

**LSU HEALTH SCIENCES FOUNDATION**  
**IN SHREVEPORT AND SUBSIDIARY**  
**SHREVEPORT, LOUISIANA**  
**JUNE 30, 2020 AND 2019**

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

August 27, 2020

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

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

### ***Management's Responsibility for the 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.

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

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

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***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Health Sciences Foundation in Shreveport and Subsidiary as of June 30, 2020 and 2019, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

<u>A S S E T S</u>	<u>2020</u>	<u>2019</u>
Cash	2,963,692	2,083,387
Accounts receivable	160,796	161,566
Contributions receivable-Note 3	7,884,044	3,076,180
Investments-pools-Note 4	74,491,985	71,435,468
Investments-CFeist Legacy-Note 5	82,761,487	82,070,598
Investments-MFeist Legacy-Note 6	57,849,792	53,473,728
Investments-LSU Health Shreveport-endowments-Note 6	9,200,369	8,996,102
Investments-other	175,098	179,450
Investment in real estate, property and equipment-Note 8	3,465,921	3,180,110
Other assets	<u>23,664</u>	<u>23,480</u>
 Total assets	 <u>238,976,848</u>	 <u>224,680,069</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	1,102,535	1,113,426
Other payables	103,919	99,379
Due to LSU Health Shreveport-BOR match-Note 9	10,616,455	10,012,022
Due to LSU Health Shreveport-MFeist Legacy-Note 6	57,849,792	53,473,728
Due to LSU Health Shreveport-endowments-Note 6	<u>9,200,369</u>	<u>8,996,102</u>
 Total liabilities	 78,873,070	 73,694,657
 <u>Net assets:</u>		
Without donor restrictions:		
Designated by Board for specific purpose	3,748,342	3,834,038
Designated by Board for operating reserve	1,018,689	1,014,500
Invested in real estate, property and equipment, net	3,465,921	3,180,110
Undesignated	<u>13,730,317</u>	<u>12,354,073</u>
Total without donor restrictions	21,963,269	20,382,721
With donor restrictions:		
Restricted for specified purpose	22,487,238	15,836,601
Restricted in perpetuity-endowment	18,981,697	18,733,858
Restricted for specific purpose and designated by Board for endowment	<u>96,671,574</u>	<u>96,032,232</u>
Total with donor restrictions	<u>138,140,509</u>	<u>130,602,691</u>
 Total net assets	 <u>160,103,778</u>	 <u>150,985,412</u>
 Total liabilities and net assets	 <u>238,976,848</u>	 <u>224,680,069</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, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support, revenues and gains:</u>			
Contributions	237,067	8,430,955	8,668,022
Net investment income	1,108,731	5,260,760	6,369,491
Management fee income	700,670	-	700,670
Rental income	18,420	-	18,420
Total support, revenues and gains	2,064,888	13,691,715	15,756,603
Net assets released from restrictions	6,153,897	(6,153,897)	-
<u>Total support, revenue, gains and reclassifications</u>	8,218,785	7,537,818	15,756,603
 <u>Expenses</u>			
Management and general	745,255	-	745,255
Fundraising and development	1,333,502	-	1,333,502
 Program services:			
Feist-Weiller Cancer Center	2,727,688	-	2,727,688
Other departments	1,831,792	-	1,831,792
Total support to LSU Health Sciences Center	4,559,480	-	4,559,480
Total expenses	6,638,237	-	6,638,237
<u>Change in net assets</u>	1,580,548	7,537,818	9,118,366
<u>Net assets at beginning of period</u>	20,382,721	130,602,691	150,985,412
<u>Net assets at end of period</u>	21,963,269	138,140,509	160,103,778

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

2019		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
480,873	7,156,711	7,637,584
1,303,983	5,768,970	7,072,953
608,299	-	608,299
<u>16,020</u>	<u>-</u>	<u>16,020</u>
2,409,175	12,925,681	15,334,856
<u>4,484,907</u>	<u>(4,484,907)</u>	<u>-</u>
6,894,082	8,440,774	15,334,856
712,224	-	712,224
1,034,082	-	1,034,082
3,013,878	-	3,013,878
<u>1,309,366</u>	<u>-</u>	<u>1,309,366</u>
<u>4,323,244</u>	<u>-</u>	<u>4,323,244</u>
<u>6,069,550</u>	<u>-</u>	<u>6,069,550</u>
824,532	8,440,774	9,265,306
<u>19,558,189</u>	<u>122,161,917</u>	<u>141,720,106</u>
<u>20,382,721</u>	<u>130,602,691</u>	<u>150,985,412</u>



LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	<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	-	-	386,175	519,567	905,742
Payroll taxes	-	-	27,924	37,005	64,929
Employee benefit expense	-	-	40,818	54,108	94,926
Professional services	14,291	421,703	78,009	69,161	583,164
Insurance	-	-	53,461	-	53,461
Depreciation	-	-	57,361	-	57,361
Office supplies	-	-	4,207	5,577	9,784
Maintenance agreements	-	-	18,463	12,308	30,771
Rent	-	-	28,563	37,863	66,426
Repairs and maintenance	-	-	18,885	-	18,885
Travel	5,230	186,428	877	7,889	200,424
Advertising and promotional expenses	625	128,705	-	12,172	141,502
Printing	-	5,928	-	43,620	49,548
Recruiting	177,144	19,883	-	-	197,027
Awards and scholarships	177	61,381	-	-	61,558
Professional development	-	-	1,705	15,344	17,049
Books, supplies, and equipment	1,364	295,826	-	-	297,190
Dues and licenses	625	87,176	4,910	4,910	97,621
Fundraising events	-	-	-	490,080	490,080
Research	2,504,858	255,915	-	-	2,760,773
Meeting and lecture expense	20,200	360,840	-	-	381,040
Other	3,174	8,007	23,897	23,898	58,976
Total expenses	<u>2,727,688</u>	<u>1,831,792</u>	<u>745,255</u>	<u>1,333,502</u>	<u>6,638,237</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, 2019

	<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	-	-	363,242	437,593	800,835
Payroll taxes	-	-	26,753	31,530	58,283
Employee benefit expense	-	-	42,989	52,543	95,532
Professional services	19,310	43,595	66,760	56,706	186,371
Insurance	-	-	52,000	-	52,000
Depreciation	-	-	57,360	-	57,360
Office supplies	-	-	8,375	10,237	18,612
Maintenance agreements	-	-	19,725	13,150	32,875
Rent	-	-	29,808	36,432	66,240
Repairs and maintenance	4,342	-	16,134	-	20,476
Travel	3,093	290,024	1,003	9,023	303,143
Advertising and promotional expenses	2,385	43,335	-	7,878	53,598
Printing	7,190	17,392	-	23,765	48,347
Recruiting	1,065	22,598	-	-	23,663
Awards and scholarships	373	49,406	-	-	49,779
Professional development	-	-	1,319	11,873	13,192
Books, supplies, and equipment	7,877	43,740	-	-	51,617
Dues and licenses	8,330	97,156	3,411	3,411	112,308
Fundraising events	-	-	-	316,595	316,595
Research	2,933,109	234,454	-	-	3,167,563
Meeting and lecture expense	24,383	399,685	-	-	424,068
Other	2,421	67,981	23,345	23,346	117,093
	<u>3,013,878</u>	<u>1,309,366</u>	<u>712,224</u>	<u>1,034,082</u>	<u>6,069,550</u>
Total expenses	<u>3,013,878</u>	<u>1,309,366</u>	<u>712,224</u>	<u>1,034,082</u>	<u>6,069,550</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	9,118,366	9,265,306
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,361	57,360
Net realized and unrealized (gain) on long-term investments	(1,554,008)	(1,613,554)
(Increase) decrease in accounts receivable	770	(35,157)
(Increase) in contributions receivable	(4,807,864)	(2,876,180)
(Increase) decrease in other assets	(184)	260
(Decrease) in accounts payable	(10,891)	(1,247,724)
Increase in other payable	<u>4,540</u>	<u>525</u>
Net cash provided by operating activities	2,808,090	3,550,836
<u>Cash flows from investing activities:</u>		
Purchase of real estate	(343,172)	-
Purchases of investments	(10,552,175)	(14,757,620)
Proceeds from sale and maturities of investments	8,363,129	10,115,132
Increase in due to LSU Health Shreveport-BOR match	<u>604,433</u>	<u>221,754</u>
Net cash (used) by investing activities	(1,927,785)	(4,420,734)
<u>Net increase (decrease) in cash</u>	880,305	(869,898)
<u>Cash at beginning of period</u>	<u>2,083,387</u>	<u>2,953,285</u>
<u>Cash at end of period</u>	<u><u>2,963,692</u></u>	<u><u>2,083,387</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, 2020 AND 2019

**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 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 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 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 2016 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, 2020 and 2019 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying financial statements.
- k. In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ACS 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation's revenue is composed primarily of contributions, net investment income, and management fees. The scope of the guidance explicitly excludes investment income and contributions as well as many other revenues for financial assets and liabilities including loans, leases, and derivatives. Accordingly, the Foundation's revenues were not affected. Adoption of ASU 2014-09, which was effective for the Foundation on July 1, 2019, did not have an impact on the Foundation's financial statements.
1. 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.

## 2. Summary of Significant Accounting Policies (Continued)

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.

m. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions receivable expected to be collected in:		
Less than one year	2,527,120	1,559,285
One year to five years	4,707,022	1,516,895
More than five years	<u>1,012,667</u>	<u>-</u>
Contributions receivable	8,246,809	3,076,180
Discount on contributions receivable	<u>(362,765)</u>	<u>-</u>
Net contributions receivable	<u><u>7,884,044</u></u>	<u><u>3,076,180</u></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 \$60 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 \$8,080,976 at June 30, 2020. Pledges receivable have been discounted at 2%.

## 4. Investments-Pools

Investments-pools consisted primarily of Vanguard mutual funds.

	<u>2020</u>		<u>2019</u>	
	<u>Market</u>		<u>Market</u>	
	<u>Value</u>	<u>Cost</u>	<u>Value</u>	<u>Cost</u>
<u>Unrestricted Pool</u>				
Fixed income:				
Investment grade mutual funds	<u>2,684,177</u>	<u>2,522,009</u>	<u>2,907,497</u>	<u>2,866,115</u>
Total fixed income	2,684,177	2,522,009	2,907,497	2,866,115
Equity:				
Domestic mutual funds	4,367,795	3,356,301	3,969,986	2,907,085
International mutual funds	<u>2,834,888</u>	<u>2,623,626</u>	<u>2,544,459</u>	<u>2,353,445</u>
Total equity	<u>7,202,683</u>	<u>5,979,927</u>	<u>6,514,445</u>	<u>5,260,530</u>
Total Unrestricted Pool	<u><u>9,886,860</u></u>	<u><u>8,501,936</u></u>	<u><u>9,421,942</u></u>	<u><u>8,126,645</u></u>

#### 4. Investments-Pools (Continued)

	2020		2019	
	Market Value	Cost	Market Value	Cost
<u>Nonendowed Pool</u>				
Cash and cash equivalents	5,513,378	5,513,378	5,168,290	5,168,290
Fixed income:				
Investment grade mutual funds	<u>16,568,276</u>	<u>16,160,667</u>	<u>15,365,335</u>	<u>15,329,157</u>
Total fixed income	<u>16,568,276</u>	<u>16,160,667</u>	<u>15,365,335</u>	<u>15,329,157</u>
Alternatives:				
Other	<u>279,542</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Total alternatives	<u>279,542</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Total Nonendowed Pool	<u>22,361,196</u>	<u>22,174,045</u>	<u>20,533,625</u>	<u>20,497,447</u>
<u>General/Feist Endowed Pool</u>				
Cash and cash equivalents	46,899	46,899	27,135	27,135
Fixed Income:				
Investment grade mutual funds	<u>5,243,724</u>	<u>4,911,574</u>	<u>5,928,411</u>	<u>5,824,957</u>
Total fixed income	<u>5,243,724</u>	<u>4,911,574</u>	<u>5,928,411</u>	<u>5,824,957</u>
Equity:				
Domestic mutual funds	8,526,909	6,443,892	7,966,079	5,716,557
International mutual funds	<u>5,544,507</u>	<u>5,123,104</u>	<u>5,170,784</u>	<u>4,763,589</u>
Total equity	<u>14,071,416</u>	<u>11,566,996</u>	<u>13,136,863</u>	<u>10,480,146</u>
Total General/Feist Endowed Pool	<u>19,362,039</u>	<u>16,525,469</u>	<u>19,092,409</u>	<u>16,332,238</u>
<u>Future Endowment Pool</u>				
Cash and cash equivalents	<u>386,354</u>	<u>386,354</u>	<u>513,319</u>	<u>513,319</u>
Total Future Endowment Pool	<u>386,354</u>	<u>386,354</u>	<u>513,319</u>	<u>513,319</u>
<u>BRSF Pool</u>				
Cash and cash equivalents	401,245	401,246	18,535	18,535
Fixed income:				
Investment grade mutual funds	<u>5,996,283</u>	<u>5,617,570</u>	<u>6,941,664</u>	<u>5,034,540</u>
Total fixed income	<u>5,996,283</u>	<u>5,617,570</u>	<u>6,941,664</u>	<u>5,034,540</u>
Equity:				
Domestic mutual funds	9,765,468	7,289,453	9,268,501	6,568,381
International mutual funds	<u>6,332,540</u>	<u>5,809,109</u>	<u>5,645,473</u>	<u>5,174,922</u>
Total equity	<u>16,098,008</u>	<u>13,098,562</u>	<u>14,913,974</u>	<u>11,743,303</u>
Total BRSF Pool	<u>22,495,536</u>	<u>19,117,378</u>	<u>21,874,173</u>	<u>16,796,378</u>
Total investments-pool	<u>74,491,985</u>	<u>66,705,182</u>	<u>71,435,468</u>	<u>62,266,027</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. After appropriate approvals, the Foundation may spend income of the Feist account up to a maximum in any one fiscal year of \$1,000,000. Principal may also be spent after appropriate approvals have been obtained. Such approvals were required in 2020 and 2019.

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 2018	15,536,963	38,761,994	54,298,957
2019	1,213,284	1,381,716	2,595,000
2020	<u>500,586</u>	<u>224,414</u>	<u>725,000</u>
	<u>17,250,833</u>	<u>40,368,124</u>	<u>57,618,957</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, 2020 and 2019.

	<u>2020</u>		<u>2019</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>22,606,013</u>	<u>21,184,872</u>	<u>25,082,223</u>	<u>24,658,093</u>
Total fixed income	22,606,013	21,184,872	25,082,223	24,658,093
Equities:				
Domestic mutual funds	36,396,808	27,241,068	34,727,189	24,548,490
International mutual funds	<u>23,758,666</u>	<u>21,975,851</u>	<u>22,261,186</u>	<u>20,457,603</u>
Total equities	<u>60,155,474</u>	<u>49,216,919</u>	<u>56,988,375</u>	<u>45,006,093</u>
Total investments-CFeist Legacy	<u>82,761,487</u>	<u>70,401,791</u>	<u>82,070,598</u>	<u>69,664,186</u>

Following is a summary of the transactions of the CFeist Legacy for the years ended June 30, 2020 and 2019. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2020 and 2019.

5. CFeist Legacy (Continued)

	<u>2020</u>		<u>Total</u>	<u>2019</u>
	<u>Income</u>	<u>Principal</u>	<u>Market</u>	<u>Total</u>
			<u>Value</u>	<u>Market</u>
				<u>Value</u>
Net asset balances at beginning of year	13,084,803	68,685,945	81,770,748	78,973,489
Activity during the year:				
Distributions from Succession	500,586	224,414	725,000	2,595,000
Net investment income	3,080,830	838,133	3,918,963	4,213,176
Management fees	(608,298)	(608,298)	(1,216,596)	(1,177,138)
Other expenses	(33,072)	-	(33,072)	(33,779)
Transfer to spending account	<u>(2,700,000)</u>	<u>-</u>	<u>(2,700,000)</u>	<u>(2,800,000)</u>
Net asset balances at end of year	<u>13,324,849</u>	<u>69,140,194</u>	<u>82,465,043</u>	<u>81,770,748</u>

	<u>2020</u>	<u>2019</u>
Consists of:		
Above investments	82,761,487	82,070,598
Management fees and other payable	<u>(296,444)</u>	<u>(299,850)</u>
Total net assets at end of year	<u>82,465,043</u>	<u>81,770,748</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. Additional contributions to the fund of \$-0- and \$8,775,000 for the years ended June 30, 2020 and 2019, respectively, were received by the Foundation. 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. Agency investments are presented below with their respective market values and cost as of June 30, 2020 and 2019.

6. Agency Investments (Continued)

	<u>2020</u>		<u>2019</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>42,350,453</u>	<u>39,460,277</u>	<u>39,807,018</u>	<u>39,232,192</u>
Total fixed income	<u>42,350,453</u>	<u>39,460,277</u>	<u>39,807,018</u>	<u>39,232,192</u>
Equities:				
Domestic mutual funds	15,494,612	10,836,488	14,315,139	9,697,233
International mutual funds	<u>9,205,096</u>	<u>9,459,904</u>	<u>8,347,673</u>	<u>7,813,952</u>
Total equities	<u>24,699,708</u>	<u>20,296,392</u>	<u>22,662,812</u>	<u>17,511,185</u>
Total investments-agency	<u><u>67,050,161</u></u>	<u><u>59,756,669</u></u>	<u><u>62,469,830</u></u>	<u><u>56,743,377</u></u>

Agency investments are comprised of the following state funds:

	<u>2020</u>	<u>2019</u>
MFeist Legacy	57,849,792	53,473,728
LSU Health Endowments	<u>9,200,369</u>	<u>8,996,102</u>
	<u><u>67,050,161</u></u>	<u><u>62,469,830</u></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.

## 7. Fair Value Measurements (Continued)

Fair values of assets and liabilities measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2020:</b>				
Cash and cash equivalents	6,347,876	-	-	6,347,876
Fixed income:				
Investment grade mutual funds	53,098,473	-	-	53,098,473
Inflation protected mutual funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fixed income	53,098,473	-	-	53,098,473
Equities:				
Domestic mutual funds	59,056,980	-	-	59,056,980
International mutual funds	<u>38,470,601</u>	<u>-</u>	<u>-</u>	<u>38,470,601</u>
Total equities	<u>97,527,581</u>	<u>-</u>	<u>-</u>	<u>97,527,581</u>
Alternatives:				
Other	<u>-</u>	<u>-</u>	<u>279,542</u>	<u>279,542</u>
Total investments	<u>156,973,930</u>	<u>-</u>	<u>279,542</u>	<u>157,253,472</u>
<b>June 30, 2019:</b>				
Cash and cash equivalents	5,727,279	-	-	5,727,279
Fixed income:				
Investment grade mutual funds	56,225,129	-	-	56,225,129
Inflation protected mutual funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fixed income	56,225,129	-	-	56,225,129
Equities:				
Domestic mutual funds	55,931,755	-	-	55,931,755
International mutual funds	<u>35,621,903</u>	<u>-</u>	<u>-</u>	<u>35,621,903</u>
Total equities	<u>91,553,658</u>	<u>-</u>	<u>-</u>	<u>91,553,658</u>
Total investments	<u>153,506,066</u>	<u>-</u>	<u>-</u>	<u>153,506,066</u>

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

	<u>Other</u>
<b>Balance-June 30, 2019</b>	-
Purchases, issuances, and settlements	500,000
Net investment income	<u>(220,458)</u>
<b>Balance-June 30, 2020</b>	<u>279,542</u>

The investments measured at fair value based on net asset value (NAVs) per share as of June 30, 2020 include \$4,500,000 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>2020</u>	<u>2019</u>
Equipment	83,799	83,799
Intermodal transit facility	1,609,160	1,609,160
Investment in real estate	<u>2,492,508</u>	<u>2,149,337</u>
	4,185,467	3,842,296
Annual depreciation	<u>(719,547)</u>	<u>(662,187)</u>
	<u><u>3,465,920</u></u>	<u><u>3,180,109</u></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>2020</u>	<u>2019</u>
John C. McDonald, M.D. Chair in Surgery	792,265	731,234
Jack W. Pou, M.D. Chair in Otolaryngology	785,612	696,676
Albert Sklar Professorship in Surgery	80,870	78,338
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	926,494	874,350
Mary Louise and Ben Levy Professorship in Neurosurgery	71,875	64,131
Paul R. Winder, M.D. Professorship in Dermatology	95,030	94,167
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	75,923	73,901
Muslow Chair in Academic Affairs	713,309	718,488
Albert G. and Harriet G. Smith Professorship in Pathology	74,171	75,969
Randy Bryn, M.D. Professorship in Pulmonology	67,417	59,154
W. R. Matthews, M.D. Professorship in Pathology	70,341	61,141
YK Reddy Professorship in Allergy and Immunology	74,335	72,157
Albertson's Distinguished Professorship in Allied Health Sciences	70,879	75,355
Robert E. Wolf, M.D. Professorship in Rheumatology	67,225	65,666
Donald Mack, M.D. Professorship in Pediatric Oncology	77,447	77,515
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	654,307	639,504
Burdette E. Trichel, M.D. Professorship in Urology	62,750	58,069
Charles D. Knight, Sr. Professorship in General Surgery	60,838	60,266
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	63,294	65,549
Eugene St. Martin Professorship in Urology	73,161	60,657
Nathan Professorship in Head & Neck Surgery	74,693	71,583
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	68,516	60,400
Joe E. Holoubek Professorship in Medicine	73,139	71,400
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	68,989	63,578
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	67,565	61,353
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	67,121	61,683

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

	<u>2020</u>	<u>2019</u>
Alice Coleman Endowed Professorship in Pediatric Rheumatology	23,641	20,714
James A. Ardoin, M.D. Professorship in OB/GYN	64,578	64,505
Brad and Kay McPherson Professorship in Child Psychiatry	64,987	63,531
Khoury-Mack Professorship #3 St. Jude	69,088	64,049
Selber-Levin Professorship in Endocrinology	67,508	69,325
Juneau Chair in Transplantation Surgery	814,584	792,016
Stafford and Marianne Comegys Professorship in Medical Library Science	65,060	66,745
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	59,880	58,406
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	62,529	60,397
Edward and Freda Green Professorship in Surgical Oncology	49,445	49,173
Scott and Larene Woodard Professorship in Neurosurgery	146,115	89,884
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	63,934	61,972
Brad and Kay McPherson Professorship	51,146	48,962
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	70,627	58,475
Carroll W. Feist Chair for the Study of Cancer	1,326,805	1,307,847
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	82,120	56,713
Edna Boatright Sherling Professorship in Cancer Care	53,194	51,406
Dr. Ming Yu Ding Memorial Professorship in Microbiology	66,197	64,898
Archibald Bell Nelson Professorship in Orthopaedics	118,544	110,438
Joanna Gunning Magale Professorship in Neurology	66,720	77,742
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	784,027	777,032
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	323,538	283,670
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Enhancement	288,252	318,731
Charles Richard Parks Professorship in Neurological Rehab	45,415	44,825
Sandra and Jerry Martin Endowed Scholarship for Medical Students	42,636	41,460
Sandra and Jerry Martin Endowed Scholarship for Medical Students #2	40,000	-
Dudley R. Ison, DDS Endowed Prof. in Oral & Maxillofacial Surgery	46,013	44,889
Clarence H. Webb, MD Endowed Professorship in Pediatrics	46,013	44,889
Medical Center Clinics Endowed Professorship in Radiology	46,013	44,889
Charles G. Hargon Jr. Memorial Scholarship for Medical Students	48,447	41,443
Tilakram and Bhagwanti Devi Distinguished Professorship in Cleft Lip and Palate Surgery and Training	21,227	20,712
O'Callaghan Family Endowed Professorship in Microbiology	20,606	20,000
Tommy Brown, MD Memorial Scholarship for Medical Students	40,000	-
Johnson Family Endowed Scholarship	40,000	-
Cole Endowed Professorship for Community Health	20,000	-
	<u>10,616,455</u>	<u>10,012,022</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.

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, 2020 and 2019 was 4 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets balances beginning of year	114,766,090	111,599,109
Contributions	1,121,251	2,805,561
Net investment income	5,457,536	5,865,003
Administrative expenses	(1,649,757)	(1,573,698)
Transfers for spending	<u>(4,041,849)</u>	<u>(3,929,885)</u>
Endowment net assets balances end of year	<u>115,653,271</u>	<u>114,766,090</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, 2021. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2024 and a postage machine which expires on July 9, 2021. Future minimum lease requirements are as follows:

2020	41,599
2021	7,191
2022	7,191
2023	7,191
2024	<u>3,596</u>
	<u>66,768</u>

Included in management and general and fundraising expense is \$73,679 and \$72,900 in rent and equipment rental expense for the years ended June 30, 2020 and 2019, respectively.

**13. Liquidity and Availability**

The Foundation maintains sufficient cash to meet current and future operating needs. At June 30, the Foundation had \$2,963,692 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 \$2,343,527 for 2020 and \$2,192,270 for 2019 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, 2020 and 2019, the Foundation had \$3,748,341 and \$3,834,038 remaining in these funds.

**15. Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, it is continuing to evaluate its investment strategies and monitor changes in revenue including investment returns as well as gift contributions. Additionally, since March, LSU Health Shreveport has become a regional and national leader in the detection, treatment, and research of COVID-19. Because this quickly became a new high-priority area for LSU Health Shreveport, the Foundation has been in close communication with it to anticipate any new funding needs as well as identify new philanthropic opportunities associated with COVID-19.

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 27, 2020, and noted no subsequent events.