LSU FOUNDATION

Consolidated Financial Statements

June 30, 2018

P&N
Postlethwaite & Netterville
A Professional Accounting Corporation
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LSU FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

CONTENTS

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
LSU Foundation
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the LSU Foundation ("the Foundation"), as discussed in Note 1 of the financial statements, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of an entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Postlethwaite & Netterville

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2018 and 2017, and the results of its consolidated activities and changes in net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 8, 2018

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 16,431,560	$ 14,571,472
Restricted cash	2,538,384	31,994,523
Accrued interest receivable	1,128,398	712,996
Accounts receivable, net	676,314	554,349
Unconditional promises to give, net	7,233,525	6,046,955
Other current assets	445,507	138,083
Total current assets	28,453,688	54,018,378
NONCURRENT ASSETS		
Restricted assets:		
Investments	600,473,495	548,291,881
Investments - split-interest agreements	-	3,192,305
Assets held in split-interest agreements	3,203,777	322,956
Beneficial interest in split-interest agreements	1,619,526	2,183,990
Investment in partnership	14,589,955	15,137,799
Unconditional promises to give, net	9,341,965	9,484,178
Property and equipment, net	20,514,359	21,021,414
Other noncurrent assets	885,669	854,375
Total noncurrent assets	650,628,746	600,488,898
Total Assets	$ 679,082,434	$ 654,507,276

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

LIABILITIES AND NET ASSETS

		2018		2017
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	7,931,793	$	8,992,543
Current portion of fund held in custody for others		26,408,985		22,090,367
Compensated absences payable and other payroll liabilities		567,037		567,631
Note payable, current portion		97,817		24,049
Deferred revenues		89,982		2,123,994
Total current liabilities		35,095,614		33,798,584
NONCURRENT LIABILITIES				
Funds held in custody for others		121,551,894		124,551,135
Refundable advances		594,677		1,000,000
Note payable, less current portion		3,226,382		894,312
Total noncurrent liabilities		125,372,953		126,445,447
Total liabilities		160,468,567		160,244,031
NET ASSETS				
Unrestricted:				
Unrestricted - general		21,480,539		18,838,204
Board designated endowments		5,805,210		5,089,000
Net assets relating to partnership investment		14,589,955		15,137,799
Total unrestricted net assets		41,875,704		39,065,003
Temporarily restricted		207,946,940		196,762,281
Permanently restricted		268,791,223		258,435,961
Total net assets		518,613,867		494,263,245
Total Liabilities and Net Assets	$	679,082,434	$	654,507,276

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in unrestricted net assets:		
Contributions	$ 6,140,444	$ 5,830,578
Service fees	1,485,644	1,453,701
Earnings allocation	4,325,638	3,668,561
Investment advisory fees	2,525,000	1,625,000
Gain (loss) on the sales and disposition of assets	(1,655)	376,986
Total unrestricted revenues	14,475,071	12,954,826
Net assets released from donor restrictions	33,891,852	43,182,238
Total unrestricted revenues and other support	48,366,923	56,137,064
Expenses:		
Amounts paid to benefit Louisiana State University for:		
Projects specified by donors	29,635,543	38,928,663
Projects specified by the Board of Directors	1,733,891	1,225,861
Total program expenses	31,369,434	40,154,524
Supporting services:		
Salaries and benefits	8,385,115	8,795,109
Occupancy	184,057	268,974
Office operations	3,509,211	2,092,675
Travel	41,565	58,999
Professional services	1,116,854	1,223,569
Dues and subscriptions	66,977	126,720
Meetings and development	355,338	673,617
Depreciation	527,671	408,421
Total supporting services	14,186,788	13,648,084
Total expenses	45,556,222	53,802,608
Change in unrestricted net assets	2,810,701	2,334,456

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in temporarily restricted net assets:		
Contributions	$ 24,013,636	$ 21,835,392
Earnings allocation	22,245,674	36,810,361
Changes in value of split-interest agreements	(863,347)	35,076
Loss on the sales and disposition of assets	(329,516)	(15,992)
Total temporarily restricted revenues	45,066,447	58,664,837
Net assets released from donor restrictions	(33,881,788)	(43,179,286)
Change in temporarily restricted net assets	11,184,659	15,485,551
Changes in permanently restricted net assets:		
Contributions	10,365,326	8,291,751
Total permanently restricted revenues	10,365,326	8,291,751
Net assets released from donor restrictions	(10,064)	(2,952)
Change in permanently restricted net assets	10,355,262	8,288,799
Change in net assets	24,350,622	26,108,806
Net assets - beginning of year	494,263,245	468,154,439
Net assets - end of year	$ 518,613,867	$ 494,263,245

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 44,455,411	$ 42,562,165
Service fees and investment advisory fees received	4,010,644	3,078,701
Interest and dividends received	8,765,942	8,167,417
Grants paid to benefit Louisiana State University	(29,185,307)	(40,110,923)
Cash paid for supporting services	(15,356,052)	(10,104,984)
Net cash provided by operating activities	12,690,638	3,592,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,777,100)	(3,793,371)
Proceeds from sales of property and equipment	281,678	1,491,237
Purchases of investments	(229,990,499)	(311,771,910)
Proceeds from sales and maturities of investments	187,353,306	311,577,692
Net cash used in investing activities	(45,132,615)	(2,496,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment purposes	1,526,034	5,802,743
Principal payments on notes payable	(24,162)	(2,331,639)
Proceeds from issuance of note payable	2,430,000	2,508,707
Increase in amounts held in custody	1,319,377	6,264,873
Net increase (decrease) in refundable advances	(405,323)	200,000
Net cash provided by financing activities	4,845,926	12,444,684
Net change in cash and cash equivalents	(27,596,051)	13,540,708
Cash and cash equivalents - beginning of the year	46,565,995	33,025,287
Cash and cash equivalents - end of the year	$ 18,969,944	$ 46,565,995

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents - current	$ 16,431,560	$ 14,571,472
Cash and cash equivalents - restricted	2,538,384	31,994,523
	$ 18,969,944	$ 46,565,995
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net assets	$ 24,350,622	$ 26,108,806
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	791,775	413,659
Increase in discounts on unconditional promises to give	46,751	757,331
Increase in allowance on unconditional promises to give	44,800	396,042
Loss (gain) on sales and disposals of assets	2,708	(335,439)
Unrealized gain on investments	(1,573,991)	(23,130,955)
Loss on investment in partnership	547,844	519,297
Net gain on investment transactions	(16,332,527)	(9,577,460)
Receipt of non-cash donations	-	(27,500)
Transfer of non-cash assets to Louisiana State University	2,042,284	147,780
Contributions restricted for endowment purposes	(1,526,034)	(5,802,743)
Increase in accrued interest receivable	(415,402)	(54,386)
Increase in accounts receivable	(121,965)	(105,031)
Decrease in unconditional promises to give	7,703,383	9,371,342
Decrease (increase) in beneficial interest in split-interest agreements	564,464	(249,098)
Increase in other assets	(338,718)	(65,007)
Increase (decrease) in accounts payable and other liabilities	(1,061,344)	3,101,744
Increase (decrease) in deferred revenue	(2,034,012)	2,123,994
Net cash provided by operating activities	$ 12,690,638	$ 3,592,376

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization and purpose

The LSU Foundation (the "Foundation") is a non-profit organization which was organized to promote the educational and cultural welfare of the Louisiana State University and Agricultural and Mechanical College and the Louisiana State University Agricultural Center, herein collectively referred to as "the University," by accepting contributions for the purpose of scholarships, academic support, research support, and other designated projects for the benefit of the University.

Consolidation

The Foundation elects all of the members of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. The LSU Property Foundation is the sole member of the LSU Marine Property Foundation, the LSU Museum, LLC, the LSUPF Gym and Performing Arts, LLC, the PERTT Lab, LLC, the Hilltop Facility, LLC, the Equine Lameness Unit, LLC, the Foundation Office Building, LLC, the Admissions and Recruiting Center, LLC, the Nicholson Gateway Project, LLC, and the Veterans Center, LLC. The PERTT Lab, LLC and the LSUPF Gym and Performing Arts, LLC were dissolved during the year ended June 30, 2017 and the Hilltop Facility, LLC was dissolved during the year ended June 30, 2018. The LSU Foundation is the sole member of the Cary Estate - Surface Property, LLC, the Cary Estate - Working Interests, LLC, and the Cary Estate - Non-Working Interests, LLC. The Foundation is considered to have a majority voting interest in the LSU Real Estate and Facilities Foundation ("LSU REFF"), a supporting organization of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College and the LSU Foundation. LSU REFF is the sole member of the Greenhouse District Project, LLC, the ULS, LLC, the SLA, LLC, the Recital Hall, LLC, the Hilltop Arboretum Projects, LLC, the Roosevelt Street, LLC, and the Geology Field Camp, LLC. As such, the consolidated financial statements of the Foundation include the accounts of the LSU Property Foundation, those LLCs for which the LSU Property Foundation is sole member, the LLCs for which the LSU Foundation is sole member, the LSU Marine Property Foundation, the LSU Real Estate and Facilities Foundation, and the LLC 's for which LSU Real Estate and Facilities Foundation is a sole member. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting; accordingly, all significant receivables, payables, and other liabilities are recorded.

Use of estimates

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

1. Significant Accounting Policies (continued)

Cash equivalents

The Foundation considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

Restricted cash represents amounts set aside to fund restrictions imposed by donors.

The Foundation, at times, may have deposits in excess of FDIC insured limits. Management, however, believes the credit risk associated with these deposits is minimal.

Investments

Investments in equity securities with readily determinable fair values and investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker/dealers who actively make markets in these securities.

Investments managed by external advisors include investments in limited partnerships and commingled funds. The majority of these external investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value and in consideration of any additional factors deemed pertinent to the fair value measurement. If situations occur where the information provided by the external advisor is deemed to not be representative of fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external advisor along with any relevant market data to measure the investment's fair value.

Fair value is based on a combination of information obtained from independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods, the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized in the income approach may be subjective and require judgment regarding significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost or the replacement cost amounts are determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. These values are determined under the direction of, and subject to review by, the Foundation's management.

Dividend, interest, and other investment income is recorded as an increase in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

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 Foundation's current operations.

1. **Significant Accounting Policies** (continued)

Fair values of financial instruments

The Foundation's financial instruments, excluding investments which are described in Note 2 and split-interest agreements which are recorded at estimated fair value, include cash and cash equivalents, notes payable, and unconditional promises to give. The Foundation estimates that the fair values of all these financial instruments at June 30, 2018 and 2017 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying consolidated statements of financial position.

Contributions

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

Promises to give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectability.

Refundable advances

Previously, the Foundation received contributions which were conditional upon the completion and construction of the Patrick F. Taylor and the Chemical Engineering building complex. The project was substantially complete and the refundable advance as of June 30, 2017 was recognized in full during the year ended June 30, 2018. The Foundation received contributions that are deemed revocable until spent during the year ended June 30, 2018. For the years ended June 30, 2018 and 2017, the Foundation has outstanding refundable advances of $594,677 and $1,000,000, respectively.

Property and equipment

Purchased property and equipment is recorded at cost. Property and equipment donated to the Foundation is recorded at their fair value at the date of donation which is then treated as cost. Depreciation is provided over the estimated useful lives, which range from 5 to 25 years, of exhaustible assets on a straight-line basis. Inexhaustible assets, such as artwork and collections, are not depreciated. These inexhaustible assets are evaluated for impairment.

1. **Significant Accounting Policies** (continued)

Split-interest agreements

The Foundation is the beneficiary of various charitable gift annuities. Charitable gift annuities are arrangements between a donor and an organization in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or other parties designated by the donor. The assets received are recorded at fair value and reported as assets held in split-interest agreements as of June 30, 2018 and investments - split-interest agreements as of June 30, 2017 on the consolidated statements of financial position. When the annuity is initially executed, the difference between the fair value of assets received and the present value of the annuity payment liability is reported as contribution revenue in the consolidated statements of activities and changes in net assets. On an annual basis, the annuity payment liability is revalued using present value techniques and actuarial assumptions, including applicable mortality tables. Changes in the present value of the annuity payment liability are reported in the consolidated statements of activities and changes in net assets as a change in the value of split-interest agreements. The present value of the liability is included in the consolidated statements of financial position as funds held in custody.

Funds held in custody for others

The Foundation considers all state matching funds and unexpended income from these funds to be funds held in custody for others. Additionally, amounts held for other LSU affiliated foundations and liabilities associated with charitable gift annuities and charitable remainder trusts are also reported as funds held in custody for others. All funds held in custody are recorded in the consolidated statements of financial position at their estimated fair market values.

Leases

Lease revenues are recognized as revenue in the year in which the lease payments relate. Any advance payments are reported as deferred revenue on the consolidated statements of financial position.

Accrued vacation leave

The Foundation records a liability for accrued and unused vacation of its employees. The balances in accrued and unused vacation totaled $366,947 and $327,585 at June 30, 2018 and 2017, respectively.

Income taxes

The LSU Foundation, the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Real Estate and Facilities Foundation operate as public charities under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes and the excise tax which applies to certain foundations.

1. **Significant Accounting Policies** (continued)

Income taxes (continued)

The Foundation accounts for income taxes in accordance with the income tax accounting guidance included in the Accounting Standards Codification (ASC). The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than fifty percent likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions at June 30, 2018.

Accounting pronouncements issued but not yet adopted

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhances disclosure of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the consolidated financial statements on how it manages its liquid available resources and liquidity risk is required. This ASU is effective for fiscal years beginning after December 15, 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated statement of financial position as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective for the Foundation for the annual period beginning after December 15, 2018.

The Foundation is currently assessing the impact of these pronouncements on its consolidated financial statements.

1. **Significant Accounting Policies** (continued)

Reclassification

Certain reclassifications have been made to the consolidated financial statements and footnotes as of and for the year ended June 30, 2017, in order for them to conform to the current year presentation.

2. **Investments**

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

The Foundation segregates its investments into four separate pools based on donor imposed restrictions and internal designations and has established separate investment strategies for these pools. Investment earnings are allocated to unrestricted, temporarily restricted and permanently restricted net assets based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds. The Foundation employs a unitized method of accounting for pooled endowed investments. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit values. Monthly unit values reflect changes in the fair value of investments within the investment pool. A spending allocation approved by the Board of Directors is made each year to the funds on a per unit basis.

The asset allocation of the Foundation's portfolio involves exposure to a diverse set of markets which involve various risks such as interest rate risk, market risk, and credit risk. The Foundation believes that the value of its investments may, from time to time, fluctuate substantially as a result of these risks. The Foundation has also entered into agreements with private equity and real estate partnerships. See Note 14 for cash commitments relating to these investments.

Investments were comprised of the following at June 30, 2018 and 2017:

	2018	2017
Government agency obligations	$ 52,135,458	$ 39,887,372
Corporate obligations	53,540,682	43,278,175
Common stocks	3,302,945	2,742,669
Mutual funds	140,843,195	182,120,434
Commingled funds	152,356,178	105,573,024
Hedge funds	74,285,641	66,828,605
Municipal obligations	21,412,903	19,353,024
Private equity	62,417,725	53,675,207
Separately managed accounts	39,979,389	35,814,131
Group variable annuity	45,295	2,057,461
Royalty interests	154,084	154,084
	$ 600,473,495	$ 551,484,186

2. **Investments** (continued)

Investment earnings (losses), net of fees, were comprised of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividend income	$ 9,425,003	$ 5,595,076
Realized gains on investment transactions	16,332,527	12,525,847
Investment expenses	(212,365)	(253,659)
	25,545,165	17,867,264
Unrealized gain on investments	1,573,991	23,130,955
Unrealized loss on investment in Shaw Center for the Arts, LLC	(547,844)	(519,297)
	$ 26,571,312	$ 40,478,922

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. Deficiencies of this nature that are reported in temporarily restricted net assets were $0 and $678 as of June 30, 2018 and June 30, 2017, respectively. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to corpus are classified as an increase in temporarily restricted net assets.

3. **Fair Values of Financial Instruments**

In accordance with the Fair Value Measurements and Disclosure topic of the FASB ASC, disclosure of fair value information about financial instruments in the consolidated statements of financial position is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Foundation.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

3. **Fair Values of Financial Instruments** (continued)

Fair Value Hierarchy

The ASC topic on Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation utilizes several externally managed funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g. the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. In circumstances in which net asset value per share of an investment is not determinative of fair value, the manager is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through the Foundation's reporting periods ended June 30, 2018 and 2017.

3. Fair Values of Financial Instruments (continued)

Level 3 Valuation Techniques

Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, Foundation staff and the Foundation's investment consultant conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards and best practices. Capital statements, performance, and pertinent news regarding changes in management are scrutinized as an internal part of the due diligence process prior to hiring a manager. These same elements are monitored on an on-going basis, as a matter of regular business practice, following the hiring of a manager. Level 3 asset types for which this due diligence process and focused monitoring are applied internally are commingled funds, hedge funds, other private equity, and commodities and natural resources.

The valuation process conducted internally for those Level 3 assets categorized as Beneficial Interests in Split-Interest Agreements primarily entails a calculation of the present value of proceeds expected to be received in accordance with the terms of the agreement. Each agreement is reviewed by management to determine the amount of any contractual and/or estimated payments to income beneficiaries using available actuarial data. The present value is calculated using an assumed rate of risk as recommended by the Director of Investments in conjunction with actuarial data tables published by the Social Security Administration.

3. **Fair Values of Financial Instruments** (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Totals
Government agency obligations	$ -	$ 52,135,458	$ -	$ 52,135,458
Municipal obligations	-	21,412,903	-	21,412,903
Corporate obligations	-	53,540,682	-	53,540,682
Common stocks	3,302,945	-	-	3,302,945
Mutual funds:				
Domestic equity	75,311,490	-	-	75,311,490
Developed foreign equity	11,140,516	-	-	11,140,516
Emerging market equity	5,061,488	-	-	5,061,488
Inflation protection	6,689,953	-	-	6,689,953
Core fixed income	36,945,603	-	-	36,945,603
Absolute return	5,694,145	-	-	5,694,145
Annuity and trust funds held by agent	3,203,777	-	-	3,203,777
Beneficial interest in split-interest agreements	-	-	1,619,526	1,619,526
Royalty interests	-	-	154,084	154,084
	$147,349,917	$ 127,089,043	$ 1,773,610	
Commingled funds (including hedge funds measured at net asset value) (*a*)				226,641,819
Private market investments measured at net asset value (*a*)				62,417,725
Other investments measured at net asset value (including separately managed accounts) (*a*)				40,024,684
				$ 605,296,798

(a) - In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

3. **Fair Values of Financial Instruments** (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Totals
Government agency obligations	$ -	$ 39,887,372	$ -	$ 39,887,372
Municipal obligations	-	19,353,024	-	19,353,024
Corporate obligations	-	43,278,175	-	43,278,175
Common stocks	2,742,669	-	-	2,742,669
Mutual funds:				
Domestic equity	101,546,496	-	-	101,546,496
Developed foreign equity	5,300,962	-	-	5,300,962
Emerging market equity	18,781,772	-	-	18,781,772
Inflation protection	16,795,481	-	-	16,795,481
Hedge fund	6,511,519	-	-	6,511,519
Core fixed income	33,184,204	-	-	33,184,204
Trust funds held by agent	322,956	-	-	322,956
Beneficial interest in split-interest agreements	-	-	2,183,990	2,183,990
Royalty interests	-	-	154,084	154,084
	$185,186,059	$ 102,518,571	$ 2,338,074	
Commingled funds (including hedge funds measured at net asset value) (*a*)				172,401,629
Private market investments measured at net asset value (*a*)				53,675,207
Other investments measured at net asset value (including separately managed accounts) (*a*)				37,871,592
				$ 553,991,132

(a) - In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

3. **Fair Values of Financial Instruments** (continued)

The following tables present the nature, characteristics and risks of level 3 investments measured at net asset value and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share or its equivalent.

June 30, 2018

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled funds	$ 152,356,178	$ -	quarterly or less	≤ 90 days
Hedge Funds:				
Long/short equity	2,557,312	-	longer than quarterly	≤ 90 days
Long/short equity	2,676,504	-	quarterly or less	≤ 90 days
Relative value	58,407	-	longer than quarterly	≤ 90 days
Event driven	19,614,623	-	longer than quarterly	≤ 90 days
Credit	9,723,867	-	longer than quarterly	> 90 days
Credit	5,988	-	quarterly or less	≤ 90 days
Multi-strategy	14,255,153	-	longer than quarterly	≤ 90 days
Multi-strategy	25,393,787	-	quarterly or less	≤ 90 days
Total commingled and hedge funds	226,641,819			
Private markets	62,417,725	41,159,432	*	
Other	40,024,684	-	quarterly or less	≤ 90 days
Total	$ 329,084,228	$ 41,159,432		

* Private market investments are generally invested in funds with no specific redemption period. Investment proceeds, if any, from private market investments are distributed to investors throughout the life of the private market investment fund, as stipulated in the funds' offering documents.

3. **Fair Values of Financial Instruments** (continued)

June 30, 2017

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled funds	$ 105,573,024	$ -	quarterly or less	≤ 90 days
Hedge Funds:				
Long/short equity	6,037,039	-	longer than quarterly	≤ 90 days
Long/short equity	8,724,669	-	longer than quarterly	> 90 days
Long/short equity	294,739	-	quarterly or less	> 90 days
Relative value	1,769,848	-	longer than quarterly	≤ 90 days
Relative value	1,179,899	-	quarterly or less	≤ 90 days
Event driven	10,070,390	-	quarterly or less	≤ 90 days
Global Macro/CTA	235,344	-	quarterly or less	≤ 90 days
Multi-strategy	38,516,677	-	quarterly or less	≤ 90 days
Total commingled and hedge funds	172,401,629			
Private markets	53,675,207	43,378,099	*	
Other	37,871,592	-	quarterly or less	≤ 90 days
Total	$ 263,948,428	$ 43,378,099		

* Private market investments are generally invested in funds with no specific redemption period. Investment proceeds, if any, from private market investments are distributed to investors throughout the life of the private market investment fund, as stipulated in the funds' offering documents.

The following table presents the changes in fair value in Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017:

Balance - June 30, 2016	$ 2,088,976
Purchases/capital calls/receipts	113,413
Sales	-
Unrealized gains	135,685
Realized gains	-
Balance - June 30, 2017	2,338,074
Purchases/capital calls/receipts	-
Sales	(548,277)
Unrealized losses	(62,311)
Realized gains	46,124
Balance - June 30, 2018	$ 1,773,610

3. **Fair Values of Financial Instruments** (continued)

The realized and unrealized gains or losses recorded during the years ended June 30, 2018 and 2017 are included in the consolidated statements of activities and changes in net assets as earnings allocation within unrestricted or temporarily restricted net assets based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds.

4. **Unconditional Promises to Give**

Unconditional promises to give at June 30, 2018 and 2017 were as follows:

	2018	2017
Promises to give expected to be collected in:		
Less than one year	$ 9,013,790	$ 6,046,955
One to five years	11,245,072	10,396,991
More than five years	1,462,518	3,324,699
	21,721,380	19,768,645
Less discount on promises to give	(2,093,425)	(1,274,012)
Less allowance for uncollectible accounts	(3,052,465)	(2,963,500)
Net unconditional promises to give	$ 16,575,490	$ 15,531,133

The discount rates used in discounting unconditional promises to give were 2.87% and 1.77% as of June 30, 2018 and 2017, respectively.

5. **Split-Interest Agreements**

The Foundation serves as trustee for several charitable remainder trusts for which the Foundation is the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair value of the funds held is reported as an asset and corresponding liability in the consolidated statements of financial position. As of June 30, 2018 and 2017, the fair value of both the asset and corresponding liability of these charitable remainder trusts totaled $302,675 and $322,956, respectively.

The Foundation is the irrevocable beneficiary of several split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at its present value and reported as assets in the consolidated statements of financial position as beneficial interest in split-interest agreements. As of June 30, 2018 and 2017, the fair value of the beneficial interests totaled $1,619,526 and $2,183,990, respectively.

The Foundation has several charitable gift annuity arrangements with donors in which the Foundation has received assets from a donor in exchange for the Foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held and administered by a third-party financial institution as an agent of the Foundation. The funds are reported as an asset on the consolidated statement of financial position at the fair value of $2,901,102 as of June 30, 2018. The assets were held as investments of the Foundation and are reported as investments - split-interest agreements on the consolidated statements of financial position at the fair value of $3,192,305 as of June 30, 2017. The present value of the amount due to these donors or their designees as of June 30, 2018 and June 30, 2017, totaled $2,322,568 and $1,835,037, respectively.

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Buildings	$ 13,515,239	$ 13,659,141
Computers	1,095,904	1,102,094
Furniture and equipment	1,371,253	1,271,792
Livestock	47,500	47,500
	16,029,896	16,080,527
Less: accumulated depreciation	(2,568,789)	(1,851,467)
	13,461,107	14,229,060
Construction in progress	1,903,037	1,357,753
Land	929,392	1,212,724
Artwork and other non-depreciable assets	4,220,823	4,221,877
	$ 20,514,359	$ 21,021,414

For the years ended June 30, 2018 and 2017, in addition to the amounts recorded as depreciation expense on the consolidated statements of activities and changes in net assets, depreciation expense of $264,104 and $184,969, respectively, was included in projects specified by the Board of Directors in the consolidated statement of activities for those assets which are not considered unrestricted by the Foundation.

7. Investment in Partnership

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC, and accordingly, accounts for the investment using the equity method of accounting. The investments recorded on the consolidated statements of financial position totaled $14,589,955 and $15,137,799 at June 30, 2018 and 2017, respectively. The summarized financial information as of and for the year ended June 30, 2018 and June 30, 2017 of the Shaw Center for the Arts, LLC is as follows:

	2018	2017
Total assets	$ 29,388,155	$ 30,419,914
Total liabilities	$ 208,245	$ 144,318
Net loss	($ 1,095,687)	($ 1,038,374)

8. Notes Payable

The Foundation Office Building, LLC had a construction line of credit that was converted to a $3,250,000 term note on November 8, 2016 and is secured by the mortgaged property. The note bears interest at a fixed rate of 3.5% and the outstanding balances as of June 30, 2018 and 2017 are $894,199 and $918,361, respectively.

8. Notes Payable (continued)

On March 28, 2018, the Nicholson Gateway Project, LLC entered into a $2,430,000 term note secured by the all property of the borrower. The note bears interest at a fixed 4.61% and the outstanding balance as of June 30, 2018 is $2,430,000. The note is scheduled to mature on March 28, 2028.

The notes payable are scheduled to mature as follows:

Year ending June 30,	Amount
2019	$ 97,817
2020	122,932
2021	123,944
2022	124,908
2023	125,908
Thereafter	2,728,690
	$ 3,324,199

9. Funds Held In Custody For Others

Under agreements with the University and certain other charitable organizations, the Foundation manages and holds for deposit designated funds for these entities. The funds being held at June 30, 2018 and 2017 were as follows:

	2018	2017
LSU - Alexandria Foundation	$ 21,362,561	$ 21,055,963
LSU - Eunice Foundation	2,416,909	2,284,262
Tiger Athletic Foundation	16,395,876	15,780,982
State Matching Funds Managed for the University	105,160,290	105,362,302
Split-interest agreements	2,625,243	2,157,993
	147,960,879	146,641,502
Less: portion classified as current	(26,408,985)	(22,090,367)
	$ 121,551,894	$ 124,551,135

10. Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 were available for grants to support Louisiana State University in the following general areas:

	2018	2017
Chairs and professorships	$ 64,367,825	$ 53,604,845
Scholarships and fellowships	35,090,948	33,946,285
Academic support and development	77,207,898	78,990,314
Capital outlay and improvements	25,190,589	23,649,342
Research support	4,662,711	4,601,359
Institutional support	1,426,969	1,970,136
	$ 207,946,940	$ 196,762,281

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of other events specified by the donors during the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Chairs and professorships	$ 6,626,024	$ 6,569,957
Scholarships and fellowships	6,128,963	5,626,023
Academic support and development	15,782,929	14,328,599
Capital outlay and improvements	2,871,233	15,201,148
Research support	1,293,602	1,164,998
Institutional support	1,189,101	291,513
	$ 33,891,852	$ 43,182,238

Permanently restricted net assets at June 30, 2018 and 2017 were restricted to investments in perpetuity, the income from which is expendable to support the activities below:

	2018	2017
Chairs and professorships	$ 118,365,528	$ 117,034,595
Scholarships and fellowships	81,486,754	75,669,297
Academic support and development	66,650,483	63,490,650
Capital outlay and improvements	209,885	202,015
Research support	2,078,573	2,039,404
	$ 268,791,223	$ 258,435,961

11. Endowed Net Assets

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

11. **Endowed Net Assets** (continued)

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 University for the University's benefit. These state matching endowed funds, which are maintained in a separate pool from other Foundation investments, 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 LSU Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2018 and 2017, was 4.00%.

Effective July 1, 2010, the Louisiana Legislature enacted Act No. 168 (the "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.

In its interpretation of the law, the Foundation's Board of Directors has determined that it is prudent for those endowed funds with no donor restrictions to the contrary whose market value is in excess of 80% (eighty percent) of corpus be made available for appropriation for expenditure within the provisions of the Board's annual establishment of spending policy. The portion that has not been determined to be available for expenditure is considered by the Board to be funds of perpetual duration and is classified as permanently restricted net assets. That portion that has been determined under relevant law by the Board to be available for appropriation is classified as temporarily restricted net assets. In making such determination, the Board considered the following factors: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; general economic conditions; the possible effect of inflation or deflation; expected total return from income and appreciation of investments; other resources of the institution; and the investment policy of the institution.

The Louisiana Board of Regents spending policy dictates that 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 equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

The LSU Foundation Board of Directors has chosen to manage a portion of its unrestricted net assets as part of the endowed funds investment pool. At June 30, 2018 and 2017, the fair value of these Board Designated Endowed Funds was $5,805,210 and $5,089,000 respectively. The Foundation reclassified market value adjustments from non-endowed temporarily restricted to endowed temporarily restricted to accurately reflect temporarily restricted endowed funds.

11. Endowed Net Assets (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowed net assets at June 30, 2016	$ 5,063,587	$ 63,127,774	$ 250,147,162	$ 318,338,523
Investment return: Net appreciation	25,546	24,587,085	-	24,612,631
Contributions (including interfund transfers)	(133)	1,723,420	8,291,751	10,015,038
Released from restriction	-	2,952	(2,952)	-
Endowed net assets at June 30, 2017	5,089,000	89,441,231	258,435,961	352,966,192
Investment return: Net appreciation	276,483	3,846,944	-	4,123,427
Contributions (including interfund transfers)	508,476	1,111,424	10,365,326	11,985,226
Appropriation of endowed Assets for expenditure	(68,749)	(1,803,019)	-	(1,871,768)
Released from restriction	-	10,064	(10,064)	-
Endowed net assets at June 30, 2018	$ 5,805,210	$ 92,606,644	$ 268,791,223	$ 367,203,077

11. Endowed Net Assets (continued)

The composition of endowed net assets, by fund type, at June 30, 2018 and 2017 was as follows:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 92,606,644	$ 268,791,223	$ 361,397,867
Board designated endowment	5,805,210	-	-	5,805,210
Total	$ 5,805,210	$ 92,606,644	$ 268,791,223	$ 3674,203,077

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 89,441,231	$ 258,435,961	$ 347,877,192
Board designated endowment	5,089,000	-	-	5,089,000
Total	$ 5,089,000	$ 89,441,231	$ 258,435,961	$ 352,966,192

12. Retirement Plan

The Foundation sponsors a 401(k) retirement plan for its employees. The Foundation matched up to 4% of the employee's salary to the plan in 2016. In January 2017, the Foundation increased its match to 6%. An employee is vested 100% upon beginning employment with the Foundation. The retirement plan requires a minimum participation age of 21. The Foundation contributed $394,266 and $273,488 to the Plan during the years ended June 30, 2018 and 2017, respectively.

13. Operating Lease

Louisiana State University ("LSU") executed a ground lease with Nicholson Gateway Project, LLC ("NGP") to develop student housing and retail space on LSU's campus. In furtherance of development, NGP subleased the property to Provident Group – Flagship Properties, LLC ("Provident"). The lease commenced in September 2016 and expires on the fortieth anniversary of the commencement date. Annual lease payments of $2 million shall be paid during year three through seven of the lease. Commencing in year 8 through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year. During the year ended June 30, 2017, NGP received $4 million of lease payments which included an advance of its second year ground lease payment totaling $2 million. The advanced lease payment is recorded as deferred revenue on the consolidated statement of financial position as of June 30, 2017.

13. Operating Lease (continued)

The Foundation Office Building, LLC entered into a ground lease agreement with the LSU Board of Supervisors in May 2015 to lease the land occupied by the LSU Foundation Center for Philanthropy. The term of the agreement is 40 years with two successive options to renew the lease for 30 and 25 years for a total of 95 consecutive years. The annual rent payments are $5,000 for the first 40 years, $7,000 for the first renewal term, and $9,000 for the second renewal term.

14. Commitments

The Foundation has contractual commitments associated with the construction, restoration, and renovation projects for certain LSU buildings. The total contract amount for these projects is $1,434,481, and the remaining commitment as of June 30, 2018, totals $605,782.

The Foundation has also previously committed an additional $117,826,276 to various Private Equity Funds. As of June 30, 2018, remaining commitments total $41,159,432.

15. Transactions with the University

The Foundation has certain transactions with the University in the normal course of operations. The transactions consist of reimbursement for salaries, which are processed by the University and reimbursement for certain expenses paid by the University on behalf of the Foundation, such as payments of scholarships and capital projects. The amount owed to the University at June 30, 2018 and 2017 for these types of expenses was $5,728,954 and $7,460,674, respectively.

16. Development Expenses

The Foundation incurred expenses totaling $6,796,694 and $5,627,468 for the years ending June 30, 2018 and 2017, respectively, related to development and fundraising. Such amounts are included in supporting services in the accompanying consolidated statements of activities.

17. Subsequent Events

Management evaluated subsequent events through, October 8, 2018, the date that the financial statements were available to be issued and have determined that no additional disclosures were necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.