

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

JUNE 30, 2018 AND 2017

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 17, 2018

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

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

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THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	-	44,036
Cash-restricted	-	617,554
Investments	26,304,749	24,500,498
Contributions receivable	122,535	6,912
Other receivable	14,000	8,150
	<hr/>	<hr/>
Total assets	26,441,284	25,177,150

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	77,393	83,549
Due to LSU in Shreveport	7,649,094	7,257,993
	<hr/>	<hr/>
Total liabilities	7,726,487	7,341,542

Net assets:

Unrestricted:		
Board designated endowment	182,075	168,648
Undesignated	392,552	513,708
	<hr/>	<hr/>
Total unrestricted	574,627	682,356
Temporarily restricted	7,519,604	6,718,632
Permanently restricted	10,620,566	10,434,620
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Total net assets	18,714,797	17,835,608

Total liabilities and net assets	26,441,284	25,177,150
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The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Support and revenue:</u>				
Memberships and contributions	74,330	-	-	74,330
Restricted contributions:				
Instruction	-	591,694	8,317	600,011
Research	-	-	-	-
Public service	-	14,400	-	14,400
Academic support	-	78,248	57,000	135,248
Student services	-	15,000	-	15,000
Institutional support	-	17,420	-	17,420
Operation and maintenance of plant	-	135,500	-	135,500
Scholarships and fellowships	-	112,197	146,729	258,926
Athletics	-	55,790	-	55,790
Endowment management fees	262,152	-	-	262,152
Investment income	41,489	527,901	-	569,390
Net realized and unrealized gains (losses) on investments	(19,456)	593,900	-	574,444
Total support and revenue	358,515	2,142,050	212,046	2,712,611
<u>Net assets released from restrictions</u>	1,367,178	(1,367,178)	-	-
<u>Transfers between classifications</u>	-	26,100	(26,100)	-
<u>Expenses:</u>				
Faculty and staff support programs	2,299	-	-	2,299
University support programs	73,579	-	-	73,579
Program administration	384,081	-	-	384,081
Direct program expenses:				
Instruction	600,463	-	-	600,463
Research	4,080	-	-	4,080
Public service	12,564	-	-	12,564
Academic support	214,620	-	-	214,620
Student services	16,226	-	-	16,226
Institutional support	14,026	-	-	14,026
Operation and maintenance of plant	181,906	-	-	181,906
Scholarships and fellowships	240,459	-	-	240,459
Athletics	89,119	-	-	89,119
Total expenses	1,833,422	-	-	1,833,422
<u>Change in net assets</u>	(107,729)	800,972	185,946	879,189
<u>Net assets at beginning of year</u>	682,356	6,718,632	10,434,620	17,835,608
<u>Net assets at end of year</u>	574,627	7,519,604	10,620,566	18,714,797

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

THE LSU IN SHREVEPORT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Support and revenue:</u>				
Memberships and contributions	74,458	-	-	74,458
Restricted contributions:				
Instruction	-	170,419	-	170,419
Research	-	-	-	-
Public service	-	4,900	-	4,900
Academic support	-	866,891	300,000	1,166,891
Student services	-	17,800	-	17,800
Institutional support	-	1,665	-	1,665
Scholarships and fellowships	-	70,119	48,679	118,798
Athletics	-	65,729	-	65,729
Endowment management fees	233,075	-	-	233,075
Investment income	20,907	424,874	-	445,781
Net realized and unrealized gains (losses) on investments	23,247	1,365,921	-	1,389,168
Total support and revenue	351,687	2,988,318	348,679	3,688,684
<u>Net assets released from restrictions</u>	739,357	(739,357)	-	-
<u>Transfers between classifications</u>	(13,832)	13,832	-	-
<u>Expenses:</u>				
Faculty and staff support programs	2,874	-	-	2,874
University support programs	66,912	-	-	66,912
Program administration	266,725	-	-	266,725
Direct program expenses:				
Instruction	420,493	-	-	420,493
Research	6,112	-	-	6,112
Public service	5,858	-	-	5,858
Academic support	56,672	-	-	56,672
Student services	9,518	-	-	9,518
Institutional support	3,641	-	-	3,641
Operation and maintenance of plant	3,927	-	-	3,927
Scholarships and fellowships	174,068	-	-	174,068
Athletics	62,120	-	-	62,120
Total expenses	1,078,920	-	-	1,078,920
<u>Change in net assets</u>	(1,708)	2,262,793	348,679	2,609,764
<u>Net assets at beginning of year</u>	684,064	4,455,839	10,085,941	15,225,844
<u>Net assets at end of year</u>	682,356	6,718,632	10,434,620	17,835,608

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	879,189	2,609,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in fair value of investments	(574,444)	(1,389,168)
(Increase) in contributions receivable	(115,623)	(653)
(Increase) in other receivable	(5,850)	(8,150)
Decrease in deferred charges	-	1,200
(Decrease) increase in accounts payable	(6,156)	65,435
Increase (decrease) in due to LSU in Shreveport	391,101	(47,581)
Total adjustments	<u>(310,972)</u>	<u>(1,378,917)</u>
Net cash provided by operating activities	568,217	1,230,847
<u>Cash flows from investing activities:</u>		
Purchase of investments	(27,167,293)	(14,279,452)
Sales and maturities of investments	<u>25,937,486</u>	<u>13,619,342</u>
Net cash (used) by operating activities	<u>(1,229,807)</u>	<u>(660,110)</u>
<u>Net increase (decrease) in cash, cash equivalents, and restricted cash</u>	(661,590)	570,737
<u>Cash, cash equivalents, and restricted cash - beginning of year</u>	<u>661,590</u>	<u>90,853</u>
<u>Cash, cash equivalents, and restricted cash - end of year</u>	<u>-</u>	<u>661,590</u>

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

THE LSU IN SHREVEPORT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. Nature of Business

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

LSUS Realty, LLC was formed on December 15, 2000. The purpose of LSUS Realty, LLC is to accept property donated to the Foundation. The Foundation is the sole member of LSUS Realty, LLC and, therefore, the activity of LSUS Realty, LLC has been consolidated with that of the Foundation. All of the assets and net assets of LSUS Realty, LLC were moved to the unrestricted net assets of the Foundation during the year ended June 30, 2002. There was no activity recorded by LSUS Realty, LLC during the years ended June 30, 2018 and 2017.

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.

The statement of activities presents expenses of the Foundation’s operations functionally between faculty and staff support programs, University support programs, program administration and direct program expenses.

- 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.

2. Summary of Significant Accounting Policies (Continued)

- 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.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

- 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, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- f. The LSU in Shreveport Foundation, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U. S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2013 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 recorded at carrying amount which reasonably estimates fair value. Fixed income securities are generally valued by reference to outside pricing services, generally using a matrix system incorporating security quality, maturity, and coupon as the valuation model parameters, research, and a review of broker-dealer market price quotations. Short-term investments are valued at amortized cost which approximates market value.

The asset allocation of the Foundation's investment portfolio involves exposure to a diverse set of markets. The investments within these markets involve various risks, such as interest rate, market, credit, and liquidity risks. The Foundation anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

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

- h. Material in-kind donations received by the Foundation are recorded at fair value as contributions revenue along with a corresponding charge to expense. Material in-kind donations were \$-0- for the years ended June 30, 2018 and 2017, respectively.
- i. Certain amounts in the fiscal year ended June 30, 2017 financial statements have been reclassified to conform to the fiscal year ended June 30, 2018 presentation.

3. **Investments**

Major classifications of investments of June 30, 2018 and 2017, follow:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money market accounts	959,976	959,976	1,285,006	1,285,006
Certificates of deposit	1,885,473	1,906,858	1,600,000	1,600,000
Fixed income - U.S.				
government obligations	-	-	585,292	560,554
Fixed income - state				
government obligations	-	-	275,109	274,824
Fixed income -				
corporate bonds	-	-	1,874,223	1,870,799
Bond funds	8,253,922	8,357,582	4,442,192	4,451,494
Equity funds - domestic	10,157,817	9,321,780	11,277,169	8,117,971
Equity funds - international	4,461,439	4,430,220	3,158,116	2,751,923
Real estate funds	582,647	581,600	-	-
Corporate stock	3,475	3,606	3,391	3,606
	<u>26,304,749</u>	<u>25,561,622</u>	<u>24,500,498</u>	<u>20,916,177</u>

Net realized and unrealized gains during the year ended June 30, 2018, were \$886,475, which included \$574,444 as a net gain to the Foundation and \$312,031 shown as an increase in funds due to LSU in Shreveport. Net realized and unrealized losses during the year ended June 30, 2017, were \$2,091,614, which included \$1,389,168 as a net gain to the Foundation and \$702,446 shown as an increase in funds due to LSU in Shreveport.

Investments as of June 30, 2018 and 2017, included \$1,885,473 and \$1,600,000, respectively, of certificates of deposit in denominations of \$250,000 or less, which were federally insured by the FDIC. The remaining investments, totaling \$24,419,276 and \$22,900,498 at June 30, 2018 and 2017, respectively, were uninsured and were not collateralized. Deposits in checking and certificates of deposit at Regions Bank are federally insured by the FDIC up to \$250,000. As of June 30, 2018 and 2017, Regions Bank has pledged securities as collateral for the balance exceeding \$250,000.

4. **Due to LSU in Shreveport**

The amount due to LSU in Shreveport represents the State of Louisiana matched funds which are being held and invested for the University by The LSU in Shreveport Foundation for the following endowed chairs, professorships, and scholarships as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>Instruction:</u>		
Jerry D. Boughton Professorship in Business	57,486	54,819
Joe and Abby Averett Professorship in Business	57,715	56,235
BellSouth Professorship in Business	61,686	59,617
Alta and John Franks MBA Program Professorship	50,173	48,934
M. R. Ballard Professorship in Accounting	72,916	68,482
Armand and Lynn Roos Professorship in Business and Health Administration	50,482	48,532
James C. and Ann W. Gardner Professorship in Civic Engagement and Leadership	61,473	59,805
Kilpatrick Life Insurance Professorship	835,469	802,347
Oscar Cloyd Real Estate Professorship	274,738	265,876
Wesson-Bridger Professorship in Teacher Education Capital One Education and Human Development Professorship	66,445	64,455
V. Stewart Education Student Teaching Professorship	51,464	49,880
Dalton J. Woods Professorship in Teaching	63,551	59,616
Kelly Kemp Graves Professorship in Early Childhood Education	56,770	55,652
Riemer and Marcia Calhoun Professorship in Education	54,815	53,914
Goodloe Stuck Professorship in Psychology	54,940	53,701
Elmer N. Simon, Jr. Professorship for Excellence in Teaching	50,694	49,537
Blue Cross & Blue Shield of Louisiana Professorship	57,066	55,963
Vincent J. Marsala Alumni Professorship	51,579	51,809
Bruce and Steve Simon Professorship	65,846	61,866
James K. Elrod Professorship in Health Care Administration	58,302	56,405
Fred and Sybil Patten Excellence in Teaching in Liberal Arts Professorship	528,257	510,598
India Studies Professorship	64,697	64,811
Dr. Dalton & Peggy Cloud Professorship in Communications	104,195	102,050
LSUS Debate Professorship	58,453	55,336
Leonard and Mary Ann Selber Professorship	57,175	55,142
Dr. Norman A. Dolch Professorship in American Humanics	65,305	61,230
American Studies Chair	131,867	125,643
Hubert H. Humphreys History Professorship	727,750	697,862
O. Delton Harrison, Jr. Master of Liberal Arts Professorship	55,528	54,131
George and Regina Khoury Professorship in Science	53,250	51,410
Abe I. Sadoff Chair	145,798	138,383
	508,824	492,892

4. Due to LSU in Shreveport (Continued)

	<u>2018</u>	<u>2017</u>
<u>Instruction:</u>		
Samuel & Mary Abramson Professorship	58,786	56,883
Dr. Richard K. Spears Professorship in Field Biology	67,681	66,009
Harman and Renae Chandler Professorship for Masters in Biological Science	49,831	48,203
Don and Earlene Coleman Red River Watershed Management Institute Professorship	64,435	62,369
George Khoury Professorship in Space Science	129,843	121,687
Max and Jasmine Morelock Professorship in Chemistry	46,589	45,523
Lisa A. Burke Bioninformatics Professorship	52,945	50,414
AEP SWEPSCO LaPrep Professorship	560,264	544,961
Miriam Sklar Super Professorship in Theoretical Math and Physics	61,468	57,752
Wheless Geology Professorship	48,660	45,631
Woolf Petroleum Engineering Professorship	48,660	45,631
Archives and Oral History	19,142	17,662
Joe B. Calloway Jr. Professorship in Insurance	40,000	-
George Khoury Professorship in Kinesiology	40,000	-
<u>Academic Support:</u>		
Bobbie C. Hicks Professorship - Authors in April	115,504	112,094
Hubert and Pat Hervey Professorship of Museum of Life Sciences	60,937	57,190
Life Science Museum Professorship & Curatorship	48,670	45,631
William B. Wiener Professorship of Archives and Historical Preservation	49,853	48,378
Ruth H. Noel Chair	959,199	934,246
<u>Scholarships and Fellowships:</u>		
John and Cheryl Good Scholarship	48,447	47,449
Dalton J. and Sugar Woods Scholarship	65,228	61,140
Phillip and Alma Rozeman Scholarship	56,420	53,702
Salvadore and Kendra Miletello Scholarship	56,491	53,700
Alta and John Franks First Generation Scholarship	56,891	54,059
Herman and Renae Chandler First Generation Scholarship	61,597	58,520
Michael Woods Family First Generation Scholarship	47,135	45,434
Helen & Frank Katzenstien Scholarship	23,099	21,365
George P. Bonner Scholarship	16,610	15,427
Kathy G. Troquille Memorial Scholarship	40,000	-
	<u>7,649,094</u>	<u>7,257,993</u>

5. **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>
Instruction	3,812,375	3,137,209
Research	40,772	44,852
Public service	39,360	30,326
Academic support	1,116,618	1,163,975
Student services	8,309	9,954
Institutional support	45,463	38,681
Operation and maintenance of plant	3,757	32,311
Scholarships and fellowships	2,242,161	2,017,205
Athletics	210,789	244,119
	<u>7,519,604</u>	<u>6,718,632</u>

6. **Permanently Restricted Net Assets**

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

	<u>2018</u>	<u>2017</u>
Instruction	6,316,164	6,333,947
Public service	100,000	100,000
Academic support	1,062,260	1,005,260
Institutional support	30,000	30,000
Operation and maintenance of plant	94,086	94,086
Scholarships and fellowships	3,018,056	2,871,327
	<u>10,620,566</u>	<u>10,434,620</u>

7. **Endowed Net Assets**

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

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

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The Board approved a discretionary spending rate of up to 4.25% for fiscal years ended June 30, 2018 and 2017, based on a separate review of each individual endowment's performance.

7. Endowed Net Assets (Continued)

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

The Foundation’s Board of Directors has adopted the investment policies set forth by the Louisiana Board of Regents and applies these policies to all endowments. Prior to January 2012, the Louisiana Board of Regents spending policy dictated that no portion of the inflation-adjusted corpus, as defined by the Board of Regents, was to be allocated for spending. Effective July 1, 2008, the Louisiana Board of Regents temporarily waived the inflation-adjustment requirement for original corpus. Effective January 26, 2012, the Louisiana Board of Regents investment policy was revised and states that annual spending must be determined in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made. When the current market value of each endowment is below the original corpus, no spending is allowed. As a result of the change in the Louisiana Board of Regents investment policy in 2012, the Foundation changed the calculation of permanently restricted funds to be the original corpus which resulted in \$1,989,434 of net assets being released from permanent restriction and classified as temporarily restricted during the fiscal year ended June 30, 2012.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	168,648	4,902,133	10,434,620	15,505,401
Contributions	-	-	212,046	212,046
Income on long-term investments	8,976	527,901	-	536,877
Net appreciation/(depreciation)	10,736	593,900	-	604,636
Expenses	(6,285)	(541,493)	-	(547,778)
Interfund transfers	-	26,100	(26,100)	-
Endowment net assets, June 30, 2018	<u>182,075</u>	<u>5,508,541</u>	<u>10,620,566</u>	<u>16,311,182</u>
Donor-restricted endowment	-	5,508,541	10,620,566	16,129,107
Board-designated endowment	<u>182,075</u>	<u>-</u>	<u>-</u>	<u>182,075</u>
Total	<u>182,075</u>	<u>5,508,541</u>	<u>10,620,566</u>	<u>16,311,182</u>

7. **Endowed Net Assets** (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	154,266	3,528,500	10,085,941	13,768,707
Contributions	-	2,143	98,679	100,822
Income on long-term investments	7,351	424,874	-	432,225
Net appreciation/(depreciation)	23,925	1,365,921	-	1,389,846
Expenses	(3,062)	(419,305)	-	(422,367)
Interfund transfers	(13,832)	-	250,000	236,168
Endowment net assets, June 30, 2017	<u>168,648</u>	<u>4,902,133</u>	<u>10,434,620</u>	<u>15,505,401</u>
Donor-restricted endowment	-	4,902,133	10,434,620	15,336,753
Board-designated endowment	<u>168,648</u>	<u>-</u>	<u>-</u>	<u>168,648</u>
Total	<u>168,648</u>	<u>4,902,133</u>	<u>10,434,620</u>	<u>15,505,401</u>

As of June 30, 2018 and 2017, non-endowment fund net assets were \$2,011,063 and \$1,816,499, respectively, for temporarily restricted and \$392,552 and \$513,708, respectively, for unrestricted.

8. **Contributed Services**

Louisiana State University in Shreveport provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. These services are valued at their actual cost to the University. For the years ended June 30, 2018 and 2017, contributed personnel costs were determined to be \$88,367 and \$65,382, respectively. The amounts for these services have not been reflected in the Foundation's financial statements.

9. **Fair Value Measurements**

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

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

9. Fair Value Measurements (Continued)

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2018 and 2017 are as follows:

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

	<i>Assets at Fair Value as of June 30, 2017</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	-	1,285,006	-	1,285,006
Certificate of deposit	1,600,000	-	-	1,600,000

9. Fair Value Measurements (Continued)

	<i>Assets at Fair Value as of June 30, 2017</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Bond funds	4,442,192	-	-	4,442,192
Equity funds - domestic	11,277,169	-	-	11,277,169
Equity funds - international	3,158,116	-	-	3,158,116
Real estate funds	-	-	-	-
Total mutual funds	<u>18,877,477</u>	-	-	<u>18,877,477</u>
Government obligations and corporate bonds	-	2,734,624	-	2,734,624
Common-stock domestic	<u>3,391</u>	-	-	<u>3,391</u>
Total	<u>20,480,868</u>	<u>4,019,630</u>	-	<u>24,500,498</u>

10. New Accounting Guidance Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard will become effective for the Foundation for the fiscal year ending June 30, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

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

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

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

10. New Accounting Guidance Not Yet Adopted (Continued)

ASU No. 2016-02 will become effective for the Foundation for the fiscal year ending June 30, 2021. 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 will become effective for the Foundation for the fiscal year ending June 30, 2019, and requires the use of the retrospective transition method. However, an entity has the option to omit the presentation by both 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 currently in the process of implementing these changes.

11. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through December 17, 2018 and noted no subsequent events.