates to fees earned by the Foundation for managing the endowments on behalf of the University. Service fee revenue is recognized on a quarterly basis as a percentage of the endowment balances.

Rental income from operating leases is recognized over the terms of the related leases. Recoveries from tenants for operating expenses are recognized as revenues in the period the corresponding costs are incurred.

(k) *Fundraising Expenses*

All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year.

(l) *Income Taxes*

The Foundation is a nonprofit 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.

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.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(m) Use of Estimates

The preparation of consolidated 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 consolidated 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.

(n) Art Collections

In accordance with ASC 958-360-25-3, the Foundation has chosen to not capitalize collections and works of art. Due to the Foundation's policy on not capitalizing art collections, the Foundation has not recorded an amount for the art in the consolidated financial statements.

(o) Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to 2017 reporting.

(p) Recent Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The Foundation is currently assessing the impact of this pronouncement on the financial statements.

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.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(2) Investments

Investments are reported in the accompanying consolidated statements of financial position as follows:

	2017	2016
Current (restricted)	\$ 7,938,776	\$ 6,170,279
Current (unrestricted)	2,048,756	-
Total current	9,987,532	6,170,279
Noncurrent (endowed)	72,068,803	64,833,192
Noncurrent (invested in wholly owned subsidiaries)	264,525	3,273,386
Total investments	\$ 82,320,860	\$ 74,276,857

The composition of investments, stated at fair value, at December 31, was as follows:

	2017	2016
<u>Investments in securities</u>		
Fixed income bonds	\$ 25	\$ 72
Domestic equity securities	4,238,208	3,756,335
International equity securities	102,906	1,594,926
Mutual funds	73,361,412	61,479,035
Hedge fund of funds	4,353,784	4,173,103
Total investment in securities	82,056,335	71,003,471
Investments in wholly owned subsidiaries	264,525	3,273,386
Total investments	\$ 82,320,860	\$ 74,276,857

Investment income is reported net of investment expenses in the accompanying consolidated financial statements. Net investment income consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 1,209,240	\$ 1,105,675
Realized gains	1,728,810	314,584
Unrealized gains (losses), net	5,609,826	2,519,525
Investment related expenses	(123,437)	(110,481)
	\$ 8,424,439	\$ 3,829,303

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(3) Unconditional Promises to Give

Unconditional promises to give are included in the consolidated financial statements as unconditional promises to give and revenue in the appropriate net asset categories based on donor restrictions.

As of December 31, 2017 and 2016, unconditional promises to give were expected to be realized in the following periods:

	2017	2016
In one year or less- current	\$ 695,994	\$ 515,853
Between one year and five years	440,072	80,924
In five years or more	45,556	22,500
Less: Present value discount (5%)	(74,440)	(17,623)
Less: Allowances for uncollectible pledges	(166,077)	(90,248)
Promises to give, net	<u>\$ 941,105</u>	<u>\$ 511,406</u>

Unconditional promises to give have the following restrictions:

	2017	2016
Unrestricted	\$ 37,649	\$ 50,593
Temporarily restricted by donor imposed stipulations for university programs, activities, and building construction	794,460	342,480
Endowment for university programs and activities	108,996	188,333
	<u>\$ 941,105</u>	<u>\$ 511,406</u>

(4) Real Estate

In July 2001, the Foundation purchased from a private company a 108,000 square foot building in support of the University of New Orleans film program and designated the building as the Robert & Jeri Nims Center for Entertainment Arts and Multi-Media Technology (the "Nims Center") in honor of its primary benefactor. The property was purchased for approximately \$1.8 million, which was entirely financed through the issuance of bonds (see Note 6). The Foundation entered into a cooperative endeavor agreement with the University, whereby the University reimbursed the Foundation approximately \$200,000 annually for the use of the Nims Center from July 1, 2000 through June 30, 2016. This cooperative endeavor agreement was terminated in 2017.

During fiscal year 2012, the Foundation purchased the property for the UNO President's official residence. The residence is being leased to the University for \$1 per year for 30 years. The purchase of the property was internally financed through a Board approved loan of \$619,995 from the Foundation's general endowment funds to the unrestricted fund, which bears interest at a fixed rate of 4% and is being paid in monthly installments of principal and interest totaling \$2,946 over a thirty year period. Fifty percent of the annual cost of the principal and interest of approximately \$35,000 is received from University of New Orleans Research and Technology Foundation, Inc. (R&T), an affiliated entity. This property was sold during 2017 for a loss of \$2,037.

During fiscal year 2016, the Foundation purchased an alternative property for the UNO President's official residence for \$692,597. The residence is being leased to the University for \$1 per year for 20 years. The building and improvements are being depreciated over 40 years.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(4) Real Estate (continued)

During 2017, the Foundation sold the Chevron land and building for a loss of \$163,943.

Real estate held for investment or development consisted of the following at December 31:

	2017	2016
Chevron:		
Land	\$ -	\$ 129,000
Building	-	231,788
Official Residence:		
Land	217,194	217,194
Building and improvements	475,403	475,403
Nims Center Complex:		
Land	721,500	721,500
Building and improvements	9,722,786	9,722,786
Lee Circle Properties:		
Taylor Library land	100,000	100,000
	11,236,883	11,597,671
Less: accumulated depreciation	(2,879,479)	(2,480,922)
Total	\$ 8,357,404	\$ 9,116,749

Depreciation expense on real estate for the years ended December 31, 2017 and 2016 was \$398,556 and \$402,401, respectively.

(5) Property and Equipment

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Equipment – furniture	\$ 30,544	\$ 30,544
Equipment – other	356,008	356,008
	386,552	386,552
Less: accumulated depreciation	(386,552)	(386,552)
Total	\$ -	\$ -

Depreciation expense on property and equipment for each of the years ended December 31, 2017 and 2016 was \$0. The property and assets shown above are owned by the Foundation, but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(6) Bonds Payable

Bonds payable to a bank, interest payable semi-annually, and principal payable in annual installments ranging from \$170,000 to \$188,000, bearing interest at 2.093%, were due in 2016. These bonds were secured by land and building related to the Nims Center (see Note 4).

The bonds were paid off during the year ended December 31, 2016. Interest expense related to bonds payable during the year ended December 31, 2017 and 2016 was \$0 and \$2,295, respectively. Amortization of bond premium related to bonds payable during the year ending December 31, 2017 and 2016 was \$0 and \$1,506.

(7) Net Assets

Temporarily and permanently restricted net assets are restricted to the following at December 31:

	2017	2016
Temporarily restricted:		
Building fund	\$ 708,237	\$ 613,841
Scholarships and awards	4,658,731	3,661,727
Chairs and professorships	13,049,344	10,305,506
Faculty support	356,337	160,513
Research	701,967	557,456
Educational studies program	1,798,856	1,779,825
Departmental development	7,909,964	6,709,617
Total temporarily restricted	\$ 29,183,436	\$ 23,788,485
Permanently restricted:		
Scholarships and awards	\$ 5,053,128	\$ 4,398,141
Chairs and professorships	18,937,890	18,627,945
Faculty support	1,484,081	1,479,331
Research	1,754,801	1,747,990
Educational studies program	2,864,151	3,060,245
Departmental development	2,019,801	2,014,235
Total permanently restricted	\$ 32,113,852	\$ 31,327,887

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(8) The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships

One of the Foundation's primary objectives is to raise and manage funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships was created by the Louisiana legislature in 1983 to provide state funds to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts.

Endowed professorships are established at \$100,000 and endowed chairs at \$1,000,000, with the Board of Regents providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts.

The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Funds are pooled for investment purposes in the Foundation, but the Board of Regents' 40% match is recognized as a liability to the University under the caption "Amounts invested for others." The amount invested for others in noncurrent liabilities at December 31, 2017 and 2016, that was attributable to the Endowed Chairs and Professorships, was \$22,115,761 and \$19,776,860, respectively.

(9) Program Expenses

Program expenses during the year ended December 31, 2017, were incurred for:

	Program support	Property operations	Management & general	Fundraising	Total
Donations to University/affiliates	\$ 2,980,180	\$ 145,091	\$ -	\$ -	\$ 3,125,271
Fees for services	1,368,380	85,518	845,811	754,391	3,054,100
Advertising and promotion	22,945	304	-	15,210	38,459
Office expenses	248,395	51,028	24,463	108,068	431,954
Information technology	-	-	-	45,938	45,938
Occupancy	137	178,636	-	-	178,773
Travel	262,984	-	589	6,668	270,241
Conferences, meetings	350,620	-	1,017	13,395	365,032
Depreciation/amortization	-	398,556	-	-	398,556
Insurance	6,491	-	-	-	6,491
Other expenses	-	540	-	-	540
Cultivation/donations	59,671	-	424	3,136	63,231
Property operation /maintenance services	-	518,581	-	-	518,581
Property operation/maintenance supplies	-	4,405	-	-	4,405
Loss on asset sale	109,254	-	-	-	109,254
	<u>\$ 5,409,057</u>	<u>\$ 1,382,659</u>	<u>\$ 872,304</u>	<u>\$ 946,806</u>	<u>\$ 8,610,826</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(9) Program Expenses (continued)

Program expenses during the year ended December 31, 2016, were incurred for:

	Program support	Property operations	Management & general	Fundraising	Total
Donations to University/affiliates	\$ 3,321,619	\$ 159,587	\$ -	\$ -	\$ 3,481,206
Fees for services	1,285,627	103,789	871,084	811,350	3,071,850
Advertising and promotion	32,466	410	-	18,127	51,003
Office expenses	301,843	57,034	25,709	46,709	431,295
Information technology	-	-	-	3,725	3,725
Occupancy	137	175,909	-	-	176,046
Travel	248,111	1,189	411	4,927	254,638
Conferences, meetings	308,592	200	1,333	9,782	319,907
Interest	-	2,295	-	-	2,295
Depreciation/amortization	-	403,907	-	-	403,907
Insurance	7,124	-	-	-	7,124
Cultivation/donations	45,460	-	5,596	2,800	53,856
Property operation/maintenance services	1,490	170,837	-	-	172,327
Property operation/maintenance supplies	-	4,530	-	-	4,530
	<u>\$ 5,552,469</u>	<u>\$ 1,079,687</u>	<u>\$ 904,133</u>	<u>\$ 897,420</u>	<u>\$ 8,433,709</u>

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(10) Related Party/Affiliate Transactions

The Foundation administers the financial assets and maintains the financial records of the UNO International Alumni Association, the Privateer Athletic Foundation, and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounted to \$680,231 and \$925,882 at December 31, 2017 and 2016, respectively. These amounts represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses as well as provides certain services and support to the University. Support paid to the University included in expenses in 2017 and 2016 were \$3,125,271 and \$3,485,755, respectively. Additionally, the Foundation reimbursed the University for salaries of employees shared with the Foundation in 2017 and 2016 of \$710,194 and \$747,618, respectively. At December 31, 2017 and 2016, funds due to the University totaled \$571,641 and \$309,849, respectively.

The R&T Foundation provides administrative support to the Foundation for an annual amount of \$525,000 for each of the years ended December 31, 2017 and 2016. The Foundation also recorded \$87,479 and \$56,131 in subsidized expenses from R&T which were passed through to the University in 2017 and 2016, respectively. At December 31, 2017 and 2016, funds due from R&T totaled \$3,747 and \$2,464, respectively, and funds due to R&T totaled \$43,750 and \$0, respectively.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(11) Fair Value Measurements

The Financial Accounting Standard Board (“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. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Domestic and international fixed income instruments and corporate stocks: 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.

Wholly owned subsidiaries: Oil and gas interests and land are valued at the relative interest of the Foundation’s share by independent appraisals of fair value at time of contribution. Prepaid lease revenue is valued at the unrecognized portion of prepaid lease revenue for multi-year lease agreements held by a wholly owned subsidiary.

Hedge funds: Valued at the net asset value (“NAV”) of shares held at year end.

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 FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(11) Fair Value Measurements (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.

	Level 1	Level 2	Level 3	Total
Fixed income bonds	\$ -	\$ 25	\$ -	\$ 25
Domestic equity securities	4,238,208	-	-	4,238,208
International equity securities	102,906	-	-	102,906
Mutual funds	73,361,412	-	-	73,361,412
Wholly owned subsidiaries	-	-	264,525	264,525
Subtotal	<u>77,702,526</u>	<u>25</u>	<u>264,525</u>	<u>77,967,076</u>
Hedge fund of funds at NAV	-	-	-	4,353,784
Total investments at fair value	<u>\$ 77,702,526</u>	<u>\$ 25</u>	<u>\$ 264,525</u>	<u>\$ 82,320,860</u>

As of December 31, 2017, there were no assets measured at fair value on a nonrecurring basis.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2017.

	Wholly owned subsidiaries
Balance, beginning of year	\$ 3,273,386
Purchases/contributions	-
Sales	(3,010,822)
Unrealized gains (loss)	1,961
Balance, end of year	<u>\$ 264,525</u>

The following table represents the Foundation's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs as of December 31, 2017.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Wholly owned subsidiaries	\$ 264,525	Independent appraisals for fixed assets lease terms for prepaid lease revenue	Not applicable	Not applicable

The Foundation's investment in the hedge fund of funds at December 31, 2017 represents .50% ownership of all ownership interests in the fund. The hedge fund invests in directional, relative value, and event-driven hedge fund managed accounts. The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(11) Fair Value Measurements (continued)

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>
Hedge fund of funds	\$ 4,353,784	Not applicable	Quarterly	60 days

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>
Fixed income bonds	\$ -	\$ 72	\$ -	\$ 72
Domestic equity securities	3,756,335	-	-	3,756,335
International equity securities	1,594,926	-	-	1,594,926
Mutual funds	61,479,035	-	-	61,479,035
Wholly owned subsidiaries	-	-	3,273,386	3,179,182
Subtotal	66,830,296	72	3,273,386	70,103,754
Hedge fund of funds at NAV	-	-	-	4,173,103
Total investments at fair value	\$ 66,830,296	\$ 72	\$ 3,273,386	\$ 74,276,857

As of December 31, 2016, there were no assets measured at fair value on a nonrecurring basis.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2016.

	<u>Wholly owned subsidiaries</u>
Balance, beginning of year	\$ 3,308,073
Purchases/contributions	-
Sales	(33,330)
Unrealized gains (loss)	(1,357)
Balance, end of year	<u>\$ 3,273,386</u>

The following table represents the Foundation's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs as of December 31, 2016.

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Wholly owned subsidiaries	\$3,273,386	Independent appraisals	Not applicable	Not applicable

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(11) Fair Value Measurements (continued)

The Foundation's investment in the hedge fund of funds at December 31, 2016 represents .50% ownership of all ownership interests in the fund. The hedge fund invests in directional, relative value, and event-driven hedge fund managed accounts. The fair value of the investments in this class has 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 (NAVs) 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>
Hedge fund of funds	\$ 4,173,103	Not applicable	Quarterly	60 days

(12) Endowment Net Assets

In accordance with the requirements established by the FASB for endowment funds, the Foundation has provided information about the net assets of its endowment funds. The Foundation's Board of Directors (the Board) is of the belief that they have a strong fiduciary duty to manage the assets of the Foundation's endowments in the most prudent manner possible. The Board recognizes its responsibility to fulfill the donor's intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If the intent is not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions and preservation of the fund.

In accordance with the Foundation's policy, the Foundation generally allocates annually 4% of the latest 12 quarter fair market value average for all endowments subject to certain limitations. The date used to determine the fair market value is December 31 of each calendar year. The Board of Regents matched endowments do not receive spending allocations until the Board of Regents matches the private donation.

The goals and objectives of the Foundation's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to later generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year.

The strategies employed to achieve these objectives for the Board of Regents matching endowment is to follow the Board of Regents guidelines on investing the funds. The general endowments follow a strategy of guidelines of asset benchmarks and setting investment guidelines for allowed and prohibited investments and transactions.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(12) Endowment Net Assets (continued)

The amount invested for others in noncurrent liabilities at December 31, 2017 of \$22,115,761 is not included in the table below. The composition of the Foundation's endowments by net asset class at December 31, 2017 is:

	<u>Board designated</u>	<u>Temporarily donor restricted</u>	<u>Permanently donor restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 15,658,762	\$ 31,327,887	\$ 46,986,649
Interest/dividends	2,215	1,025,254	395	1,027,864
Realized gains	6,792	1,555,476	74	1,562,342
Unrealized gains	<u>3,790</u>	<u>4,245,964</u>	<u>19,595</u>	<u>4,269,349</u>
Total investment income	12,797	6,826,694	20,064	6,859,555
Contributions	<u>300,000</u>	<u>26,445</u>	<u>765,992</u>	<u>1,092,437</u>
Subtotal	312,797	6,853,139	786,056	7,951,992
Program expenses	-	(1,349,346)	-	(1,349,346)
Management expenses	(1,118)	(711,857)	(91)	(713,066)
Other changes	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Endowment net assets, end of year	<u>\$ 311,679</u>	<u>\$ 20,450,198</u>	<u>\$ 32,113,852</u>	<u>\$ 52,875,729</u>

The amount invested for others in noncurrent liabilities at December 31, 2016 of \$19,776,860 is not included in the table below. The composition of the Foundation's endowments by net asset class as of December 31, 2016 is:

	<u>Temporarily donor restricted</u>	<u>Permanently donor restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 14,026,332	\$ 30,669,203	\$ 44,695,535
Interest/dividends	1,005,327	-	1,005,327
Realized gains (losses)	278,352	(35)	278,317
Unrealized gains (losses)	<u>2,082,273</u>	<u>(803)</u>	<u>2,081,470</u>
Total investment income (loss)	3,365,952	(838)	3,365,114
Contributions (withdrawals)	<u>20,569</u>	<u>659,522</u>	<u>680,091</u>
Subtotal	3,386,521	658,684	4,045,205
Program expenses	(1,108,864)	-	(1,108,864)
Management expenses	<u>(645,227)</u>	<u>-</u>	<u>(645,227)</u>
Endowment net assets, end of year	<u>\$ 15,658,762</u>	<u>\$ 31,327,887</u>	<u>\$ 46,986,649</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(12) Endowment Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the original donated amount, the corpus. In the event an endowment falls below its corpus, the Foundation's unrestricted net assets are utilized to restore each endowment to its corpus (supplement). As of December 31, 2017 and 2016, the total fair market value of those endowments under their corpus increased by \$268,553 and \$140,177, respectively, decreasing the Foundation's supplement to \$0 and \$268,553, respectively.

(13) 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.

(14) Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 26, 2018, and determined that there were no subsequent events requiring disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statements

December 31, 2017

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UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Financial Position

As of December 31, 2017

	<u>UNOF</u>	<u>UNOFREC</u>	<u>UNOFWI</u>	<u>UNOFRC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,423,936	\$ 67,375	\$ 33,932	\$ 28,877	\$ -	\$ 2,554,120
Investments	9,987,532	-	-	-	-	9,987,532
Accounts receivable	203,253	-	(41)	41	-	203,253
Contributions receivable	136,983	-	-	-	-	136,983
Unconditional promises to give, net	591,595	-	-	-	-	591,595
Deferred charges and prepaid expenses	41,616	-	-	-	-	41,616
Total current assets	<u>13,384,915</u>	<u>67,375</u>	<u>33,891</u>	<u>28,918</u>	<u>-</u>	<u>13,515,099</u>
Noncurrent assets:						
Cash and cash equivalents	2,129,814	-	-	-	-	2,129,814
Investments - endowments	72,068,803	-	-	-	-	72,068,803
Unconditional promises to give, net	349,510	-	-	-	-	349,510
Investments - wholly owned subsidiaries	-	-	-	-	264,525	264,525
Real estate, net	8,357,404	749,925	-	-	(749,925)	8,357,404
Property and equipment, net	-	-	61,058	-	(61,058)	-
Other noncurrent assets	174,139	-	-	35,107	(35,107)	174,139
Total noncurrent assets	<u>83,079,670</u>	<u>749,925</u>	<u>61,058</u>	<u>35,107</u>	<u>(581,565)</u>	<u>83,344,195</u>
Total assets	<u>\$ 96,464,585</u>	<u>\$ 817,300</u>	<u>\$ 94,949</u>	<u>\$ 64,025</u>	<u>\$ (581,565)</u>	<u>\$ 96,859,294</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 230,055	\$ -	\$ 649	\$ 580,916	\$ (581,565)	\$ 230,055
Amounts held in custody for others	680,231	-	-	-	-	680,231
Due to affiliates	43,750	-	-	-	-	43,750
Other current liabilities - due to University	571,641	-	-	-	-	571,641
Total current liabilities	<u>1,525,677</u>	<u>-</u>	<u>649</u>	<u>580,916</u>	<u>(581,565)</u>	<u>1,525,677</u>
Noncurrent liabilities:						
Amounts invested for others	22,115,761	-	-	-	-	22,115,761
Total noncurrent liabilities	<u>22,115,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,115,761</u>
Total liabilities	<u>23,641,438</u>	<u>-</u>	<u>649</u>	<u>580,916</u>	<u>(581,565)</u>	<u>23,641,438</u>
Net assets:						
Unrestricted	11,525,859	817,300	94,300	(516,891)	-	11,920,568
Temporarily restricted	29,183,436	-	-	-	-	29,183,436
Permanently restricted	32,113,852	-	-	-	-	32,113,852
Total net assets	<u>72,823,147</u>	<u>817,300</u>	<u>94,300</u>	<u>(516,891)</u>	<u>-</u>	<u>73,217,856</u>
Total liabilities and net assets	<u>\$ 96,464,585</u>	<u>\$ 817,300</u>	<u>\$ 94,949</u>	<u>\$ 64,025</u>	<u>\$ (581,565)</u>	<u>\$ 96,859,294</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Financial Position

As of December 31, 2016

	<u>UNOF</u>	<u>UNOFREC</u>	<u>UNOFWI</u>	<u>UNOFRC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,541,279	\$ 67,375	\$ 12,996	\$ 27,710	\$ -	\$ 1,649,360
Investments	6,170,279	-	-	-	-	6,170,279
Accounts receivable	614,805	-	860	36	(896)	614,805
Contributions receivable	211,968	-	-	-	-	211,968
Unconditional promises to give, net	438,475	-	-	-	-	438,475
Real estate held for sale, net	588,341	-	-	-	-	588,341
Deferred charges and prepaid expenses	54,748	-	-	-	-	54,748
Total current assets	<u>9,619,895</u>	<u>67,375</u>	<u>13,856</u>	<u>27,746</u>	<u>(896)</u>	<u>9,727,976</u>
Noncurrent assets:						
Cash and cash equivalents - endowments	1,077,836	-	-	-	-	1,077,836
Investments - endowments	64,833,192	-	-	-	-	64,833,192
Unconditional promises to give, net	72,931	-	-	-	-	72,931
Investments - wholly owned subsidiaries	-	-	-	-	3,273,386	3,273,386
Real estate, net	9,116,749	3,179,182	-	-	(3,179,182)	9,116,749
Property and equipment, net	-	-	61,058	-	(61,058)	-
Other noncurrent assets	163,403	-	-	35,107	(35,107)	163,403
Total noncurrent assets	<u>75,264,111</u>	<u>3,179,182</u>	<u>61,058</u>	<u>35,107</u>	<u>(1,961)</u>	<u>78,537,497</u>
Total assets	<u>\$ 84,884,006</u>	<u>\$ 3,246,557</u>	<u>\$ 74,914</u>	<u>\$ 62,853</u>	<u>\$ (2,857)</u>	<u>\$ 88,265,473</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,737,912	\$ (35)	\$ 2,927	\$ (35)	\$ (2,857)	\$ 1,737,912
Amounts held in custody for others	925,882	-	-	-	-	925,882
Due to affiliates	-	-	-	-	-	-
Other current liabilities - due to University	309,849	-	-	-	-	309,849
Total current liabilities	<u>2,973,643</u>	<u>(35)</u>	<u>2,927</u>	<u>(35)</u>	<u>(2,857)</u>	<u>2,973,643</u>
Noncurrent liabilities:						
Amounts invested for others	19,776,860	-	-	-	-	19,776,860
Total noncurrent liabilities	<u>19,776,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,776,860</u>
Total liabilities	<u>22,750,503</u>	<u>(35)</u>	<u>2,927</u>	<u>(35)</u>	<u>(2,857)</u>	<u>22,750,503</u>
Net assets:						
Unrestricted	7,017,131	3,246,592	71,987	62,888	-	10,398,598
Temporarily restricted	23,788,485	-	-	-	-	23,788,485
Permanently restricted	31,327,887	-	-	-	-	31,327,887
Total net assets	<u>62,133,503</u>	<u>3,246,592</u>	<u>71,987</u>	<u>62,888</u>	<u>-</u>	<u>65,514,970</u>
Total liabilities and net assets	<u>\$ 84,884,006</u>	<u>\$ 3,246,557</u>	<u>\$ 74,914</u>	<u>\$ 62,853</u>	<u>\$ (2,857)</u>	<u>\$ 88,265,473</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Activities and Changes in Net Assets

For the year ended December 31, 2017

	<u>UNOF</u>	<u>UNOFREC</u>	<u>UNOFWI</u>	<u>UNOFRC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
Changes in unrestricted net assets:						
Unrestricted revenue and support						
Contributions	\$ 998,440	\$ -	\$ -	\$ -	\$ -	\$ 998,440
Investment income (loss)	1,236,318	-	-	-	619,305	1,855,623
Service fees	994,814	-	-	-	-	994,814
Rental income	1,572,103	-	-	159,215	(159,215)	1,572,103
Gain on insurance proceeds	472,871	-	-	-	-	472,871
Other income	10,988	436,571	49,198	1,313	(487,082)	10,988
Total unrestricted revenue and support before net assets released from restrictions	5,285,534	436,571	49,198	160,528	(26,992)	5,904,839
Net assets released from restrictions/transfers:						
Net assets released from restrictions	4,227,957	-	-	-	-	4,227,957
Transfers	-	-	-	-	-	-
Total unrestricted revenue and support	9,513,491	436,571	49,198	160,528	(26,992)	10,132,796
Expenses:						
Program support	5,409,057	-	-	-	-	5,409,057
Property operations	1,382,659	-	26,850	142	(26,992)	1,382,659
Management and general	872,304	-	-	-	-	872,304
Fundraising	946,806	-	-	-	-	946,806
Total expenses	8,610,826	-	26,850	142	(26,992)	8,610,826
Change in unrestricted net assets	\$ 902,665	\$ 436,571	\$ 22,348	\$ 160,386	\$ -	\$ 1,521,970

(continued)

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Activities and Changes in Net Assets

For the year ended December 31, 2017

	<u>UNOF</u>	<u>UNOFREC</u>	<u>UNOFWI</u>	<u>UNOFRC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
Changes in temporarily restricted net assets:						
Temporarily restricted revenue and support						
Contributions	\$ 2,869,306	\$ -	\$ -	\$ -	\$ -	\$ 2,869,306
Investment income (loss)	6,548,843	-	-	-	-	6,548,843
Service fees	222,094	-	-	-	-	222,094
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total temporarily restricted revenue and support before net assets released from restrictions/transfers	9,640,243	-	-	-	-	9,640,243
Net assets released from restrictions/transfers:						
Net assets released from restrictions	(4,227,957)	-	-	-	-	(4,227,957)
Transfers	(17,335)	-	-	-	-	(17,335)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in temporarily restricted net assets	5,394,951	-	-	-	-	5,394,951
Changes in permanently restricted net assets:						
Permanently restricted revenue and support						
Contributions	735,266	-	-	-	-	735,266
Investment income (loss)	19,973	-	-	-	-	19,973
Service fees	9,462	-	-	-	-	9,462
Other income	3,929	-	-	-	-	3,929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total permanently restricted revenue and support before net assets released from restrictions/transfers	768,630	-	-	-	-	768,630
Net assets released from restrictions/transfers:						
Net assets released from restrictions	-	-	-	-	-	-
Transfers	17,335	-	-	-	-	17,335
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in permanently restricted net assets	785,965	-	-	-	-	785,965
Change in net assets	7,083,581	436,571	22,348	160,386	-	7,702,886
Owner contributions/(withdrawals)	3,606,063	(2,865,863)	(35)	(740,165)	-	-
Net assets, at beginning of year	62,133,503	3,246,592	71,987	62,888	-	65,514,970
Net assets, at end of year	<u>\$ 72,823,147</u>	<u>\$ 817,300</u>	<u>\$ 94,300</u>	<u>\$ (516,891)</u>	<u>\$ -</u>	<u>\$ 73,217,856</u>

See accompanying independent auditors' report.

(concluded)

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Activities and Changes in Net Assets

For the year ended December 31, 2016

	<u>UNOF</u>	<u>UNOFREC</u>	<u>UNOFWI</u>	<u>UNOFRC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
Changes in unrestricted net assets:						
Unrestricted support and revenue						
Contributions	\$ 454,683	\$ -	\$ -	\$ -	\$ -	\$ 454,683
Investment income	517,620	-	-	-	89,356	606,976
Service fees	862,863	-	-	-	-	862,863
Rental income	1,789,843	-	-	-	-	1,789,843
Gain on insurance proceeds	458,429	-	-	-	-	458,429
Other income	542,677	86,317	16,742	1,380	(104,439)	542,677
Total unrestricted support and revenue before net assets released from restrictions	<u>4,626,115</u>	<u>86,317</u>	<u>16,742</u>	<u>1,380</u>	<u>(15,083)</u>	<u>4,715,471</u>
Net assets released from restrictions/transfers:						
Net assets released from restrictions	4,360,313	-	-	-	-	4,360,313
Transfers	-	-	-	-	-	-
Total net assets released/transferred	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted support and revenue	<u>8,986,428</u>	<u>86,317</u>	<u>16,742</u>	<u>1,380</u>	<u>(15,083)</u>	<u>9,075,784</u>
Expenses:						
Program support	5,552,469	-	-	-	-	5,552,469
Property operations	1,079,687	-	14,990	93	(15,083)	1,079,687
Management and general	904,133	-	-	-	-	904,133
Fundraising	897,420	-	-	-	-	897,420
Total expenses	<u>8,433,709</u>	<u>-</u>	<u>14,990</u>	<u>93</u>	<u>(15,083)</u>	<u>8,433,709</u>
Change in unrestricted net assets	<u>\$ 552,719</u>	<u>\$ 86,317</u>	<u>\$ 1,752</u>	<u>\$ 1,287</u>	<u>\$ -</u>	<u>\$ 642,075</u>

(continued)

UNIVERSITY OF NEW ORLEANS FOUNDATION

Consolidating Statement of Activities and Changes in Net Assets

For the year ended December 31, 2016

	UNOF	UNOFREC	UNOFWI	UNOFRC	Eliminating Entries	Consolidated Total
Changes in temporarily restricted net assets:						
Temporarily restricted support and revenue						
Contributions	\$ 2,465,718	\$ -	\$ -	\$ -	\$ -	\$ 2,465,718
Investment income (loss)	3,223,165	-	-	-	-	3,223,165
Service fees	254,356	-	-	-	-	254,356
Total temporarily restricted support and revenue before net assets released from restrictions/transfers	5,943,239	-	-	-	-	5,943,239
Net assets released from restrictions/transfers:						
Net assets released from restrictions	(4,360,313)	-	-	-	-	(4,360,313)
Transfers	(125,750)	-	-	-	-	(125,750)
Total net assets released/ transferred	1,457,176	-	-	-	-	1,457,176
Change in temporarily restricted net assets						
Changes in permanently restricted net assets:						
Permanently restricted support and revenue						
Contributions	527,643	-	-	-	-	527,643
Investment income (loss)	(838)	-	-	-	-	(838)
Service fees	6,129	-	-	-	-	6,129
Total permanently restricted support and revenue before net assets released from restrictions/transfers	532,934	-	-	-	-	532,934
Net assets released from restrictions/transfers:						
Net assets released from restrictions	-	-	-	-	-	-
Transfers	125,750	-	-	-	-	125,750
Change in permanently restricted net assets	658,684	-	-	-	-	658,684
Change in net assets	2,668,579	86,317	1,752	1,287	-	2,757,935
Net assets, at beginning of year	59,464,924	3,160,275	70,235	61,601	-	62,757,035
Net assets, at end of year	\$ 62,133,503	\$ 3,246,592	\$ 71,987	\$ 62,888	\$ -	\$ 65,514,970

See accompanying independent auditors' report.

(concluded)

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedules

December 31, 2017

Schedule 1 – Privateer Athletic Foundation – Revenue, Support, and Expenses	30
Schedule 2 – University of New Orleans International Alumni Association – Revenue, Support, and Expenses	31
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UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 1 - Privateer Athletic Foundation

Schedule of Revenue, Support, and Expenses

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and support		
Program revenues	\$ 19,591	\$ 57,944
Contributions and bequests	<u>138,445</u>	<u>125,621</u>
Total revenue and support	<u>158,036</u>	<u>183,565</u>
Expenses		
Program support	224,019	155,921
General and administrative	<u>2,500</u>	<u>3,167</u>
Total expenses	<u>226,519</u>	<u>159,088</u>
Excess of revenues over expenses/(expenses over revenues)	\$ <u><u>(68,483)</u></u>	\$ <u><u>24,477</u></u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 2 - University of New Orleans
International Alumni Association
Schedule of Revenue, Support, and Expenses

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and support		
Program revenues	\$ 149,428	\$ 195,992
Contributions and bequests	268,168	285,150
Investment income	<u>87</u>	<u>-</u>
Total revenue and support	<u>417,683</u>	<u>481,142</u>
Expenses		
Program support	464,260	297,981
General and administrative	<u>13,691</u>	<u>3,228</u>
Total expenses	<u>477,951</u>	<u>301,209</u>
Excess of revenues over expenses/(expenses over revenues)	<u>\$ (60,268)</u>	<u>\$ 179,933</u>

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 3 - National Collegiate Athletic Association
Schedule of Revenue, Support, Expenses, and Capitalized Expenditures
Made to or on Behalf of the University's Intercollegiate Athletics Program

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and support		
Contributions, net of management fee	\$ 73,242	\$ 8,075
Endowment spending allocation	<u>2,152</u>	<u>1,625</u>
Total revenue and support	<u>75,394</u>	<u>9,700</u>
Expenses		
Program support	<u>5,456</u>	<u>-</u>
Total expenses	<u>5,456</u>	<u>-</u>
Excess of revenues over expenses	<u>\$ 69,938</u>	<u>\$ 9,700</u>

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of New Orleans Foundation (a nonprofit organization) (the Foundation) and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads 'Postlethwaite & Netterville' in a cursive script.

June 26, 2018
Metairie, Louisiana