

LSU HEALTH SCIENCES FOUNDATION

IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

JUNE 30, 2022 AND 2021

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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August 29, 2022

The Board of Directors
LSU Health Sciences Foundation in Shreveport
Shreveport, Louisiana

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of LSU Health Sciences Foundation in Shreveport and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LSU Health Sciences Foundation in Shreveport and Subsidiary as of June 30, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 LSU Health Sciences Foundation in Shreveport and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LSU Health Sciences Foundation in Shreveport and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 LSU Health Sciences Foundation in Shreveport and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LSU Health Sciences Foundation in Shreveport and Subsidiary'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In our opinion, the information on page is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2022 on our consideration of LSU Health Sciences Foundation in Shreveport and Subsidiary'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 LSU Health Sciences Foundation in Shreveport and Subsidiary'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 LSU Health Sciences Foundation in Shreveport and Subsidiary's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash	2,718,252	2,367,115
Accounts receivable	194,113	190,274
Contributions receivable-Note 3	24,196,125	29,934,532
Investments-pools-Note 4	78,821,063	89,158,870
Investments-CFeist Legacy-Note 5	86,444,215	105,752,171
Investments-MFeist Legacy-Note 6	60,549,036	66,089,051
Investments-LSU Health Shreveport-endowments-Note 6	10,866,747	12,489,020
Investments-other	207,912	180,227
Investment in real estate, property, and equipment-Note 8	4,407,473	3,927,194
Other assets	<u>29,995</u>	<u>23,920</u>
Total assets	<u>268,434,931</u>	<u>310,112,374</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	4,360,129	1,884,598
Other payables	102,434	102,718
Due to LSU Health Shreveport-BOR match-Note 9	11,395,072	13,074,754
Due to LSU Health Shreveport-MFeist Legacy-Note 6	60,549,036	66,089,051
Due to LSU Health Shreveport-endowments-Note 6	<u>10,866,747</u>	<u>12,489,020</u>
Total liabilities	87,273,418	93,640,141
 <u>Net assets:</u>		
Without donor restrictions:		
Designated by Board for specific purpose	3,591,157	3,688,744
Designated by Board for operating reserve	1,025,928	1,021,351
Invested in real estate, property and equipment, net	4,407,473	3,927,194
Undesignated	<u>14,524,665</u>	<u>16,487,185</u>
Total without donor restrictions	23,549,223	25,124,474
With donor restrictions:		
Restricted for specified purpose	35,501,908	44,557,417
Restricted in perpetuity-endowment	21,137,844	23,969,095
Restricted for specific purpose and designated by Board for endowment	<u>100,972,538</u>	<u>122,821,247</u>
Total with donor restrictions	<u>157,612,290</u>	<u>191,347,759</u>
Total net assets	<u>181,161,513</u>	<u>216,472,233</u>
Total liabilities and net assets	<u>268,434,931</u>	<u>310,112,374</u>

The accompanying notes are an integral part of the consolidated financial statements.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
<u>Support, revenues and gains:</u>			
Contributions	493,766	7,581,811	8,075,577
Net investment income(loss)	(2,215,310)	(20,016,833)	(22,232,143)
Management fee income	888,149	-	888,149
Rental income	100,992	-	100,992
Total support, revenues, and gains	(732,403)	(12,435,022)	(13,167,425)
Net assets released from restrictions	21,300,447	(21,300,447)	-
<u>Total support, revenue, gains and reclassifications</u>	20,568,044	(33,735,469)	(13,167,425)
<u>Expenses</u>			
Management and general	809,728	-	809,728
Fundraising and development	1,385,036	-	1,385,036
Program services:			
Feist-Weiller Cancer Center	4,996,704	-	4,996,704
Other departments	14,951,827	-	14,951,827
Total support to LSU Health Sciences Center	19,948,531	-	19,948,531
Total expenses	22,143,295	-	22,143,295
<u>Change in net assets</u>	(1,575,251)	(33,735,469)	(35,310,720)
<u>Net assets at beginning of period</u>	25,124,474	191,347,759	216,472,233
<u>Net assets at end of period</u>	23,549,223	157,612,290	181,161,513

The accompanying notes are an integral part of the consolidated financial statements.

<u>2021</u>		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
161,440	34,340,390	34,501,830
3,220,647	35,007,290	38,227,937
800,072	-	800,072
<u>17,600</u>	<u>-</u>	<u>17,600</u>
4,199,759	69,347,680	73,547,439
<u>16,140,430</u>	<u>(16,140,430)</u>	<u>-</u>
20,340,189	53,207,250	73,547,439
792,464	-	792,464
1,077,761	-	1,077,761
2,793,532	-	2,793,532
<u>12,515,227</u>	<u>-</u>	<u>12,515,227</u>
<u>15,308,759</u>	<u>-</u>	<u>15,308,759</u>
<u>17,178,984</u>	<u>-</u>	<u>17,178,984</u>
3,161,205	53,207,250	56,368,455
<u>21,963,269</u>	<u>138,140,509</u>	<u>160,103,778</u>
<u>25,124,474</u>	<u>191,347,759</u>	<u>216,472,233</u>

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>				
	<u>Feist-Weiller Cancer Center</u>	<u>Other Departments</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salary expense	-	-	390,927	500,896	891,823
Payroll taxes	-	-	29,214	37,378	66,592
Employee benefit expense	-	-	38,829	49,419	88,248
Professional services	12,910	521,771	117,774	240,830	893,285
Insurance	-	-	44,720	-	44,720
Depreciation	-	-	57,361	-	57,361
Office supplies	-	-	10,790	13,733	24,523
Maintenance agreements	-	-	18,860	12,574	31,434
Rent	-	-	28,788	36,639	65,427
Capital Projects	-	12,989,129	-	-	12,989,129
Repairs and maintenance	-	9,178	35,103	-	44,281
Travel	6,761	54,450	1,159	1,475	63,845
Advertising and promotional expenses	-	73,097	-	1,550	74,647
Printing	3,130	3,294	-	43,152	49,576
Recruiting	2,233	13,248	-	-	15,481
Awards and scholarships	2,602	103,100	-	-	105,702
Professional development	-	-	-	15,071	15,071
Books, supplies, and equipment	2,646	163,341	-	-	165,987
Dues and licenses	1,945	57,936	6,958	6,958	73,797
Fundraising events	-	-	-	396,540	396,540
Research	4,892,194	551,722	-	-	5,443,916
Meeting and lecture expense	70,330	403,573	-	-	473,903
Other	<u>1,953</u>	<u>7,988</u>	<u>29,245</u>	<u>28,821</u>	<u>68,007</u>
Total expenses	<u>4,996,704</u>	<u>14,951,827</u>	<u>809,728</u>	<u>1,385,036</u>	<u>22,143,295</u>

The accompanying notes are an integral part of the consolidated financial statements.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>				
	<u>Feist-Weiller Cancer Center</u>	<u>Other Departments</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salary expense	-	-	393,220	539,619	932,839
Payroll taxes	-	-	28,511	39,142	67,653
Employee benefit expense	-	-	38,427	53,065	91,492
Professional services	11,035	262,931	102,342	84,224	460,532
Insurance	-	-	58,692	-	58,692
Depreciation	-	-	57,361	-	57,361
Office supplies	-	-	8,326	11,496	19,822
Maintenance agreements	-	-	18,815	12,543	31,358
Rent	-	-	27,182	37,537	64,719
Capital Projects	-	10,778,787	-	-	10,778,787
Repairs and maintenance	-	-	27,362	-	27,362
Travel	-	54,988	959	1,325	57,272
Advertising and promotional expenses	-	155,229	-	5,232	160,461
Printing	-	3,047	-	37,518	40,565
Recruiting	7,380	50,939	-	-	58,319
Awards and scholarships	649	108,498	-	-	109,147
Professional development	-	-	-	130	130
Books, supplies, and equipment	-	588,869	-	-	588,869
Dues and licenses	-	59,893	4,128	4,127	68,148
Fundraising events	-	-	-	224,664	224,664
Research	2,762,931	233,317	-	-	2,996,248
Meeting and lecture expense	11,509	212,297	-	-	223,806
Other	<u>28</u>	<u>6,432</u>	<u>27,139</u>	<u>27,139</u>	<u>60,738</u>
 Total expenses	 <u>2,793,532</u>	 <u>12,515,227</u>	 <u>792,464</u>	 <u>1,077,761</u>	 <u>17,178,984</u>

The accompanying notes are an integral part of the consolidated financial statements.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(35,310,720)	56,368,455
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,361	57,361
Net realized and unrealized (gain) loss on long-term investments	31,734,682	(34,721,692)
(Increase) in accounts receivable	(3,839)	(29,478)
(Increase) decrease in contributions receivable	5,738,407	(22,050,488)
(Increase) in other assets	(6,075)	(256)
Increase in accounts payable	2,475,531	782,063
(Decrease) in other payable	<u>(284)</u>	<u>(1,201)</u>
Net cash provided by operating activities	4,685,063	404,764
<u>Cash flows from investing activities:</u>		
Purchase and improvement of real estate	(537,640)	(518,634)
Purchases of investments	(25,114,401)	(18,113,940)
Proceeds from sale and maturities of investments	22,997,797	15,172,934
(Decrease) increase in due to LSU Health Shreveport-BOR match	<u>(1,679,682)</u>	<u>2,458,299</u>
Net cash (used) by investing activities	(4,333,926)	(1,001,341)
<u>Net increase (decrease) in cash</u>	351,137	(596,577)
<u>Cash at beginning of period</u>	<u>2,367,115</u>	<u>2,963,692</u>
<u>Cash at end of period</u>	<u><u>2,718,252</u></u>	<u><u>2,367,115</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. Nature of Business

The consolidated financial statements include the LSU Health Sciences Foundation in Shreveport and its wholly-owned subsidiary – the LSU Health Sciences Building Foundation in Shreveport (“Building Foundation”). All significant intercompany accounts and transactions have been eliminated in consolidation.

The LSU Health Sciences Foundation in Shreveport (the “Foundation”) is a public, nonprofit corporation formed in 1997 and governed by a board of directors. The Foundation’s goal is to support, enhance, and assist the LSU Health Sciences Center Shreveport (the “Center”) in its many endeavors by expanding the public’s awareness of the Center’s many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Center, and provide the means through which financial support is received and administered. The Building Foundation is a public, nonprofit corporation formed in 2003 to hold real estate donated to or purchased by the Foundation.

2. Summary of Significant Accounting Policies

- a. Financial Statement Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for specific purpose and operations. The Foundation’s policy is to designate unrestricted donor gifts at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. The Foundation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the support is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (Continued)

- b. Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or unconditional promises to give are received. We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.
- c. The costs of program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising expenses.
- d. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the consolidated statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions which are not held within the investment portfolios. The Foundation, at times, may have deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.
- f. The LSU Health Sciences Foundation in Shreveport and the LSU Health Science Building Foundation in Shreveport qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the consolidated financial statements, but the Foundation and Building Foundation are required to file an annual information return. The Foundation and Building Foundation are also required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they are tax exempt entities. The Foundation and Building Foundation must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax exempt entities, the Foundation and Building Foundation must assess whether they have any tax positions associated with unrelated business income subject to income tax. The Foundation and Building Foundation do not expect their positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's and Building Foundation's accounting records.

The Foundation and Building Foundation file U.S. federal Form 990 for informational purposes. The Foundation's and Building Foundation's federal income tax returns for the tax years 2019 and beyond remain subject to examination by the Internal Revenue Service.

- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

2. Summary of Significant Accounting Policies (Continued)

The asset allocation of the Foundation's investment portfolio involves exposure to a diverse set of markets. The investments within these markets involve various risks, such as interest rate, market, credit, and liquidity risks. The Foundation anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks. Increases and decreases in market value are recognized in the periods in which they occur. Upon disposition, the average price of investments is used to compute the realized gain or loss to be recognized. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Cost and market values are disclosed in Notes 4 and 5.

- h. Equipment and furniture are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of three to seven years.
- i. Investments in real estate are stated at cost if purchased, and at fair market value at date of donation, if donated, less accumulated depreciation on any improvements. Depreciation of improvements is calculated using the straight-line method over an estimated useful life of fifteen years.
- j. The Foundation's financial instruments, excluding investments which are recorded at estimated fair value, include cash and contributions receivable. The Foundation estimates that the fair values of these financial instruments at June 30, 2022 and 2021 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying financial statements.
- k. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:
 - Lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
 - A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the potential impact of adopting this guidance on its financial statements.

- l. Certain amounts from prior year have been reclassified to conform to current year presentation.

3. Contributions Receivable

Contributions receivable is summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contributions receivable expected to be collected in:		
Less than one year	10,466,332	7,624,444
One year to five years	<u>14,376,942</u>	<u>23,478,925</u>
Contributions receivable	24,843,274	31,103,369
Discount on contributions receivable	<u>(647,149)</u>	<u>(1,168,837)</u>
Net contributions receivable	<u>24,196,125</u>	<u>29,934,532</u>

The Foundation is raising funds in support of construction of The Center for Medical Education and Wellness at LSU Health Sciences Center Shreveport. The Center is a \$84 million public-private project. Funding from federal, state, and local governments will be combined with grants and private funds to build the facility. Contributions receivable for this capital project are \$9,713,942 and \$12,003,236 at June 30, 2022 and 2021, respectively.

The Foundation entered into an agreement in November 2020 to receive contributions to fund academic and research activities in support of the teaching and research missions of LSU Health Sciences Center Shreveport for \$22 million. Payments are to be received in yearly increments thru December 31, 2024. Contributions receivable are \$15 million and \$19 million at June 30, 2022 and 2021, respectively.

Additional pledges of \$129,332 were outstanding at June 30, 2022 for various purposes. Pledges receivable have been discounted at 2%. At June 30, 2022 and 2021, 97% and 96%, respectively of contributions receivable were concentrated within two donors.

4. Investments-Pools

Investments-pools consisted primarily of Vanguard mutual funds.

	<u>2022</u>		<u>2021</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Unrestricted Pool</u>				
Fixed income:				
Investment grade mutual funds	<u>1,534,867</u>	<u>1,673,299</u>	<u>2,733,715</u>	<u>2,670,965</u>
Total fixed income	1,534,867	1,673,299	2,733,715	2,670,965
Equity:				
Domestic mutual funds	1,990,818	1,773,935	3,777,293	2,354,811
International mutual funds	<u>1,301,836</u>	<u>1,387,961</u>	<u>2,415,876</u>	<u>1,774,995</u>
Total equity	<u>3,292,654</u>	<u>3,161,896</u>	<u>6,193,169</u>	<u>4,129,806</u>
Total Unrestricted Pool	<u>4,827,521</u>	<u>4,835,195</u>	<u>8,926,884</u>	<u>6,800,771</u>
<u>Nonendowed Pool</u>				
Cash and cash equivalents	7,040,545	7,040,545	6,792,749	6,792,749
Fixed income:				
Investment grade mutual funds	<u>21,175,837</u>	<u>22,453,948</u>	<u>20,142,874</u>	<u>19,906,233</u>
Total fixed income	<u>21,175,837</u>	<u>22,453,948</u>	<u>20,142,874</u>	<u>19,906,233</u>
Alternatives:				
Other	<u>1,097,378</u>	<u>1,750,000</u>	<u>637,491</u>	<u>1,000,000</u>
Total alternatives	1,097,378	1,750,000	637,491	1,000,000
Total Nonendowed Pool	<u>29,313,760</u>	<u>31,244,493</u>	<u>27,573,114</u>	<u>27,698,982</u>

4. Investments-Pools (Continued)

	<u>2022</u>		<u>2021</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>General/Feist Endowed Pool</u>				
Cash and cash equivalents	52,593	52,593	2,440	2,440
Fixed Income:				
Investment grade mutual funds	<u>6,876,138</u>	<u>7,623,872</u>	<u>7,540,397</u>	<u>7,343,745</u>
Total fixed income	<u>6,876,138</u>	<u>7,623,872</u>	<u>7,540,397</u>	<u>7,343,745</u>
Equity:				
Domestic mutual funds	8,693,947	6,229,835	10,211,350	5,671,287
International mutual funds	<u>5,428,141</u>	<u>5,360,986</u>	<u>6,513,233</u>	<u>4,496,652</u>
Total equity	<u>14,122,088</u>	<u>11,590,821</u>	<u>16,724,583</u>	<u>10,167,939</u>
Total General/Feist Endowed Pool	<u>21,050,819</u>	<u>19,267,286</u>	<u>24,267,420</u>	<u>17,514,124</u>
<u>Future Endowment Pool</u>				
Cash and cash equivalents	<u>490,377</u>	<u>490,377</u>	<u>558,756</u>	<u>558,756</u>
Total Future Endowment Pool	<u>490,377</u>	<u>490,377</u>	<u>558,756</u>	<u>558,756</u>
<u>BRSF Pool</u>				
Cash and cash equivalents	4,781	4,781	3,986	3,986
Fixed income:				
Investment grade mutual funds	<u>7,693,374</u>	<u>8,532,693</u>	<u>8,647,657</u>	<u>8,424,692</u>
Total fixed income	<u>7,693,374</u>	<u>8,532,693</u>	<u>8,647,657</u>	<u>8,424,692</u>
Equity:				
Domestic mutual funds	9,740,077	6,694,341	11,711,276	6,430,604
International mutual funds	<u>5,700,354</u>	<u>5,468,441</u>	<u>7,469,777</u>	<u>5,124,647</u>
Total equity	<u>15,440,431</u>	<u>12,162,782</u>	<u>19,181,053</u>	<u>11,555,251</u>
Total BRSF Pool	<u>23,138,586</u>	<u>20,700,256</u>	<u>27,832,696</u>	<u>19,983,929</u>
Total investments-pool	<u>78,821,063</u>	<u>76,537,607</u>	<u>89,158,870</u>	<u>72,556,562</u>

5. CFeist Legacy

Carroll W. Feist died on July 29, 2005. His will and codicils created ambiguities with respect to the identity of the universal legatee. The proper universal legatee was either Louisiana State University or the LSU Health Sciences Foundation in Shreveport. The parties compromised and agreed that Mr. Feist's Will should be interpreted so that the universal legatee is the Foundation. The parties entered into a written agreement whereby the management details of the legacy from Mr. Feist were outlined.

The bequest will be used for cancer research at the LSU Health Sciences Center, Shreveport, Louisiana. The board approved endowment of the purpose-restricted funds subject to the spend policy as defined in the funds management agreement. This agreement allows for consideration to spend income of the Feist account up to \$1,000,000 in any one year following appropriate approvals. Principal or income funds in excess of \$1,000,000 may be available to spend after additional approval. Such approvals were required in 2022 and 2021.

5. CFeist Legacy (Continued)

Distributions received from the Succession and recorded as contributions since inception are as follows:

Year Ended June 30,	<u>Income</u>	<u>Principal</u>	<u>Total Distributions</u>
2006 thru 2020	17,250,833	40,368,124	57,618,957
2021	282,294	1,241,354	1,523,648
2022	<u>1,958,229</u>	<u>761,771</u>	<u>2,720,000</u>
	<u>19,491,356</u>	<u>42,371,249</u>	<u>61,862,605</u>

CFeist Legacy funds are primarily invested in Vanguard mutual funds.

Investments-CFeist Legacy are presented below with their respective market values and costs as of June 30, 2022 and 2021.

	<u>2022</u>		<u>2021</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>26,302,133</u>	<u>29,089,828</u>	<u>27,956,414</u>	<u>27,140,001</u>
Total fixed income	26,302,133	29,089,828	27,956,414	27,140,001
Equities:				
Domestic mutual funds	38,663,372	26,593,748	48,161,192	26,621,953
International mutual funds	<u>21,478,710</u>	<u>20,712,287</u>	<u>29,634,565</u>	<u>20,516,944</u>
Total equities	<u>60,142,082</u>	<u>47,306,035</u>	<u>77,795,757</u>	<u>47,138,897</u>
Total investments-CFeist Legacy	<u>86,444,215</u>	<u>76,395,863</u>	<u>105,752,171</u>	<u>74,278,898</u>

Following is a summary of the transactions of the CFeist Legacy for the years ended June 30, 2022 and 2021. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2022 and 2021.

	<u>2022</u>		<u>2021</u>
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>
Net asset balances at beginning of year	13,773,165	91,286,253	82,465,043
Activity during the year:			
Distributions from Succession	1,958,229	761,771	1,523,648
Net investment income (loss)	4,792,409	(18,849,707)	25,140,658
Management fees	(740,188)	(740,188)	(1,434,424)
Other expenses	(37,905)	-	(35,507)
Transfer to spending account	<u>(5,800,000)</u>	<u>-</u>	<u>(2,600,000)</u>
Net asset balances at end of year	<u>13,945,710</u>	<u>72,458,129</u>	<u>105,059,418</u>

5. CFeist Legacy (Continued)

	<u>2022</u>	<u>2021</u>
Consists of:		
Above investments	86,444,215	105,752,171
Management fees and other payable	<u>(40,376)</u>	<u>(692,753)</u>
 Total net assets at end of year	 <u>86,403,839</u>	 <u>105,059,418</u>

6. Agency Investments

In 1986, the LSU Board of Supervisors received a substantial monetary bequest from Malcolm W. Feist, who specified in his testament that the bequest was to be used for the benefit of LSU Health Sciences Center at Shreveport. An agreement was executed on May 9, 2012 between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for these funds, in return for which the Foundation is entitled to a monthly management fee. The agreement was effective July 1, 2012. The agreement specifies that MFeist Legacy funds will remain state funds owned by the Board of Supervisors. The funds will be used for purposes consistent with the donor's express intent and deemed appropriate by the Chancellor of LSU Health Sciences Center at Shreveport; the Chancellor's approval is required for withdrawal. On January 1, 2013, another agreement was executed between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for certain other LSU Health Science Center at Shreveport endowments. These funds remain state owned, thereby the Foundation acts as an agent as described in the provisions of FASB ASC 958, and records an asset and liability for the amounts transferred.

Agency investments consist of Vanguard mutual funds. Fair values of all agency investments measured on a recurring basis at June 30, 2022 and 2021 were classified as Level 1 valuations. Agency investments are presented below with their respective market values and cost as of June 30, 2022 and 2021.

	<u>2022</u>		<u>2021</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>47,036,551</u>	<u>52,210,640</u>	<u>50,004,847</u>	<u>48,493,157</u>
Total fixed income	47,036,551	52,210,640	50,004,847	48,493,157
Equities:				
Domestic mutual funds	15,167,727	9,735,375	17,948,619	8,978,515
International mutual funds	<u>9,211,505</u>	<u>9,062,551</u>	<u>10,624,605</u>	<u>7,923,726</u>
Total equities	<u>24,379,232</u>	<u>18,797,926</u>	<u>28,573,224</u>	<u>16,902,241</u>
 Total investments-agency	 <u>71,415,783</u>	 <u>71,008,566</u>	 <u>78,578,071</u>	 <u>65,395,398</u>

6. Agency Investments (Continued)

Agency investments are comprised of the following state funds:

	<u>2022</u>	<u>2021</u>
MFeist Legacy	60,549,036	66,089,051
LSU Health Endowments	<u>10,866,747</u>	<u>12,489,020</u>
	<u>71,415,783</u>	<u>78,578,071</u>

7. Fair Value Measurements

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Investments below consist of Investment – Pools and Investments – CFeist Legacy.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2022:				
Cash and cash equivalents	7,588,296	-	-	7,588,296
Fixed income:				
Investment grade mutual funds	63,582,348	-	-	63,582,348
Inflation protected mutual funds	-	-	-	-
Total fixed income	<u>63,582,348</u>	<u>-</u>	<u>-</u>	<u>63,582,348</u>
Equities:				
Domestic mutual funds	59,088,215			59,088,215
International mutual funds	<u>33,909,041</u>	<u>-</u>	<u>-</u>	<u>33,909,041</u>
Total equities	<u>92,997,256</u>	<u>-</u>	<u>-</u>	<u>92,997,256</u>
Alternatives:				
Other	<u>-</u>	<u>-</u>	<u>1,097,378</u>	<u>1,097,378</u>
Total investments	<u>164,167,900</u>	<u>-</u>	<u>1,097,378</u>	<u>165,265,278</u>

7. Fair Value Measurements (Continued)

June 30, 2021:

Cash and cash equivalents	7,357,931	-	-	7,357,931
Fixed income:				
Investment grade mutual funds	67,021,056	-	-	67,021,056
Inflation protected mutual funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fixed income	67,021,056	-	-	67,021,056
Equities:				
Domestic mutual funds	73,861,111	-	-	73,861,111
International mutual funds	<u>46,033,452</u>	<u>-</u>	<u>-</u>	<u>46,033,452</u>
Total equities	<u>119,894,563</u>	<u>-</u>	<u>-</u>	<u>119,894,563</u>
Alternatives:				
Other	<u>-</u>	<u>-</u>	<u>637,491</u>	<u>637,491</u>
Total investments	<u>194,273,550</u>	<u>-</u>	<u>637,491</u>	<u>194,911,041</u>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Other</u>
Balance-June 30, 2021	637,491
Purchases, issuances, and settlements	750,000
Net investment income	<u>(290,113)</u>
Balance-June 30, 2022	<u>1,097,378</u>

The investments measured at fair value based on net asset value (NAVs) per share as of June 30, 2022 include \$3,250,000 of unfunded commitments. These funds are in a partnership structure with no ability to redeem unless approved by the general partner.

8. Investment in Real Estate

During the fiscal year ended June 30, 2002, the Foundation began purchasing property adjacent to and near the LSU Health Sciences Center Shreveport. Property held is for the ultimate benefit of the Center. On occasion, the Foundation has also received donations of property.

	<u>2022</u>	<u>2021</u>
Equipment	83,799	83,799
Intermodal transit facility	1,609,160	1,609,160
Investment in real estate	<u>3,548,783</u>	<u>3,011,143</u>
	5,241,742	4,704,102
Accumulated depreciation	<u>(834,269)</u>	<u>(776,908)</u>
	<u>4,407,473</u>	<u>3,927,194</u>

9. Due to LSU Health Shreveport-BOR Match

The amount due to LSU Health Sciences Center Shreveport-BOR match represents the Louisiana Board of Regents state match for the following chairs and professorships, which are being held and invested for the Center by the LSU Health Sciences Foundation in Shreveport. The liability consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
John C. McDonald, M.D. Chair in Surgery	857,965	968,887
Jack W. Pou, M.D. Chair in Otolaryngology	782,759	928,144
Albert Sklar Professorship in Surgery	87,104	98,308
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	992,556	1,102,878
Mary Louise and Ben Levy Professorship in Neurosurgery	66,234	88,647
Paul R. Winder, M.D. Professorship in Dermatology	101,954	113,637
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	81,481	92,399
Ike Muslow Chair in Health Informatics	758,983	870,904
Albert G. and Harriet G. Smith Professorship in Pathology	79,752	91,404
Randy Bryn, M.D. Professorship in Pulmonology	73,953	84,864
W. R. Matthews, M.D. Professorship in Pathology	74,693	87,465
YK Reddy Professorship in Allergy and Immunology	80,981	92,079
Albertson's Distinguished Professorship in Allied Health Sciences	72,739	86,821
Robert E. Wolf, M.D. Professorship in Rheumatology	72,993	82,624
Donald Mack, M.D. Professorship in Pediatric Oncology	83,657	94,027
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	660,687	787,177
Burdette E. Trichel, M.D. Professorship in Urology	68,958	79,324
Charles D. Knight, Sr. Professorship in General Surgery	66,518	77,402
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	69,493	79,845
Eugene St. Martin Professorship in Urology	79,666	90,527
Nathan Professorship in Head & Neck Surgery	80,851	91,135
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	74,346	84,080
Joe E. Holoubek Professorship in Medicine	79,661	89,630
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	72,229	83,933
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	73,341	82,985
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	72,899	82,547
Alice Coleman Endowed Professorship in Pediatric Rheumatology	25,166	29,697
James A. Ardoin, M.D. Professorship in OB/GYN	70,146	79,438
Brad and Kay McPherson Professorship in Child Psychiatry in Developmental Pediatrics	70,365	80,387
Khoury-Mack Professorship #3 St. Jude	74,937	84,703
Selber-Levin Professorship in Endocrinology	73,045	83,257
Juneau Chair in Surgical Oncology	881,035	992,006
Stafford and Marianne Comegys Professorship in Medical Library Science	70,429	82,560
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	65,176	74,018
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	66,633	76,183

9. Due to LSU Health Shreveport-BOR Match (Continued)

	<u>2022</u>	<u>2021</u>
Edward and Freda Green Professorship in Surgical Oncology	52,905	62,954
Scott and Larene Woodard Professorship in Neurosurgery	160,116	183,768
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	68,922	79,182
Brad and Kay McPherson Professorship	56,128	64,441
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	61,696	70,350
Carroll W. Feist Chair for the Study of Cancer	1,458,971	1,679,686
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	89,585	102,050
Edna Boatright Sherling Professorship in Cancer Care	58,251	66,697
Dr. Ming Yu Ding Memorial Professorship in Microbiology	71,929	81,502
Archibald Bell Nelson Professorship in Orthopedics	127,290	140,848
Joanna Gunning Magale Professorship in Neurology	68,754	83,669
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	832,536	943,765
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	346,290	401,067
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Enhancement	315,991	367,129
Charles Richard Parks Professorship in Neurological Rehab	49,117	57,801
Sandra and Jerry Martin Endowed Scholarship for Medical Students	46,449	49,022
Sandra and Jerry Martin Endowed Scholarship for Medical Students #2	44,325	51,842
Sandra and Jerry Martin Endowed Scholarship for Medical Students #3	33,230	40,000
Dudley R. Isom, DDS Endowed Prof. in Oral & Maxillofacial Surgery	51,311	59,224
Clarence H. Webb, MD Endowed Professorship in Pediatrics	51,311	59,224
Medical Center Clinics Endowed Professorship in Radiology	51,311	59,224
Charles G. Hargon Jr. Memorial Scholarship for Medical Students	44,360	53,614
Tilakram and Bhagwanti Devi Distinguished Professorship in Cleft Lip and Palate Surgery and Training	23,419	27,184
O'Callaghan Family Endowed Professorship in Microbiology	22,809	26,572
Tommy Brown, MD Memorial Scholarship for Medical Students	44,563	52,120
Johnson Family Endowed Scholarship	44,053	51,523
Cole Endowed Professorship for Community Health	22,652	26,374
Margaret Shehee Cole Endowed Scholarship for Inclusion, Diversity, & Excellence in Academics in the School of Allied Health	<u>33,413</u>	<u>40,000</u>
	<u>11,395,072</u>	<u>13,074,754</u>

10. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations.

10. Endowed Net Assets (Continued)

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the Center for the Center's benefit. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal years ended June 30, 2022 and 2021 was four percent.

Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

The Louisiana Board of Regents spending policy states that annual spending must be determined in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made.

The Foundation classifies as endowment restricted in perpetuity the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment funds net asset composition as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment net assets balances beginning of year	146,790,342	115,653,271
Contributions	4,323,351	1,729,310
Net investment income	(19,837,457)	35,108,328
Administrative expenses	(2,022,818)	(1,920,355)
Transfers for spending	<u>(7,143,036)</u>	<u>(3,780,212)</u>
Endowment net assets balances end of year	<u>122,110,382</u>	<u>146,790,342</u>

11. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, employee benefit expense, office supplies, maintenance agreements, rent, travel, professional development, dues, and licenses, and other, all of which are allocated on the basis of estimates of time and effort or other reasonable bases.

12. Operating Leases

The Foundation leases office space under an operating lease which expires on January 3, 2023. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2024 and a digital mailing system which expires on December 31, 2027. Future minimum lease requirements are as follows:

2023	40,529
2024	8,075
2025	4,479
2026	884
2027	<u>442</u>
	<u>54,409</u>

Included in management and general and fundraising expense is \$74,131 and \$73,307 in rent and equipment rental expense for the years ended June 30, 2022 and 2021, respectively.

13. Liquidity and Availability

The Foundation maintains sufficient cash to meet current and future operating needs. At June 30, the Foundation had \$2,718,252 in cash. Of this amount, the Board of Directors has established an Operating Reserve Policy to establish guidelines for achieving an operating reserve sufficient for the Foundation to support its annual budget, ensure continued growth of current and future programs, fulfill its mission even during times of harsh economic conditions, and provide financial stability and the means for the development of its principal activity. The reserve shall be invested in highly liquid United States Treasury obligations or bank accounts and may be used only for unanticipated and unbudgeted expenses or loss of revenue. Reserves may not be accessed in the absence of a plan for their replenishment over a reasonable period of time. The operating reserve of \$1 million has been fully funded since 2011. The remaining funds in excess of the operating reserve are available for general expenditure.

In addition to these funds, the Foundation's Board of Directors has chosen to charge a management fee to all funds based on the funds' average monthly market value to cover general expenditures required to operate the Foundation. The management fee rate varies from 1% to 1.5%. Fees are assessed on a quarterly basis. Management fees of \$2,880,183 for 2022 and \$2,715,481 for 2021 were charged to specific funds. Certain management fee income and administrative fee expense is netted in the presentation of the statement of activities.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from these funds is restricted for specific purposes and not available for general expenditure. The endowment funds are subject to annual spending rates as discussed in Notes 5 and 10. Annual spend amounts of all endowment funds are transferred into highly-liquid cash and cash equivalents to meet the annual needs for program services. The Foundation's investment policy requires a portion of the non-endowment donor-restricted funds to be maintained in highly-liquid cash equivalents as described in Note 4.

14. Board Designated Net Assets

In prior years, the Board voted and approved the establishment of specific funds upon the request of the Chancellor. At June 30, 2022 and 2021, the Foundation had \$3,591,157 and \$3,688,744 remaining in these funds.

15. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through August 29, 2022 and noted no subsequent events.

SUPPLEMENTARY INFORMATION

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2022

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

LSU Health Sciences Foundation in Shreveport is not required to report the total compensation, reimbursements, and benefits paid to Mr. Kevin Flood, President and Chief Executive Officer during the year ended June 30, 2022, as none of those payments were made from public funds.

OTHER REPORTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
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August 29, 2022

The Board of Directors
LSU Health Sciences Foundation in Shreveport
Shreveport, Louisiana

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of LSU Health Sciences Foundation in Shreveport and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered LSU Health Sciences Foundation and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of LSU Health Sciences Foundation and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of LSU Health Sciences Foundation and Subsidiary'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 entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LSU Health Sciences Foundation and Subsidiary's consolidated 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 consolidated 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*.

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of LSU Health Sciences Foundation and Subsidiary.
2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of LSU Health Sciences Foundation and Subsidiary disclosed during the audit.
4. LSU Health Sciences Foundation and Subsidiary was not subject to a Federal Single Audit for the year ended June 30, 2022.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

Not applicable.

LSU HEALTH SCIENCES FOUNDATION AND SUBSIDIARY

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2022

There were no prior year findings.