LSU FOUNDATION

Consolidated Financial Statements

June 30, 2019

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
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LSU FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
LSU Foundation
Baton Rouge, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the LSU Foundation ("the Foundation"), as discussed in Note 1 of the consolidated financial statements, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of an entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2019 and 2018, and the results of its consolidated activities and changes in net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 10, 2019

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 9,392,957	$ 16,431,560
Restricted cash	17,703,787	2,538,384
Accrued interest receivable	899,178	1,128,398
Accounts receivable, net	1,443,277	676,314
Investments - unsettled trade receivable	7,443,828	-
Unconditional promises to give, net	5,822,181	7,233,525
Other current assets	218,747	445,507
Total current assets	42,923,955	28,453,688
NONCURRENT ASSETS		
Restricted assets:		
Investments	584,027,892	600,473,495
Assets held in split-interest agreements	2,976,229	3,203,777
Beneficial interest in split-interest agreements	1,701,550	1,619,526
Investment in partnership	14,043,464	14,589,955
Unconditional promises to give, net	9,423,643	9,341,965
Property and equipment, net	26,541,885	20,514,359
Other noncurrent assets	947,285	885,669
Total noncurrent assets	639,661,948	650,628,746
Total Assets	$ 682,585,903	$ 679,082,434

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

LIABILITIES AND NET ASSETS

		2019		2018
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	4,004,648	$	7,931,793
Current portion of funds held in custody for others		18,087,931		26,408,985
Compensated absences payable and other payroll liabilities		565,019		567,037
Note payable, current portion		254,171		97,817
Deferred revenues		65,441		89,982
Total current liabilities		22,977,210		35,095,614
NONCURRENT LIABILITIES				
Funds held in custody for others		116,071,640		121,551,894
Refundable advances		449,583		594,677
Note payable, less current portion		9,513,850		3,226,382
Total noncurrent liabilities		126,035,073		125,372,953
Total liabilities		149,012,283		160,468,567
NET ASSETS				
Without donor restrictions		45,184,263		47,448,737
With donor restrictions		488,389,357		471,165,130
Total net assets		533,573,620		518,613,867
Total Liabilities and Net Assets	$	682,585,903	$	679,082,434

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Changes in net assets without donor restrictions:		
Contributions	$ 1,306,561	$ 2,186,509
Service fees	1,367,174	1,485,644
Investment advisory fees	2,525,000	2,525,000
Earnings allocation, net	3,106,071	4,123,674
Other revenues	3,550,205	3,953,935
Gain (loss) on the sales and disposition of assets	10,495	(1,655)
Total revenues without donor restrictions	11,865,506	14,273,107
Net assets released from donor restrictions	34,397,596	33,891,852
Total revenues and other support without donor restrictions	46,263,102	48,164,959
Program expenses	31,135,736	31,369,433
Supporting services:		
Management and general	7,735,350	6,598,000
Fundraising	9,656,490	7,386,830
Total supporting services	17,391,840	13,984,830
Total expenses	48,527,576	45,354,263
Change in net assets without donor restrictions	(2,264,474)	2,810,696
Changes in net assets with donor restrictions:		
Contributions	34,013,401	34,378,968
Earnings allocation	17,426,715	22,245,674
Changes in value of split-interest agreements	183,555	(863,348)
Loss on the sales and disposition of assets	(1,848)	(329,516)
Total revenues with donor restrictions	51,621,823	55,431,778
Net assets released from donor restrictions	(34,397,596)	(33,891,852)
Change in net assets with donor restrictions	17,224,227	21,539,926
Change in net assets	14,959,753	24,350,622
Net assets - beginning of year	518,613,867	494,263,245
Net assets - end of year	$ 533,573,620	$ 518,613,867

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			
	Program Services	Management and General	Fundraising	Total
University support	$ 22,997,394	$ 323,824	$ -	$ 23,321,218
Salaries and benefits	208,744	4,306,464	6,535,087	11,050,295
Office operations	2,527,579	1,045,665	826,796	4,400,040
Meetings and development	2,678,349	153,902	1,564,843	4,397,094
Professional services	1,341,810	1,120,042	124,577	2,586,429
Travel	1,147,999	17,594	60,901	1,226,494
Depreciation	-	619,296	380,440	999,736
Dues and subscriptions	124,811	29,716	67,872	222,399
Occupancy	109,050	118,847	95,974	323,871
	$ 31,135,736	$ 7,735,350	$ 9,656,490	$ 48,527,576

	June 30, 2018			
	Program Services	Management and General	Fundraising	Total
University support	$ 22,790,531	$ -	$ -	$ 22,790,531
Salaries and benefits	285,236	3,966,693	5,829,482	10,081,411
Office operations	2,330,545	532,350	517,717	3,380,612
Meetings and development	2,925,035	134,666	425,338	3,485,039
Professional services	1,334,541	1,566,410	211,782	3,112,733
Travel	1,200,094	6,064	35,501	1,241,659
Depreciation	264,103	290,219	237,452	791,774
Dues and subscriptions	140,631	7,778	58,700	207,109
Occupancy	98,717	93,820	70,858	263,395
	$ 31,369,433	$ 6,598,000	$ 7,386,830	$ 45,354,263

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received for operations	$ 16,655,649	$ 31,779,657
Service fees and investment advisory fees received	8,966,099	9,273,067
Interest and dividends received	8,072,686	8,765,942
Grants paid to benefit Louisiana State University	(30,392,124)	(29,185,307)
Cash paid for supporting services	(15,889,040)	(15,324,029)
Interest paid	(288,656)	(32,023)
Net cash provided by (used in) operating activities	(12,875,386)	5,277,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,689,790)	(2,777,100)
Proceeds from sales of property and equipment	96,348	281,678
Purchases of investments	(89,526,248)	(229,990,499)
Proceeds from sales and maturities of investments	116,282,656	187,353,306
Net cash provided by (used in) investing activities	18,162,966	(45,132,615)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment purposes	10,341,801	8,939,365
Principal payments on notes payable	(153,734)	(24,162)
Proceeds from issuance of note payable	6,597,555	2,430,000
Increase (decrease) in amounts held in custody	(13,801,308)	1,319,377
Net decrease in refundable advances	(145,094)	(405,323)
Net cash provided by financing activities	2,839,220	12,259,257
Net change in cash and cash equivalents	8,126,800	(27,596,051)
Cash and cash equivalents - beginning of the year	18,969,944	46,565,995
Cash and cash equivalents - end of the year	$ 27,096,744	$ 18,969,944

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	$ 9,392,957	$ 16,431,560
Restricted cash	17,703,787	2,538,384
	$ 27,096,744	$ 18,969,944

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

1. Significant Accounting Policies

Organization and purpose

The LSU Foundation (the "Foundation") is a non-profit organization which was organized to promote the educational and cultural welfare of the Louisiana State University and Agricultural and Mechanical College and the Louisiana State University Agricultural Center, herein collectively referred to as "the University," by accepting contributions for the purpose of scholarships, academic support, research support, and other designated projects for the benefit of the University.

Consolidation

The Foundation elects all of the members of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. The LSU Property Foundation is the sole member of the LSU Marine Property Foundation, the LSU Museum, LLC, the Hilltop Facility, LLC, the Equine Lameness Unit, LLC, the Foundation Office Building, LLC, the Admissions and Recruiting Center, LLC, the Nicholson Gateway Project, LLC, and the Veterans Center, LLC. The LSU Foundation is the sole member of the Cary Estate - Surface Property, LLC, the Cary Estate - Working Interests, LLC, and the Cary Estate - Non-Working Interests, LLC. The Foundation is considered to have a majority voting interest in the LSU Real Estate and Facilities Foundation ("LSU REFF"), a supporting organization of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College and the LSU Foundation. LSU REFF is the sole member of the Greenhouse District Project, LLC, the ULS, LLC, the SLA, LLC, the Recital Hall, LLC, the Hilltop Arboretum Projects, LLC, the Roosevelt Street, LLC, and the Geology Field Camp, LLC, the Burden Museums and Gardens, LLC, the LSU-A Student Service Building, LLC, the LSU-A Allied Health Facility, LLC, the Bengal Village, LLC, the Dentistry Housing, LLC, and the Charity Hospital Redevelopment, LLC. As such, the consolidated financial statements of the Foundation include the accounts of the LSU Property Foundation, those LLCs for which the LSU Property Foundation is sole member, the LLCs for which the LSU Foundation is sole member, the LSU Marine Property Foundation, the LSU Real Estate and Facilities Foundation, and the LLCs for which LSU Real Estate and Facilities Foundation is a sole member. All significant intercompany accounts and transactions have been eliminated in consolidation. The Hilltop Facility, LLC was dissolved during the year ended June 30, 2018. The LSU Marine Property Foundation, the Cary Estate – Surface Property, LLC, the Cary Estate – Working Interests, LLC, and the Cary Estate – Non-Working Interests, LLC, were dissolved during the year ended June 30, 2019.

Recent accounting pronouncement

The Foundation adopted Accounting Standards Update ("ASU") 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

1. Significant Accounting Policies (continued)

Recent accounting pronouncement (continued)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:			
Unrestricted	$ 41,875,704	$ -	$ 41,875,704
Temporarily Restricted	-	207,946,940	207,946,940
Permanently Restricted	-	268,791,223	268,791,223
Net assets as previously presented	41,875,704	476,738,163	518,613,867
Reclassification to implement ASU 2016-14:			
Capital assets for construction and other	5,573,033	(5,573,033)	-
Net assets, as reclassified	$ 47,448,737	$ 471,165,130	$ 518,613,867

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The ASU requires presentation of total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. The Foundation adopted this ASU effective for the year ended June 30, 2019.

Basis of accounting

The 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Basis of accounting (continued)

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2019 and 2018, the Foundation's net assets with donor restrictions are restricted for funding chairs and professorships, scholarships and fellowships, academic support and development, capital outlay and improvements, research support and institutional support programs specified by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation reports gifts of land, buildings, equipment, and other assets as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The Foundation reports expirations of donors' restrictions when the donated or acquired long-lived assets are placed in service.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the 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. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Foundation considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

Restricted cash represents amounts set aside to fund restrictions imposed by donors.

The Foundation, at times, may have deposits in excess of FDIC insured limits. Management, however, believes the credit risk associated with these deposits is minimal.

1. Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker/dealers who actively make markets in these securities.

Investments managed by external advisors include investments in limited partnerships and commingled funds. The majority of these external investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value and in consideration of any additional factors deemed pertinent to the fair value measurement. If situations occur where the information provided by the external advisor is deemed to not be representative of fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external advisor along with any relevant market data to estimate the investment's fair value.

Fair value is based on a combination of information obtained from independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods, the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized in the income approach may be subjective and require judgment regarding significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost or the replacement cost amounts are determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. These values are determined under the direction of, and subject to review by, the Foundation's management.

Dividend, interest, and other investment income is recorded as an increase in net assets with or without donor restrictions depending on donor stipulations.

Donated investments are recorded at their fair value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation's current operations.

Fair values of financial instruments

The Foundation's financial instruments, excluding investments which are described in Note 2 and split-interest agreements which are recorded at estimated fair value, include cash and cash equivalents, notes payable, and unconditional promises to give. The Foundation estimates that the fair values of all these financial instruments at June 30, 2019 and 2018, do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying consolidated statements of financial position.

1. **Significant Accounting Policies** (continued)

Contributions

Contributions received are recorded as support with or without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions, as appropriate, and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Promises to give

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

Refundable advances

The Foundation received contributions that are deemed revocable until spent during the years ended June 30, 2019 and 2018. For the years ended June 30, 2019 and 2018, the Foundation has outstanding refundable advances of $449,583 and $594,677, respectively.

Property and equipment

Purchased property and equipment is recorded at cost. Property and equipment donated to the Foundation is recorded at their fair value at the date of donation which is then treated as cost. Depreciation is provided over the estimated useful lives, which range from 5 to 25 years, of exhaustible assets on a straight-line basis. Inexhaustible assets, such as artwork and collections, are not depreciated. These inexhaustible assets are evaluated for impairment.

Split-interest agreements

The Foundation is the beneficiary of various charitable gift annuities. Charitable gift annuities are arrangements between a donor and an organization in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or other parties designated by the donor. The assets received are recorded at fair value and reported as assets held in split-interest agreements on the consolidated statements of financial position. When the annuity is initially executed, the difference between the fair value of assets received and the present value of the annuity payment liability is reported as contribution revenue in the consolidated statements of activities and changes in net assets. On an annual basis, the annuity payment liability is revalued using present value techniques and actuarial assumptions, including applicable mortality tables. Changes in the present value of the annuity payment liability are reported in the consolidated statements of activities and changes in net assets as a change in the value of split-interest agreements. The present value of the liability is included in the consolidated statements of financial position as funds held in custody for others.

1. Significant Accounting Policies (continued)

Funds held in custody for others

The Foundation considers all state matching funds and unexpended income from these funds to be funds held in custody for others. Additionally, amounts held for other LSU affiliated foundations and liabilities associated with charitable gift annuities and charitable remainder trusts are also reported as funds held in custody for others. All funds held in custody are recorded in the consolidated statements of financial position at their estimated fair market values.

Leases

Lease revenues are recognized as revenue in the year in which the lease payments relate. Any advance payments are reported as deferred revenue on the consolidated statements of financial position.

Accrued vacation leave

The Foundation records a liability for accrued and unused vacation of its employees. The balances in accrued and unused vacation totaled $524,881 and $366,947 at June 30, 2019 and 2018, respectively.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs of supporting services have been allocated among management and general and fundraising. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Full time equivalent
Depreciation	Full time equivalent
Office operations - Insurance	Full time equivalent
Office operations - Telecommunication	Full time equivalent

1. Significant Accounting Policies (continued)

Income taxes

The LSU Foundation, the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Real Estate and Facilities Foundation operate as public charities under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes and the excise tax which applies to certain foundations.

The Foundation accounts for income taxes in accordance with the accounting guidance included in the Accounting Standards Codification (ASC). The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than fifty percent likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its position regarding the accounting for uncertain income tax and does not believe that it has any material uncertain tax positions at June 30, 2019.

Accounting pronouncements issued but not yet adopted

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This ASU is effective for the Foundation for the annual period beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the annual period beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated statement of financial position as well as additional disclosures. This ASU is effective for the Foundation for the annual period beginning after December 15, 2019.

The Foundation is currently assessing the impact of these pronouncements on its consolidated financial statements.

Reclassification

Certain reclassifications have been made to the consolidated financial statements and footnotes as of and for the year ended June 30, 2018, in order for them to conform to the current year presentation.

2. Investments

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

The Foundation segregates its investments into four separate pools based on donor imposed restrictions and internal designations and has established separate investment strategies for these pools. Investment earnings are allocated to net assets with or without donor restrictions based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds. The Foundation employs a unitized method of accounting for pooled endowed investments. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit values. Monthly unit values reflect changes in the fair value of investments within the investment pool. A spending allocation approved by the Board of Directors is made each year to the funds on a per unit basis.

The asset allocation of the Foundation's portfolio involves exposure to a diverse set of markets which involve various risks such as interest rate risk, market risk, and credit risk. The Foundation believes that the value of its investments may, from time to time, fluctuate substantially as a result of these risks. The Foundation has also entered into agreements with private equity and real estate partnerships. See Note 15 for cash commitments relating to these investments.

Investments were comprised of the following at June 30, 2019 and 2018:

	2019	2018
Government agency obligations	$ 49,104,486	$ 52,135,458
Corporate obligations	48,342,594	53,540,682
Common stocks	3,658,079	3,302,945
Mutual funds	136,385,962	140,843,195
Commingled funds	146,448,188	152,356,178
Hedge funds	65,811,448	74,285,641
Municipal obligations	17,735,554	21,412,903
Private equity	70,642,352	62,417,725
Separately managed accounts	45,745,145	39,979,389
Group variable annuity	-	45,295
Royalty interests	154,084	154,084
	$ 584,027,892	$ 600,473,495

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. No deficiencies of this nature were noted at year ended June 30, 2019 and 2018, respectively.

3. Fair Value of Financial Instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB ASC, disclosure of fair value information about financial instruments is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Foundation.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

The ASC topic on *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Fair Values of Financial Instruments (continued)

The Foundation utilizes several externally managed funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g. the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. In circumstances in which net asset value per share of an investment is not determinative of fair value, the manager is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through the Foundation's reporting periods ended June 30, 2019 and 2018.

Level 3 Valuation Techniques

Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, Foundation staff and the Foundation's investment consultant conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards and best practices. Capital statements, performance, and pertinent news regarding changes in management are scrutinized as an internal part of the due diligence process prior to hiring a manager. These same elements are monitored on an on-going basis, as a matter of regular business practice, following the hiring of a manager. Level 3 asset types for which this due diligence process and focused monitoring are applied internally are commingled funds, hedge funds, other private equity, and commodities and natural resources.

The valuation process conducted internally for those Level 3 assets categorized as beneficial interests in split-interest agreements primarily entails a calculation of the present value of proceeds expected to be received in accordance with the terms of the agreement. Each agreement is reviewed by management to determine the amount of any contractual and/or estimated payments to income beneficiaries using available actuarial data. The present value is calculated using an assumed rate of risk as recommended by the Director of Investments in conjunction with actuarial data tables published by the Social Security Administration.

3. Fair Values of Financial Instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Totals
Government agency obligations	$ -	$ 49,104,486	$ -	$ 49,104,486
Municipal obligations	-	17,735,554	-	17,735,554
Corporate obligations	-	48,342,594	-	48,342,594
Common stocks	3,658,079	-	-	3,658,079
Mutual funds:				
Domestic equity	72,718,308	-	-	72,718,308
Developed foreign equity	10,965,603	-	-	10,965,603
Core fixed income	47,660,433	-	-	47,660,433
Absolute return	5,041,618	-	-	5,041,618
Annuity and trust funds held by agent	2,976,229	-	-	2,976,229
Beneficial interest in split-interest agreements	-	-	1,701,550	1,701,550
Royalty interests	-	-	154,084	154,084
	$143,020,269	$ 115,182,633	$ 1,855,634	
Commingled funds (including hedge funds measured at net asset value) (*a*)				212,259,636
Private market investments measured at net asset value (*a*)				70,642,352
Other investments measured at net asset value (including separately managed accounts) (*a*)				45,745,145
				$588,705,671

(a) - In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

3. Fair Values of Financial Instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Totals
Government agency obligations	$ -	$ 52,135,458	$ -	$ 52,135,458
Municipal obligations	-	21,412,903	-	21,412,903
Corporate obligations	-	53,540,682	-	53,540,682
Common stocks	3,302,945	-	-	3,302,945
Mutual funds:				
Domestic equity	75,311,490	-	-	75,311,490
Developed foreign equity	11,140,516	-	-	11,140,516
Emerging market equity	5,061,488	-	-	5,061,488
Inflation protection	6,689,953	-	-	6,689,953
Core fixed income	36,945,603	-	-	36,945,603
Absolute return	5,694,145	-	-	5,694,145
Annuity and trust funds held by agent	3,203,777	-	-	3,203,777
Beneficial interest in split-interest agreements	-	-	1,619,526	1,619,526
Royalty interests	-	-	154,084	154,084
	$147,349,917	$ 127,089,043	$ 1,773,610	
Commingled funds (including hedge funds measured at net asset value) (*a*)				226,641,819
Private market investments measured at net asset value (*a*)				62,417,725
Other investments measured at net asset value (including separately managed accounts) (*a*)				40,024,684
				$ 605,296,798

(a) - In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

3. Fair Values of Financial Instruments (continued)

The following tables present the nature, characteristics and risks of investments measured at net asset value and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share or its equivalent.

June 30, 2019

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled funds	$ 146,448,188	$ -	quarterly or less	≤ 90 days
Hedge funds:				
Long/short equity	2,548,473	-	longer than quarterly	≤ 90 days
Long/short equity	2,764,803	-	quarterly or less	≤ 90 days
Event driven	20,083,837	-	longer than quarterly	≤ 90 days
Credit	9,038,679	-	longer than quarterly	> 90 days
Multi-strategy	13,872,225	-	longer than quarterly	≤ 90 days
Multi-strategy	17,503,431	-	quarterly or less	≤ 90 days
Total commingled and hedge funds	212,259,636			
Private markets	70,642,352	34,589,737	*	
Other	45,745,145	-	quarterly or less	≤ 90 days
Total	$ 328,647,133	$ 34,589,737		

* Private market investments are generally invested in funds with no specific redemption period. Investment proceeds, if any, from private market investments are distributed to investors throughout the life of the private market investment fund, as stipulated in the funds' offering documents.

3. Fair Values of Financial Instruments (continued)

June 30, 2018

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled funds	$ 152,356,178	$ -	quarterly or less	≤ 90 days
Hedge funds:				
Long/short equity	2,557,312	-	longer than quarterly	≤ 90 days
Long/short equity	2,676,504	-	quarterly or less	≤ 90 days
Relative value	58,407	-	longer than quarterly	≤ 90 days
Event driven	19,614,623	-	longer than quarterly	≤ 90 days
Credit	9,723,867	-	longer than quarterly	> 90 days
Credit	5,988	-	quarterly or less	≤ 90 days
Multi-strategy	14,255,153	-	longer than quarterly	≤ 90 days
Multi-strategy	25,393,787	-	quarterly or less	≤ 90 days
Total commingled and hedge funds	226,641,819	-		
Private markets	62,417,725	41,159,432	*	
Other	40,024,684	-	quarterly or less	≤ 90 days
Total	$ 329,084,228	$ 41,159,432		

* Private market investments are generally invested in funds with no specific redemption period. Investment proceeds, if any, from private market investments are distributed to investors throughout the life of the private market investment fund, as stipulated in the funds' offering documents.

The following table presents the changes in fair value in Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018:

Balance - June 30, 2017	$ 2,338,074
Purchases/capital calls/receipts	-
Sales	(548,277)
Unrealized losses	(62,311)
Realized gains	46,124
Balance - June 30, 2018	1,773,610
Purchases/capital calls/receipts	-
Sales	(108,646)
Unrealized gains	103,803
Realized gains	86,867
Balance - June 30, 2019	$ 1,855,634

3. Fair Values of Financial Instruments (continued)

The realized and unrealized gains or losses recorded during the years ended June 30, 2019 and 2018, are included in the consolidated statements of activities and changes in net assets as earnings allocation within net assets with or without donor restrictions based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds.

4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2019 and 2018, were as follows:

	2019	2018
Promises to give expected to be collected in:		
Less than one year	$ 5,891,981	$ 9,013,790
One to five years	10,195,278	11,245,072
More than five years	1,254,062	1,462,518
	17,341,321	21,721,380
Less discount on promises to give	(2,025,697)	(2,093,425)
Less allowance for uncollectible accounts	(69,800)	(3,052,465)
Net unconditional promises to give	$ 15,245,824	$ 16,575,490

The discount rates used in discounting unconditional promises to give were 1.67% and 2.87% as of June 30, 2019 and 2018, respectively.

5. Split-Interest Agreements

The Foundation serves as trustee for several charitable remainder trusts for which the Foundation is the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair value of the funds held is reported as an asset and corresponding liability in the consolidated statements of financial position. As of June 30, 2019 and 2018, the fair value of both the asset and corresponding liability of these charitable remainder trusts totaled $289,082 and $302,675, respectively.

The Foundation has several charitable gift annuity arrangements with donors in which the Foundation has received assets from a donor in exchange for the Foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held and administered by a third-party financial institution as an agent of the Foundation. The assets are reported as investments - split-interest agreements on the consolidated statements of financial position at the fair value of $2,687,147 and $2,901,102 for the year ended June 30, 2019 and 2018, respectively. The present value of the amount due to these donors or their designees as of June 30, 2019 and June 30, 2018, totaled $2,172,500 and $2,322,568, respectively.

The Foundation is the irrevocable beneficiary of several split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at its present value and reported as assets in the consolidated statements of financial position as beneficial interest in split-interest agreements. As of June 30, 2019 and 2018, the fair value of the beneficial interests totaled $1,701,550 and $1,619,526, respectively.

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Leasehold improvements	$ 2,372,634	$ -
Buildings	19,712,794	13,515,239
Furniture, and equipment	2,584,428	2,467,157
Livestock	47,500	47,500
	24,717,356	16,029,896
Less: accumulated depreciation and amortization	(3,550,471)	(2,568,789)
	21,166,885	13,461,107
Construction in progress	374,100	1,903,037
Land	781,924	929,392
Artwork and other non-depreciable assets	4,218,976	4,220,823
	$ 26,541,885	$ 20,514,359

7. Investment in Partnership

The Foundation is a 50% investor in the Shaw Center for the Arts, LLC, and accordingly, accounts for the investment using the equity method of accounting. The investments recorded on the consolidated statements of financial position totaled $14,043,464 and $14,589,955 at June 30, 2019 and 2018, respectively. The summarized financial information as of and for the years ended June 30, 2019 and 2018 of the Shaw Center for the Arts, LLC is as follows:

	2019	2018
Total assets	$ 28,357,808	$ 29,388,155
Total liabilities	$ 270,880	$ 208,245
Net loss	($ 1,087,213)	($ 1,095,687)

8. Notes Payable

The Foundation Office Building, LLC had a construction line of credit that was converted to a $3,250,000 term note on November 8, 2016 and is secured by the mortgaged property. The note bears interest at a fixed rate of 3.5% and the outstanding balances as of June 30, 2019 and 2018, are $869,433 and $894,199, respectively. The note is scheduled to mature on November 8, 2041. For the year ended June 30, 2019 and 2018, interest expense totaling $31,448 and $32,023, respectively, was recognized and is included in office operations expense within the management and general function.

8. Notes Payable (continued)

On March 28, 2018, the Nicholson Gateway Project, LLC entered into a $2,430,000 term note secured by all property of the borrower. The note bears interest at a fixed rate of 4.61% and the outstanding balances as of June 30, 2019 and 2018, are $2,357,100 and $2,430,000, respectively. Level payments of principal and interest are due until the maturity date, March 28, 2028. Capitalized interest during the years ended June 30, 2019, and 2018, totaled $57,256. Interest expense totaling $83,797 was recognized for the year ended June 30, 2019 and is included in office operations expense within the management and general function.

On February 8, 2019, Bengal Village, LLC executed an assumption of a mortgage promissory note secured by the property to refinance a loan taken out on September 21, 2018 by Eunice Student Housing Foundation for the construction of the Bengal Village Project on the LSU-E campus in the amount of $6,650,711. The note bears interest at a fixed rate of 5.5% and the outstanding balance as of June 30, 2019 is $6,541,488. The note is scheduled to mature on September 8, 2023. For the year ended June 30, 2019, interest expense totaling $173,410 was recognized and is included in office operations expense within the management and general function.

The notes payable are scheduled to mature as follows:

Year ending June 30,	Amount
2020	$ 254,171
2021	263,692
2022	272,651
2023	282,104
2024	6,094,291
Thereafter	2,601,112
	$ 9,768,021

9. Funds Held In Custody For Others

Under agreements with the University and certain other charitable organizations, the Foundation manages and holds for deposit designated funds for these entities. The funds being held at June 30, 2019 and 2018, were as follows:

	2019	2018
LSU - Alexandria Foundation	$ 20,839,564	$ 21,362,561
LSU - Eunice Foundation	2,566,167	2,416,909
Tiger Athletic Foundation	-	16,395,876
State Matching Funds Managed for the University	108,292,258	105,160,290
Split-interest agreements	2,461,582	2,625,243
	134,159,571	147,960,879
Less: portion classified as current	(18,087,931)	(26,408,985)
	$ 116,071,640	$ 121,551,894

10. Net Assets

Net assets with donor restrictions at June 30, 2019 and 2018, were restricted for the following purposes:

	2019	2018
Chairs and professorships	$ 186,080,951	$ 182,733,353
Scholarships and fellowships	126,499,766	116,577,702
Academic support and development	146,731,087	143,858,381
Capital outlay and improvements	19,970,157	19,827,444
Research support	6,983,137	6,741,284
Institutional support	2,124,259	1,426,966
	$ 488,389,357	$ 471,165,130

Of the above amounts reported as net asset with donor restrictions, the following are permanently restricted to investments in perpetuity, the income from which is expendable to support the activities below:

	2019	2018
Chairs and professorships	$ 121,949,397	$ 118,365,528
Scholarships and fellowships	86,697,119	81,486,754
Academic support and development	67,347,839	66,650,483
Capital outlay and improvements	209,885	209,885
Research support	2,089,550	2,078,573
	$ 278,293,790	$ 268,791,223

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of the passage of time or other events specified by the donors during the years ended June 30, 2019 and 2018, as follows:

	2019	2018
Chairs and professorships	$ 7,051,760	$ 6,626,024
Scholarships and fellowships	6,399,543	6,128,963
Academic support and development	15,605,547	15,782,929
Capital outlay and improvements	4,051,332	2,871,233
Research support	1,138,796	1,293,602
Institutional support	150,618	1,189,101
	$ 34,397,596	$ 33,891,852

10. **Net Assets** (continued)

The Foundation's net assets without donor restrictions at June 30, 2019 and 2018, were comprised of undesignated and Board designated amounts to support the activities below:

	2019	2018
Undesignated	$ 7,233,927	$ 13,584,784
Board designated for continued University support	12,778,510	11,654,079
Board designated for operating reserve	6,766,479	500,000
Board designated for capital outlay and Improvements	1,899,611	1,314,709
Board designated for quasi-endowment and scholarships	2,462,272	5,805,210
Board designated for partnership investment	14,043,464	14,589,955
	$ 45,184,263	$ 47,448,737

Board designated for continued University support

The Foundation's Board has designated funds to provide continued support for the University.

Board designated for operating reserve

The Foundation maintains a minimum operating reserve of board designated funds equal to 40% of the approved budget for the Foundation total operating revenues for the current fiscal year. The minimum operating reserve is intended to preserve sufficient unrestricted dollars for possible occurrences of significant negative variances in projected revenues or other unforeseen circumstances.

Board designated for capital outlay and improvements

The Foundation's Board has designated funds to provide temporary bridge loans for various capital projects before the projects secure longer-term financing options while awaiting donor pledge commitments to be funded or financial closings for debt financed projects to be completed.

Board designated for quasi-endowment and scholarships

The Foundation's Board designated funds be set aside to establish and maintain a quasi-endowment for the purpose of securing Foundation's long-term financial viability and continuing to meet the needs of the Foundation. The Foundation's Board has also designated funds to provide scholarships for the University.

Board designated for partnership investment

As discussed in Note 7, the Foundation is a 50% investor in the Shaw Center for the Arts, LLC ("Shaw Center"), and accordingly, the net assets related to the Shaw Center are designated to its investment.

11. Endowed Net Assets

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

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 University for the University's benefit. These state matching endowed funds, which are maintained in a separate pool from other Foundation investments, 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 LSU Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2019 and 2018, was 4.00%.

Effective July 1, 2010, the Louisiana Legislature enacted Act No. 168 (the "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.

In its interpretation of the law, the Foundation's Board of Directors has determined that it is prudent for those endowed funds with no donor restrictions to the contrary whose market value is in excess of 80% (eighty percent) of corpus be made available for appropriation for expenditure within the provisions of the Board's annual establishment of spending policy. The portion that has not been determined to be available for expenditure is considered by the Board to be funds of perpetual duration and is classified as net assets with donor restrictions. In making such determination, the Board considered the following factors: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; general economic conditions; the possible effect of inflation or deflation; expected total return from income and appreciation of investments; other resources of the institution; and the investment policy of the institution.

The Louisiana Board of Regents spending policy dictates that 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 equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

The LSU Foundation Board of Directors has chosen to manage a portion of its net assets without donor restrictions as part of the endowed funds investment pool. At June 30, 2019 and 2018, the fair value of these Board Designated Endowed Funds was $2,462,272 and $5,805,210 respectively.

11. Endowed Net Assets (continued)

The Foundation reclassified market value adjustments from non-endowed donor-restricted amounts to endowed donor-restricted amounts to accurately reflect endowed funds with donor restrictions.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowed net assets at June 30, 2017	$ 5,089,000	$ 347,877,192	$ 352,966,192
Investment return:			
Net appreciation	276,483	3,846,944	4,123,427
Contributions (including interfund transfers)	508,476	11,476,750	11,985,226
Appropriation of endowed assets for expenditure	(68,749)	(1,803,019)	(1,871,768)
Endowed net assets at June 30, 2018	5,805,210	361,397,867	367,203,077
Investment return:			
Net appreciation (depreciation)	(892,007)	3,999,028	3,107,021
Realized gains	92,985	5,932,075	6,025,060
Contributions	404,412	12,047,693	12,452,105
Funds undesignated by the Board	(2,948,328)	-	(2,948,328)
Appropriation of endowed assets for expenditure	-	-	-
Endowed net assets at June 30, 2019	$ 2,462,272	$ 383,376,663	$ 385,838,935

11. **Endowed Net Assets** (continued)

The composition of endowed net assets, by fund type, at June 30, 2019 and 2018, was as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 383,376,663	$ 383,376,663
Board designated endowment	2,462,272	-	2,462,272
Total	$ 2,462,272	$ 383,376,663	$ 385,838,935

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 361,397,867	$ 361,397,867
Board designated endowment	5,805,210	-	5,805,210
Total	$ 5,805,210	$ 361,397,867	$ 367,203,077

12. **Liquidity and Availability**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund beneficiary purposes such as faculty support, scholarships, and research. In addition, the Foundation receives support without donor restrictions; such support consists of contributions, investment income without donor restrictions, and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, earnings from donor-restricted gifts and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs to be available to meet cash needs for expenditures. Expenditures include operating expenses, program expenses and disbursements related to funds held in custody for others.

As part of the liquidity policy, the Foundation has identified operating, financing, and market liquidity risks. Liquidity risk is mitigated in part through monitoring and reporting of the Primary Reserve Ratio, which measures the sufficiency and availability of the liquid financial resources of the Foundation by comparing expendable net assets to total expenses and disbursements related to funds held in custody. The ratio provides a snapshot of financial strength and flexibility by indicating how long the Foundation could function using its expendable net assets without relying on additional net assets generated by operations.

12. Liquidity and Availability (continued)

As part of the liquidity management plan, the Foundation will monitor the Primary Reserve Ratio to ensure it is in compliance with the internally established benchmark.

For operating and program expenses, the Foundation monitors cash and the investment of non-endowed funds using a rolling 15-month cash flow forecast, to determine availability of these funds for the Foundation's general expenditures, liabilities, and other obligations, including debt service payments, as they become due for that given time frame.

For funds held in custody, the spendable funds custodied for University-related third parties are invested in the Foundation's non-endowed pool, which consists primarily of cash and cash equivalents and highly liquid fixed income securities. Ordinary expenditure of such funds is factored into a 15-month cash flow forecast. The endowed funds custodied for the third parties are invested in the Foundation's endowed pools. Fund redemption request notice for the endowed pools is required to be given at least 90 days in advance. The liquidity of these investment pools is governed by the Investment Policy Statement with oversight by the Foundation's Investment Committee.

12. Liquidity and Availability (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end:		
Cash and cash equivalents	$	27,096,744
Investments		584,027,892
Assets held in split-interest agreements		2,976,229
Beneficial interest in split-interest agreements		1,701,550
Investment – unsettled trade		7,443,828
Accrued interest receivable		899,178
Accounts receivable, net		1,443,277
Investment in partnership		14,043,464
Unconditional promises to give, net		15,245,824
Total financial assets		654,877,986
Less amounts not available to be used within one year:		
Donor-restricted endowments		(383,376,663)
Assets held in split-interest agreements		(2,976,229)
Beneficial interest in split-interest agreements		(1,701,550)
Investment in partnership		(14,043,464)
Unconditional promises to give, net		(9,423,643)
Financial assets not available to be used within one year		(411,521,549)
Amounts unavailable to management without Board's approval:		
Board designated for continued university support		(12,778,510)
Board designated for operating reserve		(6,766,479)
Board designated for capital outlay and improvements		(1,899,611)
Board designated for quasi-endowment and scholarships		(2,462,272)
Total amounts unavailable to management without Board's approval		(23,906,872)
Total financial assets available to management for general expenditure within one year	$	219,449,565

13. Retirement Plan

The Foundation sponsors a 401(k) retirement plan for its employees. The Foundation's match is 6%. An employee is vested 100% upon beginning employment with the Foundation. The retirement plan requires a minimum participation age of 21. The Foundation contributed $495,249 and $394,266 to the Plan during the years ended June 30, 2019 and 2018, respectively.

14. Operating Lease

Louisiana State University ("LSU") executed a ground lease with Nicholson Gateway Project, LLC ("NGP") to develop student housing and retail space on LSU's campus. In furtherance of development, NGP subleased the property to Provident Group – Flagship Properties, LLC ("Provident"). The lease commenced in September 2016 and expires on the fortieth anniversary of the commencement date. Annual lease payments of $2 million shall be paid during year three through seven of the lease. Commencing in year 8 through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year.

The Foundation Office Building, LLC entered into a ground lease agreement with the LSU Board of Supervisors in May 2015 to lease the land occupied by the LSU Foundation Center for Philanthropy. The term of the agreement is 40 years with two successive options to renew the lease for 30 and 25 years for a total of 95 consecutive years. The annual rent payments are $5,000 for the first 40 years, $7,000 for the first renewal term, and $9,000 for the second renewal term.

15. Commitments

The Foundation has contractual commitments associated with the construction, restoration, and renovation projects for certain LSU buildings. The total contract amount for these projects is $2,057,703, and the remaining commitment as of June 30, 2019, totals $1,205,305.

The Foundation has also previously committed an additional $139,110,554 to various Private Equity Funds. As of June 30, 2019, remaining commitments total $34,589,737.

16. Transactions with the University

The Foundation has certain transactions with the University in the normal course of operations. The transactions consist of reimbursement for salaries, which are processed by the University and reimbursement for certain expenses paid by the University on behalf of the Foundation, such as payments of scholarships and capital projects. The amount owed to the University at June 30, 2019 and 2018, for these types of expenses was $2,737,831 and $5,728,954, respectively and is included in accounts payable on the statements of financial positions.

17. Subsequent Events

Management evaluated subsequent events through, October 10, 2019, the date that the financial statements were available to be issued and have determined that no additional disclosures were necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.