

**MCNEESE STATE UNIVERSITY
ALUMNI ASSOCIATION
Lake Charles, Louisiana**

**Annual Financial Report
June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McNeese State University Alumni Association
Lake Charles, Louisiana

Disclaimer of Opinion

We were engaged to audit the financial statements of McNeese State University Alumni Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of McNeese State University Alumni Association. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence to determine the extent of alleged unauthorized and alleged misuse of financial assets and the appropriate classification within the statements of financial position, statements of activities and cash flows. See note 8 for additional alleged information related to our basis for disclaimer of opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McNeese State University Alumni Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Financial Statements

Our responsibility is to conduct an audit of McNeese State University Alumni Association 's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of McNeese State University Alumni Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
August 19, 2022

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Statement of Financial Position
As of June 30, 2021

Assets		
Current Assets		
Cash and cash equivalents	\$	496,542
Certificates of deposit		119,813
Prepaid expenses		17,394
Inventory		5,360
Total Current Assets		<u>639,109</u>
Property and Equipment		
Equipment, fixtures & building improvements		153,044
Less accumulated depreciation		(139,004)
Total Property and Equipment		<u>14,040</u>
Total Assets	\$	<u><u>653,149</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$	10,224
Total Current Liabilities		<u>10,224</u>
Net Assets		
Without Donor Restrictions		
Board designated		40,915
Undesignated		509,834
Total Net Assets Without Donor Restrictions		<u>550,749</u>
With Donor Restrictions		<u>92,176</u>
Total Net Assets		<u>642,925</u>
Total Liabilities and Net Assets	\$	<u><u>653,149</u></u>

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Public Support, Revenues, and Reclassifications			
Public support			
Contributions	\$ 101,039	\$ 26,230	\$ 127,269
Contributed facilities, salaries and expenses	213,982	-	213,982
Total public support	315,021	26,230	341,251
Revenues and reclassifications			
Interest	1,293	-	1,293
License plate revenue	-	48,396	48,396
Miscellaneous programs and events	35,158	-	35,158
Total revenue and reclassifications	36,451	48,396	84,847
Net assets released from restrictions			
Satisfaction of program restrictions	46,916	(46,916)	-
Total public support, revenues, & reclassifications	398,388	27,710	426,098
Expenses			
Program services (direct expenses):			
Alumni chapters	6,116	-	6,116
Alumni events	6,695	-	6,695
Scholarships	66,000	-	66,000
MSU donations	18,562	-	18,562
Total program services	\$ 97,373	\$ -	\$ 97,373

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Statement of Activities (Continued)
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support services			
General administration			
Auditing and accounting	\$ 6,250	\$ -	\$ 6,250
Bank charges	3,456	-	3,456
Cable	11	-	11
Car allowance	450	-	450
Computer software/equipment	28,063	-	28,063
Contract labor	8,796	-	8,796
Depreciation	2,580	-	2,580
Dues	432	-	432
Insurance	1,750	-	1,750
Meetings	248	-	248
Office	611	-	611
Printing	3,884	-	3,884
Promotion	1,961	-	1,961
Rent	21,352	-	21,352
Salaries and benefits paid by MSU	182,030	-	182,030
Supplies	1,502	-	1,502
Miscellaneous	1,451	-	1,451
Total support services	<u>264,827</u>	<u>-</u>	<u>264,827</u>
Questioned expenses	<u>50,159</u>	<u>-</u>	<u>50,159</u>
Total expenses	<u>412,359</u>	<u>-</u>	<u>412,359</u>
Change in net assets	<u>(13,971)</u>	<u>27,710</u>	<u>13,739</u>
Net assets - Beginning of Year	564,720	64,466	629,186
Net assets - End of Year	<u>\$ 550,749</u>	<u>\$ 92,176</u>	<u>\$ 642,925</u>

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows From Operating Activities

Receipts from contributors, programs, and passthrough events	\$ 210,823
Payments for programs, supporting services, and fundraising	(188,146)
Interest earned	1,293
	23,970

Net Cash Provided (Used) by Operating Activities	23,970
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Cash Flows From Investing Activities

(Purchase) redemption of certificates of deposit	(917)
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Net Cash Provided (Used) by Investing Activities	(917)
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Net Increase (Decrease) in Cash and Cash Equivalents	23,053
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Cash and Cash Equivalents - Beginning of Year	473,489
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Cash and Cash Equivalents - End of Year	\$ 496,542
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MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2021

**Reconciliation of operating income to net cash
provided (used) by operating activities:**

Change in net assets	\$	13,739
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation		2,580
(Increase) decrease in prepaid expenses		(2,158)
Increase (decrease) in accounts payable		<u>9,809</u>
 Net Cash Provided (Used) by Operating Activities	 \$	 <u><u>23,970</u></u>

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

McNeese State University Alumni Association is a nonprofit corporation organized to stimulate and nurture alumni interest in McNeese State University in order to enhance the university in its mission to provide support for students in the education and training needed to participate more effectively in the intellectual, economic, social and cultural life of our society. The Association's support comes from individual donor's contributions.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Association also follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets available subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Assets (Continued)

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

Program activities:	
Alumni Chapters	\$ 46,633
Scholarships	42,543
McNeese State University Department Donations	3,000
	<u>\$ 92,176</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended June 30, 2021:

Purpose restrictions satisfied:	
Alumni Chapter Activities	\$ 6,136
Scholarships Distributed	35,000
Restricted Donations	5,780
Total	<u>\$ 46,916</u>

In addition to the net assets with donor restrictions the Association's board has designated net assets without donor restrictions for the following purposes:

Liquidity Reserve	\$ 35,000
Campaign Fundraiser Reserve	5,915
	<u>\$ 40,915</u>

Accounting 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 and disclosures. Accordingly, actual results could differ from those estimates.

Pledges

Unconditional promises to give or pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give or pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. There were no pledges that are to be collected in future years as of June 30, 2021. Conditional promises to give are not included as support until such time as the conditions are substantially met.

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair market value at the date of donation for contributed assets. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Depreciation of property and equipment totaled \$2,580 for the fiscal year ended June 30, 2021 and is computed principally by the straight-line method over the following estimated useful lives:

	Years
Building Improvements	10
Equipment, furniture and fixtures	3 - 10

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. Accordingly, no provision for federal and state income taxes is included in the financial statements.

McNeese State University Alumni Association's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after it is filed.

Contributed Services and Facilities

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. McNeese State University owns the facility that houses the McNeese State University Alumni Association. Office space is provided at no cost to the Association. The McNeese State University Foundation allows the Alumni Association to utilize their fundraising and donor management software at no cost.

Inventory

Supply inventories are stated at lower of cost or market. Cost is determined using the specific identification method.

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Values of Financial Instruments

The Association has a number of financial instruments, none of which is held for trading purposes. The Association estimates that the fair value of all financial instruments as of June 30, 2021, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, prepaid expenses, inventory and accounts payable approximate their fair values based on their short-term nature.

Revenue Recognition

On January 1, 2019, the Association adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgements and changes in judgements, as well as assets recognized from costs incurred to obtain or fulfill a contract.

Fundraising and event revenues representing reciprocal transfers (exchange transactions) are recognized when the performance obligation is satisfied. The Association's estimate of the transaction price is determined based on the cost expended to provide such goods or services.

The following table presents the Association's net revenue disaggregated based on the revenue source:

	<u>For the year ended June 30, 2021</u>
Sales of merchandise (net of cost)	\$ -0-
Fundraising event exchange transactions	7,728
Total revenue from contracts with customers	<u><u>\$ 7,728</u></u>

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 2 - FIXTURES, EQUIPMENT, AND BUILDING IMPROVEMENTS

The following is a summary of fixtures, equipment, and building improvements as of June 30, 2021:

Fixtures	\$ 100,109
Equipment	51,463
Building Improvements	1,472
Less: Accumulated Depreciation	<u>(139,004)</u>
Total	<u>\$ 14,040</u>

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at several financial institutions located in Southwest Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2021, the Association's unsecured cash balances total \$69,239.

NOTE 5 - CONTRIBUTED FACILITIES, SALARIES, AND EXPENSES

The facilities and salaries contributed by McNeese State University are done so under the Affiliation Agreement between the University and the Alumni Association. The value of the contributed services, facilities, and expenses and the corresponding expenditures included in the financial statements for the year ended June 30, 2021 are as follows:

<u>Public Support</u>	
Contributed facilities, salaries and expenses	\$ 213,982
 <u>Expenses</u>	
Rent	21,352
Computer software/equipment	10,600
Salaries and benefits	<u>182,030</u>
Total	<u>\$ 213,982</u>

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 6 - INVESTMENTS

The Association applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.

Level 2 inputs are inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

As of June 30, 2021, the Association's investments measured on a recurring basis consisted of certificates of deposit with fair market value (Level 2) and costs bases as follows:

	Cost	Fair Value	Unrealized Gain(Loss)
Certificates of Deposit (Level 2 Cost Basis)	\$ 119,813	\$ 119,813	\$ -0-

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association has \$517,301 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$397,488 and certificates of deposit totaling \$119,813. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Association has a goal to maintain financial assets which consist of cash on hand and investments to meet 60 days of normal operating expenses, which are, on average, approximately \$30,000. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Association deposits cash in excess of daily requirements in interest bearing certificates of deposit.

MCNEESE STATE UNIVERSITY ALUMNI ASSOCIATION
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2021

NOTE 8 - ALLEDGED DIVERSION AND SUBSEQUENT EVENT

The Association incurred an alleged unauthorized and alleged misuse of financial assets by a former employee serving the Association. While the total amount of the alleged unauthorized and alleged misuse is unknown at the financial statement date, the amount currently in question that was incurred during the fiscal year ending June 30, 2021 is estimated to total \$50,159.

The Association evaluated its June 30, 2021 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The estimated alleged unauthorized and alleged misuse under investigation that was incurred in the subsequent fiscal year is estimated to total \$158,106. The total amount of alleged unauthorized and alleged misuse of financial assets under investigation is estimated to total \$208,265. The total alleged unauthorized and alleged misuse of financial assets is an estimate subject to change in the near term and the final alleged loss has not yet been determined.

SUPPLEMENTAL INFORMATION

McNeese State University Alumni Association

Schedule of Compensation, Benefits and Other Payments to Executive Director

June 30, 2021

Agency Head Name: Joyce Patterson, Director for Alumni Affairs

Purpose	Amount
Salary	\$ 0.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	180.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements – Auto Mileage Reimb	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00