

**LSU HEALTH FOUNDATION,
NEW ORLEANS**

Audits of Financial Statements

June 30, 2025 and 2024



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of LSU Health Foundation, New Orleans (the Foundation), a non-profit organization, which comprise the statements of financial position as of June 30, 2025 and 2024, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2025, 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 solely 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 the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
August 11, 2025

LSU HEALTH FOUNDATION, NEW ORLEANS
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,813,073	\$ 1,898,990
Investments	6,340,822	5,704,631
Unconditional Promises to Give, Net	1,987,610	2,068,245
Accounts Receivable	384,275	359,084
Prepaid Expenses and Other Assets	265,563	172,661
	<u>10,791,343</u>	<u>10,203,611</u>
Property and Equipment, Net	<u>25,240,276</u>	<u>25,259,714</u>
Other Assets		
Investments	188,167,280	172,341,536
Unconditional Promises to Give, Net	161,387	353,813
Operating Lease Right-of-Use Assets	-	328,852
	<u>188,328,667</u>	<u>173,024,201</u>
Total Assets	<u>\$ 224,360,286</u>	<u>\$ 208,487,526</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS
Statements of Financial Position (Continued)
June 30, 2025 and 2024

	2025	2024
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 2,032,339	\$ 939,373
Line of Credit	2,896,000	2,896,000
Split-Interest Agreements	-	51,375
Operating Lease Liability, Current Portion	-	125,999
Note Payable, Current Portion	131,577	126,996
	<u>5,059,916</u>	<u>4,139,743</u>
Total Current Liabilities	5,059,916	4,139,743
Other Liabilities		
Amounts Held in Custody for Others	38,616,175	35,089,069
Split-Interest Agreements	-	129,588
Operating Lease Liability, Net of Current Portion	-	202,853
Note Payable, Net of Current Portion	4,123,575	4,242,052
	<u>42,739,750</u>	<u>39,663,562</u>
Total Other Liabilities	42,739,750	39,663,562
Total Liabilities	47,799,666	43,803,305
Net Assets		
Without Donor Restrictions	23,065,658	20,047,854
Board-Designated	229,050	332,243
	<u>23,294,708</u>	<u>20,380,097</u>
Total Without Donor Restrictions	23,294,708	20,380,097
With Donor Restrictions	153,265,912	144,304,124
	<u>176,560,620</u>	<u>164,684,221</u>
Total Net Assets	176,560,620	164,684,221
Total Liabilities and Net Assets	\$ 224,360,286	\$ 208,487,526

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

LSU HEALTH FOUNDATION, NEW ORLEANS
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	\$ 90,844	\$ 5,175,920	\$ 5,266,764
Management and Deposit Fee Income	4,036,610	-	4,036,610
Investment Return, Net	2,708,230	16,517,465	19,225,695
Rental Income	873,069	-	873,069
Other Revenue	29,992	138,782	168,774
Net Assets Released from Donor Restrictions	12,870,379	(12,870,379)	-
Total Revenues, Gains, and Other Support	20,609,124	8,961,788	29,570,912
Expenses			
Program Services	13,010,380	-	13,010,380
Supporting Services			
General and Administrative	2,492,348	-	2,492,348
Development	2,191,785	-	2,191,785
Total Expenses	17,694,513	-	17,694,513
Change in Net Assets	2,914,611	8,961,788	11,876,399
Net Assets at Beginning of Year	20,380,097	144,304,124	164,684,221
Net Assets at End of Year	\$ 23,294,708	\$ 153,265,912	\$ 176,560,620

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

LSU HEALTH FOUNDATION, NEW ORLEANS
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	\$ 105,971	\$ 11,401,836	\$ 11,507,807
Management and Deposit Fee Income	3,818,001	-	3,818,001
Investment Return, Net	1,579,678	10,836,295	12,415,973
Rental Income	922,175	-	922,175
Business Venture Revenue	7,108	-	7,108
Other Revenue	9,047	(35,066)	(26,019)
Net Assets Released from Donor Restrictions	14,252,703	(14,252,703)	-
Total Revenues, Gains, and Other Support	20,694,683	7,950,362	28,645,045
Expenses			
Program Services	14,703,602	-	14,703,602
Supporting Services			
General and Administrative	2,181,271	-	2,181,271
Development	2,030,949	-	2,030,949
Total Expenses	18,915,822	-	18,915,822
Change in Net Assets	1,778,861	7,950,362	9,729,223
Net Assets at Beginning of Year	18,601,236	136,353,762	154,954,998
Net Assets at End of Year	\$ 20,380,097	\$ 144,304,124	\$ 164,684,221

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

LSU HEALTH FOUNDATION, NEW ORLEANS
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services			Supporting Services		
	Scientific, Research, and Educational Enhancement of The LSU Health Sciences Center	Other Program Services	Total Program Services	General and Administrative	Development	Total
Salary and Related Cost	\$ 2,568,038	\$ 207,747	\$ 2,775,785	\$ 1,212,592	\$ 1,248,738	\$ 5,237,115
Travel, Conferences, and Meetings	2,217,966	617	2,218,583	55,512	38,125	2,312,220
Deposit and Management Fees	4,060,534	-	4,060,534	-	-	4,060,534
Professional Services	569,417	20,661	590,078	391,565	216,663	1,198,306
Office Supplies and Equipment	1,180,085	323	1,180,408	36,047	7,060	1,223,515
Community and Campus Support	1,515,062	350	1,515,412	3,371	337,185	1,855,968
Dues, Subscriptions, and Databases	243,447	230	243,677	2,115	162,639	408,431
Utilities and Property Maintenance	71,542	3,600	75,142	173,789	1,300	250,231
Depreciation and Amortization	-	-	-	251,059	-	251,059
Repairs and Maintenance	25,555	-	25,555	107,271	-	132,826
Professional Education	127,025	2,730	129,755	799	3,125	133,679
Printing and Postage	56,118	70	56,188	8,219	132,548	196,955
Marketing and Website	502,823	-	502,823	5,601	44,388	552,812
Provision for Uncollectible Accounts and Pledge Discounts	(425,472)	-	(425,472)	-	-	(425,472)
Banking and Credit Card Fees	36,012	12	36,024	7,425	14	43,463
Taxes and Licenses	25,888	-	25,888	82,528	-	108,416
Interest Expense	-	-	-	154,455	-	154,455
Total	\$ 12,774,040	\$ 236,340	\$ 13,010,380	\$ 2,492,348	\$ 2,191,785	\$ 17,694,513

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

LSU HEALTH FOUNDATION, NEW ORLEANS
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services			Supporting Services		
	Scientific, Research, and Educational Enhancement of The LSU Health Sciences Center	Other Program Services	Total Program Services	General and Administrative	Development	Total
Salary and Related Cost	\$ 3,267,227	\$ 187,472	\$ 3,454,699	\$ 1,038,381	\$ 1,164,268	\$ 5,657,348
Travel, Conferences, and Meetings	2,323,864	658	2,324,522	23,184	52,059	2,399,765
Deposit and Management Fees	3,818,000	-	3,818,000	-	-	3,818,000
Professional Services	885,088	31,667	916,755	305,694	182,224	1,404,673
Office Supplies and Equipment	2,222,937	300	2,223,237	29,949	24,773	2,277,959
Community and Campus Support	1,318,167	450	1,318,617	566	238,023	1,557,206
Dues, Subscriptions, and Databases	274,112	170	274,282	5,098	209,106	488,486
Utilities and Property Maintenance	71,755	145,583	217,338	209,344	1,270	427,952
Depreciation and Amortization	-	-	-	251,060	-	251,060
Repairs and Maintenance	37,870	-	37,870	56,133	-	94,003
Professional Education	177,260	-	177,260	808	1,040	179,108
Printing and Postage	58,311	474	58,785	8,409	142,379	209,573
Marketing and Website	109,706	-	109,706	4,517	15,609	129,832
Provision for Uncollectible Accounts and Pledge Discounts	(362,065)	-	(362,065)	-	-	(362,065)
Banking and Credit Card Fees	29,525	(47)	29,478	6,634	95	36,207
Taxes and Licenses	105,078	40	105,118	82,724	103	187,945
Interest Expense	-	-	-	158,770	-	158,770
Total	\$ 14,336,835	\$ 366,767	\$ 14,703,602	\$ 2,181,271	\$ 2,030,949	\$ 18,915,822

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, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	\$ 11,876,399	\$ 9,729,223
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation and Amortization	251,059	251,060
Amortization of Right-of-Use Asset	-	187,843
Change in Allowance for Uncollectible Accounts	(244,537)	(262,678)
Net Change in Discount on Unconditional Promises to Give	(180,935)	(99,387)
Realized and Unrealized Gain on Investments, Net	(17,423,015)	(10,649,656)
Contributions with Donor Restrictions in Perpetuity (Increase) Decrease in Assets	(1,087,503)	(8,168,799)
Split-Interest Agreements	(180,963)	32,566
Unconditional Promises to Give	698,533	750,507
Accounts Receivable	(25,191)	(84,934)
Prepaid Expenses and Other Assets	(92,902)	7,697
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	1,092,966	(640,406)
Beneficiaries of Split-Interest Agreements	-	(51,375)
Amounts Held in Custody for Others	3,527,106	1,623,583
Operating Lease Liability	-	(187,843)
Net Cash Used in Operating Activities	(1,788,983)	(7,562,599)
Cash Flows from Investing Activities		
Net Sales of Investments	961,080	216,295
Purchases of Property and Equipment	(218,526)	(235,578)
Net Cash Provided by (Used in) Investing Activities	742,554	(19,283)
Cash Flows from Financing Activities		
Payments on Note Payable	(126,991)	(122,152)
Contributions With Donor Restrictions in Perpetuity	1,087,503	8,168,799
Net Cash Provided by Financing Activities	960,512	8,046,647
Net Change in Cash and Cash Equivalents	(85,917)	464,765
Cash and Cash Equivalents, Beginning of Year	1,898,990	1,434,225
Cash and Cash Equivalents, End of Year	\$ 1,813,073	\$ 1,898,990
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 154,455	\$ 158,770

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

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 1. Nature of Activities

The LSU Health Foundation, New Orleans (the Foundation), is a non-profit organization which was organized to promote and support the activities of the LSU Health Sciences Center in New Orleans. 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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which require the Foundation to report financial information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 risks. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less, including sweep accounts, which are overnight repurchase agreements, to be cash equivalents. Certain cash and cash equivalents generated in the Foundation's investment accounts are classified as investments.

Investments

Investments are recorded at fair market value. Gains and losses on investments and other assets are reported, net of investment expenses, as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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

Certain investments in hedge funds, private equity funds, and other investment funds are through limited partnership interests and valued by management using net asset value (NAV) as a practical expedient.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on historical cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

The Foundation's pooled investments are managed by various portfolio management companies. Custody of some of the investments is performed by an investment bank custodian. The alternative investment assets are custodied by various prime brokers and invested in various restricted corporations and limited partnerships.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The Board of Directors (the Board) has a formal investment policy and has hired an independent investment consultant with discretionary and co-fiduciary oversight of the fund managers selected to meet the asset allocation and performance goals. The Foundation's investment policy statement defines and assigns responsibilities of all parties involved, establishes a clear understanding of the objectives and goals of the investments under management, offers guidelines and limitations to all parties involved, establishes a basis for evaluation of performance, and sets principles to manage the investments according to prudent standards. The Foundation's investment committee, in coordination with the investment consultant, periodically examines the returns of the fund managers to ensure the Foundation's investment objectives are reached. The result is a portfolio with a demonstrated ability to reduce the exposure of capital from loss in adverse market conditions and to produce superior risk-adjusted returns.

The Board 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 (UPMIFA) 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 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, 2025.

Investment income from interest, dividends, and realized gains and losses, net of investment fees, is allocated to various activities and programs under the Foundation's investment policy. The portion that is without donor restrictions and pertains to short-term donor-restricted activities is reported as support without donor restrictions, and the portion that pertains to endowment activities is reported as revenue with donor restrictions, because it could be expended on the restricted purposes of the endowments in subsequent periods.

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. As of June 30, 2025 and 2024, the discount rate was 5%. Unconditional promises to give that are due to be received within one year are classified as current assets on the statements of financial position.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give (Continued)

Management's estimate for the allowance of uncollectible promises to give at June 30, 2025 and 2024 totaled \$1,778,959 and \$2,023,496, respectively.

Accounts Receivable

The Foundation carries its accounts receivables net of an allowance for credit losses. The measurement and recognition of credit losses involves the use of judgment. Management's assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Foundation's customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, customer creditworthiness, the availability of mechanics' and other liens, and the existence of payment bonds and other sources of payment. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Foundation's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. The Foundation may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate. As of June 30, 2025 and 2024, there was no allowance recorded for credit losses. Opening balance of accounts receivable as of July 1, 2023 totaled \$274,150.

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 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 2013 and is using the straight-line method to depreciate it over an estimated useful life of 40 years. In August 2021, the Foundation purchased a property near campus for future development 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. Construction-in-progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Capitalized Interest

Interest costs incurred during the construction of qualifying assets are capitalized as part of the cost of the asset. For the years ended June 30, 2025 and 2024, the Foundation capitalized interest costs of \$218,525 and \$218,368, respectively, which are included in construction in progress within property and equipment. Capitalization of interest ceases when the asset is substantially complete and ready for its intended use.

Note 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. The Foundation charges a program service fee to manage these funds.

Contributions

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributed assets are recorded at fair value at the date of donation.

Program Service Fees

The Foundation recognizes revenues related to management and deposit fee income when earned according to contractually obligated terms. The Foundation's performance obligation is primarily satisfied over time as the services are performed and provided to the customer, which is the underlying donor fund. Fees are dependent on the market value of the underlying donor funds, which are sourced from donors based in Louisiana and elsewhere and through custodial arrangements. Business venture revenues are recognized as the performance obligations are met, which generally is at the point in time in which the services are performed.

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Endowed Chairs for Eminent Scholars, Endowed Professorships, and Endowed Superior Graduate Student Scholarships, 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 endowed net assets were made to comply with this policy.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation. These reclassifications had no impact on previously reported changes in net assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the financial statements. Directly identifiable expenses are charged to the related program or supporting service. The Foundation does not allocate expenses that are not directly attributable to a specific function.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation files a Form 990 in the U.S. federal jurisdiction and applicable states.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain.

The Foundation believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the years ended June 30, 2025 and 2024 were \$188,752 and \$18,549, respectively.

Leases

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the assets are used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Foundation made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct cost incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an account policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Foundation has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The nonlease components typically represent additional services transferred to the Foundation, such as common areas maintenance for real estate which are variable in nature and recorded in variable lease expense in the period incurred.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 3. Liquidity and Availability

The following represents the Foundation's financial assets at June 30th:

	2025	2024
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 1,813,073	\$ 1,898,990
Investments	194,508,102	178,046,167
Unconditional Promises to Give, see Note 5	1,987,610	2,068,245
Accounts Receivable	384,275	359,084
	<hr/>	<hr/>
Total Financial Assets Available Within One Year	198,693,060	182,372,486
	<hr/>	<hr/>
Less: Amounts Unavailable to be Used for General Expenditures Within One Year, Due to:		
Amounts Held in Custody for Others	38,616,175	35,089,069
Designated by Board of Directors	229,050	332,243
Restricted by Donors With Purpose Restrictions	153,265,912	144,304,124
	<hr/>	<hr/>
	192,111,137	179,725,436
	<hr/>	<hr/>
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 6,581,923	\$ 2,647,050
	<hr/>	<hr/>

The Foundation maintains a practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of weekly requirements in a variety of short-term investments. To help manage unanticipated needs, the Foundation has a committed line of credit of \$4,000,000, of which \$1,104,000 is available at June 30, 2025 which it could draw upon, subject to certain specific covenants in its agreement.

Additionally, the Foundation has board-designated net assets without donor restrictions that, while the Foundation does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 4. Unconditional Promises to Give

Unconditional promises to give consisted of the following as of June 30th:

	2025	2024
Gross Unconditional Promises to Give	\$ 4,368,598	\$ 5,067,131
Less: Unamortized Discounts	(440,642)	(621,577)
Less: Allowance for Uncollectible Amounts	(1,778,959)	(2,023,496)
Net Unconditional Promises to Give	\$ 2,148,997	\$ 2,422,058
Amounts Due in:		
Less than One Year	\$ 1,987,610	\$ 2,068,245
One to Five Years	2,168,849	2,316,415
Over Five Years	212,139	682,471
Total	\$ 4,368,598	\$ 5,067,131

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30th:

	2025	2024
Building	\$ 8,956,408	\$ 8,956,408
Building Improvements	562,185	562,185
Furniture	206,788	206,788
Construction In Progress	2,373,861	2,155,335
Land	15,982,968	15,982,968
Less: Accumulated Depreciation	(2,841,934)	(2,603,970)
Property and Equipment, Net	\$ 25,240,276	\$ 25,259,714

Note 6. Concentration of Credit Risk

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. At June 30, 2025 and 2024, the Foundation had \$1,650,963 and \$2,011,601, respectively, in excess of FDIC insured limits.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 7. 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 Endowed Chairs for Eminent Scholars, Endowed Professorships, and Endowed Superior Graduate Student Scholarships Programs. Funds held in custody were \$38,616,175 and \$35,089,069 at June 30, 2025 and 2024, respectively. The amount of state matching funds received was \$700,000 and \$1,200,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

Note 8. Retirement Plan

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$84,700 and \$71,275 for the years ended June 30, 2025 and 2024, respectively, which is allocated to both general and administrative and development expenses on the statements of activities.

Note 9. Split-Interest Agreements

The Foundation was in a charitable gift annuity agreement. 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 was paying an annual annuity of \$51,375 in quarterly or monthly installments to the donor; however the obligation terminated in April 2024 upon the donor's death. The present value of the estimated future payments was \$180,936 at June 30, 2024, and was calculated using a discount rate of 4.20% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$42,231 and \$51,375 for fiscal years ended June 30, 2025 and 2024.

Note 10. Line of Credit

The Foundation maintains a \$4,000,000 line of credit at a financial institution to mature in September 2025 with options to renew. The line bears an interest rate at the 30-day AMERIBOR rate plus 2.60%, is unsecured, and is subject to certain specific covenants in its agreement. As of June 30, 2025 and 2024, there was \$2,896,000 outstanding on the line of credit, respectively, with an interest rate of 7.075% at June 30, 2025.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 11. Note Payable

On August 12, 2021, the Foundation received a loan in the amount of \$4,675,000 for the purchase of property near campus for future development. The loan is collateralized by an interest in the property and assignment of lease rents. The loan accrues interest at a fixed rate of 3.5%, but payments are interest-only for the first six months from the date the loan was funded and amortized over 300 months. The maturity date is August 12, 2026.

The Foundation's scheduled debt maturities are as follows:

Year Ending June 30,	Amount
2026	\$ 131,577
2027	4,136,670
	<u>4,268,247</u>
Less: Debt Issuance Costs, Net	<u>(13,095)</u>
Total	<u>\$ 4,255,152</u>

Note 12. Endowments

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 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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 12. Endowments (Continued)

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, Professorships, and Student Scholarships. The Chairs 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 Professorships program allows for eligible public matching funds totaling 20% of established thresholds to be received after successfully raising 80% of the goal in private contributions. The Student Scholarships program allows for eligible public matching funds totaling 40% of established threshold 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.

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 4% 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.

At June 30th, the Foundation had the following endowment net asset composition:

	2025	2024
Without Donor Restrictions	\$ 229,050	\$ 332,243
With Donor Restrictions		
In Perpetuity	83,281,802	82,194,299
For Specified Purpose	51,614,010	44,239,451
	<hr/>	<hr/>
Total With Donor Restrictions	134,895,812	126,433,750
	<hr/>	<hr/>
Total Endowment Funds	\$ 135,124,862	\$ 126,765,993

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 12. Endowments (Continued)

A summary of the changes in the Foundation's endowment net assets for the year ended June 30, 2025 and 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2024	\$ 332,243	\$ 126,433,750	\$ 126,765,993
Investment Return, Net	-	16,517,465	16,517,465
Contributions/Transfers	165,742	1,124,210	1,289,952
Appropriated for Expenditure	(268,935)	(9,179,613)	(9,448,548)
Endowment Net Assets, June 30, 2025	\$ 229,050	\$ 134,895,812	\$ 135,124,862
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2023	\$ 376,343	\$ 117,332,653	\$ 117,708,996
Investment Return, Net	-	10,836,295	10,836,295
Contributions/Transfers	140,657	8,137,006	8,277,663
Appropriated for Expenditure	(184,757)	(9,872,204)	(10,056,961)
Endowment Net Assets, June 30, 2024	\$ 332,243	\$ 126,433,750	\$ 126,765,993

Note 13. Fair Value Measurements

The carrying values of the Foundation's financial instruments approximate fair value.

The Foundation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. Under FASB ASC 820, fair value is defined as 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.

FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Note 13. Fair Value Measurements (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets and liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices for similar instruments 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 or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The fair values are typically determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

The following is a description of the valuation methodologies used for assets measured at fair value:

Corporate Stocks: The fair value of investment securities including corporate stocks 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.

Mutual Funds and Other Equities: The fair value is determined at the closing price reported on the active market on which the individual securities are traded (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2 inputs).

Money Market: The fair value is based on quoted market prices in active markets (Level 1 inputs).

Note 13. Fair Value Measurements (Continued)

Private Equity, Private Debt, and Private Real Assets: This category includes investments in buyouts, growth equity, venture capital, real estate (debt and or property), oil and gas, private debt, and other illiquid investments in limited partnership form. The unfunded commitments related to the private equity investments and real assets were \$7,290,168 and \$4,351,373, respectively, as of June 30, 2025 and 2024. The nature of the investments in this category are limited partnerships that call capital from the unfunded commitment balances to make new private investments. Distributions are received through the liquidation of the underlying assets of the limited partnerships with the average 10-year life of the limited partnership. The fair value of all private asset (equity, debt, or real assets) is calculated from the NAV of the Foundation's ownership interest in these limited partnerships. The private equity funds have a life ranging from 7 to 10 years with potential extensions available. The Foundation's investments in these limited partnerships are available for drawdown for a maximum of five years from initial inception of the investment.

Hedge Funds: The value is determined by the General Partner in accordance with the partnership agreement. The General Partner estimates the fair value of the Fund's investments in investment funds on the basis of the NAV per share of the investment (or its equivalent), as a practical expedient, wherever a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Fund's fiscal year end date.

The Foundation also holds a note receivable which is convertible into equity securities to investors on or before the date of repayment in full of the note in an equity financing resulting in gross proceeds to the issuer of at least \$6,000,000. When this occurs, the outstanding principal balance of the note shall automatically convert in whole without any further action by the Foundation into such equity securities at a conversion price equal to 80% of the per unit or share price paid by the investors and otherwise on the same terms and conditions as given to investors.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the years ended June 30, 2025 and 2024.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 13. Fair Value Measurements (Continued)

The valuation of the Foundation's assets measured at fair value on a recurring basis at June 30, 2025 and 2024 are as follows:

June 30, 2025	Level 1	Level 2	Level 3	Total
Corporate Stocks	\$ 10,592,516	\$ 91,683,925	\$ 13,295,805	\$ 115,572,246
Mutual Funds and Other Equities	32,330,955	25,780,120	-	58,111,075
Money Market	6,340,822	-	-	6,340,822
	<u>\$ 49,264,293</u>	<u>\$ 117,464,045</u>	<u>\$ 13,295,805</u>	<u>180,024,143</u>
Hedge Funds, Private Equity Funds, and Other Funds Valued at NAV ^(a)				<u>14,483,959</u>
Total Investments, at Fair Value				<u>\$ 194,508,102</u>
June 30, 2024	Level 1	Level 2	Level 3	Total
Corporate Stocks	\$ 10,839,324	\$ 43,406,287	\$ 7,678,902	\$ 61,924,513
Mutual Funds and Other Equities	30,028,563	28,246,373	-	58,274,936
Money Market	5,704,631	-	-	5,704,631
	<u>\$ 46,572,518</u>	<u>\$ 71,652,660</u>	<u>\$ 7,678,902</u>	<u>125,904,080</u>
Hedge Funds, Private Equity Funds, and Other Funds Valued at NAV ^(a)				<u>52,142,087</u>
Total Investments, at Fair Value				<u>\$ 178,046,167</u>

(a) Hedge funds, private equity funds, and other investments are measured using NAV as a practical expedient. These investments have not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

During the years ended June 30, 2025 and 2024, the Foundation made purchases of investments classified as Level 3 under the fair value hierarchy of \$-0-. There was a transfer out of Level 3 of \$-0- and \$1,766,831 during the years ended June 30, 2025 and 2024, respectively. There was a transfer into Level 3 of \$4,868,412 and \$6,851,819 during the years ended June 30, 2025 and 2024, respectively. There were no sales of any Level 3 assets during the year ended June 30, 2025 and 2024.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 14. Net Assets

Net assets with donor restrictions 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 net assets with and without donor restrictions to reflect a change in donor intent for specific gifts made or deposits held with the Foundation.

Net assets without donor restrictions 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 net assets without donor restrictions as follows:

	2025	2024
Chancellor and Deans' Discretionary Support Funds	\$ 229,050	\$ 332,243

Net assets subject to expenditure for specified purpose at June 30th are as follows:

	2025	2024
Awards	\$ 1,212	\$ 4,694
Chairs and Superchairs	68,837	116,778
Endowment	134,895,812	126,433,750
Grants	815,578	1,063,241
Lectureships	21,191	17,422
Memorials	10,918	10,918
Scholarships	1,001,146	991,119
Other Donor Restrictions	16,451,218	15,666,202
Total Subject to Expenditure for Specified Purpose or Period	\$ 153,265,912	\$ 144,304,124

Note 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, 2025 and 2024 are \$9,138,978 and \$10,880,900, respectively, which represent payments on behalf of the Health Sciences Center. At June 30, 2024 and 2023, the Foundation has no receivables for either year from the Health Sciences Center, and payables to the Health Sciences Center of \$234,178 and \$471,006, respectively.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 15. Related-Party Transactions (Continued)

Members of the Foundation's Board of Directors and parties related to them made contributions of \$469,635 and \$736,400 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, the Foundation has receivables of \$924,043 and \$1,174,043, respectively, from the Board of Directors and parties related to them.

Note 16. Leased Property

The Foundation leases income producing property to further its mission supporting the LSU Health Sciences Center in New Orleans. Leases incorporate property owned by the Foundation (Note 5) and property leased by the Foundation for other auxiliary purposes.

2000 Tulane Avenue

In August 2016, the Foundation entered a lease with a tenant for office space at 2000 Tulane Avenue. The initial term was five years with the renewal term expiring September 2024. The lease was renegotiated in October 2021 for three years and again in October 2024 for five years. The annual payment totals as of October 2024 are \$137,940 with increases each successive year.

In September 2018, the Foundation entered a lease with a tenant for retail space at 2000 Tulane Avenue. The initial term was five years with three five-year extension terms. In June 2025, the Foundation entered a lease with a new tenant for the retail space at 2000 Tulane Avenue. The initial term is ten years. The annual payment totals \$52,500 with increases each successive term.

In September 2018, the Foundation entered a lease with a tenant for retail space at 2000 Tulane Avenue. The initial term was two five-year terms with five five-year extension terms. The annual payment totals \$33,996 with increases each successive term.

In May 2023, the Foundation entered a lease with a tenant for retail space at 2000 Tulane Avenue. The initial term was five years commencing on July 1, 2023. The annual payment totals \$71,160 with increases each successive term.

601 South Galvez

In October 2021, a lease was executed with a tenant for warehouse space at 601 South Galvez. The term of the lease is five years. The annual payment totals \$143,700 with annual increases. The tenant has an option to renew the lease for ten years.

In May 2025, a lease was executed with a tenant for warehouse space at 601 South Galvez. The term of the lease is sixteen months ending in August 2026. The annual payment totals \$388,716.

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 16. Leased Property (Continued)

Mariner's Village - Mandeville, Louisiana

In July 2021, a ground lease was executed with a developer for undeveloped property in Mandeville, Louisiana. The term of the lease is ninety-nine years commencing on the earlier of the date of construction or the first day of the calendar month after the design and financing period. Ground lease payments will begin at the start of the construction period and increase for each phase of the development. When all phases are executed, total annual payments will be \$600,000 with Consumer Price Index adjustments over the term of the lease.

Other Non-Owned Leased Property

In October 2020, a cooperative endeavor and lease agreement was signed between the Foundation and the LSUHSC - New Orleans (the Housing Agreement). Land was donated to the Foundation by a private developer. The land was then donated by the Foundation to the LSU Health Sciences Center New Orleans to allow for the development and construction of student housing. The term of the agreement is fifty years with annual payments totaling \$1,000. On the same day the LSUHSC - New Orleans lease was executed, a ground sublease agreement was executed with the developer and the Foundation to build and operate student housing on the property. The term of the agreement is either the earlier of forty years or when the financing is extinguished, at which time the building will be donated to the Foundation. Annual payments total \$1,000, plus an amount equal to the annual surplus cash flow as additional ground rent, if any.

Future minimum lease receipts under these leases for the next five years and thereafter are as follows at June 30, 2025:

Year Ending June 30,	Future Minimum Lease Receipts
2026	\$ 822,347
2027	429,429
2028	316,877
2029	247,464
2030	130,680
Thereafter	<u>358,524</u>
Total	<u>\$ 2,305,321</u>

LSU HEALTH FOUNDATION, NEW ORLEANS

Notes to Financial Statements

Note 17. Leases

In October 2020, a sublease agreement was executed between the Foundation and a tenant for Butterworth and Hutchinson buildings that are leased by the Foundation from LSUHSC - New Orleans. In December 2020, the Foundation executed an agreement with LSUHSC - New Orleans to lease the subleased property for five years from the effective date of January 2021. Annual payments to LSUHSC - New Orleans total \$220,317 until the agreement expires. This lease was terminated in July 2024.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended June 30th:

	2025	2024
Lease Cost		
Operating Lease Cost	\$ -	\$ 220,317
Total Lease Cost	\$ -	\$ 220,317

Supplemental statements of financial position information related to leases is as follows as of June 30, 2024:

Other Information	
Weighted-Average Remaining Lease Term (in Years)	
Operating Leases	1.58
Weighted-Average Discount Rate Applied (%)	
Operating Leases	7.98%

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 11, 2025, and determined that the following event required disclosure.

In August 2025, the Foundation signed a Cooperative Endeavor and Act of Cash Sale Agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College to sell certain properties of the Foundation for a purchase price of \$5,147,007. No additional events occurred that require disclosure and no events occurring after this date have been evaluated for inclusion in these financial statements.

**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**

Independent Auditor's Report

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

We have audited, in accordance with the 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 LSU Health Foundation, New Orleans (the Foundation) (a non-profit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundations' internal control over financial reporting (internal control) as a basis for designing 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 Foundations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundations' 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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundations' 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 financial statements. 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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
August 11, 2025