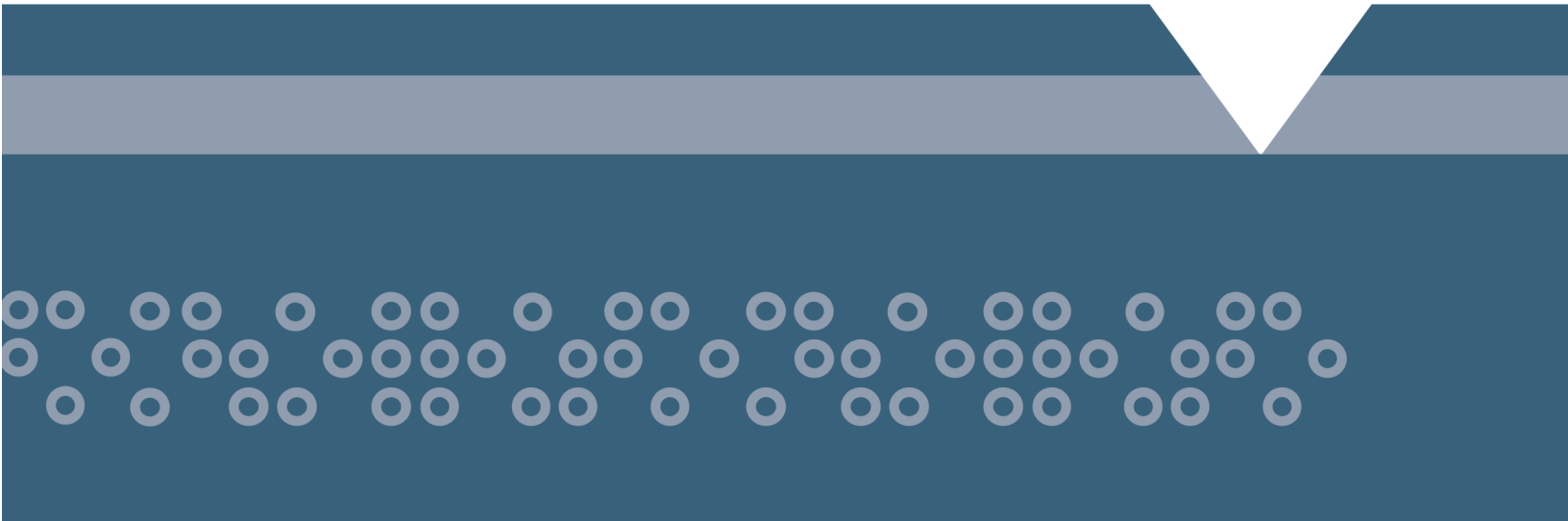


**LSU Health Sciences Foundation
in Shreveport and Subsidiaries**

Shreveport, Louisiana

June 30, 2024 and 2023



CERTIFIED PUBLIC
ACCOUNTANTS

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9-22

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	23
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OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Audit Findings	27

AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of LSU Health Sciences Foundation in Shreveport and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LSU Health Sciences Foundation in Shreveport and Subsidiaries as of June 30, 2024 and 2023, and the consolidated 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.

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 (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 LSU Health Sciences Foundation in Shreveport and Subsidiaries 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LSU Health Sciences Foundation in Shreveport and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 LSU Health Sciences Foundation in Shreveport and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LSU Health Sciences Foundation in Shreveport and Subsidiaries' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In our opinion, the information on page 23 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024 on our consideration of LSU Health Sciences Foundation in Shreveport and Subsidiaries' 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 LSU Health Sciences Foundation in Shreveport and Subsidiaries' 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 LSU Health Sciences Foundation in Shreveport and Subsidiaries' internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
August 29, 2024

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Cash	4,445,446	3,610,535
Accounts receivable	200,316	361,946
Contributions receivable-Note 3	13,343,004	15,284,066
Investments-pools-Note 4	98,518,832	92,090,702
Investments-CFeist Legacy-Note 5	105,833,587	94,774,312
Investments-MFeist Legacy-Note 6	69,583,995	65,659,527
Investments-LSU Health Shreveport-endowments-Note 6	10,523,069	10,138,393
Investments-other	305,933	201,970
Investment in real estate, property, and equipment-Note 8	7,246,612	4,183,766
Other assets	<u>41,324</u>	<u>32,601</u>
Total assets	<u>310,042,118</u>	<u>286,337,818</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	1,777,042	3,030,905
Other payables	140,598	101,281
Due to LSU Health Shreveport-BOR match-Note 9	13,092,841	12,121,912
Due to LSU Health Shreveport-MFeist Legacy-Note 6	69,583,995	65,659,527
Due to LSU Health Shreveport-endowments-Note 6	<u>10,523,069</u>	<u>10,138,393</u>
Total liabilities	95,117,545	91,052,018
 <u>Net assets:</u>		
Without donor restrictions:		
Designated by Board for specific purpose	3,199,323	3,434,887
Designated by Board for operating reserve	1,127,638	1,067,898
Invested in real estate, property and equipment, net	7,246,612	4,183,766
Undesignated	<u>16,026,924</u>	<u>15,675,387</u>
Total without donor restrictions	27,600,497	24,361,938
With donor restrictions:		
Restricted for specified purpose	38,342,780	38,432,714
Restricted in perpetuity-endowment	27,132,785	22,750,109
Restricted for specific purpose and designated by Board for endowment	<u>121,848,511</u>	<u>109,741,039</u>
Total with donor restrictions	<u>187,324,076</u>	<u>170,923,862</u>
Total net assets	<u>214,924,573</u>	<u>195,285,800</u>
Total liabilities and net assets	<u>310,042,118</u>	<u>286,337,818</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support, revenues and gains:</u>			
Contributions	861,300	4,110,991	4,972,291
Grant revenue	-	-	-
Net investment income	3,235,624	18,757,392	21,993,016
Management fee income	890,988	-	890,988
Rental income	<u>142,160</u>	<u>-</u>	<u>142,160</u>
Total support, revenues, and gains	5,130,072	22,868,383	27,998,455
Net assets released from restrictions	<u>6,468,169</u>	<u>(6,468,169)</u>	<u>-</u>
<u>Total support, revenue, gains and reclassifications</u>	11,598,241	16,400,214	27,998,455
<u>Expenses</u>			
Management and general	923,239	-	923,239
Fundraising and development	1,929,128	-	1,929,128
Program services:			
Feist-Weiller Cancer Center	2,550,266	-	2,550,266
Other departments	<u>2,957,049</u>	<u>-</u>	<u>2,957,049</u>
Total support to LSU Health Sciences Center	<u>5,507,315</u>	<u>-</u>	<u>5,507,315</u>
Total expenses	<u>8,359,682</u>	<u>-</u>	<u>8,359,682</u>
<u>Change in net assets</u>	3,238,559	16,400,214	19,638,773
<u>Net assets at beginning of period</u>	<u>24,361,938</u>	<u>170,923,862</u>	<u>195,285,800</u>
<u>Net assets at end of period</u>	<u>27,600,497</u>	<u>187,324,076</u>	<u>214,924,573</u>

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

2023		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
623,512	6,152,384	6,775,896
-	2,000,000	2,000,000
1,344,237	13,993,413	15,337,650
861,519	-	861,519
<u>144,675</u>	<u>-</u>	<u>144,675</u>
2,973,943	22,145,797	25,119,740
<u>8,834,225</u>	<u>(8,834,225)</u>	<u>-</u>
11,808,168	13,311,572	25,119,740
892,169	-	892,169
1,471,763	-	1,471,763
3,768,802	-	3,768,802
<u>4,862,719</u>	<u>-</u>	<u>4,862,719</u>
<u>8,631,521</u>	<u>-</u>	<u>8,631,521</u>
<u>10,995,453</u>	<u>-</u>	<u>10,995,453</u>
812,715	13,311,572	14,124,287
<u>23,549,223</u>	<u>157,612,290</u>	<u>181,161,513</u>
<u>24,361,938</u>	<u>170,923,862</u>	<u>195,285,800</u>

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Services</u>				
	<u>Feist-Weiller Cancer Center</u>	<u>Other Departments</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salary expense	-	-	443,457	734,876	1,178,333
Payroll taxes	-	-	33,259	54,264	87,523
Employee benefit expense	-	-	59,709	98,947	158,656
Professional services	27,755	541,015	107,957	279,817	956,544
Insurance	-	-	49,375	-	49,375
Depreciation	-	-	94,974	-	94,974
Office supplies	-	-	7,980	13,019	20,999
Maintenance agreements	-	-	31,492	20,994	52,486
Rent	-	-	26,592	43,386	69,978
Capital Projects	-	24,938	-	-	24,938
Repairs and maintenance	-	-	22,440	-	22,440
Travel	9,889	146,079	3,746	6,111	165,825
Advertising and promotional expenses	104	44,602	-	11,785	56,491
Printing	1,886	2,326	-	93,127	97,339
Recruiting	864	192,831	-	-	193,695
Awards and scholarships	5,053	255,090	-	-	260,143
Professional development	-	-	-	25,751	25,751
Books, supplies, and equipment	215,977	306,266	-	-	522,243
Dues and licenses	11,260	89,492	6,331	6,331	113,414
Fundraising events	-	-	-	505,727	505,727
Research	2,228,855	817,178	-	-	3,046,033
Meeting and lecture expense	45,069	525,177	-	-	570,246
Other	<u>3,554</u>	<u>12,055</u>	<u>35,927</u>	<u>34,993</u>	<u>86,529</u>
Total expenses	<u>2,550,266</u>	<u>2,957,049</u>	<u>923,239</u>	<u>1,929,128</u>	<u>8,359,682</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>				
	<u>Feist-Weiller Cancer Center</u>	<u>Other Departments</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salary expense	-	-	426,066	613,313	1,039,379
Payroll taxes	-	-	30,381	44,911	75,292
Employee benefit expense	-	-	49,776	71,629	121,405
Professional services	15,494	392,887	101,811	169,567	679,759
Insurance	-	-	48,695	-	48,695
Depreciation	-	-	118,200	-	118,200
Office supplies	-	-	11,602	16,696	28,298
Maintenance agreements	-	-	17,473	11,648	29,121
Rent	-	-	28,208	40,593	68,801
Capital Projects	-	2,271,901	-	-	2,271,901
Repairs and maintenance	-	-	19,455	-	19,455
Travel	5,497	154,355	2,340	3,367	165,559
Advertising and promotional expenses	5,000	79,830	-	3,669	88,499
Printing	11,980	717	-	105,664	118,361
Recruiting	-	411,569	-	-	411,569
Awards and scholarships	3,471	163,246	-	-	166,717
Professional development	-	-	-	14,102	14,102
Books, supplies, and equipment	6,263	180,134	-	-	186,397
Dues and licenses	1,920	106,123	6,995	6,995	122,033
Fundraising events	-	-	-	338,356	338,356
Research	3,626,821	615,150	-	-	4,241,971
Meeting and lecture expense	91,047	476,855	-	-	567,902
Other	<u>1,309</u>	<u>9,952</u>	<u>31,167</u>	<u>31,253</u>	<u>73,681</u>
Total expenses	<u>3,768,802</u>	<u>4,862,719</u>	<u>892,169</u>	<u>1,471,763</u>	<u>10,995,453</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	19,638,773	14,124,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,974	118,200
Net realized and unrealized (gain) on long-term investments	(20,320,266)	(10,994,934)
(Increase) decrease in accounts receivable	161,630	(167,833)
Decrease in contributions receivable	1,941,062	8,912,059
(Increase) in other assets	(8,723)	(2,606)
(Decrease) in accounts payable	(1,253,863)	(1,329,224)
(Decrease) increase in other payable	39,317	(1,153)
Increase in due to LSU Health Shreveport-BOR match	970,929	726,840
Increase in due to LSU Health-agency investments	<u>4,309,144</u>	<u>4,382,137</u>
Net cash provided by operating activities	5,572,977	15,767,773
<u>Cash flows from investing activities:</u>		
Purchase and improvement of real estate	(3,157,820)	(153,575)
Donations of real estate	-	259,082
Purchases of investments	(19,355,965)	(48,837,071)
Proceeds from sale and maturities of investments	<u>17,775,719</u>	<u>33,856,074</u>
Net cash (used) by investing activities	(4,738,066)	(14,875,490)
<u>Net increase in cash</u>	834,911	892,283
<u>Cash at beginning of period</u>	<u>3,610,535</u>	<u>2,718,252</u>
<u>Cash at end of period</u>	<u>4,445,446</u>	<u>3,610,535</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. Nature of Business

The consolidated financial statements include the LSU Health Sciences Foundation in Shreveport and both wholly-owned subsidiaries – the LSU Health Sciences Building Foundation in Shreveport (“Building Foundation”) and the Louisiana Strategic Research Initiative (“LSRI”). All significant intercompany accounts and transactions have been eliminated in consolidation.

The LSU Health Sciences Foundation in Shreveport (the “Foundation”) is a public, nonprofit corporation formed in 1997 and governed by a board of directors. The Foundation’s goal is to support, enhance, and assist the LSU Health Sciences Center Shreveport (the “Center”) in its many endeavors by expanding the public’s awareness of the Center’s many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Center, and provide the means through which financial support is received and administered. The Building Foundation is a public, nonprofit corporation formed in 2003 to hold real estate donated to or purchased by the Foundation. LSRI is a public, nonprofit corporation formed in 2022 to support the long-term growth of research at the Center.

2. Summary of Significant Accounting Policies

- a. Financial Statement Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for specific purpose and operations. The Foundation’s policy is to designate unrestricted donor gifts at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. The Foundation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the support is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (Continued)

- b. Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or unconditional promises to give are received. We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give and based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.
- c. The costs of program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising expenses.
- d. The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the consolidated statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions which are not held within the investment portfolios. The Foundation, at times, may have deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.
- f. The LSU Health Sciences Foundation in Shreveport, the LSU Health Science Building Foundation in Shreveport, and the Louisiana Strategic Research Initiative qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the consolidated financial statements, but the Foundation, Building Foundation and LSRI are required to file an annual information return. The Foundation, Building Foundation and LSRI are also required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they are tax exempt entities. The Foundation, Building Foundation and LSRI must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax exempt entities, the Foundation, Building Foundation and LSRI must assess whether they have any tax positions associated with unrelated business income subject to income tax. The Foundation, Building Foundation and LSRI do not expect their positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's, Building Foundation's and LSRI's accounting records.

The Foundation, Building Foundation and LSRI file U.S. federal Form 990 for informational purposes. The Foundation's and Building Foundation's federal income tax returns for the tax years 2021 and beyond remain subject to examination by the Internal Revenue Service.

2. Summary of Significant Accounting Policies (Continued)

- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange. Investments that do not have an established market are reported at estimated fair value as measured by their net asset value. Cash deposits are reported at carrying amounts which reasonably estimate fair 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. Increases and decreases in market value are recognized in the periods in which they occur. Upon disposition, the average price of investments is used to compute the realized gain or loss to be recognized. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Cost and market values are disclosed in Notes 4 and 5.

- h. Equipment and furniture are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of three to seven years.
- i. Investments in real estate are stated at cost if purchased, and at fair market value at date of donation, if donated, less accumulated depreciation on any improvements. Depreciation of improvements is calculated using the straight-line method over an estimated useful life of ten to fifteen years.
- j. The Foundation's financial instruments, excluding investments which are recorded at estimated fair value, include cash, accounts receivable and contributions receivable. The Foundation estimates that the fair values of these financial instruments at June 30, 2024 and 2023 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying financial statements.
- k. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842) requiring lessees 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.

Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Foundation has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and right-of-use assets at commencement of a lease. A risk-free rate has been applied to all classes of underlying leased assets unless there is an interest rate implicit in the lease. The Foundation has also elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Foundation will not apply the recognition requirements of Topic 842 and instead will recognize the lease payments as lease cost on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (Continued)

- l. On July 1, 2023, the Foundation adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The adoption of this standard did not have a material impact on the Foundation’s financial statements.
- m. Certain amounts from prior year have been reclassified to conform to current year presentation.

3. Contributions Receivable

Contributions receivable is summarized as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Contributions receivable expected to be collected in:		
Less than one year	4,216,805	8,368,646
One year to five years	8,685,304	7,201,667
More than five years	<u>2,000,000</u>	<u>-</u>
Contributions receivable	14,902,109	15,570,313
Discount on contributions receivable	<u>(1,559,105)</u>	<u>(286,247)</u>
Net contributions receivable	<u>13,343,004</u>	<u>15,284,066</u>

The Foundation is raising funds in support of construction of The Center for Medical Education and Wellness at LSU Health Sciences Center Shreveport. The Center is a \$84 million public-private project. Funding from federal, state, and local governments was combined with grants and private funds to build the facility. Contributions receivable for this capital project are \$3,364,766 and \$5,494,042 at June 30, 2024 and 2023, respectively.

The Foundation entered into an agreement in November 2020 to receive contributions to fund academic and research activities in support of the teaching and research missions of LSU Health Sciences Center Shreveport for \$22 million. The agreement was revised during the current year to consolidate existing pledges and extend payment terms thru December 31, 2029. Contributions receivable are \$10 million at June 30, 2024 and 2023.

Additional pledges of \$1,537,342 and \$76,271 were outstanding at June 30, 2024 and 2023 for various purposes. Pledges receivable have been discounted at 4.5%. At June 30, 2024, a single donor comprised 87% of contributions receivable, whereas in 2023, 90% of contributions receivable were concentrated with a single donor.

4. Investments-Pools

Investments-pools consisted primarily of Vanguard mutual funds.

	<u>2024</u>		<u>2023</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Unrestricted Pool</u>				
Fixed income:				
Investment grade mutual funds	<u>2,928,004</u>	<u>3,095,710</u>	<u>2,812,944</u>	<u>2,992,805</u>
Total fixed income	2,928,004	3,095,710	2,812,944	2,992,805
Equity:				
Domestic mutual funds	6,109,757	4,760,559	5,072,259	4,534,912
International mutual funds	<u>1,808,979</u>	<u>1,645,434</u>	<u>1,655,303</u>	<u>1,598,373</u>
Total equity	<u>7,918,736</u>	<u>6,405,993</u>	<u>6,727,562</u>	<u>6,133,285</u>
Total Unrestricted Pool	<u>10,846,740</u>	<u>9,501,703</u>	<u>9,540,506</u>	<u>9,126,090</u>

4. Investments-Pools (Continued)

	2024		2023	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Nonendowed Pool</u>				
Cash and cash equivalents	7,877,080	7,877,080	8,246,653	8,246,653
Fixed income:				
Investment grade mutual funds	<u>23,523,353</u>	<u>24,340,130</u>	<u>24,623,203</u>	<u>25,982,832</u>
Total fixed income	<u>23,523,353</u>	<u>24,340,130</u>	<u>24,623,203</u>	<u>25,982,832</u>
Alternatives:				
Other	<u>3,654,042</u>	<u>3,125,000</u>	<u>2,120,485</u>	<u>2,500,000</u>
Total alternatives	<u>3,654,042</u>	<u>3,125,000</u>	<u>2,120,485</u>	<u>2,500,000</u>
Total Nonendowed Pool	<u>35,054,475</u>	<u>35,342,210</u>	<u>34,990,341</u>	<u>36,729,485</u>
<u>General/Feist Endowed Pool</u>				
Cash and cash equivalents	1,927	1,927	35,101	35,101
Fixed Income:				
Investment grade mutual funds	<u>7,327,016</u>	<u>8,167,944</u>	<u>6,449,408</u>	<u>7,311,335</u>
Total fixed income	<u>7,327,016</u>	<u>8,167,944</u>	<u>6,449,408</u>	<u>7,311,335</u>
Equity:				
Domestic mutual funds	13,905,838	9,054,521	11,951,775	8,555,568
International mutual funds	<u>4,492,620</u>	<u>3,831,921</u>	<u>4,076,615</u>	<u>3,658,315</u>
Total equity	<u>18,398,458</u>	<u>12,886,442</u>	<u>16,028,390</u>	<u>12,213,883</u>
Total General/Feist Endowed Pool	<u>25,727,401</u>	<u>21,056,313</u>	<u>22,512,899</u>	<u>19,560,319</u>
<u>Future Endowment Pool</u>				
Cash and cash equivalents	<u>659,011</u>	<u>659,011</u>	<u>522,205</u>	<u>522,205</u>
Total Future Endowment Pool	<u>659,011</u>	<u>659,011</u>	<u>522,205</u>	<u>522,205</u>
<u>BRSF Pool</u>				
Cash and cash equivalents	25,264	25,264	4,977	4,977
Fixed income:				
Investment grade mutual funds	<u>7,258,341</u>	<u>8,167,085</u>	<u>7,030,688</u>	<u>7,974,494</u>
Total fixed income	<u>7,258,341</u>	<u>8,167,085</u>	<u>7,030,688</u>	<u>7,974,494</u>
Equity:				
Domestic mutual funds	14,370,898	8,888,156	13,045,617	8,957,284
International mutual funds	<u>4,576,702</u>	<u>3,755,646</u>	<u>4,443,469</u>	<u>3,858,928</u>
Total equity	<u>18,947,600</u>	<u>12,643,802</u>	<u>17,489,086</u>	<u>12,816,212</u>
Total BRSF Pool	<u>26,231,205</u>	<u>20,836,151</u>	<u>24,524,751</u>	<u>20,795,683</u>
Total investments-pool	<u>98,518,832</u>	<u>87,395,388</u>	<u>92,090,702</u>	<u>86,733,782</u>

5. CFeist Legacy

Carroll W. Feist died on July 29, 2005. His will and codicils created ambiguities with respect to the identity of the universal legatee. The proper universal legatee was either Louisiana State University or the LSU Health Sciences Foundation in Shreveport. The parties compromised and agreed that Mr. Feist's will should be interpreted so that the universal legatee is the Foundation. The parties entered into a written agreement whereby the management details of the legacy from Mr. Feist were outlined.

The bequest will be used for cancer research at the LSU Health Sciences Center, Shreveport, Louisiana. The board approved endowment of the purpose-restricted funds subject to the spend policy as defined in the funds management agreement. This agreement allows for consideration to spend income of the Feist account up to \$1,000,000 in any one year following appropriate approvals. Principal or income funds in excess of \$1,000,000 may be available to spend after additional approval. Such approvals were required in 2024 and 2023.

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

Year Ended June 30,	<u>Income</u>	<u>Principal</u>	<u>Total Distributions</u>
2006 thru 2022	19,491,356	42,371,249	61,862,605
2023	1,958,461	1,206,539	3,165,000
2024	<u>667,062</u>	<u>252,938</u>	<u>920,000</u>
	<u>22,116,879</u>	<u>43,830,726</u>	<u>65,947,605</u>

CFeist Legacy funds are primarily invested in Vanguard mutual funds.

Investments-CFeist Legacy are presented below with their respective market values and costs as of June 30, 2024 and 2023.

	<u>2024</u>		<u>2023</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>29,056,129</u>	<u>32,234,369</u>	<u>27,006,377</u>	<u>30,314,730</u>
Total fixed income	29,056,129	32,234,369	27,006,377	30,314,730
Equities:				
Domestic mutual funds	58,520,779	35,540,907	51,000,557	34,703,934
International mutual funds	<u>18,256,679</u>	<u>15,063,765</u>	<u>16,767,378</u>	<u>14,642,797</u>
Total equities	<u>76,777,458</u>	<u>50,604,672</u>	<u>67,767,935</u>	<u>49,346,731</u>
Total investments-CFeist Legacy	<u>105,833,587</u>	<u>82,839,041</u>	<u>94,774,312</u>	<u>79,661,461</u>

5. CFeist Legacy (Continued)

Following is a summary of the transactions of the CFeist Legacy for the years ended June 30, 2024 and 2023. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2024 and 2023.

	2024		2023	
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>	<u>Total Market Value</u>
Net asset balances at beginning of year	15,683,428	78,727,326	94,410,754	86,403,839
Activity during the year:				
Distributions from Succession	667,062	252,938	920,000	3,165,000
Net investment income (loss)	3,792,301	9,055,514	12,847,815	9,820,540
Management fees	(740,399)	(740,402)	(1,480,801)	(1,341,875)
Other expenses	(51,444)	-	(51,444)	(36,750)
Transfer to spending account	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>	<u>(3,600,000)</u>
Net asset balances at end of year	<u>18,150,948</u>	<u>87,295,376</u>	<u>105,446,324</u>	<u>94,410,754</u>
		<u>2024</u>	<u>2023</u>	
Consists of:				
Above investments		105,833,587	94,774,312	
Management fees and other payable		<u>(387,263)</u>	<u>(363,558)</u>	
Total net assets at end of year		<u>105,446,324</u>	<u>94,410,754</u>	

6. Agency Investments

In 1986, the LSU Board of Supervisors received a substantial monetary bequest from Malcolm W. Feist, who specified in his testament that the bequest was to be used for the benefit of LSU Health Sciences Center at Shreveport. An agreement was executed on May 9, 2012 between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for these funds, in return for which the Foundation is entitled to a monthly management fee.

The agreement was effective July 1, 2012. The agreement specifies that MFeist Legacy funds will remain state funds owned by the Board of Supervisors. The funds will be used for purposes consistent with the donor's express intent and deemed appropriate by the Chancellor of LSU Health Sciences Center at Shreveport; the Chancellor's approval is required for withdrawal. On January 1, 2013, another agreement was executed between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for certain other LSU Health Science Center at Shreveport endowments. These funds remain state owned, thereby the Foundation acts as an agent as described in the provisions of FASB ASC 958 and records an asset and liability for the amounts transferred.

6. Agency Investments (Continued)

Agency investments consist of Vanguard mutual funds. Fair values of all agency investments measured on a recurring basis at June 30, 2024 and 2023 were classified as Level 1 valuations. Agency investments are presented below with their respective market values and cost as of June 30, 2024 and 2023.

	<u>2024</u>		<u>2023</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Fixed income:				
Investment grade mutual funds	<u>50,981,575</u>	<u>56,583,477</u>	<u>48,323,783</u>	<u>54,366,673</u>
Total fixed income	<u>50,981,575</u>	<u>56,583,477</u>	<u>48,323,783</u>	<u>54,366,673</u>
Equities:				
Domestic mutual funds	<u>21,995,231</u>	<u>12,123,828</u>	<u>20,651,666</u>	<u>13,316,818</u>
International mutual funds	<u>7,130,258</u>	<u>6,025,352</u>	<u>6,822,471</u>	<u>6,164,831</u>
Total equities	<u>29,125,489</u>	<u>18,149,180</u>	<u>27,474,137</u>	<u>19,481,649</u>
Total investments-agency	<u>80,107,064</u>	<u>74,732,657</u>	<u>75,797,920</u>	<u>73,848,322</u>

Agency investments are comprised of the following state funds:

	<u>2024</u>	<u>2023</u>
MFeist Legacy	<u>69,583,995</u>	<u>65,659,527</u>
LSU Health Endowments	<u>10,523,069</u>	<u>10,138,393</u>
	<u>80,107,064</u>	<u>75,797,920</u>

7. Fair Value Measurements

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

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

Investments below consist of Investment – Pools and Investments – CFeist Legacy.

7. Fair Value Measurements (Continued)

Fair values of assets and liabilities measured on a recurring basis at June 30, 2024 and 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2024:				
Cash and cash equivalents	8,563,282	-	-	8,563,282
Fixed income:				
Investment grade mutual funds	<u>70,092,843</u>	<u>-</u>	<u>-</u>	<u>70,092,843</u>
Total fixed income	70,092,843	-	-	70,092,843
Equities:				
Domestic mutual funds	92,907,272	-	-	92,907,272
International mutual funds	<u>29,134,980</u>	<u>-</u>	<u>-</u>	<u>29,134,980</u>
Total equities	<u>122,042,252</u>	<u>-</u>	<u>-</u>	<u>122,042,252</u>
Alternatives:				
Other	<u>-</u>	<u>-</u>	<u>3,654,042</u>	<u>3,654,042</u>
Total investments	<u>200,698,377</u>	<u>-</u>	<u>3,654,042</u>	<u>204,352,419</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2023:				
Cash and cash equivalents	8,808,936	-	-	8,808,936
Fixed income:				
Investment grade mutual funds	<u>67,922,620</u>	<u>-</u>	<u>-</u>	<u>67,922,620</u>
Total fixed income	67,922,620	-	-	67,922,620
Equities:				
Domestic mutual funds	81,070,208	-	-	81,070,208
International mutual funds	<u>26,942,765</u>	<u>-</u>	<u>-</u>	<u>26,942,765</u>
Total equities	<u>108,012,973</u>	<u>-</u>	<u>-</u>	<u>108,012,973</u>
Alternatives:				
Other	<u>-</u>	<u>-</u>	<u>2,120,485</u>	<u>2,120,485</u>
Total investments	<u>184,744,529</u>	<u>-</u>	<u>2,120,485</u>	<u>186,865,014</u>

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

	<u>Other</u>
Balance-June 30, 2023	2,120,485
Purchases, issuances, and settlements	625,000
Net investment income	<u>908,557</u>
Balance-June 30, 2024	<u>3,654,042</u>

The investments measured at fair value based on net asset value (NAVs) per share as of June 30, 2024 include \$1,875,000 of unfunded commitments. These funds are in a partnership structure with no ability to redeem unless approved by the general partner.

8. Investment in Real Estate, Property and Equipment

During the fiscal year ended June 30, 2002, the Foundation began purchasing property adjacent to and near the LSU Health Sciences Center Shreveport. Property held is for the ultimate benefit of the Center. On occasion, the Foundation has also received donations of property.

	<u>2024</u>	<u>2023</u>
Equipment	83,799	83,799
Intermodal transit facility	1,609,160	1,609,160
Investment in real estate	3,846,742	3,408,450
Construction in progress	<u>2,754,354</u>	<u>34,825</u>
	8,294,055	5,136,234
Accumulated depreciation	<u>(1,047,443)</u>	<u>(952,468)</u>
	<u>7,246,612</u>	<u>4,183,766</u>

Outstanding commitments of \$1,885,693 remain at June 30, 2024 to complete a construction project for the benefit of the Center.

9. Due to LSU Health Shreveport-BOR Match

The amount due to LSU Health Sciences Center Shreveport-BOR match represents the Louisiana Board of Regents state match for the following chairs and professorships, which are being held and invested for the Center by the LSU Health Sciences Foundation in Shreveport. The liability consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
John C. McDonald, M.D. Chair in Surgery	994,024	916,968
Jack W. Pou, M.D. Chair in Otolaryngology	901,871	826,659
Albert Sklar Professorship in Surgery	100,994	93,149
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	1,128,357	1,052,324
Mary Louise and Ben Levy Professorship in Neurosurgery	75,338	72,109
Paul R. Winder, M.D. Professorship in Dermatology	115,815	107,734
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	95,179	87,442
Ike Muslow Chair in Healthcare Informatics	860,670	804,242
Albert G. and Harriet G. Smith Professorship in Pathology	90,804	85,637
Randy Bryn, M.D. Professorship in Pulmonology	85,483	79,657
W. R. Matthews, M.D. Professorship in Pathology	88,131	80,541
YK Reddy Professorship in Allergy and Immunology	94,906	87,041
Albertson's Distinguished Professorship in Allied Health Sciences	77,764	72,409
Robert E. Wolf, M.D. Professorship in Rheumatology	85,077	78,252
Donald Mack, M.D. Professorship in Pediatric Oncology	96,667	89,319
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	701,128	673,601
Burdette E. Trichel, M.D. Professorship in Urology	81,963	74,618
Charles D. Knight, Sr. M.D. Professorship in General Surgery	79,073	71,855
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	77,144	72,326
Eugene St. Martin Professorship in Urology	93,103	85,405
Nathan Professorship in Head & Neck Surgery	88,489	83,089
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	86,559	79,661

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

	<u>2024</u>	<u>2023</u>
Joe E. Holoubek Professorship in Medicine	90,389	83,707
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	79,590	75,415
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	85,833	78,607
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	80,514	78,047
Alice Coleman Endowed Professorship in Pediatric Rheumatology	31,655	28,391
James A. Ardoin, M.D. Memorial Professorship in OB/GYN	81,810	75,222
Brad and Kay McPherson Professorship in Child Psychiatry in Developmental Pediatrics	82,157	75,624
Khoury-Mack Professorship #3 St. Jude	87,190	80,269
Selber-Levin Professorship in Endocrinology	84,150	78,456
Juneau Chair in Surgical Oncology	1,019,224	941,626
Stafford and Marianne Comegys Professorship in Medical Library Science	81,737	74,406
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	75,870	70,004
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	76,300	71,089
Edward and Freda Green Professorship in Surgical Oncology	63,998	57,733
Scott and Larene Woodard Professorship in Neurosurgery	189,298	172,911
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	80,154	73,415
Brad and Kay McPherson Professorship	66,556	60,666
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	72,615	66,447
Carroll W. Feist Chair for the Study of Cancer	1,729,422	1,577,397
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	103,171	94,687
Edna Boatright Sherling Professorship in Cancer Care	62,607	62,396
Dr. Ming Yu Ding Memorial Professorship in Microbiology	83,144	77,156
Archibald Bell Nelson Professorship in Orthopedics	144,593	134,707
Joanna Gunning Magale Professorship in Neurology	78,501	71,811
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	959,456	892,900
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	377,921	351,201
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Enhancement	350,782	338,408
Charles Richard Parks Professorship in Neurological Rehab	57,219	52,062
Sandra and Jerry Martin Endowed Scholarship for Medical Students	53,495	48,962
Sandra and Jerry Martin Endowed Scholarship for Medical Students #2	53,580	48,350
Sandra and Jerry Martin Endowed Scholarship for Medical Students #3	40,986	36,505
Dudley R. Isom, DDS Endowed Prof. in Oral & Maxillofacial Surgery	56,055	55,634
Clarence H. Webb, MD Endowed Professorship in Pediatrics	58,525	52,916
Medical Center Clinics Endowed Professorship in Radiology	56,812	55,634
Charles G. Hargon Jr. Memorial Scholarship for Medical Students	53,924	49,923

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

	<u>2024</u>	<u>2023</u>
Tilakram and Bhagwanti Devi Distinguished Professorship in Cleft Lip and Palate Surgery and Training	28,140	25,474
O'Callaghan Family Endowed Professorship in Microbiology	26,845	24,721
Tommy Brown, MD Memorial Scholarship for Medical Students	50,989	47,171
Johnson Family Endowed Scholarship	50,089	46,472
Cole Endowed Professorship for Community Health	27,104	24,646
Margaret Shehee Cole Endowed Scholarship for Inclusion, Diversity, & Excellence in Academics in the School of Allied Health	41,180	36,706
The Dr. Richard J. Courtney Endowed Professorship in Virology	<u>20,722</u>	<u>-</u>
	<u>13,092,841</u>	<u>12,121,912</u>

10. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations.

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the Center for the Center's benefit. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal years ended June 30, 2024 and 2023 was four percent.

Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

The Louisiana Board of Regents spending policy states that annual spending must be determined in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made.

The Foundation classifies as endowment restricted in perpetuity the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

10. Endowed Net Assets (Continued)

Endowment funds net asset composition as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Endowment net assets balances beginning of year	132,491,148	122,110,382
Contributions	3,365,019	3,461,185
Net investment income	17,774,711	13,644,995
Administrative expenses	(2,033,372)	(1,830,330)
Transfers for spending	<u>(2,616,210)</u>	<u>(4,895,084)</u>
Endowment net assets balances end of year	<u>148,981,296</u>	<u>132,491,148</u>

11. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, employee benefit expense, office supplies, maintenance agreements, rent, travel, professional development, dues, and licenses, and other, all of which are allocated on the basis of estimates of time and effort or other reasonable bases.

12. Liquidity and Availability

The Foundation maintains sufficient cash to meet current and future operating needs. At June 30, 2024 the Foundation had \$4,445,446 in cash. Of this amount, the Board of Directors has established an Operating Reserve Policy to establish guidelines for achieving an operating reserve sufficient for the Foundation to support its annual budget, ensure continued growth of current and future programs, fulfill its mission even during times of harsh economic conditions, and provide financial stability and the means for the development of its principal activity. The reserve shall be invested in highly liquid United States Treasury obligations or bank accounts and may be used only for unanticipated and unbudgeted expenses or loss of revenue. Reserves may not be accessed in the absence of a plan for their replenishment over a reasonable period of time. The operating reserve of \$1 million has been fully funded since 2011. The remaining funds in excess of the operating reserve are available for general expenditure.

In addition to these funds, the Foundation's Board of Directors has chosen to charge a management fee to all funds based on the funds' average monthly market value to cover general expenditures required to operate the Foundation. The management fee rate varies from 1% to 1.5%. Fees are assessed on a quarterly basis. Management fees of \$2,892,702 for 2024 and \$2,685,926 for 2023 were charged to specific funds. Certain management fee income and administrative fee expense is netted in the presentation of the statement of activities.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from these funds is restricted for specific purposes and not available for general expenditure. The endowment funds are subject to annual spending rates as discussed in Notes 5 and 10. Annual spend amounts of all endowment funds are transferred into highly-liquid cash and cash equivalents to meet the annual needs for program services. The Foundation's investment policy requires a portion of the non-endowment donor-restricted funds to be maintained in highly-liquid cash equivalents as described in Note 4.

13. Board Designated Net Assets

In prior years, the Board voted and approved the establishment of specific funds upon the request of the Chancellor. At June 30, 2024 and 2023, the Foundation had \$3,199,323 and \$3,434,887 remaining in these funds.

14. 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 August 29, 2024.

SUPPLEMENTARY INFORMATION

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2024

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

LSU Health Sciences Foundation in Shreveport is not required to report the total compensation, reimbursements, and benefits paid to Mr. Kevin Flood, President and Chief Executive Officer during the year ended June 30, 2024, as none of those payments were made from public funds.

OTHER REPORTS



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

**Independent Auditor’s 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**

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 consolidated financial statements of LSU Health Sciences Foundation in Shreveport and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered LSU Health Sciences Foundation and Subsidiaries’ 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of LSU Health Sciences Foundation and Subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of LSU Health Sciences Foundation and Subsidiaries 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LSU Health Sciences Foundation and Subsidiaries consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
August 29, 2024

LSU HEALTH SCIENCES FOUNDATION AND SUBSIDIARIES

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED JUNE 30, 2024

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of LSU Health Sciences Foundation and Subsidiaries.
2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of LSU Health Sciences Foundation and Subsidiaries disclosed during the audit.

B. Findings – Financial Statement Audit

None

LSU HEALTH SCIENCES FOUNDATION AND SUBSIDIARIES

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2024

There were no prior year findings.