LSU HEALTH SCIENCES FOUNDATION

IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

JUNE 30, 2019 AND 2018

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

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August 27, 2019

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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard
As discussed in Note 2, the Financial Accounting Standards board issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LSU Health Sciences Foundation adopted the ASU 2016-14 for the year ended June 30, 2019, and it has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

A S S E T S	2019	2018
Cash	2,083,387	2,953,285
Accounts receivable	161,566	126,409
Contributions receivable-Note 3	3,076,180	200,000
Investments-pools-Note 4	71,435,468	68,088,624
Investments-CFeist Legacy-Note 5	82,070,598	79,161,400
Investments-MFeist Legacy-Note 6	53,473,728	41,361,052
Investments-LSU Health Shreveport-endowments-Note 6	8,996,102	8,461,290
Investments-other	179,450	179,450
Investment in real estate-Note 8	3,180,110	3,237,470
Other assets	23,480	23,740
Total assets	224,680,069	203,792,720
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	1,113,426	2,361,150
Other payables	99,379	98,854
Due to LSU Health Shreveport-BOR match-Note 9	10,012,022	9,790,268
Due to LSU Health Shreveport-MFeist Legacy-Note 6	53,473,728	41,361,052
Due to LSU Health Shreveport-endowments-Note 6	8,996,102	8,461,290
Total liabilities	73,694,657	62,072,614
Net assets:		
Without donor restrictions:		
Designated by Board for specific purpose	3,834,038	3,965,175
Designated by Board for operating reserve	1,014,500	1,010,498
Invested in property and equipment, net	3,180,110	3,237,470
Undesignated	12,354,073	11,345,046
Total without donor restrictions	20,382,721	19,558,189
With donor restrictions:		
Restricted for specified purpose	15,836,601	10,562,808
Restricted in perpetuity-endowment	18,733,858	18,377,247
Restricted for specific purpose and designated by Board for endowment	96,032,232	93,221,862
Total with donor restrictions	130,602,691	122,161,917
Total net assets	150,985,412	141,720,106
Total liabilities and net assets	224,680,069	203,792,720

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, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains:			
Contributions	480,873	7,156,711	7,637,584
Net investment income	1,303,983	5,768,970	7,072,953
Management fee income	608,299	-	608,299
Rental income	16,020	-	16,020
Total support, revenues and gains	2,409,175	12,925,681	15,334,856
Net assets released for Feist-Weiller Cancer Center	3,146,152	(3,146,152)	-
Net assets released from restriction-other	1,338,755	(1,338,755)	-
Net assets released from restrictions	4,484,907	(4,484,907)	-
Total support, revenue, gains and reclassifications	6,894,082	8,440,774	15,334,856
Expenses			
Management and general	712,224	-	712,224
Fundraising and development	1,034,082	-	1,034,082
Program services:			
Feist-Weiller Cancer Center	3,013,878	-	3,013,878
Other departments	1,309,366	-	1,309,366
Total support to LSU Health Sciences Center	4,323,244	-	4,323,244
Total expenses	6,069,550	-	6,069,550
Change in net assets	824,532	8,440,774	9,265,306
Net assets at beginning of period	19,558,189	122,161,917	141,720,106
Net assets at end of period	20,382,721	130,602,691	150,985,412

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

2018		
Without Donor Restrictions	With Donor Restrictions	Total
570,868	2,575,184	3,146,052
681,783	8,801,853	9,483,636
627,754	-	627,754
37,720	-	37,720
1,918,125	11,377,037	13,295,162
4,976,896	(4,976,896)	-
2,685,817	(2,685,817)	-
7,662,713	(7,662,713)	-
9,580,838	3,714,324	13,295,162
729,506	-	729,505
1,041,991	-	1,041,992
4,126,715	-	4,126,715
1,321,974	-	1,321,974
5,448,689	-	5,448,689
7,220,186	-	7,220,186
2,360,652	3,714,324	6,074,976
17,197,537	118,447,593	135,645,130
19,558,189	122,161,917	141,720,106

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				
	Feist-Weiller Cancer Center	Other Departments	Management and General	Fundraising and Development	Total
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
Total expenses	3,013,878	1,309,366	712,224	1,034,082	6,069,550

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, 2018

	Program Services				
	Feist-Weiller Cancer Center	Other Departments	Management and General	Fundraising and Development	Total
Salary expense	-	-	350,575	374,485	725,060
Payroll taxes	-	-	25,223	26,624	51,847
Employee benefit expense	-	-	40,314	43,673	83,987
Professional services	35,976	50,053	82,908	51,847	220,784
Insurance	-	-	50,426	-	50,426
Depreciation	-	-	59,361	-	59,361
Office supplies	-	-	7,548	8,177	15,725
Maintenance agreements	-	-	21,814	14,542	36,356
Rent	-	-	31,893	34,550	66,443
Repairs and maintenance	-	8,685	28,106	-	36,791
Travel	15,092	214,017	535	4,810	234,454
Advertising and promotional expenses	2,361	36,144	-	5,129	43,634
Printing	9,212	17,777	-	30,147	57,136
Recruiting	184	26,132	-	-	26,316
Awards and scholarships	400	56,665	-	-	57,065
Professional development	-	-	738	6,646	7,384
Books, supplies, and equipment	8,488	247,026	-	-	255,514
Dues and licenses	7,234	91,004	4,164	4,164	106,566
Fundraising events	-	-	-	411,296	411,296
Research	4,018,270	167,293	-	-	4,185,563
Meeting and lecture expense	29,498	407,178	-	-	436,676
Other	-	-	25,901	25,901	51,802
Total expenses	4,126,715	1,321,974	729,506	1,041,991	7,220,186

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, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	9,265,306	6,074,976
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,360	57,360
Net realized and unrealized (gain) on long-term investments	(1,613,554)	(5,931,727)
Impairment of investment in real estate	-	2,000
Non-cash property donation	-	(35,000)
(Increase) decrease in accounts receivable	(35,157)	13,493
(Increase) in contributions receivable	(2,876,180)	(197,000)
Decrease in other assets	260	7,508
(Decrease) increase in accounts payable	(1,247,724)	1,428,222
Increase in other payable	525	5,609
Net cash provided by operating activities	3,550,836	1,425,441
Cash flows from investing activities:		
Sale of real estate	-	120,000
Purchases of investments	(14,757,620)	(10,622,439)
Proceeds from sale and maturities of investments	10,115,132	9,956,739
Increase in due to LSU Health Shreveport-BOR match	221,754	444,498
Net cash (used) by investing activities	(4,420,734)	(101,202)
Cash flows from financing activities:		
Repayment of notes payable	-	(82,606)
Net cash (used) by financing activities	-	(82,606)
Net (decrease) increase in cash	(869,898)	1,241,633
Cash at beginning of period	2,953,285	1,711,652
Cash at end of period	2,083,387	2,953,285
Supplemental disclosure of cash flow information:		
Cash paid for interest	-	1,584

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, 2019 AND 2018

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 revenue 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. As of June 30, 2019 and 2018, the Foundation's net assets with donor restrictions are restricted for funding various departments at the Center as specified by the donors.

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

b. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. 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 2015 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. 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.

j. 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.

k. 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, 2019 and 2018 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying financial statements.

l. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard is effective for fiscal years beginning after December 31, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method nor have they determined the effect of the standard on their ongoing financial reporting.

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:

2. **<u>Summary of Significant Accounting Policies</u>** **(Continued)**

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

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

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. 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. In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. The Foundation has adopted the standard during the current year and the changes are reflected within these consolidated financial statements.

n. Certain amounts included in the prior year have been reclassified to conform with current year presentation.

3. **<u>Contributions Receivable</u>**

Contributions receivable is summarized as follows as of June 30, 2019 and 2018:

	2019	2018
Contributions receivable expected to be collected in:		
Less than one year	1,559,285	93,500
One year to five years	1,516,895	106,500
More than five years	-	-
Contributions receivable	3,076,180	200,000

During the year, the Foundation began 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 $2,965,846 at June 30, 2019.

4. **Investments-Pools**

Investments-pools consisted primarily of Vanguard mutual funds.

	2019 Market Value	2019 Cost	2018 Market Value	2018 Cost
Unrestricted Pool				
Fixed Income:				
Investment grade mutual funds	2,907,497	2,866,115	2,226,186	2,289,176
Total Fixed Income	2,907,497	2,866,115	2,226,186	2,289,176
Equity:				
Domestic mutual funds	3,969,986	2,907,085	3,467,514	2,447,703
International mutual funds	2,544,459	2,353,445	2,151,449	1,883,025
Total Equity	6,514,445	5,260,530	5,618,963	4,330,728
Total Unrestricted Pool	9,421,942	8,126,645	7,845,149	6,619,904
Nonendowed Pool				
Cash and cash equivalents	5,168,290	5,168,290	5,105,901	5,105,882
Fixed Income:				
Investment grade mutual funds	15,365,335	15,329,157	14,130,560	14,460,849
Total Fixed Income	15,365,335	15,329,157	14,130,560	14,460,849
Total Nonendowed Pool	20,533,625	20,497,447	19,236,461	19,566,731
General/Feist Endowed Pool				
Cash and cash equivalents	27,135	27,135	427,178	427,178
Fixed Income:				
Investment grade mutual funds	5,928,411	5,824,957	4,971,412	5,112,253
Total Fixed Income	5,928,411	5,824,957	4,971,412	5,112,253
Equity:				
Domestic mutual funds	7,966,079	5,716,557	7,739,388	5,376,420
International mutual funds	5,170,784	4,763,589	4,616,982	4,058,258
Total Equity	13,136,863	10,480,146	12,356,370	9,434,678
Total General/Feist Endowed Pool	19,092,409	16,332,238	17,754,960	14,974,109
Future Endowment Pool				
Cash and cash equivalents	513,319	513,319	1,944,885	1,944,885
Total Future Endowment Pool	513,319	513,319	1,944,885	1,944,885

4. Investments-Pools (Continued)

	2019		2018	
	Market Value	Cost	Market Value	Cost
BRSF Pool				
Cash and cash equivalents	18,535	18,535	3,264	3,264
Fixed Income:				
Investment grade mutual funds	6,941,664	5,034,540	6,217,344	6,393,965
Total Fixed Income	6,941,664	5,034,540	6,217,344	6,393,965
Equity:				
Domestic mutual funds	9,268,501	6,568,381	9,446,801	6,584,309
International mutual funds	5,645,473	5,174,922	5,639,760	4,957,247
Total Equity	14,913,974	11,743,303	15,086,561	11,541,556
Total BRSF Pool	21,874,173	16,796,378	21,307,169	17,938,785
Total Investments-pool	71,435,468	62,266,027	68,088,624	61,044,414

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 2019 and 2018.

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

Year Ended June 30,	Income	Principal	Total Distributions
2006 thru 2017	15,240,976	38,647,981	53,888,957
2018	295,987	114,013	410,000
2019	1,213,284	1,381,716	2,595,000
	16,750,247	40,143,710	56,893,957

CFeist Legacy funds are primarily invested in Vanguard mutual funds.

5. CFeist Legacy (Continued)

Investments-CFeist Legacy are presented below with their respective market values and costs as of June 30, 2019 and 2018.

	2019		2018	
	Market Value	Cost	Market Value	Cost
Fixed Income:				
Investment grade mutual funds	25,082,223	24,658,093	22,813,587	23,454,618
Total Fixed Income	25,082,223	24,658,093	22,813,587	23,454,618
Equities:				
Domestic mutual funds	34,727,189	24,548,490	35,233,043	24,510,163
International mutual funds	22,261,186	20,457,603	21,114,770	18,590,183
Total Equities	56,988,375	45,006,093	56,347,813	43,100,346
Total Investments-CFeist Legacy	82,070,598	69,664,186	79,161,400	66,554,964

Following is a summary of the transactions of the CFeist Legacy for the years ended June 30, 2019 and 2018. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2019 and 2018.

	2019			2018
	Income	Principal	Total Market Value	Total Market Value
Net asset balances at beginning of year	11,937,057	67,036,432	78,973,489	76,926,590
Activity during the year:				
Distributions from Succession	1,213,284	1,381,716	2,595,000	410,000
Net investment income	3,356,810	856,366	4,213,176	6,451,340
Management fees	(588,569)	(588,569)	(1,177,138)	(1,180,572)
Other expenses	(33,779)	-	(33,779)	(33,869)
Transfer to spending account	(2,800,000)	-	(2,800,000)	(3,600,000)
Net asset balances at end of year	13,084,803	68,685,945	81,770,748	78,973,489

	2019	2018
Consists of:		
Above investments	82,070,598	79,161,400
Management fees and other payable	(299,850)	(187,911)
Total net assets at end of year	81,770,748	78,973,489

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 $8,775,000 and $-0- for the years ended June 30, 2019 and 2018, 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 will act as an agent as described in the provisions of FASB ASC 958, and thereafter record an asset and liability for the amount transferred.

Agency investments consist of Vanguard mutual funds. Agency investments are presented below with their respective market values and cost as of June 30, 2019 and 2018.

	2019		2018	
	Market Value	Cost	Market Value	Cost
Fixed Income:				
Investment grade mutual funds	39,807,018	39,232,192	31,776,719	32,817,515
Total Fixed Income	39,807,018	39,232,192	31,776,719	32,817,515
Equities:				
Domestic mutual funds	14,315,139	9,697,233	11,463,045	7,391,998
International mutual funds	8,347,673	7,813,952	6,582,578	5,940,415
Total Equities	22,662,812	17,511,185	18,045,623	13,332,413
Total Investments-Agency	62,469,830	56,743,377	49,822,342	46,149,928

Agency investments are comprised of the following state funds:

	2019	2018
MFeist Legacy	53,473,728	41,361,052
LSU Health Endowments	8,996,102	8,461,290
	62,469,830	49,822,342

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:

7. **Fair Value Measurements** **(Continued)**

- 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.

Fair values of all investments measured on a recurring basis at June 30, 2019 and 2018 were classified as Level 1 valuations.

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.

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:

	2019	2018
John C. McDonald, M.D. Chair in Surgery	731,234	709,092
Jack W. Pou, M.D. Chair in Otolaryngology	696,676	680,053
Albert Sklar Professorship in Surgery	78,338	76,496
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	874,350	848,454
Mary Louise and Ben Levy Professorship in Neurosurgery	64,131	58,305
Paul R. Winder, M.D. Professorship in Dermatology	94,167	91,436
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	73,901	72,155
Muslow Chair in Academic Affairs	718,488	699,698
Albert G. and Harriet G. Smith Professorship in Pathology	75,969	73,424
Randy Bryn, M.D. Professorship in Pulmonology	59,154	58,578
W. R. Matthews, M.D. Professorship in Pathology	61,141	60,939
YK Reddy Professorship in Allergy and Immunology	72,157	70,926
Albertson's Distinguished Professorship in Allied Health Sciences	75,355	73,799
Robert E. Wolf, M.D. Professorship in Rheumatology	65,666	65,416

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

	2019	2018
Donald Mack, M.D. Professorship in Pediatric Oncology	77,515	75,223
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	639,504	618,776
Burdette E. Trichel, M.D. Professorship in Urology	58,069	55,824
Charles D. Knight, Sr. Professorship in General Surgery	60,266	58,339
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	65,549	64,806
Eugene St. Martin Professorship in Urology	60,657	60,722
Nathan Professorship in Head & Neck Surgery	71,583	69,426
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	60,400	58,481
Joe E. Holoubek Professorship in Medicine	71,400	69,180
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	63,578	61,607
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	61,353	59,382
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	61,683	59,882
Alice Coleman Endowed Professorship in Pedicatric Rheumatology	20,714	19,898
James A. Ardoin, M.D. Professorship in OB/GYN	64,505	62,430
Brad and Kay McPherson Professorship in Child Psychiatry	63,531	61,385
Khoury-Mack Professorship #3 St. Jude	64,049	62,043
Selber-Levin Professorship in Endocrinology	69,325	68,236
Juneau Chair in Transplantation Surgery	792,016	767,414
Stafford and Marianne Comegys Professorship in Medical Library Science	66,745	68,685
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	58,406	56,425
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	60,397	60,990
Edward and Freda Green Professorship in Surgical Oncology	49,173	49,295
Scott and Larene Woodard Professorship in Neurosurgery	89,884	86,355
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	61,972	59,860
Brad and Kay McPherson Professorship	48,962	47,938
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	58,475	56,423
Carroll W. Feist Chair for the Study of Cancer	1,307,847	1,301,562
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	56,713	55,298
Edna Boatright Sherling Professorship in Cancer Care	51,406	49,540
Dr. Ming Yu Ding Memorial Professorship in Microbiology	64,898	62,840
Archibald Bell Nelson Professorship in Orthopaedics	110,438	107,217
Joanna Gunning Magale Professorship in Neurology	77,742	77,775
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	777,032	769,889
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	283,670	300,018
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Enhancement	318,731	315,909
Charles Richard Parks Professorship in Neurological Rehab	44,825	43,238

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

	2019	2018
Sandra and Jerry Martin Endowed Scholarship for Medical Students	41,460	39,796
Dudley R. Ison, DDS Endowed Prof. in Oral & Maxillofacial Surgery	44,889	43,240
Clarence H. Webb, MD Endowed Professorship in Pediatrics	44,889	43,240
Medical Center Clinics Endowed Professorship in Radiology	44,889	43,240
Charles G. Hargon Jr. Memorial Scholarship for Medical Students	41,443	39,772
Tilakram and Bhagwanti Devi Distinguished Professorship in Cleft Lip and Palate	20,712	19,898
O'Callaghan Family Endowed Professorship in Microbiology	20,000	-
	10,012,022	9,790,268

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, 2019 and 2018 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.

10. Endowed Net Assets (Continued)

Endowment funds net asset composition as of June 30, 2019 and 2018:

	2019	2018
Endowment net assets balances beginning of year	111,599,109	107,761,681
Contributions	2,805,561	1,358,423
Net investment income	5,865,003	8,851,952
Administrative expenses	(1,573,698)	(1,491,589)
Transfers for spending	(3,929,885)	(4,881,358)
Endowment net assets balances end of year	114,766,090	111,599,109

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 April 30, 2020. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2019 and a postage machine which expires on July 9, 2021. Future minimum lease requirements are as follows:

2020	53,270
2021	862
	54,132

Included in management and general and fundraising expense is $72,900 and $72,941 in rent and equipment rental expense for the years ended June 30, 2019 and 2018, respectively.

13. Liquidity and Availability

The Foundation maintains sufficient cash to meet current and future operating needs. At June 30, the Foundation had $2,083,387 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.

13. <u>Liquidity and Availability</u> (Continued)

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 $2,192,270 for 2019 and $2,203,197 for 2018 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. <u>Board Designated Net Assets</u>

In prior years, the Board voted and approved the establishment of specific funds upon the request of the Chancellor. At June 30, 2019 and 2018, the Foundation had $3,834,038 and $3,965,175 remaining in these funds.

15. <u>Subsequent Events</u>

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, 2019, and noted no subsequent events.