

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

JUNE 30, 2019 AND 2018

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2019

Board of Directors
The LSU in Shreveport Foundation, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of The LSU in Shreveport Foundation, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2019, and the related statements of activities and cash flows for the year ended June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 auditor's 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 entity'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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The LSU in Shreveport Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, 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. The LSU in Shreveport Foundation, Inc. adopted 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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	-	-
Investments	26,336,916	26,304,749
Contributions receivable	2,000	122,535
Other receivable	35,907	14,000
	<hr/>	<hr/>
Total assets	<u>26,374,823</u>	<u>26,441,284</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Bank overdraft	14,433	60,647
Accounts payable	218,486	16,746
Due to LSU in Shreveport	7,522,101	7,649,094
	<hr/>	<hr/>
Total liabilities	7,755,020	7,726,487
 <u>Net assets:</u>		
Without donor restrictions:		
Designated by board for endowment	182,976	182,075
Undesignated	286,546	392,552
	<hr/>	<hr/>
Total without donor restrictions	469,522	574,627
 With donor restrictions:		
Restricted for specified purposes	7,477,391	7,519,604
Restricted in perpetuity-endowment	10,672,890	10,620,566
	<hr/>	<hr/>
Total with donor restrictions	18,150,281	18,140,170
	 <hr/>	 <hr/>
Total net assets	<u>18,619,803</u>	<u>18,714,797</u>
	 <hr/>	 <hr/>
Total liabilities and net assets	<u>26,374,823</u>	<u>26,441,284</u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support, revenues, and gains:</u>			
Contributions	62,200	746,257	808,457
Net investment income	60,615	428,816	489,431
Endowment management fees	<u>88,262</u>	<u>-</u>	<u>88,262</u>
Total support, revenues, and gains	211,077	1,175,073	1,386,150
<u>Net assets released from restrictions</u>	1,163,462	(1,163,462)	-
<u>Transfers between classifications</u>	<u>1,500</u>	<u>(1,500)</u>	<u>-</u>
Total support, revenues, gains, and reclassifications	1,376,039	10,111	1,386,150
<u>Expenses:</u>			
Program services	1,074,594	-	1,074,594
Management and general	365,026	-	365,026
Fundraising and development	<u>41,524</u>	<u>-</u>	<u>41,524</u>
Total expenses	<u>1,481,144</u>	<u>-</u>	<u>1,481,144</u>
<u>Change in net assets</u>	(105,105)	10,111	(94,994)
<u>Net assets at beginning of year</u>	<u>574,627</u>	<u>18,140,170</u>	<u>18,714,797</u>
<u>Net assets at end of year</u>	<u>469,522</u>	<u>18,150,281</u>	<u>18,619,803</u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support, revenues, and gains:</u>			
Contributions	74,330	1,232,295	1,306,625
Net investment income	22,033	1,121,801	1,143,834
Endowment management fees	<u>74,737</u>	<u>-</u>	<u>74,737</u>
Total support, revenues, and gains	171,100	2,354,096	2,525,196
<u>Net assets released from restrictions</u>	<u>1,367,178</u>	<u>(1,367,178)</u>	<u>-</u>
Total support, revenues, gains, and reclassifications	1,538,278	986,918	2,525,196
<u>Expenses:</u>			
Program services	1,186,048	-	1,186,048
Management and general	416,778	-	416,778
Fundraising and development	<u>43,181</u>	<u>-</u>	<u>43,181</u>
Total expenses	<u>1,646,007</u>	<u>-</u>	<u>1,646,007</u>
<u>Change in net assets</u>	(107,729)	986,918	879,189
<u>Net assets at beginning of year</u>	<u>682,356</u>	<u>17,153,252</u>	<u>17,835,608</u>
<u>Net assets at end of year</u>	<u><u>574,627</u></u>	<u><u>18,140,170</u></u>	<u><u>18,714,797</u></u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services										Total	
	Instruction	Research	Public Support	Academic Support	Athletics	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Management and General		Fundraising and Development
Salaries and related benefits	128,241	-	-	11,005	-	-	-	-	-	162,054	-	301,300
Travel	54,632	1,326	-	78,900	1,952	17,060	2,619	-	-	21,837	8,510	186,836
Operational services	9,680	-	525	2,261	4,135	-	35,245	-	219	26,590	839	79,494
Supplies	11,371	-	-	12,671	250	(72)	-	-	-	1,917	-	26,137
Memberships	2,512	-	1,200	1,279	-	80	4,120	-	-	1,666	-	10,857
Professional services	4,170	-	9,777	15,561	5,675	-	3,383	1,835	-	48,359	2,082	90,842
Meals and entertainment	5,144	-	2,960	12,828	8,898	161	28,925	-	-	45,954	17,889	122,759
Other charges	221,390	12,754	2,913	58,664	41,762	1,210	14,634	320	11,919	56,649	12,204	434,419
Scholarships	-	-	-	-	-	-	-	-	178,479	-	-	178,479
Equipment and major repairs	8,806	110	-	24,605	16,500	-	-	-	-	-	-	50,021
	<u>445,946</u>	<u>14,190</u>	<u>17,375</u>	<u>217,774</u>	<u>79,172</u>	<u>18,439</u>	<u>88,926</u>	<u>2,155</u>	<u>190,617</u>	<u>365,026</u>	<u>41,524</u>	<u>1,481,144</u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(94,994)	879,189
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Decrease (increase) in fair value of investments	107,161	(574,444)
Decrease (increase) in contributions receivable	120,535	(115,623)
(Increase) in other receivable	(21,907)	(5,850)
(Decrease) increase in bank overdraft	(46,214)	60,647
Increase (decrease) in accounts payable	201,740	(66,803)
(Decrease) increase in due to LSU in Shreveport	(126,993)	391,101
Total adjustments	<u>234,322</u>	<u>(310,972)</u>
Net cash provided by operating activities	139,328	568,217
<u>Cash flows from investing activities:</u>		
Purchase of investments	(1,087,560)	(27,167,293)
Proceeds from maturities of investments	<u>948,232</u>	<u>25,937,486</u>
Net cash (used in) investing activities	<u>(139,328)</u>	<u>(1,229,807)</u>
<u>Net decrease in cash and cash equivalents</u>	-	(661,590)
<u>Cash and cash equivalents - beginning of year</u>	<u>-</u>	<u>661,590</u>
<u>Cash and cash equivalents - end of year</u>	<u><u>-</u></u>	<u><u>-</u></u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. Nature of Business

The LSU in Shreveport Foundation, Inc. (“Foundation”) is a private, nonprofit corporation governed by a board of directors. The organization’s goal is to promote the education and cultural welfare of Louisiana State University in Shreveport (“University”). The Foundation’s activities include management of gifts, grants and endowments for the purpose of providing scholarships, research activities and any other such benefit for the University and its faculty and students as may be prescribed by donors to the Foundation.

LSUS Realty, LLC was formed on December 15, 2000. The purpose of LSUS Realty, LLC is to accept property donated to the Foundation. The Foundation is the sole member of LSUS Realty, LLC and, therefore, the activity of LSUS Realty, LLC has been consolidated with that of the Foundation. All of the assets and net assets of LSUS Realty, LLC were moved to the unrestricted net assets of the Foundation during the year ended June 30, 2002. There was no activity recorded by LSUS Realty, LLC during the years ended June 30, 2019 and 2018.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- ***Net assets without donor restrictions.*** Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.
- ***Net assets with donor restrictions.*** Net assets subject to donor or grantor restrictions that may or will be met by actions of the Foundation and/or the passage of time.

Contributions received are recorded net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Income Taxes

The LSU in Shreveport Foundation, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its 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 accounting records.

The Foundation files U. S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the past three tax years remain subject to examination by the Internal Revenue Service.

Investments

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 recorded at carrying amount which reasonably estimates fair value. Fixed income securities are generally valued by reference to outside pricing services, generally using a matrix system incorporating security quality, maturity, and coupon as the valuation model parameters, research, and a review of broker-dealer market price quotations. Short-term investments are valued at amortized cost which approximates market value.

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.

In-Kind Donations

Material in-kind donations received by the Foundation are recorded at fair value as contributions revenue along with a corresponding charge to expense. Material in-kind donations were \$-0- for the years ended June 30, 2019 and 2018, respectively.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Certain categories of expenses can be classified as incurred while others require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, operational services, professional services, and meals and entertainment, which are allocated on the basis of estimates of time and effort or other reasonable bases.

2. Summary of Significant Accounting Policies (Continued)

Liquidity

The Foundation has \$695,742 of financial assets not subject to donor restrictions that are available within one year of the balance sheet date, consisting of investment securities of \$662,534 and accounts receivable of \$33,208. Financial assets subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date include investments of \$25,674,382 and accounts receivable of \$4,699. Management has a goal to maintain cash and short term investments on hand to meet six months of normal operating expenses.

Recently Issued Accounting Pronouncements

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. In accordance with ASU 2016-14, the Foundation elected to omit the comparative statement of functional expenses during the year of implementation. The Foundation adopted this standard for the year ended June 30, 2019, and its implementation is reflected in the financial statements.

3. Investments

Major classifications of investments of June 30, 2019 and 2018, follow:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market accounts	718,490	718,490	959,976	959,976
Certificates of deposit	1,677,619	1,681,192	1,885,473	1,906,858
Bond funds	8,419,661	8,387,582	8,253,922	8,357,582
Equity funds - domestic	10,503,655	9,724,818	10,157,817	9,321,780
Equity funds - international	4,392,702	4,670,510	4,461,439	4,430,220
Real estate funds	621,314	581,600	582,647	581,600
Corporate stock	3,475	3,606	3,475	3,606
	<u>26,336,916</u>	<u>25,767,798</u>	<u>26,304,749</u>	<u>25,561,622</u>

Net realized and unrealized losses during the year ended June 30, 2019, were \$174,009, which included \$107,161 as a net loss to the Foundation and \$66,848 shown as a decrease in funds due to LSU in Shreveport. Net realized and unrealized gains during the year ended June 30, 2018, were \$886,475, which included \$574,444 as a net gain to the Foundation and \$312,031 shown as an increase in funds due to LSU in Shreveport.

Investments as of June 30, 2019 and 2018, included \$1,675,619 and \$1,885,473, respectively, of certificates of deposit in denominations of \$250,000 or less, which were federally insured by the FDIC. The remaining investments, totaling \$24,659,297 and \$24,419,276 at June 30, 2019 and 2018, respectively, were uninsured and were not collateralized. Deposits in checking and certificates of deposit at Regions Bank are federally insured by the FDIC up to \$250,000. As of June 30, 2019 and 2018, Regions Bank has pledged securities as collateral for the balance exceeding \$250,000.

4. Due to LSU in Shreveport

The amount due to LSU in Shreveport represents the State of Louisiana matched funds which are being held and invested for the University by The LSU in Shreveport Foundation for the following endowed chairs, professorships, and scholarships as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Instruction:</u>		
Jerry D. Boughton Professorship in Business	56,294	57,486
Joe and Abby Averett Professorship in Business	56,268	57,715
BellSouth Professorship in Business	60,083	61,686
Alta and John Franks MBA Program Professorship	49,684	50,173
M. R. Ballard Professorship in Accounting	73,831	72,916
Armand and Lynn Roos Professorship in Business and Health Administration	49,164	50,482
James C. and Ann W. Gardner Professorship in Civic Engagement and Leadership	60,569	61,473
Kilpatrick Life Insurance Professorship	820,326	835,469
Oscar Cloyd Real Estate Professorship	269,714	274,738
Wesson-Bridger Professorship in Teacher Education Capital One Education and Human Development Professorship	64,816	66,445
	49,964	51,464
V. Stewart Education Student Teaching Professorship	63,646	63,551
Dalton J. Woods Professorship in Teaching	56,949	56,770
Kelly Kemp Graves Professorship in Early Childhood Education	52,598	54,815
Riemer and Marcia Calhoun Professorship in Education	53,009	54,940
Goodloe Stuck Professorship in Psychology	49,189	50,694
Elmer N. Simon, Jr. Professorship for Excellence in Teaching	57,969	57,066
Blue Cross & Blue Shield of Louisiana Professorship	50,279	51,579
Vincent J. Marsala Alumni Professorship	64,129	65,846
Bruce and Steve Simon Professorship	56,742	58,302
James K. Elrod Professorship in Health Care Administration	518,858	528,257
Fred and Sybil Patten Excellence in Teaching in Liberal Arts Professorship	61,239	64,697
India Studies Professorship	99,595	104,195
Dr. Dalton & Peggy Cloud Professorship in Communications	57,796	58,453
LSUS Debate Professorship	57,008	57,175
Leonard and Mary Ann Selber Professorship	66,352	65,305
Dr. Norman A. Dolch Professorship in American Humanics	133,905	131,867
American Studies Chair	709,270	727,750
Hubert H. Humphreys History Professorship	54,199	55,528
O. Delton Harrison, Jr. Master of Liberal Arts Professorship	52,499	53,250
George and Regina Khoury Professorship in Science	147,589	145,798

4. Due to LSU in Shreveport (Continued)

	<u>2019</u>	<u>2018</u>
Abe I. Sadoff Chair	498,776	508,824
Samuel & Mary Abramson Professorship	57,805	58,786
Dr. Richard K. Spears Professorship in Field Biology	68,255	67,681
Harman and Renae Chandler Professorship for Masters in Biological Science	48,579	49,831
Don and Earlene Coleman Red River Watershed Management Institute Professorship	65,241	64,435
George Khoury Professorship in Space Science	131,945	129,843
Max and Jasmine Morelock Professorship in Chemistry	45,807	46,589
Lisa A. Burke Bioninformatics Professorship	51,750	52,945
AEP SWEPCO LaPrep Professorship	534,798	560,264
Miriam Sklar Super Professorship in Theoretical Math and Physics	59,111	61,468
Wheless Geology Professorship	49,415	48,660
Woolf Petroleum Engineering Professorship	49,444	48,660
Archives and Oral History	19,556	19,142
Joe B. Calloway Jr. Professorship in Insurance	41,102	40,000
George Khoury Professorship in Kinesiology	41,102	40,000
<u>Academic Support:</u>		
Bobbie C. Hicks Professorship - Authors in April	114,674	115,504
Hubert and Pat Hervey Professorship of Museum of Life Sciences	61,890	60,937
Life Science Museum Professorship & Curatorship	49,271	48,670
William B. Wiener Professorship of Archives and Historical Preservation	48,947	49,853
Ruth H. Noel Chair	937,498	959,199
<u>Scholarships and Fellowships:</u>		
John and Cheryl Good Scholarship	48,322	48,447
Dalton J. and Sugar Woods Scholarship	65,458	65,228
Phillip and Alma Rozeman Scholarship	56,499	56,420
Salvadore and Kendra Miletello Scholarship	56,553	56,491
Alta and John Franks First Generation Scholarship	56,956	56,891
Herman and Renae Chandler First Generation Scholarship	61,749	61,597
Michael Woods Family First Generation Scholarship	46,275	47,135
Helen & Frank Katzenstien Scholarship	23,681	23,099
George P. Bonner Scholarship	17,008	16,610
Kathy G. Troquille Memorial Scholarship	41,101	40,000
	<u>7,522,101</u>	<u>7,649,094</u>

5. Net Assets Restricted for Specified Purposes

Net assets restricted for specified purposes consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Instruction	3,777,911	3,812,375
Research	26,582	40,772
Public service	31,386	39,360
Academic support	1,170,065	1,116,618
Athletics	237,197	210,789
Student services	2,795	8,309
Institutional support	41,176	45,463
Operation and maintenance of plant	4,330	3,757
Scholarships and fellowships	<u>2,185,949</u>	<u>2,242,161</u>
	<u>7,477,391</u>	<u>7,519,604</u>

6. Net Assets Restricted in Perpetuity—Endowment

Net assets restricted in perpetuity (endowment) consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Instruction	6,316,164	6,316,164
Public service	100,000	100,000
Academic support	1,062,260	1,062,260
Institutional support	30,000	30,000
Operation and maintenance of plant	94,086	94,086
Scholarships and fellowships	<u>3,070,380</u>	<u>3,018,056</u>
	<u>10,672,890</u>	<u>10,620,566</u>

7. 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, while minimizing volatility.

Private endowed contributions received for professorships, chairs, and scholarships are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions and are managed under agreement with the University for the University'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 Board approved a discretionary spending rate of up to 4.25% for fiscal years ended June 30, 2019 and 2018, based on a separate review of each individual endowment's performance.

7. Endowed Net Assets (Continued)

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 Foundation’s Board of Directors has adopted the investment policies set forth by the Louisiana Board of Regents and applies these policies to all endowments. Prior to January 2012, the Louisiana Board of Regents spending policy dictated that no portion of the inflation-adjusted corpus, as defined by the Board of Regents, was to be allocated for spending. Effective July 1, 2008, the Louisiana Board of Regents temporarily waived the inflation-adjustment requirement for original corpus. Effective January 26, 2012, the Louisiana Board of Regents investment policy was revised and 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. When the current market value of each endowment is below the original corpus, no spending is allowed.

Endowment fund net asset composition as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>Restricted for Specified Purposes</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, June 30, 2018	182,075	4,914,641	10,620,566	15,717,282
Contributions	-	-	52,324	52,324
Net investment income	7,239	250,503	-	257,742
Appropriation of endowment assets for expenditure	(6,338)	(418,838)	-	(425,176)
Interfund transfers	-	-	-	-
Endowment net assets, June 30, 2019	<u>182,976</u>	<u>4,746,306</u>	<u>10,672,890</u>	<u>15,602,172</u>
Donor-restricted endowment	-	4,746,306	10,672,890	15,419,196
Board-designated endowment	<u>182,976</u>	-	-	<u>182,976</u>
Total	<u><u>182,976</u></u>	<u><u>4,746,306</u></u>	<u><u>10,672,890</u></u>	<u><u>15,602,172</u></u>

7. Endowed Net Assets (Continued)

Endowment fund net asset composition as of June 30, 2018:

	Without Donor Restrictions	Restricted for Specified Purposes	Restricted in Perpetuity	Total
Endowment net assets, June 30, 2017	168,648	4,902,133	10,434,620	15,505,401
Contributions	-	-	212,046	212,046
Net investment income	19,712	527,901	-	547,613
Appropriation of endowment assets for expenditure	(6,285)	(541,493)	-	(547,778)
Interfund transfers	-	26,100	(26,100)	-
Endowment net assets, June 30, 2018	<u>182,075</u>	<u>4,914,641</u>	<u>10,620,566</u>	<u>15,717,282</u>
Donor-restricted endowment	-	4,914,641	10,620,566	15,535,207
Board-designated endowment	<u>182,075</u>	-	-	<u>182,075</u>
Total	<u>182,075</u>	<u>4,914,641</u>	<u>10,620,566</u>	<u>15,717,282</u>

8. Transactions with Louisiana State University in Shreveport

Contributed Services

Louisiana State University in Shreveport provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. These services are valued at their actual cost to the University. For the years ended June 30, 2019 and 2018, contributed personnel costs were determined to be \$149,245 and \$88,367, respectively. The amounts for these services have not been reflected in the Foundation's financial statements.

Other Receivable

Included in other receivables as of June 30, 2019, were \$30,274 due from the University, substantially all of which related to the University's reimbursement to the Foundation for software. As of June 30, 2018, there were no receivables due from the University.

Accounts Payable

In the normal course of operations, the University pays expenditures on behalf of the Foundation and recognizes scholarship revenue based on the Foundation's awards. The University invoices the Foundation monthly. Included in accounts payable as of June 30, 2019, were \$163,589 due to the University for such expense reimbursement and scholarship awards. As of June 30, 2018, there were no accounts payable to the University.

9. Fair Value Measurements

In 2009, the Foundation adopted FASB Accounting Standards Codification Topic 820, “Fair Value Measurements (Topic 820).” Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

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

Fair values of assets and liabilities measured on a recurring basis at June 30, 2019 and 2018 are as follows:

	<i>Assets at Fair Value as of June 30, 2019</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	-	718,490	-	718,490
Certificate of deposit	1,677,619	-	-	1,677,619
Mutual funds:				
Bond funds	8,419,661	-	-	8,419,661
Equity funds - domestic	10,503,655	-	-	10,503,655
Equity funds - international	4,392,702	-	-	4,392,702
Real estate funds	<u>621,314</u>	<u>-</u>	<u>-</u>	<u>621,314</u>
Total mutual funds	23,937,332	-	-	23,937,332
Common-stock domestic	<u>3,475</u>	<u>-</u>	<u>-</u>	<u>3,475</u>
Total	<u>25,618,426</u>	<u>718,490</u>	<u>-</u>	<u>26,336,916</u>

9. Fair Value Measurements (Continued)

	<i>Assets at Fair Value as of June 30, 2018</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	-	959,976	-	959,976
Certificate of deposit	1,885,473	-	-	1,885,473
Mutual funds:				
Bond funds	8,253,922	-	-	8,253,922
Equity funds - domestic	10,157,817	-	-	10,157,817
Equity funds - international	4,461,439	-	-	4,461,439
Real estate funds	582,647	-	-	582,647
Total mutual funds	23,455,825	-	-	23,455,825
Common-stock domestic	3,475	-	-	3,475
Total	<u>25,344,773</u>	<u>959,976</u>	<u>-</u>	<u>26,304,749</u>

10. New Accounting Guidance Not Yet Adopted

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 will become effective for the Foundation for the fiscal year ending June 30, 2020. 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 has it determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

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

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity’s leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

ASU No. 2016-02 will become effective for the Foundation for the fiscal year ending June 30, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into

10. New Accounting Guidance Not Yet Adopted (Continued)

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.

11. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 “Subsequent Events,” the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through December 31, 2019, noting the following:

Spring Street Museum Donation

Effective October 4, 2019, The National Society of the Colonial Dames of America in the State of Louisiana (the “Colonial Dames”) gifted to LSUS Realty, LLC the Spring Street Museum (the “Museum”) in Shreveport, Louisiana, which comprises land, building, and improvements appraised at \$145,000 and the Museum’s collection of antiques and artifacts appraised at \$71,555. Management is in the preliminary stage of evaluating the effect of the donation on the Foundation’s and LSUS Realty, LLC’s financial statements.