

# Xavier University of Louisiana

Financial Statements as of and  
for the Year Ended June 30, 2022, and  
Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of Xavier University of Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Xavier University of Louisiana (the "University"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, of expenses by functional and natural categories and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Xavier University of Louisiana as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Supplemental Schedule**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of the University's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such schedule has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedule is fairly stated in all material respects in relation to the 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 April 30, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the University's 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 University's internal control over financial reporting and compliance.

Deloitte & Touche LLP

April 30, 2023

# XAVIER UNIVERSITY OF LOUISIANA

## STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022

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### ASSETS

CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ 13,830,812
GRANTS RECEIVABLE	7,051,143
ACCOUNTS RECEIVABLE—Net	3,486,783
PLEDGES RECEIVABLE—Net	5,984,605
PREPAID EXPENSES AND OTHER ASSETS	5,351,586
FEDERAL LOANS RECEIVABLE—Net	1,808,920
INVESTMENTS	181,690,122
PROPERTY, PLANT, AND EQUIPMENT—Net	<u>233,681,790</u>
TOTAL ASSETS	<u>\$452,885,761</u>

### LIABILITIES AND NET ASSETS

#### LIABILITIES:

Accounts payable and accrued expenses	\$ 14,580,816
Refundable deposits	705,666
Contract liability	1,907,206
Leases liabilities	2,627,392
Mortgage payable	3,579,024
Federal student loan funds	<u>3,208,966</u>
Total liabilities	<u>26,609,070</u>

#### COMMITMENTS AND CONTINGENCIES (Note 20)

#### NET ASSETS:

Without donor restrictions	324,883,041
With donor restrictions	<u>101,393,650</u>

TOTAL NET ASSETS	<u>426,276,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$452,885,761</u>

See notes to financial statements.

# XAVIER UNIVERSITY OF LOUISIANA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees—net (Note 17)	\$ 48,228,536	\$ -	\$ 48,228,536
Government grants and contracts (Notes 2 and 17)	39,109,724	-	39,109,724
Private gifts and pledges (Notes 2 and 5)	8,006,726	16,156,661	24,163,387
Recovery of facilities and administrative costs	3,011,441	-	3,011,441
Other income	1,577,567	2,900	1,580,467
Endowment spending used in operations (Note 8)	10,670,491	882,105	11,552,596
Investment income used in operations	45,646	-	45,646
Auxiliary enterprises (Note 17)	16,771,257	-	16,771,257
Net assets released from restrictions (Note 18)	<u>5,103,751</u>	<u>(5,103,751)</u>	<u>-</u>
Total operating revenues and support	<u>132,525,139</u>	<u>11,937,915</u>	<u>144,463,054</u>
OPERATING EXPENSES: (Note 2)			
Educational activities	45,217,886	-	45,217,886
Research	12,681,552	-	12,681,552
Auxiliary enterprises	10,258,695	-	10,258,695
Student services	18,976,961	-	18,976,961
Support services	<u>44,499,990</u>	<u>-</u>	<u>44,499,990</u>
Total operating expenses	<u>131,635,084</u>	<u>-</u>	<u>131,635,084</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES (NOTE 2)	<u>890,055</u>	<u>11,937,915</u>	<u>12,827,970</u>
NON-OPERATING ACTIVITIES:			
Investment return—net (Note 7)	(14,557,837)	(9,384,030)	(23,941,867)
Endowment income distributed for operations (Note 8)	<u>(10,670,491)</u>	<u>(882,105)</u>	<u>(11,552,596)</u>
Change in net assets from non-operating activities (Note 2)	<u>(25,228,328)</u>	<u>(10,266,135)</u>	<u>(35,494,463)</u>
CHANGE IN NET ASSETS	(24,338,273)	1,671,780	(22,666,493)
NET ASSETS—Beginning of year	<u>349,221,314</u>	<u>99,721,870</u>	<u>448,943,184</u>
NET ASSETS—End of year	<u>\$ 324,883,041</u>	<u>\$ 101,393,650</u>	<u>\$ 426,276,691</u>

See notes to financial statements.

# XAVIER UNIVERSITY OF LOUISIANA

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (22,666,493)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	7,750,380
Provision for losses on pledges receivable	12,653
Net unrealized loss on investments	33,899,671
Changes in operating assets and liabilities:	
Accounts, grants, and federal loans receivable	385,483
Pledges receivable	(4,151,823)
Prepaid expenses and other assets	(432,653)
Federal loans payable	(498,828)
Accounts payable and accrued liabilities	357,905
Contract liabilities	888,593
Refundable deposits	(5,819)
Contributions and grants restricted for long-term investment	<u>(2,517,385)</u>
Net cash provided by operating activities	<u>13,021,684</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(182,371,209)
Proceeds from sales of investments net of fees	184,469,219
Investment activity net of fees	(6,985,443)
Purchase of property, plant and equipment	<u>(11,038,743)</u>
Net cash used for investing activities	<u>(15,926,176)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from mortgage payable	3,579,024
Repayment of financing lease liabilities	(749,589)
Repayment of operating lease liabilities	(136,386)
Proceeds from contributions and grants restricted for long-term investment	<u>2,517,385</u>
Net cash provided by financing activities	<u>5,210,434</u>

NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH 2,305,942

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR 11,524,870

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR \$ 13,830,812

SUPPLEMENTAL DISCLOSURE—Interest paid in cash \$ 84,650

See notes to financial statements.

**XAVIER UNIVERSITY OF LOUISIANA**

**STATEMENT OF EXPENSES BY FUNCTIONAL AND NATURAL CATEGORIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Activities				Supporting Activities			Total Expenses
	Educational Activities	Research	Auxiliaries	Student Services	Administrative Support	Facilities, Operations, and Maintenance	Total	
Salaries and wages	\$ 28,812,066	\$ 5,858,499	\$ 743,819	\$ 6,672,286	\$ 13,302,979	\$ 2,072,040	\$ 15,375,019	\$ 57,461,689
Employee benefits	5,616,542	1,180,459	150,737	1,345,430	2,472,379	513,167	2,985,546	11,278,714
Services, supplies and other	5,928,247	3,055,809	5,662,432	5,729,367	18,357,154	6,174,975	24,532,129	44,907,984
Occupancy, utilities, and other	276,802	114,018	591,789	228,075	6,023,455	2,917,528	8,940,983	10,151,667
Depreciation and amortization	1,616,109	871,375	1,096,446	1,762,978	1,530,547	872,925	2,403,472	7,750,380
Interest	17,651	9,518	11,975	19,255	16,717	9,534	26,251	84,650
Subtotal	42,267,417	11,089,678	8,257,198	15,757,391	41,703,231	12,560,169	54,263,400	131,635,084
Facilities operation and maintenance	2,950,469	1,591,874	2,001,497	3,219,570	2,796,759	(12,560,169)	(9,763,410)	-
Total operating expenses	\$ 45,217,886	\$ 12,681,552	\$ 10,258,695	\$ 18,976,961	\$ 44,499,990	\$ -	\$ 44,499,990	\$ 131,635,084

See notes to financial statements.



# XAVIER UNIVERSITY OF LOUISIANA

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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### 1. ORGANIZATION

Xavier University of Louisiana (the “University”), founded in 1915 by Saint Katharine Drexel and the Sisters of the Blessed Sacrament, is a private institution of higher education operated under the Catholic auspices. The University is governed by a 23-member board of trustees, which includes the University’s President. The University’s support is derived from tuition charges; donors’ contributions; and various federal, state, local, and private grants.

The University had an enrollment of 3,563 students during the Fall 2021 semester and offers training in more than 30 academic and professional fields. The University is composed of a College of Arts and Sciences, a College of Pharmacy, and a Graduate School. On January 12, 2022, the University received a notice from the Southern Association of Colleges and Schools-Commission on Colleges that the University’s accreditation was reaffirmed. The next reaffirmation will take place in 2031.

### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Basis of Presentation**—In conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, the University reports its financial position and activities according to two classes of net assets, which are net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset categories is as follows:

**Net Assets without Donor Restrictions**—Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations and include the following:

- The revenues received and expenses incurred in conducting the educational and research mission of the University.
- The activities associated with the University’s participation in the federal government’s Health Professions Student Loan (HPSL) and the Loans for Disadvantaged Students (LDS) programs.
- The unexpended balance of exchange transactions received from federal, state, local, and private agencies.
- Funds designated by the Board of Trustees, unrealized and realized gains and losses, and investment income on endowment funds.
- The plant fund assets, depreciated value of fixed assets, plant fund liabilities, and the related debt liabilities.

The University has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the University and, therefore, the University’s policy is to record these net assets as net assets without donor restrictions.

Total net assets without donor restrictions as of June 30, 2022 are utilized for the following activities:

**Description**

Designated for general unrestricted operating, educational, and research activities	\$ 27,595,175
Funds functioning as endowments	77,817,437
Restricted federal, state, local and private activities	5,645,135
Plant and plant-related activities	<u>213,825,294</u>
 Total	 <u><u>\$ 324,883,041</u></u>

**Net Assets with Donor Restrictions**—Net assets with donor restrictions include pledge income, realized/unrealized gains and losses, investment income, and gifts and contributions for which donor-imposed restrictions (purpose and time) have not been met. Net assets with donor restrictions that are time restricted for expenditure by the University totaled \$3,281,048. The remaining \$27,568,216 are purpose restricted. Contributions which are required by the donor-imposed restriction to be invested in perpetuity, but generally the income is made available for program operations in accordance with the donor restrictions totaled \$70,544,386 as of June 30, 2022.

Net assets with donor restrictions were utilized as of June 30, 2022 to fund the following activities:

Description	Time or Purpose	Perpetual	Total
Endowment:			
Academic departments' instruction and research	\$ 11,557,261	\$ 52,515,046	\$ 64,072,307
Student financial aid and scholarship	2,794,313	17,823,740	20,618,053
Institutional support	<u>-</u>	<u>205,600</u>	<u>205,600</u>
Subtotal	<u>14,351,574</u>	<u>70,544,386</u>	<u>84,895,960</u>
Non-endowment:			
Academic departments' instruction and research	65,598	-	65,598
Student financial aid and scholarship	<u>16,432,092</u>	<u>-</u>	<u>16,432,092</u>
Subtotal	<u>16,497,690</u>	<u>-</u>	<u>16,497,690</u>
Total	<u><u>\$ 30,849,264</u></u>	<u><u>\$ 70,544,386</u></u>	<u><u>\$ 101,393,650</u></u>

**Revenue Recognition—Governmental Grants and Private Gifts and Grants**—Sponsored governmental projects are externally funded activities in which a formal written agreement (i.e., grant, contract, or cooperative agreement) is entered into by the University and the sponsor. Revenue recognition is based upon accrual accounting in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). Sponsored governmental project revenues are recognized as performance obligations are satisfied, which, in most cases, are as related costs are incurred.

Revenues from private gifts and grants are recognized as either being without donor restrictions or with donor restrictions upon receipt of the private gift or grant funds. Spendable gifts are available for immediate use, while endowed funds are recorded in perpetuity with investment yields being utilized for spending.

**Use of Estimates**—The financial statements of the University are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from those estimates.

**Cash, Cash Equivalents, and Restricted Cash**—The University considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents representing assets of endowment and similar funds are included in investments. Cash, cash equivalents, and restricted cash as of June 30, 2022 as reflected in the accompanying statement of cash flows consist of the following amounts:

**Description**

Cash and cash equivalents	\$ 11,528,179
Loan fund cash and cash equivalents	1,249,289
HBCU loan escrow cash reserve fund	<u>1,053,344</u>
 Total	 <u>\$ 13,830,812</u>

**Loan Programs**—The University participates in the Perkins Loan (formerly the National Direct Student Loan), the Health Profession Student Loans (HPSL), and the Loans to Disadvantaged Students (LDS) programs of the US Departments of Education and Health and Human Services.

These programs are financed by contributions from the federal government, which are matched, at a prescribed federal rate, by contributions from the University. Governmental contributions totaling \$3,208,966 as of June 30, 2022 are reflected as a liability in the statement of financial position.

The Department of Education (ED) has indicated that the University will be required to assign to ED all Perkins Loans that have been in default for more than two years. However, for those student borrowers in that category who are making payments, ED will determine if those Perkins loans will be assigned. For the HPSL and LDS programs, the Department of Health and Human Services (DHHS) has not taken similar action. Interest income on loans receivable is recognized as an increase to unrestricted net assets as interest is collected. Loans and accrued interest receivables may be partially canceled under certain provisions of the Perkins Loan, LDS, and HPSL programs.

**Endowment Activity**—Net assets with donor restrictions consist of endowment funds that are either subject to gift instruments requiring that the principal be invested for a specified term or in perpetuity and only the income be utilized for time or purpose-specific use.

Net assets without donor restrictions functioning as endowments have been designated by the University’s Board of Trustees for the same purposes as endowment funds, but may be expended for operating and capital needs, payment of extraordinary obligations, and to fund the acquisition and repair and renovation of improved and unimproved real estate.

**Investments**—Investments are carried at fair value based upon inputs, which generally range from quoted prices for identical instruments in a principal trading market to estimates determined using related market data. The fair value of the University’s investments is obtained from a pricing service that is either utilized by the University’s Custodian or the Investment Manager. See Note 9 for further details on fair market valuation. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities (see Notes 7 and 9). The University occasionally utilizes alternative investments to reduce stock market volatility and to provide a low correlation between other related strategies in equities and fixed income. Alternative financial instruments are reported at fair value with any resulting gain or loss reported in the statements of activities. The fair value of alternative investments is based upon the valuation policy of the respective fund manager and is annually reviewed by the University’s investment consultant (“Investment Consultant”).

**Prepaid Expenses and Other Assets**—Prepaid expenses and other assets totaling \$5,351,586 primarily include prepaid insurance and deferred charges associated with the campus master plan.

**Property, Plant, and Equipment**—Property, plant, and equipment are stated at cost for purchased assets and fair market value at the date of donation in the case of gifts. The University’s capitalization threshold for property, plant, and equipment is \$5,000.

Depreciation is computed using the straight-line method over the estimated useful life of the related asset.

The following useful lives are used in computing depreciation as of June 30, 2022.

<b>Description</b>	<b>Estimated Useful Life (Years)</b>
Buildings	50
Building improvements	50
Plant and equipment	20–30

The plant and equipment category includes equipment, furniture and fixtures, and library acquisitions. For the year ended June 30, 2022, depreciation expense totaled \$7,539,416 and has been allocated on a functional basis in the statement of activities.

**Grants receivable**—Gross grants receivable as of June 30, 2022 consist of US government and other contract receivables from state and local agencies.

**Allowances for Losses**—Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred. Losses for student receivables are generally based upon the balance of students who are no longer enrolled after a period of two years. Losses for federal loans receivable are based upon whether the student has been in a delinquent payment status for at least two years. Management evaluates the carrying value of these assets at least annually and, accordingly, adjusts the allowances. Losses on pledges receivable are based upon management’s evaluation of collectability.

**Leases**—The University determines if a contract is or contains a leasing element at contract inception or the date in which a modification of an existing contract occurs. In order for a contract to be considered a lease, the contract must transfer the right to control the use of an identified asset for a period of time in exchange for consideration. Control is determined to have occurred if the lessee has the right to (i)

obtain substantially all the economic benefits from the use of the identified asset throughout the period of use and (ii) direct the use of the identified asset. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the discount rate for the lease at the commencement date. ASU 2016-02, *Leases (Topic 842)*, allows a lessee that is not a public business entity to use a risk-free discount rate for the lease instead of its incremental borrowing rate, determined using a period comparable with that of the lease term, as an accounting policy election made by class of underlying asset. The Company has elected to use the risk-free rate associated with the lease term at adoption or inception/remeasurement of the lease for all classes of underlying assets. Right-of-use (ROU) assets are included within property, plant and equipment-net in the statement of financial position. Lease obligations are included within lease liabilities in the statement of financial position.

The University is a lessee under non-cancelable leases for copier machines and access and distribution switching equipment for the data center. The University separates lease and nonlease components of such contracts.

**Income Taxes**—The University is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on activities associated with its mission. In certain instances, the University will engage in facility rental activities which are considered based upon IRS regulations to be unrelated business income. Payment of taxes on unrelated business income are included in the accompanying financial statements.

**Artwork Collections**—The University has elected not to capitalize collections of works of art, as allowed by ASC 958-605, *Not-For-Profit Entities*. The collections, which the University acquired through contributions in recent years, are not recognized as assets in the statement of financial position. Accordingly, any cash flows from purchases, sales, or insurance recoveries of unrecognized, noncapitalized collection items will be reported as investing activities in the statement of cash flows.

The University's policy for the use of proceeds from deaccessioned collection items is to either utilize such proceeds for the acquisition of new collection items or for the direct care of existing collections. Direct care of collection items shall be defined as conservation and restoration treatments, including parking and transportation for such conservation or restoration and materials required for storage of all classifications of works of art.

**Fair Value Measurements**—ASC 820, *Fair Value Measurements*, refines the definition of fair value, establishes specific requirements, as well as guidelines for a consistent framework to measure fair value and expands disclosure requirements about fair value measurements. Further, ASC 820 requires the University to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the classes of such fair value measurements. See Notes 9 and 10 for expanded disclosures regarding fair market measurements.

**Compensated Absences**—Regular full-time and eligible part-time employees, who have completed their probationary period of service are eligible to receive compensation for future absences (vacation leave). The vacation leave accrual is calculated based upon years of service whereby the employee accrues an approximate number of hours per month that increases based upon the employment term. An employee no longer accrues vacation hours once their maximum vacation allowance is reached. Maximum vacation leave is two times an employees' annual vacation accrual total based upon years of service. The liability relative to employees' compensation for future absences totaled \$2,460,873 as of June 30, 2022 and is included in accounts payable and accrued expenses in the statement of financial position.

**Contract Liability**—Contract liability represents payments received prior to the start of the academic term for the undergraduate and graduate academic programs and housing charges. The balance of contract liabilities as of June 30, 2022, less any refunds issued, were recognized as revenue over the academic term beginning in August 2022 as services are rendered.

**Functional Allocation of Expenses**—The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, costs associated with the operation and maintenance of plant, interest, bond amortization costs, depreciation, and amortization expense have been allocated among the programs and supporting services benefited. Depreciation expense and plant operations and maintenance are allocated based upon the related facility space utilization by faculty, staff, and students. Interest expense is allocated to the functional categories that have benefited from the proceeds of the debt.

The expenses allocated for the year ended June 30, 2022 are as follows:

**Description**

Depreciation and amortization	\$ 7,750,380
Operation and maintenance of plant	12,560,169
Interest	<u>84,650</u>
Total	<u>\$ 20,395,199</u>

**Measure of Operations**—The statement of activities reports the change in net assets from the University’s operating and nonoperating activities. The University’s operating revenues in excess of expenses and transfers include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support current operating activities. The measure of operations for net assets with donor restrictions excludes investment return in excess of (less than) amounts made available for current support and contributions received for use in future periods. Such resources are included as a nonoperating measure together with other related activities not utilized in support of University operations.

**Subsequent Events**—Management has evaluated subsequent events through April 28, 2023, the date in which the financial statements were available to be issued.

**Recently Issued Accounting Pronouncements**—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which modifies the disclosure requirements on the measurement and disclosure related to contributed nonfinancial assets in Topic 958, *Not-for-Profit Entities*, to improve the transparency about the measurement of such contributions. The amendments are effective for annual periods beginning after June 15, 2021. The primary source of contributed nonfinancial assets for the University for the year ended June 30, 2022 are donated goods and computer software. The adoption of ASU No. 2020-07 on July 1, 2021 did not have a material impact on the University’s financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, updating the Definition of Collections (Topic 958) effective for fiscal years beginning after December 15, 2020, with early adoption permitted. This ASU updated the definition of the term “Collections” and requires a collection-holding entity to disclose its policy for the use of proceeds from deaccessioned collection items, among other matters, including its policy on direct care

of its collections. The adoption of ASU No. 2019-03 on July 1, 2021 did not have a material impact on the University's financial statements.

On June 30, 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which improves financial reporting for investors and other financial statement users by increasing comparability of financial information across reporting entities that have investments in equity securities measured at fair value that are subject to contractual restrictions preventing the sale of the securities. The amendments in ASU No. 2022-03 should be applied prospectively with any adjustments from the adoption of the amendment recognized in earnings and disclosed on the date of the adoption. The University is required to adopt ASU No. 2022-03 for the fiscal year beginning after December 15, 2024 and has not determined the impact, if any, that implementation of ASU No. 2022-03 will have on the University's financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations. Because of the tentative and preliminary nature of such proposed standards, the Foundation has not yet determined the effect, if any, that the implementation of such proposed standards would have on its consolidated financial statements.

### 3. AVAILABILITY AND LIQUIDITY

The University's financial assets were composed of the following as of June 30, 2022:

Total financial assets:	
Cash and cash equivalents	\$ 13,830,812
Grants receivable	7,051,143
Accounts receivable, net	3,486,783
Pledges receivable, net	5,984,605
Federal loans receivable, net	1,808,920
Investments at fair value	181,690,122
Line of credit	<u>2,500,000</u>
 Total financial assets at year-end	 216,352,385
Less amounts not available to meet general expenditures within one year:	
Restricted cash and cash equivalents	(2,302,633)
Pledges receivable, net	(5,984,605)
Federal loans receivable, net	(1,808,920)
Portion of investment fund functioning as endowments	(40,642,031)
Portion of donor-restricted endowment investments to be retained in perpetuity	(70,071,363)
Portion of donor-restricted investment funds restricted by time or purpose	<u>(22,407,700)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 73,135,133</u>

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The University has various sources of liquidity at its disposal, including cash and cash equivalents, unrestricted endowment funds, and a line of credit totaling \$2.5 million. Although, the University does not intend to spend from its unrestricted endowment funds other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process or for the payment of extraordinary obligations, amounts from its unrestricted endowment funds could be made available if necessary.

#### 4. ACCOUNTS RECEIVABLES

Accounts receivable relate primarily to receivables for tuition, fees, and room and board charges. The University provides unsecured credit to students whose ability to repay the loans is based upon a number of similar economic conditions.

Accounts receivables and the allowance for doubtful accounts for accounts receivable as of June 30, 2022, are as follows:

##### Description

Gross receivable	\$ 6,301,282
Less: Allowance for doubtful accounts	<u>(2,814,499)</u>
Account receivable, net	<u>\$ 3,486,783</u>

#### 5. PLEDGES RECEIVABLE

Unconditional written promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at a range of 4% to 5% of the present value of the future cash flows. Unconditional written promises to give are expected to be realized in the following periods:

##### Description

In one year or less	\$ 4,904,558
Between one year and five years	<u>2,256,776</u>
Subtotal	7,161,334
Less discount	(313,883)
Less bad debt allowance	<u>(862,846)</u>
Pledges receivable, net	<u>\$ 5,984,605</u>



Pledges receivable as of June 30, 2022 have the following restrictions:

**Description**

Scholarships	\$ 1,529,812
Institutional support	3,378,197
Centennial Campaign	<u>1,076,596</u>
Pledges receivable, net	<u>\$ 5,984,605</u>

**6. FEDERAL LOANS RECEIVABLE**

Federal loans receivable consist of the following as of June 30, 2022:

**Description**

Student receivables:	
Perkins Loans	\$ 2,658,441
Health Professions Student Loans (HPSL)	951,989
Loans for Disadvantaged Students (LDS)	<u>303,941</u>
Gross receivables	3,914,371
Less allowance for doubtful accounts	<u>(2,105,451)</u>
Net receivable	<u>\$ 1,808,920</u>

For the current year, the allowances for the Perkins Loan, LDS, and HPSL receivables were 60%, 44%, and 40%, respectively, of the outstanding loans receivable balances.

**7. INVESTMENTS**

Investments are recorded at fair value and consist of the following as of June 30, 2022:

Description	Without Donor Restrictions	With Donor Restrictions	Total Fair Value
Debt securities	\$ 16,188,072	\$ 14,835,680	\$ 31,023,752
Equity securities	47,212,023	43,267,812	90,479,835
Alternatives	20,732,342	19,000,311	39,732,653
Short-term investments	<u>10,672,755</u>	<u>9,781,127</u>	<u>20,453,882</u>
Total	<u>\$ 94,805,192</u>	<u>\$ 86,884,930</u>	<u>\$ 181,690,122</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2022.

Description	Without Donor Restrictions	With Donor Restrictions	Total
Investment return—net	<u>\$(14,557,837)</u>	<u>\$(9,384,030)</u>	<u>\$(23,941,867)</u>

## 8. ENDOWMENT FUNDS AND DISCLOSURES UNDER ASC 958-205

ASC 958-205-50 requires that the University disclose information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy(ies), and related investment policy(ies) of its endowment funds (both donor restricted and board designated), whether or not it is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

**Composition of Endowment Net Assets**—The University’s endowment consists of approximately 287 individual funds established for a variety of purposes. The University’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The composition of endowments as of June 30, 2022 is as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 77,817,437	\$ -	\$ 77,817,437
Donor restricted	<u>                    </u>	<u>84,895,960</u>	<u>84,895,960</u>
Total	<u>\$ 77,817,437</u>	<u>\$ 84,895,960</u>	<u>\$ 162,713,397</u>

**Interpretation of Relevant Law**—The Board of Trustees of the University has interpreted the Louisiana UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the University classifies as perpetual net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetual net assets is classified as time or purpose net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Louisiana UPMIFA. In accordance with the Louisiana UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purposes of the donor-restricted endowment fund and the University;
- The duration and preservation of the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the University;
- Where appropriate, alternatives to spending from the endowment fund and the possible effects of those alternatives on the University; and

- The investment policies of the University.

**Classification of Endowment**—The University’s endowment is classified into three categories which are True, Term, and Quasi. True endowment funds (also known as permanent endowment funds) are resources with respect to which a donor has stipulated, as a condition of the gift, that the gift is to be maintained in violate and perpetuity. Term endowment funds are similar to true endowments, except that, upon the passage of a slated period (or time) or the occurrence of a particular event, all or part of the donation may be expended. True and term endowments are collectively referred to as “donor restricted transactions.” Quasi endowment funds are resources that the University, rather than the donor, has determined to be retained and managed like an endowment.

**Endowment Spending Policy**—As specified in the Endowment and Investment Policy, in calculating the annual appropriations from the donor restricted transactions, the University shall utilize a spending rate that is subject to an annual limit of 5% times the average market values for a three-year period that immediately proceeds the year in which the appropriation expenditure will be made.

The Endowment Investment Spending Policy formula is subject to annual evaluations by the University’s Investment Committee with the results of such evaluation being reported to the Endowment Committee for appropriate action.

Appropriations from the University’s True, Term, and Quasi endowment will be based upon the University’s programmatic and scholarship requirements, operating and capital needs, and to fund the acquisition, repair, and renovation of improved and unimproved private residential real estate.

This spending policy is consistent with the University’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The changes in endowment net assets for the year ended June 30, 2022 is as follows:

<b>Description</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets—July 1, 2021	\$ 97,806,511	\$ 93,020,115	\$ 190,826,626
Investment return—net	(14,318,583)	(9,384,057)	(23,702,640)
Contributions and other income	5,000,000	2,142,007	7,142,007
Endowment expenditures	<u>(10,670,491)</u>	<u>(882,105)</u>	<u>(11,552,596)</u>
Net assets—June 30, 2022	<u>\$ 77,817,437</u>	<u>\$ 84,895,960</u>	<u>\$ 162,713,397</u>

Endowment net assets for the year ended June 30, 2022 are as follows:

Net assets with donor restrictions:

The portion of accumulations to donor-restricted endowment funds that have purpose and time restrictions	<u>\$ 14,351,574</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	<u>\$ 70,544,386</u>

**Fund with Deficiencies**—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Louisiana UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies that result in the fair value of the donor-restricted endowment investment falling below the donor-restricted endowment corpus that are reported in net assets without donor restrictions as of June 30, 2022 are not material.

**Return Objectives and Risk Parameters**—The University Endowment Investment Policy provides investment and spending criteria for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified purpose and/or period(s), as well as board-designated funds.

The University's Endowment Spending Policy provides that the endowment assets are invested in a manner that is intended to yield fund performance comparable to the performance of a similarly structured-balanced index in line with the target allocation in each strategy. This custom index will be composed of the S&P 500 Composite Index, Russell 1000 Growth/Value Index, Russell 2000 Small Stock/Value Growth Index, EAFE International Index, Barclays Capital Aggregate Bond Index, NCREIF Index, HFRI Fund of Funds Index, MFR Money Index, and 90-day Treasury Bill Index. The University expects its endowment funds to at least equal the performance of the custom-balanced index over an intermediate or a long-term time horizon.

**Strategies Employed for Achieving Objectives**—To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University has targeted a diversified asset allocation that places a greater emphasis on equity-based, private equity, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

**Realized and Unrealized Appreciation and Depreciation**—For the year ended June 30, 2022, net depreciation in the fair value of investments, which consists of the realized gains associated with the appreciation in the investments and the unrealized depreciation on those investments totaled \$23,941,867.

**Fair Value of Endowment Investments**—The fair value of the University's endowment investments as of June 30, 2022 totaled \$173,771,661. Non-endowment investments totaled \$7,918,461. The fair value of the University's investments is based upon information provided by a pricing service that is either utilized by the University's Custodian or the Investment Manager. See Note 9 for additional disclosures regarding fair value instruments.

## **9. INVESTMENTS AND ACCOUNTING STANDARDS CODIFICATION (ASC) 820-10, FAIR VALUE MEASUREMENTS AND DISCLOSURES**

In accordance with ASC 820, *Fair Value Measurements*, fair value is defined as the price that the University would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the asset or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed, based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the

assumptions market participants would use in pricing an asset or liability developed, based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of the University's assets or liabilities. Investments measured and reported at fair value are classified and disclosed in one of the following three broad levels listed below:

**Level 1**—Quoted prices are available in active markets for identical investments as of the reporting date.

**Level 2**—Significant other observable inputs are pricing inputs other than quoted prices in active markets (which are either directly or indirectly observable as of the reporting date), market price quotations, or other inputs that are observable, or can be corroborated by observable market data for substantially the same term of the assets with fair value being determined through the use of industry recognized modeling techniques, or other valuation methodologies.

**Level 3**—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to the University and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The University utilizes inputs in applying various valuation techniques that are assumptions which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, fund and specific stock data, specific and broad credit data, liquidity statistics, recent transactions, discount rates, and other factors.

Underlying fund investments, whose values are based on quoted market prices in active markets are therefore classified within Level 1. Such investments include actively traded common and preferred stock, money market funds, and certain certificates of deposit.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models which are based on accepted industry modeling techniques. These investments include US investment-grade debt securities, residential mortgage-backed securities, corporate mortgage bonds, government bonds, treasury inflation protection securities, and bond funds.

Debt and equity securities investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Inputs used may include the original transaction price, recent transactions in the same or a similar market, and subsequent rounds of financing.

When observable prices are not available, these investments are valued using one or more valuation techniques described as follows:

- **Market Approach**—This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- **Income Approach**—This approach determines a valuation by discounting future cash flows.
- **Cost Approach**—This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable.

The estimated fair value of alternative investments is based upon the valuation policy of the respective fund manager and are generally classified in level 2 and the fair value using practical expedient category. In accordance with ASC 820, alternative investments that are calculated utilizing the Net Asset Value per share are classified in the fair value using practical expedient category. Such valuations consider variables such as original transaction price, comparable market transactions, pricing of similar instruments, and internal modeling price expectations.

The University and the University's Investment Consultant reviews and evaluates the values, the valuation methods, and assumptions provided by the fund managers that are used in determining the fair value. Because, alternative investments are not readily marketable, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The University obtains the majority of the prices used in the valuation of its investments from a pricing service that is utilized by either the Custodian or the Investment Manager. The pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, as well as other relevant economic measures.

The University and the University's Investment Consultant periodically perform a review of valuations provided by the pricing service, which includes discussion and analysis of the inputs used by the pricing service to provide prices for the types of securities the University holds. These inputs include prices for comparable securities, bid/ask quotes, and interest rate yields. Based on this review, the University is of the opinion that the prices received from the pricing service are a reliable representation of exit prices.

During the year ended June 30, 2022, the University invested approximately 1.39% of its investments or \$2,524,744 in derivative instruments. A derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variables. The University invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile as described in the Investment Policy. The University's investment managers utilize derivatives for a variety of purposes, such as seeking to hedge against declines in principal value and foreign currency risk, increase yield, and invest in an asset

with greater efficiency and at a lower cost than is possible through direct investment, to enhance return or to adjust credit exposure.

The University values its derivatives at fair value and recognizes changes in fair value in net assets from operations. Additionally, during the year ended June 30, 2022, the University did not have any significant gains or losses on derivatives.

The following table summarizes the valuation and class of the University's investments measured by the fair value hierarchy levels and the fair value using practical expedient category as of June 30, 2022:

Investments	Fair Value Hierarchy			Net Asset Value	Total Fair Value
	Level 1	Level 2	Level 3		
Available-for-sale debt securities:					
Corporate mortgage bonds	\$ -	\$ 17,278,199	\$ -	\$ -	\$ 17,278,199
Government bonds		13,745,553			13,745,553
Total debt securities	-	31,023,752	-	-	31,023,752
Available-for-sale equity securities:					
Consumer	8,557,727				8,557,727
Communication services	16,612,768				16,612,768
Energy	1,747,880				1,747,880
Financials	11,106,164				11,106,164
Health care	12,716,849				12,716,849
Industrials	12,891,085				12,891,085
Technology	18,075,076				18,075,076
Utilities	4,997,696				4,997,696
Real estate	1,104,530				1,104,530
Materials	2,670,060				2,670,060
Total equity securities	90,479,835	-	-	-	90,479,835
Alternative investments	1,698,848	4,760,590	18,162,491	15,110,724	39,732,653
Short-term investments	10,559,256	9,894,626			20,453,882
Total recurring fair value measurements	\$ 102,737,939	\$ 45,678,968	\$ 18,162,491	\$ 15,110,724	\$ 181,690,122

ASC Topic 820 permits the University to estimate the fair value of its alternative investments that are calculated utilizing the Net Asset Value (“NAV”) per share. The University has the ability to liquidate its investments periodically in accordance with the provisions of the respective investment fund agreements, as indicated in the following schedule of investments. Certain of these agreements may allow the investment funds to temporarily suspend redemptions or place other temporary restrictions on the University’s ability to redeem either a portion of its investment or the entire investment in the investment fund. A description of the classes of the University’s alternative investments that are calculated utilizing the Net Asset Value per share is as follows:

Market neutral/hedged equity/long equity/short equity	\$ 7,776,067
Relative value	3,183,365
Event driven/distressed/credit	3,083,189
Short term investments	<u>1,068,103</u>
Alternative investments measured at NAV	<u>\$ 15,110,724</u>

The University’s alternative investments are comprised of multiple strategies with varying liquidity eligibility. 85% of the fair value is invested in hedge funds with a quarterly redemption period and a 45 day notice period range. The remaining investments are invested in funds with extended liquidity where the assets are sold in a secondary market with no regular redemptions.

The classes of alternative investments described previously are invested in funds that pursue several strategies as follows:

- Investments in investment funds that invest both long and short, primarily in equities, based upon the manager’s perception of such securities being either undervalued or overvalued by the market, or the probability that a particular event will occur.
- Investments in investment funds that pursue multiple strategies to diversify risks and reduce volatility.
- Investments in investment funds focused on time-sensitive or other tactical investment ideas across asset classes and geographics, including investing opportunistically in a broad range of private or public securities and instruments.
- Investments in funds that are concentrated in the leveraged finance marketplace and can include senior credit-focused funds and distressed debt funds.

## **10. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of all significant financial instrument amounts has been determined by the University using available market information and appropriate valuation methodologies. The University’s financial instruments, other than federal loans receivable, federal student loan funds payable, and debt are generally short-term in nature and contain minimal credit risk.

These instruments consist of cash and cash equivalents, loan fund cash and cash equivalents, investments with trustees and financial institutions, accounts receivable, grants receivable, accounts payable, refundable deposits, and contract liability. The carrying value of those assets and liabilities in the statement of financial position is assumed to approximate fair value. The carrying value of pledges receivable approximates fair value because the instruments are recorded at net present value of future cash flows.



Federal loans receivable, net of \$1,808,920 as of June 30, 2022 represent amounts principally due from students under federally sponsored programs, which are subject to significant restrictions. Accordingly, it is not practicable to determine fair value. A reasonable estimate of the fair value of the federal student loan payables to the federal government totaling \$3,208,966 as of June 30, 2022 could not be made because of the lack of comparable pricing data.

The University does not have a nonfinancial asset that is being utilized in a manner that differs from its highest and best use.

## 11. INVESTMENT AND CREDIT RISKS

**Investment Risk**—The University’s endowment investments are managed by investment managers in accordance with the University’s Investment Policy. The investment managers are monitored by an Investment Consultant. The degree and concentration of credit risks vary by type of investment. Investment securities are exposed to various risks such as liquidity, currency, interest rate, credit, and market risks.

Liquidity risk represents the possibility that the University may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the University was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The University invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for some of these alternative investments could contract further. As a result, the University could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were widely traded.

The University holds investments denominated in currencies other than the US dollar. As a result, the University has exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates. Currency risk can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the US dollar. The University’s investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

**Credit Risks**—The value of securities held by the University may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, as well as currency, interest rate, and commodity price fluctuations. The University attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Credit risk represents the financial loss that the University would suffer if the University’s counterparties to a financial instrument, in owing an amount to the University, would fail to meet or discharge their obligations.

A substantial portion of the University’s revenues is derived from student financial assistance programs, which to a significant extent provide resources for the payment of student tuition and fees. Other sources of credit risk for the University are student accounts and student federal loans receivable. The University mitigates credit risk by aggressively pursuing collection efforts utilizing internal and external

parties, continuously monitoring accounts to prevent delinquencies, and consistently dialoguing with students about being responsible for maintaining good credit.

The University maintains cash balances at four financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The University has not experienced any loss in such accounts. As of June 30, 2022, the uninsured balance is \$13,376,691. The University believes it is not exposed to any significant credit risk on its cash balances.

## 12. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are summarized as follows:

	As of July 1, 2021	Additions	Reductions	As of June 30, 2022
Land and improvements	\$ 30,650,593	\$ -	\$ -	\$ 30,650,593
Construction in progress		4,350,724		4,350,724
Buildings and improvements	292,329,132	4,973,630		297,302,762
Plant and equipment	<u>99,227,610</u>	<u>1,714,390</u>		<u>100,942,000</u>
Subtotal	422,207,335	11,038,744	-	433,246,079
Accumulated depreciation	<u>(192,024,873)</u>	<u>(7,539,416)</u>		<u>(199,564,289)</u>
Net property, plant and equipment	<u>\$ 230,182,462</u>	<u>\$ 3,499,328</u>	<u>\$ -</u>	<u>\$ 233,681,790</u>

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value. No such impairment charge was required to be recognized during the year ended June 30, 2022.

One of the University's short-term facility initiatives is centered on the construction of a new residence hall along with the construction of a parking structure, a campus police station and a mechanical sub-station (the "Project"). The goal of the Project is to supplement some of the existing on-campus housing with a new residence hall that will be consistent with the architecture, character, and appearance of the surrounding campus and to provide additional campus parking. The project will be funded primarily by the U.S. Department of Education's Historically Black College and University (HBCU) Capital Financing Program (the "HBCU Loan Program") (see Note 14).

## 13. BANK LINE OF CREDIT

The University has a bank line of credit totaling \$2,500,000 to meet short-term cash requirements and expiring on June 30, 2023. The terms and conditions of the line of credit require that principal is payable upon demand. As of June 30, 2022, the University had not borrowed against the line of credit.

## 14. MORTGAGE PAYABLE

Pursuant to the US DOE's Historically Black College and University Capital Financing Program (the "HBCU Loan Program"), on June 25, 2020, the University entered into a Capital Project Loan Agreement with the designated bonding authority, Rice Capital Access Program, LLC (Rice) totaling \$100,000,000 (the "HBCU Loan Agreement"). The loan agreement sub divides the overall loan into a Series 2020-1 (25 year loan) in the amount of \$61,000,000 and a Series 2020-2 (20 year loan) in the amount of

\$39,000,000. The loan is secured by certain University facilities with a total value of \$75.1 million, any additional facilities that will be constructed utilizing loan proceeds and a first lien and security interest in the University's student housing revenues.

As of June 30, 2022, as required by the HBCU Loan Agreement, the University has established a loan escrow cash reserve fund totaling \$1,053,344. As of June 30, 2022, the University has drawn down \$3,579,024 in loan funds from the HBCU Loan Program. The interest rate on advances is based upon the Federal Financing Bank loan rate at the date of the advance, which range between 2.16% and 2.31%.

The HBCU Loan Program indebtedness, unlike conventional borrowing, is based upon a request for reimbursement, similar to a line of credit. This funding method allows the University to effectively manage its debt burden, align its capital projects with the campus master plan, and to strategically borrow funds for capital projects over a five-year period. The HBCU Loan Program will be primarily be utilized by the University to fund the construction of the residence hall and parking structure, police station and a mechanical sub-station.

## **15. LEASE LIABILITIES**

The University's agreements to acquire access and distribution switching equipment for the data center qualify as a finance lease. The remaining lease terms of these leases vary from 1 month up to 60 months. The University also entered into operating leases for copier machines. Operating leases are not material.

Finance lease liabilities and related assets total \$2,359,495 and \$1,994,152, respectively, as of June 30, 2022. ROU assets are recorded net of accumulated amortization of \$365,343 as of June 30, 2022.

The components of lease costs for the year ended June 30, 2022 were as follows:

Finance lease costs:

Depreciation of lease assets	\$ 365,343
Interest on lease liabilities	\$ 57,114

Supplemental cash flow information related to leases was as follows for the year ended June 30, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Repayment of finance leases	\$ 749,589

There were no additions of operating or finance leases for the year ended June 30, 2022.

As of June 30, 2022, future undiscounted cash flows associated with the University's lease liabilities were as follows:

<b>Years Ending December 31</b>	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Total</b>
2023	\$ 267,897	\$ 706,077	\$ 987,911
2024		623,754	646,807
2025		623,848	658,751
2026		310,545	333,923
Total lease payments	267,897	2,264,224	2,532,121
Less: Discount to present value		95,271	95,271
Total lease liabilities	<u>\$ 267,897</u>	<u>\$ 2,359,495</u>	<u>\$ 2,627,392</u>

The remaining lease term for the finance leases ranges from 1 year to 4 years and the average interest rate for the finance leases is 1.9% as of June 30, 2022.

## 16. RETIREMENT PLAN

The University sponsors a defined contribution (money purchase) 403(b) retirement plan that covers administrative officers and full-time employees who meet eligibility requirements. Each year, plan participants may contribute up to 6% of pretax annual compensation each pay period, which is matched up to 6% by the University. Plan participants are immediately fully vested in their contributions and the University's contributions plus actual earnings. The University's portion of payments to the 403(b) defined contribution plan, which is contributory, for the year ended June 30, 2022 amounted to \$1,898,240.

## 17. REVENUE RECOGNITION

As presented in the Statement of Activities, the University has various sources of operating revenue. The following revenues are presented in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*:

**Tuition and Fees—Net**—Tuition and fees totaling \$93,460,562 at June 30, 2022, have been reduced for financial aid discounts totaling \$45,232,026, which were provided by the University and federal and private sources. The amount of aid applied against tuition and fees for the year ended June 30, 2022, is as follows:

Unfunded institutional grants	\$ 30,643,528
Federal and private scholarships	<u>14,588,498</u>
Total	<u>\$ 45,232,026</u>

Tuition and fees revenue, net of discounts, totaled \$48,228,536 for the year ended June 30, 2022. Tuition and fees revenues are recognized in the fiscal year in which the academic programs are offered.

Collections received prior to the end of the fiscal year for the summer sessions that end in the subsequent fiscal year and the Fall semester are reported as a contract liability as of June 30, 2022.

Students who adjust their course load or withdrew completely within the first four weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy.

Also, funded and unfunded scholarships that are awarded to students reduce the amount of revenue that is recognized. Final payments for tuition and housing are due two months prior to the end of the academic term.

**Government Grants and Contracts**—Government grants and contracts have been evaluated and determined to be exchange transactions, meaning revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue. Government grants and contracts totaled \$39,109,724 for the year ended June 30, 2022.

**Auxiliary Enterprises**—This category represents revenues mainly related to housing and dining, also known as room and board. Payments from students for these services are recorded as revenues during the year the related services are rendered. Gross dormitory revenues for the year ended June 30, 2022 of \$16,182,260 were reduced by University-funded athletic housing awards totaling \$963,129. These amounts are included in auxiliary enterprises revenue in the statement of activities.

**Significant Judgments**—Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the University applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The University reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio. For tuition and fees, as well as room and board, which is included within auxiliary enterprises revenues, the University has determined that students can be grouped into a single portfolio for each of these three performance obligations. Based on the University's experience, students at different campuses, or in different programs have similar characteristics concerning the University's approach to revenue recognition. Agreements concerning enrollment, student financial responsibility, housing, and dining plans each contain terms which clarify the performance obligations and eligibility for refunds or fee adjustments. These agreements are fundamentally the same regardless of the program of study. For contracts with customers not pertaining to tuition and fees, room, and board, the University generally applies the revenue recognition guidance on an individual contract basis.

Significant judgment is also required to assess collectability. See Note 4, Grants, Accounts and Students Receivables, and Note 5, Pledges Receivable, for additional information concerning these receivables and their collectability, including related allowances for doubtful accounts. Given the nature of the University's contracts with customers, there are no incremental costs of obtaining a contract and no significant financing components. During the fiscal year, there were no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

## 18. NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2022, net assets released from net assets with donor restrictions were as follows:

### Purpose

Scholarships	\$ 1,100,995
Salaries and benefits	2,768,469
Supplies, equipment, contracted services, and travel	<u>1,234,287</u>
Total	<u>\$5,103,751</u>

## 19. COMMITMENTS AND CONTINGENCIES

**Food Service Agreement**—On October 26, 2020, the University entered into a management agreement with a limited liability company to manage and operate food service for students, faculty, staff, employees, and invited guests. The terms and conditions of the management agreement provide that the University will be billed monthly based upon the dining rates as established in the management agreement. Each year the dining rates are amended under the terms and conditions of the management agreement.

**Bookstore Agreement**—On March 16, 2018, the University entered into a 15-month agreement with a bookstore vendor to operate and provide services for the University's bookstore. The terms and conditions of the agreement provide that the University shall be paid a fixed and variable management fee relative to gross sales as defined, account deposits, and payments of management fees. The University is currently on a month-to-month arrangement with the bookstore vendor pending the results of the process to renegotiate the contract.

**Participation in Grant Programs**—The University administers and participates in various federally funded and state grants that are primarily received from the DOE, DHHS, the National Institute of Health, the US Department of Defense, and the State of Louisiana. In connection with the administration and operation of these grants, the University is to expend grant funds, federal capital contributions, and allocations in accordance with the program guidelines and regulations.

In the event, the University operates/administers these grants/programs in a manner which would be in noncompliance with the guidelines and regulations, the University may be required by the funding sources to repay some portion or all of the grant awards or federal capital contributions.

**Litigation**—The University is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in net assets and cash flows of the University.

**Risk Management**—The University is exposed to various risks of loss related to torts, thefts or damage to and destruction of assets. The University believes it carries a sufficient amount of commercial insurance coverage, in the event a loss should occur.

**COVID-19**—For the Fall 2021 and Spring 2022 semesters, the University continued in-person classes with significant restrictions. Social distancing measures, health screenings and the requirement to wear masks and be vaccinated for COVID have been mandated for faculty, staff, and students.

The University exceeded its Fall 2021 and Spring 2022 enrollment budgetary goals and have additionally received significant private gifts and contributions and federal support through the Higher Education Emergency Relief Fund (HEERF). HEERF grant funds can be utilized to defray expenses including lost revenues, technology costs, and grants to students. At this point, COVID 19 has not negatively impacted the University’s financial condition.

**Facilities Contracts**—The University has engaged general contractors to provide professional services for the mechanical upgrades (HVAC), window replacements and the repair of interior walls for four existing buildings at a cost of \$21.8 million. The work is scheduled to be completed by August 2023. Also, the University has engaged an architect and general contractor to provide design services for the construction of a dormitory, parking garage, campus police station and mechanical sub-station (the Project).

## 20. RELATED PARTY TRANSACTIONS

The University has established Conflict of Interest Policies (the “Policies”) for the Board of Trustees, officers and key management employees. The Policies require that any actual and/or apparent conflict of interest and related party transactions shall be properly disclosed in writing on an annual basis and updated as any applicable events occur during the year. For the year ended June 30, 2022, the written responses to the conflict of interest questionnaire, that was provided by members of the Board of Trustees, officers, and key employees, did not reveal any matters or transactions that would result in a conflict of interest or generate a related-party transaction.

The outstanding balances of pledges receivable from members of the Board of Trustees total \$35,100 as of June 30, 2022. Contribution revenue from members of the Board of Trustees total \$154,053 for the year ended June 30, 2022.

## 21. HIGHER EDUCATION EMERGENCY RELIEF FUND

Under the terms and conditions of the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA), and the American Rescue Plan, hereinafter referred to as the HEERF, the University received grant allocations totaling \$59,675,692.

Description	Emergency Financial Aid Grants	Institutional Support	Total
HEERF I-CARES:			
CFDA-84.425 E	\$ 1,613,803	\$ -	\$ 1,613,803
CFDA-84.425 F		1,613,803	1,613,803
CFDA-84.425 J-HBCUS	3,000,000	4,064,772	7,064,772
HEERF II-CRRSA:			
CFDA-84.425 E	1,613,803		1,613,803
CFDA-84.425 F		3,928,540	3,928,540
CFDA-84.425 J-HBCUS		12,434,756	12,434,756
HEERF III-American Rescue:			
CFDA 84.425T	4,862,164	4,858,051	9,720,215
CFDA-84.425J-HBCUS		21,686,000	21,686,000
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 11,089,770</u>	<u>\$ 48,585,922</u>	<u>\$ 59,675,692</u>

As of June 30, 2022, the University has expended \$28,776,091 in HEERF and has plans to expend the remaining funds on qualified program expenditures through June 30, 2023.

## 22. INFORMATION USED IN THE DETERMINING DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c)(1) of the Higher Education Act authorizes the Secretary of the Department to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. 34 CFR 668.172 of the current regulation, originally effective July 1, 1998, established a methodology based on three ratios—primary reserve, equity, and net income that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. The financial information below presents the correspondence between certain values presented in the University's financial statements and the values as they are included in the determination of the ratios used by ED to gauge the University's financial responsibility as of June 30, 2022.

### Long-term debt

Pre-implementation long-term debt	\$	-
Post-implementation long-term debt		3,579,024
Lease liabilities		2,627,392
		<hr/>
Long-term debt	\$	<u>6,206,416</u>

### Property, plant and equipment-net

Pre-implementation land, buildings, and equipment-net	\$	218,479,633
Construction in progress		4,350,724
Post-implementation land, buildings, and equipment-net		8,224,041
		<hr/>
Subtotal land, buildings, and equipment-net	\$	<u>231,054,398</u>
ROU assets-pre-implementation	\$	84,934
ROU assets-post-implementation		2,542,458
		<hr/>
Subtotal ROU assets	\$	<u>2,627,392</u>

## 23. SUBSEQUENT EVENTS

On November 22, 2022, the University experienced a data breach of its information technology system (the "System"). After a significant effort by the University's information technology staff along with external consultants, the University restored access to the System on January 6, 2023. Ongoing efforts are being performed by the University to safeguard the System.

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**SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

**Financial Responsibility Supplemental Schedule Composite Scores as of June 30, 2022**

Financial Statement or Note	Classification	Amount
	<b>Primary Reserve Ratio Expendable Net Assets</b>	
Statement of financial position—net assets without donor restrictions	Net assets without donor restrictions	\$ 324,883,041
Statement of financial position—net assets with donor restrictions	Net assets with donor restrictions	101,393,650
	Property, plant and equipment—net	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	(includes construction in progress)	(231,054,398)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment pre-implementation	(218,479,633)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment post implementation without outstanding debt	(8,224,041)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Construction in progress	(4,350,724)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets—net	(2,627,392)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets pre implementation	(84,934)
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets post implementation	(2,542,458)
	Subtotal	<u>\$ 192,594,901</u>
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Long term debt	6,206,416
Statement of financial position -Mortgage payable	Post implementation long term debt	3,579,024
Statement of financial position—Leases liability	Post implementation lease liability	<u>2,627,392</u>
	Subtotal	<u>6,206,416</u>
	Net assets with donor restrictions: restricted for time or purpose	<u>(14,351,574)</u>
Note 2 page 8 - Net assets with donor restrictions	Net assets with donor restrictions: restricted in perpetuity	<u>(70,544,386)</u>
Note 2 page 8 - Net assets with donor restrictions	Total expendable net assets	<u>\$ 113,905,357</u>
Statement of activities—Total operating expenses without donor restrictions	Total expenses without donor restrictions— taken directly from statement of activities	<u>\$ 131,635,084</u>
Statement of activities non-operating (investment return appropriated for spending), investments— net of annual spending, gain (loss), other components of net periodic pension costs, pension-related changes other than net periodic pension, change in value of split-interest agreements and other gains (loss)—total from statement of activities prior to adjustments	Non-operating and net investment (losses)	\$ 3,858,840
Statement of activities non-operating (investment return appropriated for spending) investments— net of annual spending, gain (loss)	Net investment losses	<u>(3,858,840)</u>
	Total expenses and losses	<u>\$ 131,635,084</u>

(continued)

**Financial Responsibility Supplemental Schedule Composite Scores as of June 30, 2022**

Financial Statement or Note	Classification	Amount
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Statement of financial position—Net assets without donor restrictions	Net assets without donor restrictions	\$ 324,883,041
Statement of financial position—Net assets with donor restrictions	Net assets with donor restrictions	<u>101,393,650</u>
	Total modified net assets	<u>\$ 426,276,691</u>
<b>Modified Assets</b>		
Statement of financial position—Total assets	Total assets	<u>\$ 452,885,761</u>
	Total modified assets	<u>\$ 452,885,761</u>
<b>Net Income Ratio</b>		
Statement of activities—Change in net assets without donor restrictions	Change in net assets without donor restrictions	<u>\$ (24,338,273)</u>
	Total change in net assets without donor restrictions	<u>\$ (24,338,273)</u>
Statement of activities—(net assets released from restriction)—total operating revenue and other additions and sale of fixed assets, gains (losses)	Total revenues and gains without donor restrictions less endowment spending used in operations	\$ 121,854,648
	Total	<u>\$ 121,854,648</u>

**Ratios**

Primary reserve ratio:

Expendable net assets	\$ 113,905,357
Total expenses and losses without donor restrictions	<u>131,635,084</u>

Resulting ratio 0.8653

Equity ratio:

Net assets without donor restrictions	\$ 324,883,041
Net assets with donor restrictions	<u>101,393,650</u>

Total net assets 426,276,691

Total assets 452,885,761

Resulting ratio 0.9412

Net income ratio:

Change in net assets without donor restrictions	\$ (24,338,273)
Total revenues and gains	<u>121,854,648</u>

Resulting ratio (0.1997)

**Composite Score Calculation**

<b>2022</b>	<b>Ratio</b>	<b>Factor</b>	<b>Strength Factor</b>	<b>Strength Factor Cap</b>	<b>Weight</b>	<b>Composite Score</b>
Primary reserve	0.8653	10	8.6530	3	40 %	1.2
Equity ratio	0.9412	6	5.6472	3	40 %	1.2
Net income ratio	(0.1997)	25+1	(3.9925)	3	20 %	<u>(0.7985)</u>
Total Composite Score						<u><u>1.60</u></u>
						(concluded)

\* \* \* \* \*



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## **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***

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of Xavier University of 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 (*Government Auditing Standards*), the financial statements of Xavier University of Louisiana (the "University"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, of expenses by functional and natural categories and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated April 30, 2023.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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*.

## **University's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

## **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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

April 30, 2023

# XAVIER UNIVERSITY OF LOUISIANA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

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### 2022-001 Review of Net Assets Classifications

**Observation:** During the audit process, an error was identified whereby net assets without donor restrictions was overstated and net assets with donor restrictions was understated by \$13.6 million. Although the error is a reclassification issue only and was corrected, it is material to the financial statements and impacts net assets, a critical metric of the financial statements. The error emanates from a deficiency in the implementation of management's review control related to net assets classification. The University utilizes a report writing system that is fairly simple, in that it does not produce reports that allows management to readily access information related to the University's net assets by the categories 'with restrictions' or 'without restrictions'. Rather, management uses a manual process to arrive at these amounts. Failure to perform detailed reviews of the classifications may result in a material misstatement of the financial statements.

**Recommendation:** Management should ensure that reviews of the classification of net assets are performed at a detailed level sufficient to identify material misstatements. As the University continues to grow and financial reporting becomes more complex, management should consider upgrading their reporting writing system to one that has capabilities of producing the financial reports utilized by management in the financial reporting process.

**Management's Response:** The established operating controls for the review of financial information includes a detailed process to assess the accuracy of the reporting of revenues, expenses and net assets in the financial statements during the year along with the preparation of the draft annual audit report. The audit report process is normally performed prior to the submission of the draft audit report to the external auditors. However, due to a data breach which occurred during the year end close out and review process along with the requirement to provide a new auditing firm with financial and operating process information to ensure the audit would be completed on time, the audit report review process was performed after the annual audit report had been drafted. At that time, the University's review disclosed a required reclassification in the draft report for one non-donor/donor restricted revenue category. The reclassification was performed by the University and submitted to the external auditor. The underlying revenues, expenses and net assets in the general ledger were recorded properly. The transfer of that information to the draft audit report was the problem. The University will continue to comply with established procedures to ensure that financial information that is presented in the annual audit report is reviewed in the prescribed timeframe. Additionally, discussions will be held with the University's Information Technology department regarding the possible utilization of an upgraded report writing system for financial reports.

# **Xavier University of Louisiana**



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**SINGLE AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2022**

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*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Trustees of  
**Xavier University of Louisiana**  
New Orleans, Louisiana

**Report on the Audit of the Schedule of Expenditures of Federal Awards**

***Opinion***

I have audited the Schedule of Expenditures of Federal Awards of **Xavier University of Louisiana (the University)**, for the year ended June 30, 2022, and the related notes. The financial statements were audited by other Auditors whose report contained an unmodified opinion.

In my opinion, the accompanying Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of **the University** for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Schedule section of my report.

***Basis for Opinion, Continued***

I am required to be independent of **the University** and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Schedule***

My objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

***Auditor's Responsibilities for the Audit of the Schedule, Continued***

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated April 30, 2023 on my consideration of **the University's** internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **the University's** 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 University's** internal control over financial reporting and compliance.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

April 30, 2023

XAVIER UNIVERSITY OF LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA OR OTHER IDENTIFYING NUMBER	PASS- THROUGH ENTITY'S IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENT	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF THE ARMY</b>				
Research & Development Cluster:				
Awards From A Pass-Through Entity:				
Through: Tufts Medical Center				
--Military Medical Research and Development	12.420	5013668-SERV	-	\$ 627
Direct Awards:				
--Basic Scientific Research	12.431		-	179,922
<b>TOTAL U.S. DEPARTMENT OF THE ARMY</b>			-	<b>180,549</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Research and Development Cluster:				
Direct Awards				
--Basic, Applied, and Advance Research in Science and Engineering	12.630		-	285,109
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			-	<b>285,109</b>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>				
Research and Development Cluster:				
Direct Awards:				
--Education	43.008		161,347	576,380
<b>TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>			161,347	<b>576,380</b>
<b>NATIONAL SCIENCE FOUNDATION</b>				
Research and Development Cluster:				
Direct Awards:				
--Engineering Grants	47.041		-	30,655
--Mathematical and Physical Sciences	47.049		9,932	250,749
--Biological Sciences	47.074		-	195,949
--Education and Human Resources	47.076		-	548,841
Through: Virginia State University				
--Education and Human Resources	47.076	R000028	-	6,844
--Education and Human Resources	47.076	EP3157682	-	13,314
Through: Jackson State University				
--Education and Human Resources	47.076	2016-633195-X	-	117,144
Through: Louisiana Board of Regents				
--Education and Human Resources	47.076	NSF(2020-25)-LAMP-SA-13	-	19,225
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			9,932	<b>1,182,721</b>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>				
Awards From A Pass-Through Entity:				
Through: Louisiana Small Business Center				
-- Small Business Development Centers	59.037	SBAHQ-17-B-001	-	252,172
-- Small Business Development Centers	59.037	BA-22# (19-647)	-	47,158
-- Small Business Development Centers	59.037	310079.875	-	12,561
-- Small Business Development Centers	59.037	PO-0000202435	-	87,751
<b>TOTAL U.S. SMALL BUSINESS ADMINISTRATION</b>			-	<b>399,642</b>

**XAVIER UNIVERSITY OF LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA OR OTHER IDENTIFYING NUMBER</b>	<b>PASS- THROUGH ENTITY'S IDENTIFYING NUMBER</b>	<b>PASS-THROUGH TO SUBRECIPIENT</b>	<b>FEDERAL EXPENDITURES</b>
<b>U. S. DEPARTMENT OF EDUCATION</b>				
<b>Direct Awards:</b>				
--Higher Education-Institutional Aid - Title III	84.031		-	8,212,510
--Supporting Effective Educator Development Program	84.423		596,401	852,851
<b>TRIO Cluster:</b>				
--TRIO-McNair Post-Baccalaureate Achievement	84.217		-	126,346
--TRIO-Upward Bound Math and Science	84.047		-	112,920
--COVID-19 Education Stabilization Fund	84.425E		-	237,590
--COVID-19 Education Stabilization Fund	84.425F		-	3,110,678
--COVID-19 Education Stabilization Fund	84.425J		-	8,129,056
<b>Student Financial Assistance Cluster:</b>				
<b>Direct Awards:</b>				
--Federal Supplemental Educational Opportunity Grant	84.007		-	1,181,313
--Federal Work-Study Program	84.033		-	339,973
--Federal PELL Grant Program	84.063		-	8,039,543
--Federal Direct Student Loans	84.268		-	53,497,043
--Teacher Education Assistance for College and Higher Education Grant (TEACH)	84.379		-	16,031
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>596,401</b>	<b>83,855,854</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Direct Awards:</b>				
--Centers of Excellence	93.157		421,749	2,900,682
<b>Through: City of New Orleans</b>				
--Centers of Excellence	93.157		-	33,160
<b>Research and Development Cluster:</b>				
<b>Direct Awards:</b>				
--Minority Health and Health Disparities Research	93.307		61,561	4,595,001
--Trans-NIH Research Support	93.310		28,955	3,193,409
--21st Century Cures Act - Precision Medicine Initiative	93.368		-	154,130
--Cancer Treatment Research	93.395		-	141,696
--Biomedical Research and Research Training	93.859		-	810,141
<b>Through: LSU Health Sciences Center</b>				
--Cancer Control	93.399	22-91-028	-	31,084
<b>Through: National Foundation for the Centers for Disease Control and Prevention, Inc.</b>				
--Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	41110	-	258,818
<b>Through: Tulane University</b>				
--Lung Disease Research	93.838	TUL-HSC-559816-21/22	-	445,376
<b>Through: Pennington Biomedical Research Center</b>				
--Biomedical Research and Research Training	93.859	GM104940-17025-XU01	-	121,522
<b>Through: Tulane University</b>				
--Cancer Cause and Prevention Research	93.393	TUL-HSC-555356-17/18	-	24,178
--Aging Research	93.866	TUL-HSC-559013-20/21	-	8,394

XAVIER UNIVERSITY OF LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA OR OTHER IDENTIFYING NUMBER	PASS- THROUGH ENTITY'S IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENT	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Continued</b>				
Through: Louisiana State University Medical Center --Biomedical Research and Research Training	93.859	0000151650	-	116,181
Through: Magee-Womens Research Institute and Foundation --Aging Research	93.866	6591	-	10,735
Student Financial Assistance Cluster: Direct Awards: --Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		-	82,798
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>512,265</b>	<b>12,927,305</b>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				
Awards From A Pass-Through Entity: Through: Texas A & M University - Kingsville --Scientific Leadership Awards	97.062	S21-0422-XULA	-	3,611
<b>TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			<b>-</b>	<b>3,611</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,279,945</b>	<b>\$ 99,411,170</b>

**XAVIER UNIVERSITY OF LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 1 - BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of **Xavier University of Louisiana (the University)** and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - CURRENT LOAN AMOUNT & OUTSTANDING LOAN BALANCES:

The current loan activity during the year ended June 30, 2022 and the related loan balances outstanding at June 30, 2022 are presented below. The loan activity is also included in the federal expenditures presented in the Schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Current Activity</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.038	\$ <u>-0-</u>	\$ <u>2,658,441</u>
Health Professions Student Loans and Loans to Disadvantaged Students	93.342	\$ <u>82,798</u>	\$ <u>1,257,242</u>



**XAVIER UNIVERSITY OF LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(CONTINUED)

NOTE 3 - SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule, **the University** provided federal awards to subrecipients as follows:

<u>Program Title</u>	Federal CFDA or Other Identifying <u>Number</u>	Amount Provided to <u>Subrecipients</u>
Education	43.008	\$ 161,347
Mathematical and Physical Sciences	47.049	9,932
Supporting Effective Educator Development Program	84.423	596,401
Centers of Excellence	93.157	421,749
Minority Health and Health Disparities Research	93.307	61,561
Trans-NIH Research Support	93.310	<u>28,955</u>
Total		<u>\$ 1,279,945</u>

NOTE 4 – INDIRECT COST RATE:

**The University** has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under the Uniform Guidance. Instead, **the University** utilizes the Modified Total Direct Cost rate which approximates forty-two percent (42%).

NOTE 5 – SUBSEQUENT EVENTS:

**The University** has evaluated subsequent events from July 1, 2021 to April 30, 2023, the date the financial statements were available to be issued and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**XAVIER UNIVERSITY OF LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**(CONTINUED)**

**NOTE 6 – FINANCIAL RESPONSIBILITY**

Section 498(c)(1) of the Higher Education Act authorizes the Secretary of the Department to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 of the current regulation, originally effective July 1, 1998, established a methodology based on three (3) ratios—primary reserve, equity, and net income—that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution's ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in the Title IV programs under provisional certification for three (3) years. To continue to participate in the Title IV programs under provisional certification, an institution will be required to provide surety to the Department of Education of ten (10) percent or more of its previous year's Title IV funding, as determined by the Department of Education.

The financial information below presents the correspondence between certain values presented in **the University's** financial statements and the values as they are included in the determination of the ratios used by ED to gauge the **University's** financial responsibility as of June 30, 2022.

**XAVIER UNIVERSITY OF LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**(CONTINUED)**

**NOTE 6 – FINANCIAL RESPONSIBILITY, Continued**

**Long-term debt**

Pre-implementation long-term debt	\$	-
Post-implementation long-term debt		3,579,024
Lease liabilities		2,627,392
Long-term debt	\$	<u>6,206,416</u>

**Property, plant and equipment-net**

Pre-implementation land, buildings, and equipment-net	\$	218,479,633
Construction in progress		4,350,724
Post-implementation land, buildings, and equipment-net		8,224,041
Subtotal land, buildings, and equipment-net	\$	<u>231,054,398</u>
ROU assets-pre-implementation	\$	84,934
ROU assets-post-implementation		2,542,458
Subtotal ROU assets	\$	<u>2,627,392</u>

**XAVIER UNIVERSITY OF LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(CONTINUED)

**NOTE 6 – FINANCIAL RESPONSIBILITY, Continued**

Financial Responsibility Supplemental Schedule Composite Scores as of June 30, 2022			
Financial Statement or Note	Classification	Amount	
	<b>Primary Reserve Ratio</b>		
	<b>Expendable Net Assets</b>		
Statement of financial position—net assets without donor restrictions	Net assets without donor restrictions	\$ 324,883,041	
Statement of financial position—net assets with donor restrictions	Net assets with donor restrictions	101,393,650	
	Property, plant and equipment—net		
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	(includes construction in progress)	(231,054,398)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment pre-implementation	(218,479,633)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Property, plant and equipment post implementation without outstanding debt	(8,224,041)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Construction in progress	(4,350,724)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets—net	(2,627,392)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets pre implementation	(84,934)	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	ROU assets post implementation	(2,542,458)	
	Subtotal	<u>\$ 192,594,901</u>	
Note 22 of the financial statements - Information used in determining the Department of Education's financial responsibility composite score	Long term debt	6,206,416	
Statement of financial position -Mortgage payable	Post implementation long term debt	3,579,024	
Statement of financial position—Leases liability	Post implementation lease liability	2,627,392	
	Subtotal	<u>6,206,416</u>	
	Net assets with donor restrictions: restricted for time or purpose	<u>(14,351,574)</u>	
Note 2 page 8 - Net assets with donor restrictions	Net assets with donor restrictions: restricted in perpetuity	<u>(70,544,386)</u>	
	Total expendable net assets	<u>\$ 113,905,357</u>	
Statement of activities—Total operating expenses without donor restrictions	Total expenses without donor restrictions—taken directly from statement of activities	<u>\$ 131,635,084</u>	
Statement of activities non-operating (investment return appropriated for spending), investments—net of annual spending, gain (loss), other components of net periodic pension costs, pension-related changes other than net periodic pension, change in value of split-interest agreements and other gains (loss)—total from statement of activities prior to adjustments	Non-operating and net investment (losses)	\$ 3,858,840	
Statement of activities non-operating (investment return appropriated for spending) investments—net of annual spending, gain (loss)	Net investment losses	<u>(3,858,840)</u>	
	Total expenses and losses	<u>\$ 131,635,084</u>	

(continued)

**XAVIER UNIVERSITY OF LOUISIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(CONTINUED)**

**NOTE 6 – FINANCIAL RESPONSIBILITY, Continued**

Financial Responsibility Supplemental Schedule Composite Scores as of June 30, 2022		
Financial Statement or Note	Classification	Amount
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Statement of financial position—Net assets without donor restrictions	Net assets without donor restrictions	\$ 324,883,041
Statement of financial position—Net assets with donor restrictions	Net assets with donor restrictions	<u>101,393,650</u>
	Total modified net assets	<u>\$ 426,276,691</u>
<b>Modified Assets</b>		
Statement of financial position—Total assets	Total assets	\$ 452,885,761
	Total modified assets	<u>\$ 452,885,761</u>
<b>Net Income Ratio</b>		
Statement of activities—Change in net assets without donor restrictions	Change in net assets without donor restrictions	\$ (24,338,273)
	Total change in net assets without donor restrictions	<u>\$ (24,338,273)</u>
Statement of activities—(net assets released from restriction)—total operating revenue and other additions and sale of fixed assets, gains (losses)	Total revenues and gains without donor restrictions less endowment spending used in operations	<u>\$ 121,854,648</u>
	Total	<u>\$ 121,854,648</u>

**XAVIER UNIVERSITY OF LOUISIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(CONTINUED)**

**NOTE 6 – FINANCIAL RESPONSIBILITY, Continued**

**Ratios**

Primary reserve ratio:		
Expendable net assets	\$ 113,905,357	
Total expenses and losses without donor restrictions	<u>131,635,084</u>	
Resulting ratio		<u>0.8653</u>
Equity ratio:		
Net assets without donor restrictions	\$ 324,883,041	
Net assets with donor restrictions	<u>101,393,650</u>	
Total net assets		<u>426,276,691</u>
Total assets		<u>452,885,761</u>
Resulting ratio		<u>0.9412</u>
Net income ratio:		
Change in net assets without donor restrictions	\$ (24,338,273)	
Total revenues and gains	<u>121,854,648</u>	
Resulting ratio		<u>(0.1997)</u>

**Composite Score Calculation**

<b>2022</b>	<b>Ratio</b>	<b>Factor</b>	<b>Strength Factor</b>	<b>Strength Factor Cap</b>	<b>Weight</b>	<b>Composite Score</b>
Primary reserve	0.8653	10	8.6530	3	40 %	1.2
Equity ratio	0.9412	6	5.6472	3	40 %	1.2
Net income ratio	(0.1997)	25+1	(3.9925)	3	20 %	<u>(0.7985)</u>
Total Composite Score						<u>1.60</u>

(concluded)

*Sean M. Bruno*  
*Certified Public Accountants, LLC*

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Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITOR’S 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***

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To the Board of Trustees of  
**Xavier University of Louisiana**  
New Orleans, Louisiana

I 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 Schedule of Expenditures of Federal Awards of **Xavier University of Louisiana (the University)**, (a nonprofit organization) for the year ended June 30, 2022, and the related notes, and have issued my report thereon dated April 30, 2023. The financial statements were audited by other Auditors whose report contained an unmodified opinion.

***Report on Internal Control over Financial Reporting***

In planning and performing my audit of the Schedule of Expenditures of Federal Awards, I considered **the University’s** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the Schedule of Expenditures of Federal Awards, but not for the purpose of expressing an opinion on the effectiveness of **the University’s** internal control. Accordingly, I do not express an opinion on the effectiveness of **the University’s** internal control.

**INDEPENDENT AUDITOR'S 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***

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**(CONTINUED)**

***Internal Control over Financial Reporting, Continued***

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Expenditures of Federal Awards 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.

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. The financial statements were audited by other Auditors, whose report included a material weakness in internal control over financial reporting as item 2022-001.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **the University's** Schedule of Expenditures of Federal Awards is free from material misstatement, I 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 Schedule of Expenditures of Federal Awards. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**INDEPENDENT AUDITOR’S 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***

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(CONTINUED)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

April 30, 2023

**Sean M. Bruno**  
**Certified Public Accountants, LLC**

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Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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To the Board of Trustees of  
**Xavier University of Louisiana**  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

I have audited **Xavier University of Louisiana’s (the University’s)** compliance with the types of compliance requirements identified as subject to the audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of **the University’s** major federal programs for the year ended June 30, 2022. **The University’s** major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. The financial statements were audited by other Auditors whose report contained an unmodified opinion.

In my opinion, **the University** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended

***Basis for Opinion on Each Major Federal Program***

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of my report.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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**(CONTINUED)**

***Basis for Opinion on Each Major Federal Program, Continued***

I am required to be independent of **the University** and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of **the University's** compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **the University's** federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **the University's** compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **the University's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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**(CONTINUED)**

*Auditor's Responsibilities for the Audit of Compliance, Continued*

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **the University's** compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of **the University's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **the University's** internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

*Report on Internal Control over Compliance*

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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**(CONTINUED)**

***Report on Internal Control over Compliance, Continued***

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS, LLC**  
New Orleans, Louisiana

April 30, 2023

## **SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

**XAVIER UNIVERSITY OF LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Independent Auditor’s Results**

*Financial Statements:*

Type of independent auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	<u>No</u>
• Significant deficiency(ies) identified?	<u>No</u>
• Noncompliance material to financial statements noted?	<u>No</u>

*Federal Awards:*

Internal control over major programs:	
• Material weakness(es) identified?	<u>No</u>
• Significant deficiency(ies) identified?	<u>No</u>
Type of independent auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance requirements?	<u>No</u>

**XAVIER UNIVERSITY OF LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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(CONTINUED)

**Section I – Summary of Independent Auditor’s Results, Continued**

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program</u>
84.425E	COVID-19 Education Stabilization Fund
84.425F	COVID-19 Education Stabilization Fund
84.425J	COVID-19 Education Stabilization Fund
<b><u>Student Financial Assistance Cluster</u></b>	
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work-Study Program
84.063	Federal PELL Grant Program
84.268	Federal Direct Student Loans
84.379	Teach Grant
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students

The dollar threshold used to distinguish between Type A and Type B Programs, as described in the Uniform Guidance Section [2 CFR section 200.518(b)] was \$1,087,634.

Did the auditee qualify as a low-risk auditee under the Uniform Guidance Section [2 CFR section 200.518(b)]? Yes



**XAVIER UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**Section II - Financial Statement Finding**

No Matters Reported.

**Section III - Federal Award Findings and Questioned Costs**

No Matters Reported

**XAVIER UNIVERSITY OF LOUISIANA  
AUDIT INFORMATION SCHEDULE**

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**Lead Auditor:** Sean M. Bruno  
Certified Public Accountants  
Sean M. Bruno, CPA, Managing Partner

**Telephone Number:** (504) 241-3411

**License Number:** L4730

The audit field work was performed between March 1, 2023 through April 30, 2023.

**Institution's Accrediting Organization:**

Southern Association of Colleges and Schools

**Records for the accounting and administration of the major programs are located at:**

Xavier University of Louisiana  
1 Drexel Drive  
New Orleans, Louisiana 70125