
LSU HEALTH FOUNDATION, NEW ORLEANS

FINANCIAL STATEMENTS

JUNE 30, 2018



Postlethwaite & Netterville
A Professional Accounting Corporation
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LSU HEALTH FOUNDATION, NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
LSU Health Foundation, New Orleans
New Orleans, Louisiana

We have audited the accompanying financial statements of the LSU Health Foundation, New Orleans (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the 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 Foundation'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 financial statements.

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



Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the LSU Health Foundation, New Orleans as of June 30, 2017, were audited by other auditors whose report dated August 31, 2017, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information on pages 25 through 34 is not a required part of the basic financial statements but is supplementary information required by the State of Louisiana. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
August 31, 2018

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 66,030	\$ 1,283,900
Investments	2,368,742	3,253,202
Unconditional promises to give, net	416,233	566,267
Accounts receivable	1,045,436	135,103
Prepaid and other assets	86,874	43,326
Total current assets	3,983,315	5,281,798
Noncurrent Assets:		
Investments	138,912,691	132,858,701
Property and equipment, net	8,196,028	7,768,375
Unconditional promises to give, net	666,444	800,254
Total noncurrent assets	147,775,163	141,427,330
<u>TOTAL ASSETS</u>	\$ 151,758,478	\$ 146,709,128
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 753,734	\$ 1,087,158
Line of credit	436,740	-
Split-interest agreements	51,375	51,375
Total current liabilities	1,241,849	1,138,533
Noncurrent Liabilities:		
Amounts held in custody for others	29,951,198	29,117,677
Split-interest agreements	200,468	251,843
Total noncurrent liabilities	30,151,666	29,369,520
<u>TOTAL LIABILITIES</u>	31,393,515	30,508,053
<u>NET ASSETS</u>		
Unrestricted	9,443,475	8,880,512
Board-designated	865,331	1,139,106
Total unrestricted	10,308,806	10,019,618
Temporarily restricted	51,338,975	49,736,777
Permanently restricted	58,717,182	56,444,680
Total net assets	120,364,963	116,201,075
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 151,758,478	\$ 146,709,128

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

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 301,669	\$ 3,737,478	\$ 1,725,207	\$ 5,764,354
Management and deposit fee income	1,929,557	-	-	1,929,557
Investment income, net	936,876	6,885,891	-	7,822,767
Rental income	271,313	-	-	271,313
Business venture revenue	342,059	-	-	342,059
Other revenue	2,412	-	-	2,412
Transfers	7,643	(554,938)	547,295	-
	<u>3,791,529</u>	<u>10,068,431</u>	<u>2,272,502</u>	<u>16,132,462</u>
Net assets released from restrictions	8,466,233	(8,466,233)	-	-
Total revenue and other support	<u>12,257,762</u>	<u>1,602,198</u>	<u>2,272,502</u>	<u>16,132,462</u>
Expenses:				
Program services	9,404,067	-	-	9,404,067
General and administrative	1,614,418	-	-	1,614,418
Development	950,089	-	-	950,089
Total expenses	<u>11,968,574</u>	<u>-</u>	<u>-</u>	<u>11,968,574</u>
Change in net assets	289,188	1,602,198	2,272,502	4,163,888
Net assets at beginning of year	<u>10,019,618</u>	<u>49,736,777</u>	<u>56,444,680</u>	<u>116,201,075</u>
Net assets at end of year	<u>\$ 10,308,806</u>	<u>\$ 51,338,975</u>	<u>\$ 58,717,182</u>	<u>\$ 120,364,963</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 23,302	\$ 4,888,786	\$ 1,757,862	\$ 6,669,950
Management and deposit fee income	1,894,370	-	-	1,894,370
Investment income, net	1,328,420	6,274,049	-	7,602,469
Rental income	241,909	-	-	241,909
Other revenue	-	(28,178)	-	(28,178)
Transfers	5,154	(111,144)	105,990	-
	<u>3,493,155</u>	<u>11,023,513</u>	<u>1,863,852</u>	<u>16,380,520</u>
Net assets released from restrictions	<u>11,075,307</u>	<u>(11,075,307)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>14,568,462</u>	<u>(51,794)</u>	<u>1,863,852</u>	<u>16,380,520</u>
Expenses:				
Program services	11,323,956	-	-	11,323,956
General and administrative	1,593,215	-	-	1,593,215
Development	1,370,292	-	-	1,370,292
Total expenses	<u>14,287,463</u>	<u>-</u>	<u>-</u>	<u>14,287,463</u>
Change in net assets	280,999	(51,794)	1,863,852	2,093,057
Net assets at beginning of year	<u>9,738,619</u>	<u>49,788,571</u>	<u>54,580,828</u>	<u>114,108,018</u>
Net assets at end of year	<u>\$ 10,019,618</u>	<u>\$ 49,736,777</u>	<u>\$ 56,444,680</u>	<u>\$ 116,201,075</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income	\$ 4,163,888	\$ 2,093,057
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	250,023	250,024
Decrease (increase) in unconditional promises to give	461,426	297,633
Change in allowance for uncollectible accounts	(161,502)	(104,171)
Net change in discount on unconditional promises to give	(16,080)	(22,356)
Realized and unrealized gain on investments	(4,096,359)	(7,602,469)
Changes in operating assets and liabilities:		
Decrease in estate receivable	-	246,402
Increase in accounts receivable	(910,333)	(55,001)
Decrease (increase) in other assets	(43,548)	10,125
Decrease in accounts payable and accrued expenses	(333,424)	(1,160,741)
Increase in funds held in custody	833,521	2,593,862
Contributions permanently restricted by donors	(1,725,207)	(1,863,852)
	<u>(1,577,595)</u>	<u>(5,317,487)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sales and maturities of investments	26,218,707	21,694,492
Purchases of investments	(27,291,878)	(18,527,840)
Purchases of property	(677,676)	-
Net cash (used in) provided by investing activities	<u>(1,750,847)</u>	<u>3,166,652</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from line of credit	436,740	-
Contributions permanently restricted by donors	1,725,207	1,863,852
Payments to beneficiaries of split interest agreements	(51,375)	(26,896)
Net cash provided by financing activities	<u>2,110,572</u>	<u>1,836,956</u>
Net decrease in cash and cash equivalents	<u>(1,217,870)</u>	<u>(313,879)</u>
Cash and cash equivalents at beginning of year	<u>1,283,900</u>	<u>1,597,779</u>
Cash and cash equivalents at end of year	<u>\$ 66,030</u>	<u>\$ 1,283,900</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Noncash contributions	<u>\$ 240,000</u>	<u>\$ -</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS

NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The LSU Health Foundation, New Orleans (the "Foundation") supports the activities of the LSU Health Sciences Center. The Foundation's activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The Foundation is supported primarily through donor contributions.

In December 2017, the Foundation, through a cooperative endeavor agreement with the Algiers Development District, assumed management operations for the Riverside Fitness Center in Algiers, Louisiana and rebranded the facility to the LSU Health Fitness and Wellness Center.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are presented on the accrual basis of accounting. Net assets, revenues and support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Risks and Uncertainties

The Foundation holds various investments in any combination of stocks, bonds, fixed income securities, mutual funds, hedge funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Given the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the statements of financial position and the statements of activities.

Use of Estimates

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

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of unrealized gains and losses, interest income, and dividends, less investment management and custodial fees.

Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Pledges due in subsequent years are recorded at net present value of estimated future cash flows using an appropriate discount rate. Unconditional promises to give that are due to be received within one year are classified as current assets on the statements of financial position.

Management's estimate for the allowance of uncollectible promises to give at June 30, 2018 and 2017 was \$600,719 and \$762,221, respectively.

Property and Equipment

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to an expense. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. The Foundation finished construction on a new building in July of 2013 and is using the straight-line method to depreciate it over an estimated useful life of 40 years. Furniture is being depreciated over estimated useful lives of five years using the straight-line method.

LSU HEALTH FOUNDATION, NEW ORLEANS

NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Amounts Held in Custody for Others

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Amounts Held in Custody for Others. Amounts Held in Custody for Others are recorded at fair market value.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Program Service Fees

The Foundation recognizes revenues related to the management and deposit fee income when earned according to the contractually obligated terms. Fees related to business venture income are recognized when the services are performed.

Expense Allocation

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

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

Accounting Pronouncements Issued But Not Yet Adopted

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosure of underwater endowments is required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risk is required. This ASU will be effective for the Foundation's year ending June 30, 2019.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Issued But Not Yet Adopted (continued)

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made to clarify and improve the scope and the 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 (nonreciprocal 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 will be effective for the Foundation for annual periods beginning after December 15, 2018.

The Foundation believes there will be no material impact on total net assets.

Income Taxes

The Foundation is a not-for-profit foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI).

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

3. Restrictions on Net Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services, including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made or when time has elapsed. Transfers can be made between temporarily and permanently restricted net assets to reflect a change in donor intent for specific gifts made or deposits held with the Foundation.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Gross unconditional promises to give	\$ 1,716,352	\$ 2,177,777
Less: unamortized discount	(32,955)	(49,035)
Less: allowance for uncollectible amounts	(600,720)	(762,221)
Net unconditional promises to give	<u>\$ 1,082,677</u>	<u>\$ 1,366,521</u>
Amount due in:		
Less than one year	\$ 640,358	\$ 888,416
One to five years	844,251	1,076,277
Over five years	231,743	213,084
Total	<u>\$ 1,716,352</u>	<u>\$ 2,177,777</u>

5. Investments

As of June 30, 2018, investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Corporate bonds and notes	\$ 42,194,232	\$ 41,205,645	\$ (988,587)
Mutual funds and other equities	58,657,327	68,956,790	10,299,463
REITS	6,569,821	6,790,335	220,514
Hedge funds	16,436,302	20,171,415	3,735,113
Money market	3,329,756	3,329,756	-
Private equity	993,897	827,492	(166,405)
Total	<u>\$128,181,335</u>	<u>\$141,281,433</u>	<u>\$ 13,100,098</u>
Interest and dividend income	\$ 3,726,408		
Net realized and unrealized gains	4,096,359		
Total investment income	<u>\$ 7,822,767</u>		

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

As of June 30, 2017, investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Corporate bonds and notes	\$ 38,482,519	\$ 38,367,701	\$ (114,818)
Mutual funds and other equities	58,143,484	66,631,758	8,488,274
REITS	6,212,085	6,572,884	360,799
Hedge funds	17,589,968	20,282,184	2,692,216
Money market	4,257,376	4,257,376	-
Total	<u>\$124,685,432</u>	<u>\$136,111,903</u>	<u>\$ 11,426,471</u>
Interest and dividend income	\$ 3,007,600		
Net realized and unrealized gains	<u>4,594,869</u>		
Total investment income	<u>\$ 7,602,469</u>		

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Prudent Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2018.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor-restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

The Foundation invests in hedge funds through its investment manager. The investments are part of a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investments offer a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time-tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The funds have a demonstrated track record of superior performance in maintaining a highly disciplined and effective investment allocation decision process. The Foundation's objective is to maximize its returns related to these investments. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached. The result is a portfolio with a demonstrated ability to protect capital from loss in adverse market conditions and to produce superior risk-adjusted returns. The returns from hedge funds are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge funds are included in investment income, net, in the statements of activities. The fair market value of these funds was \$20,171,415 and \$20,282,184 at June 30, 2018 and 2017, respectively.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building	\$ 8,346,657	\$ 8,346,657
Furniture	206,788	206,788
Construction in progress	677,676	-
Land	215,027	215,027
Less accumulated depreciation	<u>(1,250,120)</u>	<u>(1,000,097)</u>
Property and equipment, net	<u>\$ 8,196,028</u>	<u>\$ 7,768,375</u>

Depreciation expense totaled \$250,023 and \$250,024 for the years ended June 30, 2018 and 2017, respectively.

7. Concentration of Credits Risks

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. At June 30, 2018, the Foundation's balances are fully insured or collateralized.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Amounts Held in Custody for Others

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and the Endowed Professorship Programs. Funds held in custody were \$29,951,198 and \$29,117,677 on June 30, 2018 and 2017, respectively. The amount of state matching funds received was \$840,000 and \$360,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

9. Retirement Plan

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$29,164 and \$40,859 as of June 30, 2018 and 2017, respectively, which is allocated to both general and administrative and development expenses on the statements of activities.

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 403(b) Plan, which is intended to be an ERISA Section 404(c) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts. Employees are eligible to participate upon the date of employment. Under the Plan, the Foundation matches amounts contributed up to 6% of the employee's compensation only if the employee has completed a year of service and is at least 21 years of age.

10. Split-Interest Agreements

The Foundation has entered into three (3) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$51,375 paid in quarterly or monthly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$251,843 and \$303,218 at June 30, 2018 and 2017) is calculated using a discount rate of 3.4% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$51,375 and \$51,375 for the fiscal years ended June 30, 2018 and 2017, respectively.

11. Line of Credit

The Foundation maintains a \$1,250,000 open ended margin loan account with an investment brokerage firm. The line bears an interest rate at the federal rate plus .75% (2.75% as of June 30, 2018) and is secured by the Foundation's investments held by the brokerage firm. The balance of the margin loan account was \$436,740.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. Endowment Composition

The Foundation manages endowments for the benefit of the LSU Health Sciences Center. These endowments consist of funds raised for memorials, scholarships and awards along with Chairs and Professorships as defined by the Louisiana Board of Regents. The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board of Regents also has a policy statement that applies to the management of the endowments that received matching funds through their program.

The Foundation's endowment includes donor-restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation further adheres to the policies adopted by the Louisiana Board of Regents and applies their Statement of Investment Policy and Objectives to the Foundation's management of Chairs and Professorships. This program allows for eligible public matching funds totaling 40% of established thresholds to be received after successfully raising 60% of the goal in private contributions. The public matching funds are shown as amounts held in custody for others in the statements of financial position. Increases (decreases) in the endowment values below are due to changes in contributions received, investment earnings, matching funds received, and spending allocations.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. Endowment Composition (continued)

The Foundation's investment portfolio is actively managed by an independent management consultant under the specific direction of the Foundation's Investment Committee. The Foundation's internal investment policy allows for the growth of each endowment while also achieving a 5% maximum annual spending allocation. The goal is for each endowment to maintain an adequate purchasing power while also actively benefitting the needs of the program supported by a particular endowment.

	<u>2018</u>	<u>2017</u>
Temporarily restricted	\$ 36,062,162	\$ 34,874,123
Permanently restricted	58,717,182	56,444,680
Total endowment funds	<u>\$ 94,779,344</u>	<u>\$ 91,318,803</u>

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2018 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 34,874,123	\$ 56,444,680	\$ 91,318,803
Total investment return	6,883,108	-	6,883,108
Contributions	2,250	2,272,502	2,274,752
Releases from restriction	(5,697,319)	-	(5,697,319)
Endowment net assets, June 30, 2018	<u>\$ 36,062,162</u>	<u>\$ 58,717,182</u>	<u>\$ 94,779,344</u>

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ 33,899,518	\$ 54,580,828	\$ 88,480,346
Total investment return	974,605	-	974,605
Contributions	-	1,863,852	1,863,852
Releases from restriction	-	-	-
Endowment net assets, June 30, 2017	<u>\$ 34,874,123</u>	<u>\$ 56,444,680</u>	<u>\$ 91,318,803</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) and FASB ASC 825, Financial Instruments (“ASC 825”) require disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position. The 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. However, in many instances, there are no quoted market prices for the Foundation’s various financial instruments. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825 excludes certain financial instruments from its disclosure requirements.

Level 1 classification is applied to any asset that has a readily available quoted price from an active market where there is significant transparency in the executed/quoted price.

Level 2 classification is applied to assets that have evaluated prices received from fixed income vendors with data inputs which are observable either directly or indirectly, but do not represent quoted prices from an active market for each individual security.

Level 3 classification is applied to assets for which prices are not derived from existing market data.

Investment securities – The fair value of investment securities including corporate bonds and notes, hedge funds and mutual funds and other equities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quoted prices are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the investment.

Private equity fund – This category includes investments in buyouts, build-ups, and growth equity investments in a limited partnership. The unfunded commitment in this investment is \$3,070,694 as of June 30, 2018. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the limited partnership. The fair value of this investment is calculated from the net asset value of the Foundation’s ownership interest in the limited partnership. The fund has a life of 10 years with two potential one-year extensions. Their investment in the fund is available for drawdown five years from initial inception with a potential one-year extension.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Fair Value of Financial Instruments (continued)

The valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and 2017 are as follows:

Fair value measurement at reporting date using above description as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ 41,205,645	\$ -	\$ -	\$ 41,205,645
Mutual funds and other equities	68,956,790	-	-	68,956,790
REITS	6,790,335	-	-	6,790,335
Hedge funds		20,171,415	-	20,171,415
Private equity	-	-	827,492	827,492
Money market	-	-	-	3,329,756
Total	<u>\$ 116,952,770</u>	<u>\$ 20,171,415</u>	<u>\$ 827,492</u>	<u>\$ 141,281,433</u>

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

	Level 3 beginning balance 7/1/2017	Purchases	Unrealized loss	Level 3 ending balance 6/30/2018
Private equity	\$ -	\$ 993,897	\$ 166,405	\$ 827,492
Total	<u>\$ -</u>	<u>\$ 993,897</u>	<u>\$ 166,405</u>	<u>\$ 827,492</u>

Fair value measurement at reporting date using above description as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ 38,367,701	\$ -	\$ -	\$ 38,367,701
Mutual funds and other equities	66,631,758	-	-	66,631,758
REITS	6,572,884	-	-	6,572,884
Hedge funds	-	20,282,184	-	20,282,184
Money market	-	-	-	4,257,376
Total	<u>\$ 111,572,343</u>	<u>\$ 20,282,184</u>	<u>\$ -</u>	<u>\$ 136,111,903</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

14. Restricted Net Assets

Unrestricted net assets may be designated by the Board of Directors for certain purposes. These funds are not considered donor-restricted, carry no legal restrictions on spending by the Foundation, and may be undesignated by the Board at any time. The Board has designated unrestricted net assets as follows:

	2018	2017
Deans' Discretionary Support Funds	\$ 865,331	\$ 1,139,106

Temporarily restricted net assets are available for the following purposes or periods:

	2018	2017
Awards	\$ 81,300	\$ 79,965
Chairs and superchairs	30,735,120	29,422,961
General endowments	(4,885,724)	(4,522,600)
Gift annuities	(64,553)	(73,157)
Lectureships	263,322	246,678
Memorials	129,486	124,869
Professorships	8,444,042	8,390,469
Scholarships	2,902,836	1,974,434
Other donor restrictions	13,733,146	14,093,158
Total temporarily restricted net assets	\$ 51,338,975	\$ 49,736,777

Permanently restricted net assets are set aside as follows:

	2018	2017
Awards	\$ 122,583	\$ 120,583
Chairs	32,227,227	32,405,810
General endowments	4,997,762	5,304,980
Gift annuities	360,856	360,856
Lectureships	533,424	414,086
Memorials	140,350	140,350
Professorships	13,112,379	12,549,539
Scholarships	7,222,601	5,148,476
Total permanently restricted net assets	\$ 58,717,182	\$ 56,444,680

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

15. Related Party Transactions

In the normal course of business, the Foundation reimburses the LSU Health Sciences Center for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the years ended June 30, 2018 and 2017 are \$7,167,370 and \$9,579,362, respectively, which represent payments on behalf of the Health Sciences Center. At June 30, 2018 and 2017, there were no funds due to or from the Health Sciences Center.

Members of the Foundation's board of directors and parties related to them made contributions of \$375,345 and \$160,657 for the years ended June 30, 2018 and 2017, respectively.

16. Subsequent Events

Subsequent events have been evaluated through August 31, 2018, the date the financial statements were available to be issued, and no events material to the financial statements occurred which require disclosure.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
LSU Health Foundation, New Orleans
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the LSU Health Foundation, New Orleans (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
August 31, 2018

SUPPLEMENTARY INFORMATION

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

Program Services

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center			Supporting Services		Total Expenses
	Other Program Services	Total Program Services	General and Administrative	Development		
Salary and related costs	\$ 2,207,862	\$ 264,382	\$ 2,472,244	\$ 891,168	\$ 695,072	\$ 4,058,484
Travel, conferences and meetings	2,094,044	413	2,094,457	14,015	19,723	2,128,195
Deposit and management fees	1,929,557	-	1,929,557	-	-	1,929,557
Community and campus support	1,063,455	658	1,064,113	224	38,110	1,102,447
Professional services	619,873	73,416	693,289	195,478	59,406	948,173
Office supplies and equipment	733,557	38,808	772,365	73,902	3,409	849,676
Utilities and property maintenance	56,634	68,784	125,418	126,769	1,642	253,829
Dues, subscriptions and databases	137,636	1,066	138,702	3,372	110,298	252,372
Depreciation	-	-	-	250,024	-	250,024
Professional education	89,193	-	89,193	3,435	57	92,685
Repairs and maintenance	40,668	15,321	55,989	31,923	-	87,912
Printing and postage	54,375	556	54,931	7,161	15,712	77,804
Taxes and licenses	30,153	11,525	41,678	66	-	41,744
Banking and credit card fees	18,536	3,886	22,422	16,518	-	38,940
Marketing and website	21,384	5,907	27,291	363	6,660	34,314
Provision for uncollectible accounts	(177,582)	-	(177,582)	-	-	(177,582)
Totals	\$ 8,919,345	\$ 484,722	\$ 9,404,067	\$ 1,614,418	\$ 950,089	\$ 11,968,574

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

Program Services

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Total Expenses
		General and Administrative	Development	
Salary and related costs	\$ 2,273,049	\$ 742,001	\$ 769,877	\$ 3,784,927
Professional services	2,357,931	262,168	63,224	2,683,323
Travel, conferences and meetings	1,943,349	9,475	31,547	1,984,371
Deposit and management fees	1,894,370	-	-	1,894,370
Office supplies and equipment	1,711,721	17,328	9,012	1,738,061
Community and campus support	909,962	24,317	313,132	1,247,411
Dues, subscriptions and databases	138,566	17,726	99,416	255,708
Depreciation	-	250,024	-	250,024
Utilities and property maintenance	51,241	143,059	2,032	196,332
Printing and postage	46,240	4,004	77,655	127,899
Professional education	75,155	3,993	700	79,848
Marketing and website	10,494	61,653	1,565	73,712
Repairs and maintenance	3,733	39,923	-	43,656
Banking and credit card fees	15,783	17,116	-	32,899
Taxes and licenses	18,889	428	2,132	21,449
Provision for uncollectible accounts	(126,527)	-	-	(126,527)
Totals	\$ 11,323,956	\$ 1,593,215	\$ 1,370,292	\$ 14,287,463

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF NET POSITION - GASB
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and cash equivalents	\$	66,030
Investments		2,368,742
Unconditional promises to give, net		416,233
Accounts receivable		1,045,436
Prepaid and other assets		86,874
Total current assets		3,983,315

Noncurrent Assets:

Investments		138,912,691
Pledges receivable, net		666,444
Property and equipment, net		8,196,028
Total noncurrent assets		147,775,163

Total assets		151,758,478
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Total assets and deferred outflow of resources	\$	151,758,478
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LIABILITIES:

Current Liabilities:

Accounts payable and accrued liabilities	\$	753,734
Line of credit		436,740
Total current liabilities		1,190,474

Noncurrent Liabilities:

Amounts held in custody for others		29,951,198
Total noncurrent liabilities		29,951,198

Deferred Inflows of Resources:

Split interest agreements		251,843
		251,843

Total liabilities		31,393,515
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Total liabilities and deferred inflows of resources		31,393,515
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NET POSITION:

Net investment in capital assets		8,196,028
Restricted:		
Nonexpendable		58,717,182
Expendable		51,338,975
Unrestricted		2,112,778
Total net position		120,364,963

Total liabilities, deferred inflows of resources, and net position	\$	151,758,478
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LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF FINANCIAL POSITION - FASB
JUNE 30, 2018

ASSETS:

Current Assets:	
Cash and cash equivalents	\$ 66,030
Investments	2,368,742
Accounts receivable, net	416,233
Unconditional promises to give, net	1,045,436
Deferred charges and prepaid expenses	86,874
Total current assets	<u>3,983,315</u>
Noncurrent Assets:	
Investments	138,912,691
Unconditional promises to give, net	666,444
Capital Assets, net:	
Land	215,027
Buildings and improvements	7,303,325
Construction in progress	677,676
Total noncurrent assets	<u>147,775,163</u>
Total assets	<u>\$ 151,758,478</u>

LIABILITIES:

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 753,734
Other current liabilities	488,115
Total current liabilities	<u>1,241,849</u>
Long-Term Portion of Noncurrent Liabilities:	
Amounts held in custody for others	29,951,198
Other noncurrent liabilities	200,468
Total noncurrent liabilities	<u>30,151,666</u>
Total liabilities	<u>31,393,515</u>

NET ASSETS:

Unrestricted	10,308,806
Temporarily restricted	51,338,975
Permanently restricted	58,717,182
Total net position	<u>120,364,963</u>
Total liabilities and net assets	<u>\$ 151,758,478</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF ACTIVITIES - FASB
FOR THE YEAR ENDED JUNE 30, 2018

Changes in unrestricted net assets:	
Contributions	\$ 301,669
Investment earnings (loss), net	936,876
Service fees	1,929,557
Other revenues	615,784
Total unrestricted revenues	<u>3,783,886</u>
Net assets released from restrictions:	
Reclassification in net assets	7,643
Satisfaction of program expenses	8,466,233
Total unrestricted revenues and other support	<u>12,257,762</u>
Expenses:	
Amounts paid to benefit Universities for:	
Projects specified by donors	6,403,179
Projects specified by the Board of Directors	-
Other:	
Grants and contracts	2,622,846
Property operations	125,418
Other	252,624
Total program expenses	<u>9,404,067</u>
Supporting services:	
Salaries and benefits	1,586,240
Occupancy	160,334
Office operations	127,283
Travel	33,738
Professional services	254,884
Dues and subscriptions	113,670
Meetings and development	-
Depreciation	250,024
Other	38,334
Total supporting services	<u>2,564,507</u>
Fund-raising expenses	<u>-</u>
Total expenses	<u>11,968,574</u>
Change in unrestricted net assets	<u>\$ 289,188</u>
Changes in temporarily restricted net assets:	
Contributions	\$ 3,737,478
Investment earnings (loss), net	6,885,891
Transfers	-
Changes in value of split-interest agreements	-
Other	-
Total temporarily restricted revenues	<u>10,623,369</u>
Net assets released from restrictions:	
Reclassification in net assets	(554,938)
Satisfaction of program expenses	(8,466,233)
Change in temporarily restricted net assets	<u>1,602,198</u>
Changes in permanently restricted net assets:	
Contributions	\$ 1,725,207
Investment earnings (loss), net	-
Transfers	-
Other	-
Total permanently restricted revenues	<u>1,725,207</u>
Net assets released from restrictions:	
Reclassification in net assets	547,295
Released from donor restrictions	-
Change in temporarily restricted net assets	<u>2,272,502</u>
Change in net assets	4,163,888
Net assets at beginning of year	<u>116,201,075</u>
Net assets at end of year	<u>\$ 120,364,963</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES:

Gifts received by foundations	\$ 4,039,147
Endowment income	6,883,108
Nongovernmental grants and contracts	1,929,557
Other operating revenues	<u>623,427</u>
Total operating revenues	<u>13,475,239</u>

OPERATING EXPENSES:

Other operating expenses	3,119,445
Total operating expenses	3,119,445

Operating Income 10,355,794

NONOPERATING REVENUES (EXPENSES):

Net investment income	939,659
Payment to or on behalf of University	<u>(9,404,067)</u>
Net nonoperating revenues	(8,464,408)

Income Before Other Revenues, Expenses, Gains, and Losses 1,891,386

Additions to permanent endowments 2,272,502

Increase in Net Position 4,163,888

Net Position at Beginning of Year 116,201,075

Net Position at End of Year **\$ 120,364,963**

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF ACTIVITIES - GASB
FOR THE YEAR ENDED JUNE 30, 2018

Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (expense) Revenue and Change in Net Assets
\$ (12,523,512)	\$ -	\$ 1,929,557	\$ -	\$ (10,593,955)

General Revenues:

Other	\$ 12,485,341
Additions to permanent endowment	2,272,502
Change in net position	<u>4,163,888</u>
Net position, beginning of year	<u>116,201,075</u>
Net position, end of year	<u>\$ 120,364,963</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
NOTES TO SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2018

1.B. Reporting Entity - Discretely Presented Component Units

Name: LSU Health Foundation, New Orleans

Mailing Address: 2000 Tulane Avenue, 4th Floor
New Orleans, LA 70112

Website: www.lsuhealthfoundation.org

Please provide a brief description of the component unit including its relationship to the University; a discussion of the criteria for including it; how it is reported, and the nature and amount of significant transactions between the University and the component unit.

Description

LSU Health Foundation, New Orleans is a legally separate, tax-exempt organization supporting the LSU Health Sciences Center. The Foundation is a nonprofit organization that reports under the Financial Accounting Standards Board (FASB) standards as set forth in its codification (ASC), including FASB ASC Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundations' financial information in the System's financial report for these differences.

During the current fiscal year, distributions to or on behalf of the University for both restricted and unrestricted purposes totaled:

\$ 9,404,067

LSU HEALTH FOUNDATION, NEW ORLEANS
NOTES TO SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2018

2. Cash and Cash Equivalents

The LSU Health Foundation, New Orleans considers all highly-liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

Changes if any needed:

none

LSU HEALTH FOUNDATION, NEW ORLEANS
NOTES TO SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2018

3.1 Investments - Fair Value

Types of Investments	Fair Value
Money market/certificates of deposit	\$ 3,329,756
Debt obligations	41,205,645
Corporate stocks, common stocks, and index mutual funds	68,956,790
Private equity	827,492
Hedge funds	20,171,415
Other: (please describe below)	
REITS	6,790,335
	<u>\$ 141,281,433</u>

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Component Unit (s)	Balance 6/30/2017	Prior Period Adjustments	Restated Balance 6/30/2017	Additions	Reclassifications of CIP	Retirements	Balance 6/30/2018
Capital assets not depreciated:							
Land	\$ 215,027	\$ -	\$ 215,027	\$ -	\$ -	\$ -	\$ 215,027
Construction in progress	-	-	-	677,676	-	-	677,676
Total capital assets not depreciated	<u>\$ 215,027</u>	<u>\$ -</u>	<u>\$ 215,027</u>	<u>\$ 677,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,703</u>
Other capital assets:							
Buildings	\$ 8,346,657	\$ -	\$ 8,346,657	\$ -	\$ -	\$ -	\$ 8,346,657
Accumulated depreciation	(834,665)	-	(834,665)	(208,667)	-	-	(1,043,332)
Total buildings	<u>7,511,992</u>	<u>-</u>	<u>7,511,992</u>	<u>(208,667)</u>	<u>-</u>	<u>-</u>	<u>7,303,325</u>
Equipment (including library books)	206,788	-	206,788	-	-	-	206,788
Accumulated depreciation	(165,432)	-	(165,432)	(41,356)	-	-	(206,788)
Total equipment	<u>41,356</u>	<u>-</u>	<u>41,356</u>	<u>(41,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>\$ 7,553,348</u>	<u>\$ -</u>	<u>\$ 7,553,348</u>	<u>\$ (250,023)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,303,325</u>
Capital asset summary:							
Capital assets not depreciated	\$ 215,027	\$ -	\$ 215,027	\$ 677,676	\$ -	\$ -	\$ 892,703
Other capital assets, book value	8,553,445	-	8,553,445	-	-	-	8,553,445
Total cost of capital assets	<u>8,768,472</u>	<u>-</u>	<u>8,768,472</u>	<u>677,676</u>	<u>-</u>	<u>-</u>	<u>9,446,148</u>
Accumulated depreciation/amortization	<u>(1,000,097)</u>	<u>-</u>	<u>(1,000,097)</u>	<u>(250,023)</u>	<u>-</u>	<u>-</u>	<u>(1,250,120)</u>
Capital assets, net	<u>\$ 7,768,375</u>	<u>\$ -</u>	<u>\$ 7,768,375</u>	<u>\$ 427,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,196,028</u>

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23. Unconditional Promises to Give - Component Units

Promises to give expected to be collected in:	
Less than one year	\$ 640,358
One to five years	844,251
More than five years	231,743
Subtotal	<u>1,716,352</u>
Less discount on promises to give	(32,955)
Less allowance for uncollectible accounts	(600,720)
	<u>(633,675)</u>
Net unconditional promises to give	<u>\$ 1,082,677</u>