

**LSU HEALTH SCIENCES FOUNDATION**

**IN SHREVEPORT AND SUBSIDIARY**

**SHREVEPORT, LOUISIANA**

**JUNE 30, 2018 AND 2017**

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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August 22, 2018

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

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Health Sciences Foundation in Shreveport and Subsidiary as of June 30, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying other financial information listed in the table of contents 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 the auditing procedures applied in the audits 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

| <u>A S S E T S</u>                                  | <u>2018</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| Cash  | 2,953,285          | 1,711,652          |
| Accounts receivable                                 | 126,409            | 139,902            |
| Pledges receivable-Note 3                           | 200,000            | 3,000              |
| Investments-pools-Note 4                            | 68,088,624         | 63,479,472         |
| Investments-CFeist Legacy-Note 5                    | 79,161,400         | 77,179,710         |
| Investments-MFeist Legacy-Note 6                    | 41,361,052         | 45,376,003         |
| Investments-LSU Health Shreveport-endowments-Note 6 | 8,461,290          | 8,580,265          |
| Investments-other                                   | 179,450            | 172,865            |
| Investment in real estate-Notes 8 and 9             | 3,237,470          | 3,381,830          |
| Other assets  | <u>23,740</u>      | <u>31,248</u>      |
| Total assets  | <u>203,792,720</u> | <u>200,055,947</u> |
| <br><u>LIABILITIES AND NET ASSETS</u>               |                    |                    |
| <u>Liabilities:</u>                                 |                    |                    |
| Accounts payable                                    | 2,361,150          | 932,928            |
| Other payables                                      | 98,854             | 93,245             |
| Notes payable-Note 9                                | -                  | 82,606             |
| Due to LSU Health Shreveport-BOR match-Note 10      | 9,790,268          | 9,345,770          |
| Due to LSU Health Shreveport-MFeist Legacy-Note 6   | 41,361,052         | 45,376,003         |
| Due to LSU Health Shreveport-endowments-Note 6      | <u>8,461,290</u>   | <u>8,580,265</u>   |
| Total liabilities                                   | 62,072,614         | 64,410,817         |
| <br><u>Net assets:</u>                              |                    |                    |
| Unrestricted:                                       |                    |                    |
| Board designated                                    | 3,965,175          | 4,383,143          |
| Undesignated  | <u>14,606,565</u>  | <u>12,757,836</u>  |
| Total unrestricted                                  | 18,571,740         | 17,140,979         |
| Temporarily restricted-Note 11                      | 106,848,323        | 103,349,260        |
| Permanently restricted-Notes 12 and 13              | <u>16,300,043</u>  | <u>15,154,891</u>  |
| Total net assets                                    | <u>141,720,106</u> | <u>135,645,130</u> |
| Total liabilities and net assets                    | <u>203,792,720</u> | <u>200,055,947</u> |

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

|  | 2018                |                                   |                                   |                    |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
| <u>Support, revenues and gains:</u>                            |                     |                                   |                                   |                    |
| Contributions  | 570,868             | 1,626,760                         | 948,423                           | 3,146,051          |
| Income on investments  | 581,184             | 2,561,426                         | 471,150                           | 3,613,760          |
| Net realized and unrealized gains (losses)<br>on investments   | 112,351             | 5,034,008                         | 785,368                           | 5,931,727          |
| Management fee income  | 2,249,942           | -                                 | -                                 | 2,249,942          |
| Rental income  | <u>37,720</u>       | <u>-</u>                          | <u>-</u>                          | <u>37,720</u>      |
| Total support, revenues and gains                              | 3,552,065           | 9,222,194                         | 2,204,941                         | 14,979,200         |
| <u>Net assets released from restrictions</u>                   | 7,086,863           | (6,884,331)                       | (202,532)                         | -                  |
| <u>Transfers between classifications</u>                       | <u>(303,943)</u>    | <u>1,161,200</u>                  | <u>(857,257)</u>                  | <u>-</u>           |
| <u>Total support, revenue, gains and<br/>reclassifications</u> | 10,334,985          | 3,499,063                         | 1,145,152                         | 14,979,200         |
| <u>Expenses:</u>   |                     |                                   |                                   |                    |
| Management and general   | 1,522,618           | -                                 | -                                 | 1,522,618          |
| Real estate management   | 105,782             | -                                 | -                                 | 105,782            |
| LSU Health Sciences Center Support:                            |                     |                                   |                                   |                    |
| Specified by donors for Feist-Weiller<br>Cancer Center         | 5,599,208           | -                                 | -                                 | 5,599,208          |
| Specified by donors for other departments                      | 1,487,655           | -                                 | -                                 | 1,487,655          |
| Specified by the Board of Directors                            | <u>188,961</u>      | <u>-</u>                          | <u>-</u>                          | <u>188,961</u>     |
| Total support to LSU Health Sciences<br>Center                 | <u>7,275,824</u>    | <u>-</u>                          | <u>-</u>                          | <u>7,275,824</u>   |
| Total expenses   | <u>8,904,224</u>    | <u>-</u>                          | <u>-</u>                          | <u>8,904,224</u>   |
| <u>Change in net assets</u>                                    | 1,430,761           | 3,499,063                         | 1,145,152                         | 6,074,976          |
| <u>Net assets at beginning of period</u>                       | <u>17,140,979</u>   | <u>103,349,260</u>                | <u>15,154,891</u>                 | <u>135,645,130</u> |
| <u>Net assets at end of period</u>                             | <u>18,571,740</u>   | <u>106,848,323</u>                | <u>16,300,043</u>                 | <u>141,720,106</u> |

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

2017

| <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|---------------------|-----------------------------------|-----------------------------------|--------------------|
| 889,384             | 1,737,532                         | 1,611,365                         | 4,238,281          |
| 493,580             | 2,582,886                         | 439,695                           | 3,516,161          |
| 631,941             | 9,033,878                         | 1,490,449                         | 11,156,268         |
| 2,132,756           | -                                 | -                                 | 2,132,756          |
| 37,460              | -                                 | -                                 | 37,460             |
| <u>4,185,121</u>    | <u>13,354,296</u>                 | <u>3,541,509</u>                  | <u>21,080,926</u>  |
| 5,161,828           | (5,216,157)                       | 54,329                            | -                  |
| <u>(67,219)</u>     | <u>880,560</u>                    | <u>(813,341)</u>                  | <u>-</u>           |
| 9,279,730           | 9,018,699                         | 2,782,497                         | 21,080,926         |
| 1,510,042           | -                                 | -                                 | 1,510,042          |
| 108,234             | -                                 | -                                 | 108,234            |
| 4,053,288           | -                                 | -                                 | 4,053,288          |
| 1,114,781           | -                                 | -                                 | 1,114,781          |
| <u>1,941,942</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,941,942</u>   |
| <u>7,110,011</u>    | <u>-</u>                          | <u>-</u>                          | <u>7,110,011</u>   |
| <u>8,728,287</u>    | <u>-</u>                          | <u>-</u>                          | <u>8,728,287</u>   |
| 551,443             | 9,018,699                         | 2,782,497                         | 12,352,639         |
| <u>16,589,536</u>   | <u>94,330,561</u>                 | <u>12,372,394</u>                 | <u>123,292,491</u> |
| <u>17,140,979</u>   | <u>103,349,260</u>                | <u>15,154,891</u>                 | <u>135,645,130</u> |

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

|   | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|
| <u>Cash flows from operating activities:</u>  |                  |                  |
| Change in net assets  | 6,074,976        | 12,352,639       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                  |                  |
| Depreciation  | 57,360           | 59,889           |
| Net realized and unrealized (gain) on long-term investments                                 | (5,931,727)      | (11,156,268)     |
| Impairment of investment in real estate   | 2,000            | -                |
| Non-cash property donation  | (35,000)         | -                |
| (Increase) decrease in accounts receivable  | 13,493           | (1,567)          |
| (Increase) decrease in pledges receivable   | (197,000)        | 7,000            |
| (Increase) decrease in other assets   | 7,508            | (5,482)          |
| (Decrease) increase in accounts payable   | 1,428,222        | (359,789)        |
| (Decrease) increase in other payable  | 5,609            | (13,881)         |
| Net cash provided by operating activities   | <u>1,425,441</u> | <u>882,541</u>   |
| <u>Cash flows from investing activities:</u>  |                  |                  |
| Sale of real estate   | 120,000          | 142,635          |
| Purchases of investments  | (10,622,439)     | (35,412,810)     |
| Proceeds from sale and maturities of investments  | 9,956,739        | 33,637,514       |
| Increase in due to LSU Health Shreveport-BOR match  | 444,498          | 902,837          |
| Net cash (used) by investing activities   | <u>(101,202)</u> | <u>(729,824)</u> |
| <u>Cash flows from financing activities:</u>  |                  |                  |
| Repayment of notes payable  | <u>(82,606)</u>  | <u>(119,690)</u> |
| Net cash (used) by financing activities   | <u>(82,606)</u>  | <u>(119,690)</u> |
| <u>Net increase in cash</u>   | 1,241,633        | 33,027           |
| <u>Cash at beginning of period</u>  | <u>1,711,652</u> | <u>1,678,625</u> |
| <u>Cash at end of period</u>  | <u>2,953,285</u> | <u>1,711,652</u> |
| <u>Supplemental disclosure of cash flow information:</u>                                    |                  |                  |
| Cash paid for interest  | <u>1,584</u>     | <u>7,515</u>     |

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**1. Nature of Business**

The consolidated financial statements include the LSU Health Sciences Foundation in Shreveport and its wholly-owned subsidiary – the LSU Health Sciences Building Foundation in Shreveport (“Building Foundation”). All significant intercompany accounts and transactions, except for management fees, 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. In October 2013, the Foundation’s three previous subsidiaries, Foundation Property, LLC, Foundation General Holdings, LLC, and Intermodal Transit Facility, LLC, were merged into the Building Foundation, which had been inactive prior to that date.

**2. Summary of Significant Accounting Policies**

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

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

- b. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.
- c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

- d. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions which are not held within the investment portfolios. The Foundation, at times, may have deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.
- f. The LSU Health Sciences Foundation in Shreveport and the LSU Health Science Building Foundation in Shreveport qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation and Building Foundation are required to file an annual information return. The Foundation and Building Foundation are also required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they are tax exempt entities. The Foundation and Building Foundation must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax exempt entities, the Foundation and Building Foundation must assess whether they have any tax positions associated with unrelated business income subject to income tax. The Foundation and Building Foundation do not expect their positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's and Building Foundation's accounting records.

The Foundation and Building Foundation file U.S. federal Form 990 for informational purposes. The Foundation's and Building Foundation's federal income tax returns for the tax years 2014 and beyond remain subject to examination by the Internal Revenue Service.

- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

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.

- 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 fifteen years.
- j. The Foundation's financial instruments, excluding investments which are recorded at estimated

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

fair value, include cash and pledges receivable. The Foundation estimates that the fair values of 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 financial statements.

- k. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. On April 1, 2015, the FASB proposed to defer the effective date by one year until January 1, 2018, but would allow early adoption as of the original January 1, 2017, effective date. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

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

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

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the potential impact of adopting this guidance on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. However, an entity has the option to omit the presentation by both

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

the natural and functional classification, as well as the disclosure about liquidity and availability of financial resources, for any comparative periods originally presented before the period of adoption. The Foundation is in the process of implementing these changes.

1. Certain amounts included in the prior year have been reclassified for current year presentation.

3. **Pledges Receivable**

Pledges receivable is summarized as follows as of June 30, 2018 and 2017:

|  | <u>2018</u>    | <u>2017</u>  |
|--|----------------|--------------|
| Unconditional pledges expected to be collected in: |                |              |
| Less than one year                                 | 93,500         | 2,000        |
| One year to five years                             | 106,500        | 1,000        |
| More than five years                               | -              | -            |
| Pledges receivable                                 | <u>200,000</u> | <u>3,000</u> |

4. **Investments-Pools**

Investments-pools consisted primarily of Vanguard mutual funds.

|                                 | <u>2018</u>       |                   | <u>2017</u>       |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <u>Market</u>     |                   | <u>Market</u>     |                   |
|                                 | <u>Value</u>      | <u>Cost</u>       | <u>Value</u>      | <u>Cost</u>       |
| <b><u>Unrestricted Pool</u></b> |                   |                   |                   |                   |
| Fixed Income:                   |                   |                   |                   |                   |
| Investment grade mutual funds   | <u>2,226,186</u>  | <u>2,289,176</u>  | <u>2,239,180</u>  | <u>2,231,503</u>  |
| Total Fixed Income              | 2,226,186         | 2,289,176         | 2,239,180         | 2,231,503         |
| Equity:                         |                   |                   |                   |                   |
| Domestic mutual funds           | 3,467,514         | 2,447,703         | 3,034,541         | 2,336,562         |
| International mutual funds      | <u>2,151,449</u>  | <u>1,883,025</u>  | <u>1,947,472</u>  | <u>1,838,316</u>  |
| Total Equity                    | <u>5,618,963</u>  | <u>4,330,728</u>  | <u>4,982,013</u>  | <u>4,174,878</u>  |
| Total Unrestricted Pool         | <u>7,845,149</u>  | <u>6,619,904</u>  | <u>7,221,193</u>  | <u>6,406,381</u>  |
| <b><u>Nonendowed Pool</u></b>   |                   |                   |                   |                   |
| Cash and cash equivalents       | 5,105,901         | 5,105,882         | 4,406,520         | 4,406,520         |
| Fixed Income:                   |                   |                   |                   |                   |
| Investment grade mutual funds   | <u>14,130,560</u> | <u>14,460,849</u> | <u>13,015,690</u> | <u>13,061,519</u> |
| Total Fixed Income              | <u>14,130,560</u> | <u>14,460,849</u> | <u>13,015,690</u> | <u>13,061,519</u> |
| Total Nonendowed Pool           | <u>19,236,461</u> | <u>19,566,731</u> | <u>17,422,210</u> | <u>17,468,039</u> |

#### 4. Investments-Pools (Continued)

|                                   | <u>2018</u>         |                   | <u>2017</u>         |                   |
|-----------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                   | <u>Market Value</u> | <u>Cost</u>       | <u>Market Value</u> | <u>Cost</u>       |
| <u>General/Feist Endowed Pool</u> |                     |                   |                     |                   |
| Cash and cash equivalents         | 427,178             | 427,178           | 14,141              | 14,141            |
| Fixed Income:                     |                     |                   |                     |                   |
| Investment grade mutual funds     | <u>4,971,412</u>    | <u>5,112,253</u>  | <u>5,161,753</u>    | <u>5,145,325</u>  |
| Total Fixed Income                | 4,971,412           | 5,112,253         | 5,161,753           | 5,145,325         |
| Equity:                           |                     |                   |                     |                   |
| Domestic mutual funds             | 7,739,388           | 5,376,420         | 7,015,269           | 5,293,035         |
| International mutual funds        | <u>4,616,982</u>    | <u>4,058,258</u>  | <u>4,488,932</u>    | <u>4,246,471</u>  |
| Total Equity                      | <u>12,356,370</u>   | <u>9,434,678</u>  | <u>11,504,201</u>   | <u>9,539,506</u>  |
| Total General/Feist Endowed Pool  | <u>17,754,960</u>   | <u>14,974,109</u> | <u>16,680,095</u>   | <u>14,698,972</u> |
| <u>Future Endowment Pool</u>      |                     |                   |                     |                   |
| Cash and cash equivalents         | <u>1,944,885</u>    | <u>1,944,885</u>  | <u>1,668,540</u>    | <u>1,668,540</u>  |
| Total Future Endowment Pool       | <u>1,944,885</u>    | <u>1,944,885</u>  | <u>1,668,540</u>    | <u>1,668,540</u>  |
| <u>BRSF Pool</u>                  |                     |                   |                     |                   |
| Cash and cash equivalents         | 3,264               | 3,264             | 471,128             | 471,128           |
| Fixed Income:                     |                     |                   |                     |                   |
| Investment grade mutual funds     | <u>6,217,344</u>    | <u>6,393,965</u>  | <u>6,199,908</u>    | <u>6,178,877</u>  |
| Total Fixed Income                | 6,217,344           | 6,393,965         | 6,199,908           | 6,178,877         |
| Equity:                           |                     |                   |                     |                   |
| Domestic mutual funds             | 9,446,801           | 6,584,309         | 8,425,988           | 6,359,123         |
| International mutual funds        | <u>5,639,760</u>    | <u>4,957,247</u>  | <u>5,390,410</u>    | <u>5,095,878</u>  |
| Total Equity                      | <u>15,086,561</u>   | <u>11,541,556</u> | <u>13,816,398</u>   | <u>11,455,001</u> |
| Total BRSF Pool                   | <u>21,307,169</u>   | <u>17,938,785</u> | <u>20,487,434</u>   | <u>18,105,006</u> |
| Total Investments-pool            | <u>68,088,624</u>   | <u>61,044,414</u> | <u>63,479,472</u>   | <u>58,346,938</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.

## 5. CFeist Legacy (Continued)

The bequest will be used for cancer research at the LSU Health Sciences Center, Shreveport, Louisiana. After appropriate approvals, the Foundation may spend income of the Feist account up to a maximum in any one fiscal year of \$1,000,000. Principal may also be spent after appropriate approvals have been obtained. Such approvals were required in 2018 and 2017.

Because of the difficulty in valuing certain assets in the Succession, contributions will be recorded as the assets are received from the Succession. 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                | 2,312,389         | 23,557,148        | 25,869,537                 |
| 2007                | 1,144,781         | 5,683,039         | 6,827,820                  |
| 2008                | 2,728,319         | 3,648,281         | 6,376,600                  |
| 2009                | 2,086,779         | 1,168,221         | 3,255,000                  |
| 2010                | 1,064,881         | 485,119           | 1,550,000                  |
| 2011                | 1,124,600         | 475,400           | 1,600,000                  |
| 2012                | 1,171,168         | 563,832           | 1,735,000                  |
| 2013                | 1,144,435         | 2,040,565         | 3,185,000                  |
| 2014                | 909,695           | 430,305           | 1,340,000                  |
| 2015                | 754,520           | 295,480           | 1,050,000                  |
| 2016                | 405,462           | 159,538           | 565,000                    |
| 2017                | 393,947           | 141,053           | 535,000                    |
| 2018                | <u>295,987</u>    | <u>114,013</u>    | <u>410,000</u>             |
|                     | <u>15,536,963</u> | <u>38,761,994</u> | <u>54,298,957</u>          |

Investments from the CFeist Legacy consisted primarily of Vanguard mutual funds.

Investments-CFeist Legacy are presented below with their respective market values and costs as of June 30, 2018 and 2017.

|                                 | <u>2018</u>         |                   | <u>2017</u>         |                   |
|---------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                 | <u>Market Value</u> | <u>Cost</u>       | <u>Market Value</u> | <u>Cost</u>       |
| Fixed Income:                   |                     |                   |                     |                   |
| Investment grade mutual funds   | <u>22,813,587</u>   | <u>23,454,618</u> | <u>23,932,258</u>   | <u>23,850,420</u> |
| Total Fixed Income              | <u>22,813,587</u>   | <u>23,454,618</u> | <u>23,932,258</u>   | <u>23,850,420</u> |
| Equities:                       |                     |                   |                     |                   |
| Domestic mutual funds           | 35,233,043          | 24,510,163        | 32,435,535          | 24,564,654        |
| International mutual funds      | <u>21,114,770</u>   | <u>18,590,183</u> | <u>20,811,917</u>   | <u>19,691,537</u> |
| Total Equities                  | <u>56,347,813</u>   | <u>43,100,346</u> | <u>53,247,452</u>   | <u>44,256,191</u> |
| Total Investments-CFeist Legacy | <u>79,161,400</u>   | <u>66,554,964</u> | <u>77,179,710</u>   | <u>68,106,611</u> |

Following is a summary of the transactions on the CFeist Legacy for the years ended June 30, 2018 and 2017. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2018 and 2017.

5. **CFeist Legacy** (Continued)

|   | <u>2018</u>        |                   | <u>2017</u>               |
|---|--------------------|-------------------|---------------------------|
|   | <u>Income</u>      | <u>Principal</u>  | <u>Total Market Value</u> |
| Net asset balances at beginning of year | 19,479,770         | 57,446,820        | 76,926,590                |
| Activity during the year:               |                    |                   |                           |
| Distributions from Succession           | 295,987            | 114,013           | 410,000                   |
| Interest and dividend income            | 2,215,767          | -                 | 2,215,767                 |
| Net realized and unrealized gain (loss) | 4,235,573          | -                 | 4,235,573                 |
| Management fees                         | (590,286)          | (590,286)         | (1,180,572)               |
| Other expenses                          | (33,869)           | -                 | (33,869)                  |
| Transfer to spending account            | <u>(3,600,000)</u> | <u>-</u>          | <u>(3,600,000)</u>        |
| Net asset balances at end of year       | <u>22,002,942</u>  | <u>56,970,547</u> | <u>78,973,489</u>         |
|   |                    | <u>2018</u>       | <u>2017</u>               |
| Consists of:                            |                    |                   |                           |
| Above investments                       |                    | 79,161,400        | 77,179,710                |
| Management fees and other payable       |                    | <u>(187,911)</u>  | <u>(253,120)</u>          |
| Total net assets at end of year         |                    | <u>78,973,489</u> | <u>76,926,590</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.

While the funds remain state-owned, the Foundation will act as agent as described in the provisions of FASB ASC 958, and therefore record an asset and liability for the amount transferred. As of June 30, 2018 and 2017, total cash and investments totaled \$41,361,052 and \$45,376,003, respectively.

On January 1, 2013, another agreement was executed between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for certain other LSU Health Science Center at Shreveport endowments. These funds remain state owned, thereby the Foundation will act as an agent as described in the provisions of FASB ASC 958, and thereafter record an asset and liability for the amount transferred. As of June 30, 2018 and 2017, cash and investments totaled \$8,461,290 and \$8,580,265, respectively.

Agency investments consisted of Vanguard mutual funds. Agency investments are presented below with their respective market values and cost as of June 30, 2018 and 2017.

6. **Agency Investments** (Continued)

|                               | 2018            |            | 2017            |            |
|-------------------------------|-----------------|------------|-----------------|------------|
|                               | Market<br>Value | Cost       | Market<br>Value | Cost       |
| Fixed Income:                 |                 |            |                 |            |
| Investment grade mutual funds | 31,776,719      | 32,817,515 | 34,251,019      | 34,255,040 |
| Total Fixed Income            | 31,776,719      | 32,817,515 | 34,251,019      | 34,255,040 |
| Equities:                     |                 |            |                 |            |
| Domestic mutual funds         | 11,463,045      | 7,391,998  | 12,340,022      | 8,850,713  |
| International mutual funds    | 6,582,578       | 5,940,415  | 7,365,227       | 6,931,298  |
| Total Equities                | 18,045,623      | 13,332,413 | 19,705,249      | 15,782,011 |
| Total Investments-Agency      | 49,822,342      | 46,149,928 | 53,956,268      | 50,037,051 |

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.

Fair values of all assets and liabilities measured on a recurring basis at June 30, 2018 and 2017 were classified as Level 1 valuations.

8. **Investment in Real Estate**

During the fiscal year ended June 30, 2002, the Foundation began purchasing property adjacent to and near the LSU Health Sciences Center Shreveport. The Foundation's intent is to ultimately transfer ownership of this property to the LSU Health Sciences Center Shreveport either by sale or donation. On occasion, the Foundation has also received donations of property. At June 30, 2018 and 2017, the Foundation's investment in real estate consists of:

8. **Investment in Real Estate** (Continued)

|   | <u>2018</u>             | <u>2017</u>             |
|---|-------------------------|-------------------------|
| Yokem property  | -                       | 122,000                 |
| Yokem Body Shop property  | 110,000                 | 110,000                 |
| Monsour property  | 235,238                 | 235,238                 |
| Crawford property   | 79,656                  | 79,656                  |
| Kings Highway property  | 316,587                 | 316,587                 |
| Blood Center property   | 419,176                 | 419,176                 |
| 1341 Jennings Street  | 35,896                  | 35,896                  |
| 1328 Woodrow Street   | 60,447                  | 60,447                  |
| 1345 Jennings Street  | 44,031                  | 44,031                  |
| 1338 Woodrow  | 36,989                  | 36,989                  |
| 3206 Samford Avenue   | 772,317                 | 772,317                 |
| 1351 Jennings Street  | 35,000                  | -                       |
| Chicora property  | 4,000                   | 4,000                   |
| Intermodal Transit Facility property, less accumulated depreciation of \$521,027 and \$463,667, respectively, on improvements of \$1,609,160. | <u>1,088,133</u>        | <u>1,145,493</u>        |
|   | <u><u>3,237,470</u></u> | <u><u>3,381,830</u></u> |

The Intermodal Transit Facility is leased to the University Health System through September 30, 2018. Rental income under noncancellable leases is due as follows:

|      |                     |
|------|---------------------|
| 2019 | <u>7,500</u>        |
|      | <u><u>7,500</u></u> |

9. **Notes Payable**

Notes payable at June 30, 2018 and 2017 were \$ 0 and \$82,606, respectively, and consisted of a note payable to JPMorgan Chase Bank, original amount of \$750,000, interest at a fixed rate 5.00%, due in consecutive monthly installments of \$10,600 including interest beginning March 31, 2011 with principal and interest due in full on March 31, 2018. The notes payable was unsecured.

Included in real estate management expense is \$1,584 and \$7,515 in interest expense for the years ended June 30, 2018 and 2017, respectively.

10. **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>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| John C. McDonald, M.D. Chair in Surgery                    | 709,092     | 671,126     |
| Jack W. Pou, M.D. Chair in Otolaryngology                  | 680,053     | 659,628     |
| Albert Sklar Professorship in Surgery                      | 76,496      | 72,161      |
| E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology | 848,454     | 804,888     |
| Mary Louise and Ben Levy Professorship in Neurosurgery     | 58,305      | 61,991      |

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

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Paul R. Winder, M.D. Professorship in Dermatology   | 91,436      | 86,844      |
| H. Whitney Boggs, Jr., M.D. Professorship of Colon and<br>Rectal Surgery                  | 72,155      | 67,011      |
| Muslow Chair in Academic Affairs  | 699,698     | 661,804     |
| Albert G. and Harriet G. Smith Professorship in Pathology                                 | 73,424      | 69,144      |
| Randy Bryn, M.D. Professorship in Pulmonology   | 58,578      | 56,327      |
| W. R. Matthews, M.D. Professorship in Pathology   | 60,939      | 58,061      |
| YK Reddy Professorship in Allergy and Immunology  | 70,926      | 68,006      |
| Albertson's Distinguished Professorship in Allied Health Sciences                         | 73,799      | 71,549      |
| Robert E. Wolf, M.D. Professorship in Rheumatology  | 65,416      | 61,812      |
| Donald Mack, M.D. Professorship in Pediatric Oncology                                     | 75,223      | 71,355      |
| Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment                             | 618,776     | 583,583     |
| Burdette E. Trichel, M.D. Professorship in Urology  | 55,824      | 54,542      |
| Charles D. Knight, Sr. Professorship in General Surgery                                   | 58,339      | 55,753      |
| J. Woodfin Wilson, M.D. Professorship in Internal Medicine                                | 64,806      | 60,973      |
| Eugene St. Martin Professorship in Urology  | 60,722      | 61,935      |
| Nathan Professorship in Head & Neck Surgery   | 69,426      | 65,741      |
| George Khoury & Donald Mack, M.D. Professorship in<br>Pediatric Oncology                  | 58,481      | 55,218      |
| Joe E. Holoubek Professorship in Medicine   | 69,180      | 66,120      |
| Thomas Norris, M.D. Professorship in Orthopedic Resident<br>Support                       | 61,607      | 58,263      |
| E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence                                | 59,382      | 56,038      |
| Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology<br>Education              | 59,882      | 56,777      |
| Alice Coleman Endowed Professorship in Pediatric Rheumatology                             | 19,898      | -           |
| James A. Ardoin, M.D. Professorship in OB/GYN   | 62,430      | 58,931      |
| Brad and Kay McPherson Professorship in Child Psychiatry                                  | 61,385      | 57,759      |
| Khoury-Mack Professorship #3 St. Jude   | 62,043      | 58,625      |
| Selber-Levin Professorship in Endocrinology   | 68,236      | 64,857      |
| Juneau Chair in Transplantation Surgery   | 767,414     | 725,889     |
| Stafford and Marianne Comegys Professorship in<br>Medical Library Science                 | 68,685      | 65,578      |
| Mary Louise and Jack R. Cassingham Professorship in<br>Forensic Pathology                 | 56,425      | 53,088      |
| Edward and Freda Green Professorship in Oral and<br>Maxillofacial Surgery                 | 60,990      | 58,013      |
| Edward and Freda Green Professorship in Surgical Oncology                                 | 49,295      | 48,105      |
| Scott and Larene Woodard Professorship in Neurosurgery                                    | 86,355      | 88,617      |
| Dr. George and Sandra Bakowski Foundation Professorship<br>in Aero-Digestive Malignancies | 59,860      | 56,592      |
| Brad and Kay McPherson Professorship  | 47,938      | 44,145      |
| Drs. Diana and John Herbst Professorship in Pediatric<br>Gastroenterology                 | 56,423      | 53,078      |
| Carroll W. Feist Chair for the Study of Cancer  | 1,301,562   | 1,343,650   |
| Nancy Jane Sentell Seale Professorship in Cancer Palliative<br>Care                       | 55,298      | 52,146      |
| Edna Boatright Sherling Professorship in Cancer Care                                      | 49,540      | 46,377      |
| Dr. Ming Yu Ding Memorial Professorship in Microbiology                                   | 62,840      | 60,028      |

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

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Archibald Bell Nelson Professorship in Orthopaedics                                | 107,217          | 102,924          |
| Joanna Gunning Magale Professorship in Neurology                                   | 77,775           | 74,588           |
| Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery                           | 769,889          | 745,984          |
| Edward J. Crawford, Jr., M.D. Professorship in OB/GYN<br>Faculty Enhancement       | 300,018          | 302,995          |
| Edward J. Crawford, Jr., M.D. Professorship in OB/GYN<br>Resident Enhancement      | 315,909          | 306,319          |
| Charles Richard Parks Professorship in Neurological Rehab                          | 43,238           | 40,178           |
| Sandra and Jerry Martin Endowed Scholarship for Medical Students                   | 39,796           | -                |
| Dudley R. Ison, DDS Endowed Prof. in Oral & Maxillofacial<br>Surgery               | 43,240           | 40,218           |
| Clarence H. Webb, MD Endowed Professorship in Pediatrics                           | 43,240           | 40,218           |
| Medical Center Clinics Endowed Professorship in Radiology                          | 43,240           | 40,218           |
| Charles G. Hargon Jr. Memorial Scholarship for Medical Students                    | 39,772           | -                |
| Tilakram and Bhagwanti Devi Distinguished Professorship in Cleft<br>Lip and Palate | 19,898           | -                |
|  | <u>9,790,268</u> | <u>9,345,770</u> |

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2018 and 2017:

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Board-designated endowments:   |                  |                  |
| CFeist Legacy  | 78,973,489       | 76,926,590       |
| Feist-Weiller Investment Account                                       | 14,248,328       | 13,824,437       |
| Feist Investment Spending  | 1,784,378        | 1,577,363        |
| CFeist Legacy Spending   | <u>1,624,413</u> | <u>1,052,573</u> |
| Total Board-designated endowments                                      | 96,630,608       | 93,380,963       |
| Other:   |                  |                  |
| Feist-Weiller Cancer Center  | 71,912           | 203,492          |
| Boatright FWCC Research  | 150,000          | 150,000          |
| LSUMC Alumni Association   | 180,653          | 191,273          |
| Feist-Chancellor Fund  | 289,602          | 289,602          |
| Continuing Medical Education   | 116,780          | -                |
| Oral surgery/Ghali/Discretionary Spending                              | 155,524          | 145,246          |
| Chancellor's Discretionary Fund  | 788,585          | 788,585          |
| Neurosurgery/Nanda/Research  | 244,064          | 261,536          |
| Pediatrics Kohl's Cares for Kids                                       | 165,250          | 201,534          |
| John C. McDonald Endowed Chair Spending                                | 361,791          | 305,187          |
| Jack W. Pou, M.D. Chair in Otolaryngology Spending                     | 403,382          | 397,804          |
| E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology<br>Spending | 679,699          | 624,056          |
| Carroll W. Feist Chair for the Study of Cancer Spending                | 147,102          | 432,803          |
| Jack W. Gamble M.D. Chair in Oral/Maxillofacial<br>Surgery Spending    | 400,507          | 397,550          |
| Donnie and Gail Juneau Chair in Transplantation                        | 388,694          | 332,758          |
| SAHP Communication Disorders   | 135,088          | 131,374          |
| Pediatrics/Bocchini Children's Hospital                                | 175,600          | 151,699          |

## 11. Temporarily Restricted Net Assets (Continued)

|   | <u>2018</u>               | <u>2017</u>               |
|---|---------------------------|---------------------------|
| Trauma Center Fund                                | 324,616                   | 324,569                   |
| Muslow Academic Affairs                           | 334,030                   | 283,895                   |
| Smith Chair of Spinal Treatment                   | 254,250                   | 202,147                   |
| Psychiatry/Frost Endowment                        | 159,958                   | 143,221                   |
| Crawford Professorship-OB/GYN Faculty Enhancement | 168,267                   | 202,597                   |
| Arts in Medicine                                  | 129,002                   | 103,744                   |
| Giovanni Solitro Research Fund                    | 100,000                   | -                         |
| Other (individual fund balance ≤ 100,000)         | <u>3,893,359</u>          | <u>3,703,625</u>          |
| Total other                                       | <u>10,217,715</u>         | <u>9,968,297</u>          |
| Total temporarily restricted net assets           | <u><u>106,848,323</u></u> | <u><u>103,349,260</u></u> |

Board designated endowments are restricted by donor and accounted for as endowments by the Board.

## 12. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30, 2018 and 2017:

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| John C. McDonald, M.D. Chair in Surgery                              | 991,092     | 957,920     |
| Jack W. Pou, M.D. Chair in Otolaryngology                            | 897,705     | 868,922     |
| E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology           | 880,666     | 854,234     |
| Muslow Endowed Chair in Academic Affairs                             | 840,449     | 814,260     |
| Gail and Donnie Juneau Chair in Transplantation                      | 917,426     | 888,730     |
| Carroll W. Feist Chair for the Study of Cancer                       | 1,766,715   | 1,713,444   |
| Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery             | 885,449     | 858,747     |
| Smith Chair of Spinal Treatment                                      | 905,905     | 875,935     |
| Scotty and Larene Woodard Professorship in Neurosurgery              | 284,145     | 273,283     |
| Comegys Library Endowment  | 499,793     | 484,269     |
| Urology/Womack Endowment   | 247,197     | 239,521     |
| Psychiatry/Frost Endowment   | 1,125,339   | 1,090,390   |
| Dr. Y. S. Goel Student Scholarship                                   | 177,208     | 171,705     |
| Anil Nanda Neurosurgery Endowment                                    | 202,068     | 201,680     |
| Paul D. Abramson Fund  | 220,088     | 212,620     |
| Nathan Professorship in Otolaryngology                               | 108,683     | 104,897     |
| Selber Leveine Professorship in Endocrinology                        | 137,552     | 132,261     |
| Nelson Professorship in Orthopaedic Surgery                          | 112,234     | 108,831     |
| Nancy Jane Sentelle Seale Professorship in Cancer<br>Palliative Care | 126,204     | 121,507     |
| Endowment for Medical Education                                      | 257,917     | 206,462     |
| WR Matthew MD Professorship in Pathology                             | 103,971     | 100,326     |
| St. Martin Professorship in Urology                                  | 108,235     | 103,509     |
| Ardoin MD Memorial Professorship-OB/GYN                              | 107,239     | 103,775     |
| Crawford Professorship-OB/GYN Faculty Enhancement                    | 404,933     | 393,367     |
| Crawford Professorship-OB/GYN Residency Enhancement                  | 421,455     | 409,239     |
| Medical Center Clinics Chair in Graduate Medical Education           | 1,203,517   | 1,201,207   |

## 12. Permanently Restricted Net Assets

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Charles Richard Parks Professorship in Neurological Rehab | 106,143           | -                 |
| Tommy Brown, MD Memorial Scholarship for Medical Students | 105,678           | -                 |
| R. Chadwick Memorial Award                                | 284,102           | -                 |
| Other (individual fund balance $\leq$ 100,000)            | <u>1,870,935</u>  | <u>1,663,850</u>  |
| Total permanently restricted net assets                   | <u>16,300,043</u> | <u>15,154,891</u> |

## 13. Endowed Net Assets

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

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, 2018 and 2017 was 4.00%.

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 permanently restricted net assets 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.

Changes in endowment net assets for fiscal year ended June 30, 2018:

### 13. Endowed Net Assets

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, June 30, 2017            | -                   | 97,788,307                        | 15,154,891                        | 112,943,198        |
| Contributions                                  | -                   | 442,400                           | 948,423                           | 1,390,823          |
| Income on investments                          | -                   | 2,547,725                         | 471,150                           | 3,018,875          |
| Net appreciation                               | -                   | 5,047,708                         | 785,368                           | 5,833,076          |
| Other expenditures for facilities and programs | -                   | (4,096,332)                       | -                                 | (4,096,332)        |
| Administrative expenses                        | -                   | (1,425,795)                       | (202,532)                         | (1,628,327)        |
| Transfers for spending                         | -                   | 857,257                           | (857,257)                         | -                  |
| Endowment net assets, June 30, 2018            | -                   | 101,161,270                       | 16,300,043                        | 117,461,313        |
| Non-endowment funds                            | -                   | 5,687,053                         | -                                 | 5,687,053          |
| Total  | -                   | <u>106,848,323</u>                | <u>16,300,043</u>                 | <u>123,148,366</u> |

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

|                            | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Non-endowment assets       | -                   | 5,687,053                         | -                                 | 5,687,053          |
| Donor-restricted endowment | -                   | 4,530,662                         | 16,300,043                        | 20,830,705         |
| Board-designated endowment | -                   | 96,630,608                        | -                                 | 96,630,608         |
|                            | -                   | <u>106,848,323</u>                | <u>16,300,043</u>                 | <u>123,148,366</u> |

#### Changes in endowment net assets for fiscal year ended June 30, 2017:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, June 30, 2016            | -                   | 89,210,589                        | 12,372,394                        | 101,582,983        |
| Contributions                                  | -                   | 616,966                           | 1,611,365                         | 2,228,331          |
| Income on investments                          | -                   | 2,582,799                         | 439,695                           | 3,022,494          |
| Net appreciation                               | -                   | 9,033,878                         | 1,490,449                         | 10,524,327         |
| Other expenditures for facilities and programs | -                   | (2,655,872)                       | -                                 | (2,655,872)        |
| Administrative expenses                        | -                   | (1,313,394)                       | 54,329                            | (1,259,065)        |
| Transfers for spending                         | -                   | 813,341                           | (813,341)                         | -                  |
| Transfer to fund otolaryngology commitment     | -                   | (500,000)                         | -                                 | (500,000)          |
| Endowment net assets, June 30, 2017            | -                   | 97,788,307                        | 15,154,891                        | 112,943,198        |
| Non-endowment funds                            | -                   | 5,560,953                         | -                                 | 5,560,953          |
| Total  | -                   | <u>103,349,260</u>                | <u>15,154,891</u>                 | <u>118,504,151</u> |

### 13. Endowed Net Assets (Continued)

Endowment fund net asset composition as of June 30, 2017:

|                            | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Non-endowment assets       | -                   | 5,560,953                         | -                                 | 5,560,953          |
| Donor-restricted endowment | -                   | 4,407,344                         | 15,154,891                        | 19,562,235         |
| Board-designated endowment | -                   | <u>93,380,963</u>                 | -                                 | <u>93,380,963</u>  |
|                            | <u>-</u>            | <u>103,349,260</u>                | <u>15,154,891</u>                 | <u>118,504,151</u> |

### 14. Operating Leases

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

|      |                |
|------|----------------|
| 2019 | 69,038         |
| 2020 | 50,248         |
| 2021 | <u>749</u>     |
|      | <u>120,035</u> |

Included in management and general expense is \$72,941 and \$71,841 in rent and equipment rental expense for the years ended June 30, 2018 and 2017, respectively.

### 15. Commitments

During the fiscal year ended June 30, 2015, the LSU Health Sciences Center Shreveport received approximately \$1.0 million from the State of Louisiana Workforce and Innovation for a Stronger Economy (WISE) fund, which is dedicated to funding Louisiana's public higher education institutions. In order to receive such funds, the Center was required to submit an implementation plan on how the funds will be used and obtain a minimum industry match of at least 20%. The Foundation provided a written commitment of \$400,000 to satisfy the match requirement. In 2016, the Foundation paid fees of \$132,719 towards the commitment. No payments have been made in 2017 or 2018. The original commitment has been reduced to the required match of 20%. The outstanding commitment is \$67,281 as of June 30, 2018.

### 16. Operating Reserve

On July 15, 2009, the Board of Directors approved an Operating Reserve Policy to establish guidelines for achieving an operating reserve sufficient for the Foundation to adequately 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 policy states that the operating reserve of \$1 million shall be established beginning in fiscal year ending June 30, 2011 and shall be fully funded by the end of the fiscal year ending June 30, 2016 through designation of unrestricted funds given to the Foundation. The reserve shall be invested in highly liquid United States Treasury obligations or FDIC insured 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. On October 19, 2011, the Executive Committee of the Board of Directors voted to fully fund the Operating Reserve of \$1 million from unrestricted funds of the Foundation rather than partially funding the reserve between the remaining fiscal years ending June 30, 2012 through June 30, 2016.

**17. Board Designated Net Assets**

During fiscal year ended June 30, 2010, the Foundation was asked by the Chancellor of the Center to consider an infusion into the Orthopedics Department for growth of the department. The Board of Directors voted and approved to donate up to \$2.5 million over five years. As of June 30, 2018 and 2017, the Foundation had \$1,646,747 and \$1,835,375 remaining in the accounts.

During fiscal year ended June 30, 2011, the Foundation was asked by the Chancellor of the Center to consider an infusion into the Otolaryngology Department for growth of the department. The Board of Directors voted and approved to donate up to \$2.5 million over five years. As of June 30, 2018 and 2017, the Foundation had \$2,251,147 and \$2,271,900 remaining in the accounts.

Additional Board designated funds of \$67,281 and \$267,281 were set aside at June 30, 2018 and 2017, respectively, as part of the remaining commitment discussed in Note 15.

**18. 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 22, 2018, and noted no subsequent events.

**OTHER FINANCIAL INFORMATION**

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

|                                       | <u>2018</u>      | <u>2017</u>      |
|---------------------------------------|------------------|------------------|
| Salary expense                        | 725,060          | 726,424          |
| Payroll taxes                         | 51,847           | 51,331           |
| Employee benefit expense              | 83,987           | 83,343           |
| Contractual services                  | 3,447            | 3,274            |
| Investment fees                       | 27,981           | 43,900           |
| Professional services                 | 178,538          | 187,949          |
| Insurance                             | 38,458           | 38,149           |
| Bank charges                          | 12,766           | 13,073           |
| Depreciation                          | -                | 2,527            |
| Office supplies                       | 15,725           | 10,929           |
| Postage                               | 7,737            | 5,727            |
| Telephone expense                     | 8,581            | 8,168            |
| Maintenance agreements                | 36,356           | 25,430           |
| Books and subscriptions               | -                | 79               |
| Rent                                  | 66,443           | 65,255           |
| Equipment rental                      | 6,498            | 6,586            |
| Travel                                | 4,982            | 5,928            |
| Meals and entertainment               | 27,752           | 18,452           |
| Advertising and promotional expenses  | 5,129            | 9,877            |
| Printing                              | 30,147           | 61,714           |
| Gifts and acknowledgments             | 2,123            | 1,462            |
| Professional development              | 7,384            | 10,527           |
| Dues and licenses                     | 8,328            | 6,006            |
| Fundraising events                    | 166,975          | 118,835          |
| Miscellaneous                         | <u>6,374</u>     | <u>5,097</u>     |
| Total management and general expenses | <u>1,522,618</u> | <u>1,510,042</u> |

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF LSU HEALTH SCIENCES CENTER SUPPORT

SPECIFIED BY DONORS FOR OTHER DEPARTMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

|                              | <u>2018</u> | <u>2017</u> |
|------------------------------|-------------|-------------|
| Academic affairs             | 18,876      | 14,393      |
| Admissions                   | 20          | -           |
| Allied Health                | 128,361     | 131,583     |
| Alumni affairs               | 116,634     | 92,727      |
| Anesthesiology               | 13,087      | 10,315      |
| Biochemistry                 | 799         | 126         |
| Cardiology                   | 6,773       | 6,337       |
| Cellular biology and anatomy | 8,701       | 7,253       |
| Center for Brain Health      | 4,819       | -           |
| Chancellor                   | 288,107     | 46,122      |
| Continuing medical education | 41,715      | 40,319      |
| Dermatology                  | 1,059       | 1,014       |
| E. A. Conway                 | -           | 16,752      |
| Emergency medicine           | 3,887       | 4,191       |
| Endocrinology                | 1,984       | 2,067       |
| Family medicine              | 22,115      | 9,842       |
| Foundation                   | 53,066      | 52,056      |
| Health sciences library      | 53,379      | 42,360      |
| Human resource management    | -           | 1,264       |
| Internal medicine            | 1,020       | 3,367       |
| Microbiology                 | 12,050      | 3,047       |
| Multicultural affairs        | 20          | 7           |
| Nephrology                   | 6,660       | 520         |
| Neurology                    | 21,060      | 31,048      |
| Neurosurgery                 | 49,070      | 45,610      |
| Nursing administration       | 458         | 4,004       |
| OB/GYN                       | 66,469      | 49,186      |
| Ophthalmology                | -           | 8,450       |
| Oral/maxillofacial           | 141,059     | 106,319     |
| Ortho surgery                | 40,811      | 32,488      |
| Orthopaedics                 | 2,209       | (358)       |
| Otolaryngology               | 56,429      | 79,238      |
| Pathology                    | 3,702       | 7,438       |
| Pediatrics                   | 78,814      | 50,588      |
| Pharmacology                 | 502         | 19,828      |
| Physiology                   | 17,835      | 8,456       |
| Psychiatry                   | 55,107      | 36,819      |
| Pulmonary                    | 4,539       | 6,533       |
| Radiology                    | 16,004      | 5,818       |

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF LSU HEALTH SCIENCES CENTER SUPPORT  
SPECIFIED BY DONORS FOR OTHER DEPARTMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

|                 | <u>2018</u>      | <u>2017</u>      |
|-----------------|------------------|------------------|
| Rheumatology    | 1,661            | 10,678           |
| Social services | 620              | 1,220            |
| Student affairs | 50,526           | 1,402            |
| Surgery         | 80,501           | 97,982           |
| Urology         | <u>17,147</u>    | <u>26,372</u>    |
| Total           | <u>1,487,655</u> | <u>1,114,781</u> |