

LSU
FOUNDATION

Consolidated Financial Statements

June 30, 2021

LSU FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
LSU Foundation
Baton Rouge, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the LSU Foundation (“the Foundation”), as discussed in Note 1 of the consolidated financial statements, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of an organization’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 consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of the LSU Foundation as of June 30, 2021 and 2020, and the results of its consolidated activities and changes in net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 8, 2021

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 30,954,229	\$ 16,133,582
Restricted cash	85,496,438	114,780,026
Accrued interest receivable	100,160	290,654
Accounts receivable, net	1,016,042	1,455,092
Unconditional promises to give, net	9,632,290	4,866,172
Other current assets	75,324	159,254
Total current assets	127,274,483	137,684,780
 <u>NONCURRENT ASSETS</u>		
Restricted assets:		
Investments	644,875,226	495,645,567
Assets held in split-interest agreements	3,280,491	2,729,824
Beneficial interest in split-interest agreements	3,430,318	1,746,104
Investment in partnership	12,953,862	13,469,113
Unconditional promises to give, net	20,537,360	13,896,415
Property and equipment, net	33,560,668	31,786,686
Other noncurrent assets	1,073,058	1,003,624
Total noncurrent assets	719,710,983	560,277,333
 Total Assets	 \$ 846,985,466	 \$ 697,962,113

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

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 2,865,470	\$ 4,401,544
Current portion of funds held in custody for others	30,147,600	23,107,383
Compensated absences payable and other payroll liabilities	562,292	495,467
Notes payable, current portion	503,315	879,634
Deferred revenues	16,360	40,907
Total current liabilities	<u>34,095,037</u>	<u>28,924,935</u>
<u>NONCURRENT LIABILITIES</u>		
Funds held in custody for others, net of current portion	118,840,418	115,132,192
Refundable advances	1,833,393	1,777,595
Notes payable, less current portion	13,990,503	15,308,777
Total noncurrent liabilities	<u>134,664,314</u>	<u>132,218,564</u>
Total liabilities	<u>168,759,351</u>	<u>161,143,499</u>
<u>NET ASSETS</u>		
Without donor restrictions	59,962,010	43,489,935
With donor restrictions	618,264,105	493,328,679
Total net assets	<u>678,226,115</u>	<u>536,818,614</u>
Total Liabilities and Net Assets	<u>\$ 846,985,466</u>	<u>\$ 697,962,113</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Contributions	\$ 1,087,841	\$ 1,318,737
Service fees	1,384,036	1,331,493
Investment advisory fees	841,667	2,525,000
Development services agreement	2,007,841	-
Earnings allocation, net	838,265	1,456,546
Other revenues	24,981,544	8,030,276
	<u>31,141,194</u>	<u>14,662,052</u>
Net assets released from donor restrictions	36,022,243	33,901,733
Total revenues and other support without donor restrictions	<u>67,163,437</u>	<u>48,563,785</u>
Program expenses	37,071,051	34,183,462
Supporting services:		
Management and general	7,695,326	6,500,075
Fundraising	5,924,985	9,574,576
Total supporting services	<u>13,620,311</u>	<u>16,074,651</u>
Total expenses	<u>50,691,362</u>	<u>50,258,113</u>
Change in net assets without donor restrictions	<u>16,472,075</u>	<u>(1,694,328)</u>
Changes in net assets with donor restrictions:		
Contributions	44,835,988	34,291,175
Earnings allocation	113,947,774	4,619,619
Changes in value of split-interest agreements	2,173,907	(69,739)
Total revenues with donor restrictions	<u>160,957,669</u>	<u>38,841,055</u>
Net assets released from donor restrictions	<u>(36,022,243)</u>	<u>(33,901,733)</u>
Change in net assets with donor restrictions	<u>124,935,426</u>	<u>4,939,322</u>
Change in net assets	141,407,501	3,244,994
Net assets - beginning of year	<u>536,818,614</u>	<u>533,573,620</u>
Net assets - end of year	<u>\$ 678,226,115</u>	<u>\$ 536,818,614</u>

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	June 30, 2021			
	Program Services	Management and General	Fundraising	Total
University support	\$ 32,687,080	\$ -	\$ -	\$ 32,687,080
Salaries and benefits	335,196	3,550,218	4,976,142	8,861,556
Office operations	1,397,682	2,287,435	522,717	4,207,834
Meetings and development	564,948	7,962	77,188	650,098
Professional services	1,473,099	788,695	20,668	2,282,462
Travel	124,539	3,984	-	128,523
Depreciation	262,571	887,960	187,861	1,338,392
Dues and subscriptions	176,487	19,220	55,793	251,500
Occupancy	49,449	149,852	84,616	283,917
	\$ 37,071,051	\$ 7,695,326	\$ 5,924,985	\$ 50,691,362

	June 30, 2020			
	Program Services	Management and General	Fundraising	Total
University support	\$ 26,269,665	\$ -	\$ -	\$ 26,269,665
Salaries and benefits	143,213	4,854,170	7,637,704	12,635,087
Office operations	3,131,601	738,729	671,131	4,541,461
Meetings and development	1,886,992	33,646	413,810	2,334,448
Professional services	1,362,106	225,323	163,201	1,750,630
Travel	788,675	9,771	71,549	869,995
Depreciation	376,370	442,879	377,571	1,196,820
Dues and subscriptions	157,139	14,820	36,614	208,573
Occupancy	67,701	180,737	202,996	451,434
	\$ 34,183,462	\$ 6,500,075	\$ 9,574,576	\$ 50,258,113

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Contributions received for operations	\$ 22,258,085	\$ 16,529,850
Service fees, investment advisory fees, and other receipts	29,784,687	13,071,359
Interest and dividends received	6,847,985	6,572,281
Grants paid to benefit Louisiana State University	(36,647,369)	(35,091,200)
Cash paid for supporting services	(13,280,997)	(12,889,585)
Interest paid	(575,403)	(529,786)
Net cash provided by (used in) operating activities	8,386,988	(12,337,081)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(3,543,484)	(6,617,320)
Proceeds from sales of property and equipment	75,000	-
Purchases of investments	(117,290,983)	(193,719,499)
Proceeds from sales and maturities of investments	76,705,123	297,166,422
Net cash provided by (used in) investing activities	(44,054,344)	96,829,603
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for endowment purposes	10,684,278	7,520,470
Principal payments on notes payable	(259,557)	(262,490)
Proceeds from issuance of note payable	-	6,682,880
Increase (decrease) in amounts held in custody	10,748,443	4,080,004
Net change in refundable advances and deferred revenues	31,251	1,303,478
Net cash provided by (used in) financing activities	21,204,415	19,324,342
Net change in cash and cash equivalents	(14,462,941)	103,816,864
Cash and cash equivalents - beginning of the year	130,913,608	27,096,744
Cash and cash equivalents - end of the year	\$ 116,450,667	\$ 130,913,608
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS</u> <u>TO STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents	\$ 30,954,229	\$ 16,133,582
Restricted cash	85,496,438	114,780,026
	\$ 116,450,667	\$ 130,913,608

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization and purpose

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

Consolidation

The Foundation elects all of the members of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. The LSU Property Foundation is the sole member of the LSU Museum, LLC, the Foundation Office Building, LLC, the Nicholson Gateway Project, LLC, and the Veterans Center, LLC. The LSU Property Foundation was the sole member of the Equine Lameness Unit, LLC and the Admissions and Recruiting Center, LLC which were dissolved during the year ended June 30, 2021.

The Foundation is considered to have a majority voting interest in the LSU Real Estate and Facilities Foundation (“LSU REFF”), a supporting organization of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College and the LSU Foundation. LSU REFF is the sole member of the Greenhouse District Project, LLC, Recital Hall, LLC, Hilltop Arboretum Projects, LLC, Geology Field Camp, LLC, Burden Museum and Gardens, LLC, LSU-A Student Service Building, LLC, LSU-A Allied Health Facility, LLC, Bengal Village, LLC, Charity Hospital Redevelopment, LLC, University Lakes, LLC, Memorial Tower Plaza, LLC, Mobility Transit, LLC, ULS, LLC, and Pilots Pointe, LLC. LSU REFF was the sole member of the SLA, LLC which was dissolved during the year ended June 30, 2021 and Roosevelt Street, LLC, Dentistry Housing, LLC, and Coates Lab, LLC, which were dissolved during the year ended June 30, 2020.

As such, the consolidated financial statements of the Foundation include the accounts of the LSU Foundation, the LSU Property Foundation, those LLCs for which the LSU Property Foundation is sole member, the LSU Real Estate and Facilities Foundation, and the LLCs for which LSU Real Estate and Facilities Foundation is a sole member.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Recent accounting pronouncements

The Foundation adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, during the year ended June 30, 2021. This guidance clarifies the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized.

The Foundation also adopted ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, for the year ended June 30, 2021. This guidance modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Basis of accounting

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

Net assets without donor restrictions - net assets available for general use and not subject to donor restrictions.

Net assets with donor restrictions - net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature which may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As of June 30, 2021 and 2020, the Foundation’s net assets with donor restrictions are restricted for funding chairs and professorships, scholarships and fellowships, academic support and development, capital outlay and improvements, research support and institutional support programs specified by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation reports gifts of land, buildings, equipment, and other assets as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The Foundation reports expirations of donors’ restrictions when the donated or acquired long-lived assets are placed in service.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Cash and cash equivalents

The Foundation considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents. Restricted cash represents amounts set aside to fund restrictions imposed by donors.

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

Investments

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

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

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

Dividend, interest, and other investment income is recorded as an increase in net assets with or without donor restrictions depending on donor stipulations.

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Fair values of financial instruments

The Foundation's financial instruments, excluding investments which are described in Note 2 and split-interest agreements which are recorded at estimated fair value, include cash and cash equivalents and unconditional promises to give. The Foundation estimates that the fair values of all these financial instruments at June 30, 2021 and 2020, do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying consolidated statements of financial position.

Contributions

Contributions received are recorded as support with or without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Promises to give

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

Refundable advances

The Foundation has received contributions that are deemed revocable until spent. The Foundation has outstanding refundable advances of \$1,833,393 and \$1,777,595, at June 30, 2021 and 2020, respectively.

Property and equipment

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

Funds held in custody for others

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Split-interest agreements

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

Leases

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

Compensated absences

The Foundation records a liability for accrued and unused vacation of its employees. The balances in accrued and unused vacation totaled \$562,292 and \$495,467 at June 30, 2021 and 2020, respectively.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among program, management and general, and fundraising. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Full time equivalent
Depreciation	Full time equivalent
Office operations - insurance	Full time equivalent
Office operations - telecommunications	Full time equivalent

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies (continued)

Income taxes

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

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

The Foundation has evaluated its position regarding the accounting for uncertain income tax and does not believe that it has any material uncertain tax positions at June 30, 2021.

Accounting pronouncements issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This accounting standard requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. This standard will be effective for the year ended June 30, 2023.

The Foundation is currently assessing the impact of this pronouncement on its consolidated financial statements.

Reclassification

Certain reclassifications have been made to the consolidated financial statements and footnotes as of and for the year ended June 30, 2020, in order for them to conform to the current year presentation.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Investments

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

The Foundation segregates its investments into four separate pools based on donor imposed restrictions and internal designations and has established separate investment strategies for these pools. Investment earnings are allocated to net assets with or without donor restrictions based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds. The Foundation employs a unitized method of accounting for pooled endowed investments. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit values. Monthly unit values reflect changes in the fair value of investments within the investment pool. A spending allocation approved by the Board of Directors is made each year to the funds on a per unit basis.

The asset allocation of the Foundation's portfolio involves exposure to a diverse set of markets which involve various risks such as interest rate risk, market risk, and credit risk. The Foundation believes that the value of its investments may, from time to time, fluctuate substantially as a result of these risks. The Foundation has also entered into agreements with private equity and real estate partnerships. See Note 15 for cash commitments relating to these investments.

Investments comprised the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Government agency obligations	\$ 1,307,938	\$ 1,574,874
Corporate obligations	22,838,803	27,018,375
Common stocks	5,905,710	4,254,565
Mutual funds	210,995,747	139,850,473
Commingled funds	162,785,978	129,218,452
Hedge funds	74,886,948	67,473,764
Municipal obligations	4,473,833	7,077,914
Private equity	94,068,532	73,268,784
Separately managed accounts	67,457,653	45,754,282
Royalty interests	154,084	154,084
	<u>\$ 644,875,226</u>	<u>\$ 495,645,567</u>

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. No deficiencies of this nature were noted at June 30, 2021. Deficiencies totaling \$8,927 were noted at June 30, 2020.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Value of Financial Instruments

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

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

Fair value hierarchy

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

- Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Values of Financial Instruments (continued)

The Foundation utilizes several externally managed funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g. the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. In circumstances in which net asset value per share of an investment is determinative of fair value, the manager is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through the Foundation's reporting periods ended June 30, 2021, and 2020.

Level 3 valuation techniques

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Values of Financial Instruments (continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
<i>June 30, 2021:</i>				
Government agency obligations	\$ -	\$ 1,307,938	\$ -	\$ 1,307,938
Municipal obligations	-	4,473,833	-	4,473,833
Corporate obligations	-	22,838,803	-	22,838,803
Common stocks	5,905,710	-	-	5,905,710
Mutual funds:				
Domestic equity	108,531,383	-	-	108,531,383
Developed foreign equity	15,721,860	-	-	15,721,860
Core fixed income	86,742,504	-	-	86,742,504
Annuity and trust funds held by agent	3,280,491	-	-	3,280,491
Beneficial interest in split-interest agreements	-	-	3,430,318	3,430,318
Royalty interests	-	-	154,084	154,084
	<u>\$220,181,948</u>	<u>\$ 28,620,574</u>	<u>\$ 3,584,402</u>	

Commingled funds (including hedge funds measured at net asset value) (a)	237,672,926
Private market investments measured at net asset value (a)	94,068,532
Other investments measured at net asset value (including separately managed accounts) (a)	<u>67,457,653</u>
	<u>\$ 651,586,035</u>

<i>June 30, 2020:</i>				
Government agency obligations	\$ -	\$ 1,574,874	\$ -	\$ 1,574,874
Municipal obligations	-	7,077,914	-	7,077,914
Corporate obligations	-	27,018,375	-	27,018,375
Common stocks	4,254,565	-	-	4,254,565
Mutual funds:				
Domestic equity	80,287,819	-	-	80,287,819
Developed foreign equity	11,235,474	-	-	11,235,474
Core fixed income	48,327,180	-	-	48,327,180
Annuity and trust funds held by agent	2,729,824	-	-	2,729,824
Beneficial interest in split-interest agreements	-	-	1,746,104	1,746,104
Royalty interests	-	-	154,084	154,084
	<u>\$ 146,834,862</u>	<u>\$ 35,671,163</u>	<u>\$ 1,900,188</u>	

Commingled funds (including hedge funds measured at net asset value) (a)	196,692,216
Private market investments measured at net asset value (a)	73,268,784
Other investments measured at net asset value (including separately managed accounts) (a)	<u>45,754,282</u>
	<u>\$ 500,121,495</u>

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Values of Financial Instruments (continued)

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
<i>June 30, 2021:</i>				
Commingled funds	\$ 162,785,978	\$ -	quarterly or less	≤ 90 days
Hedge funds:				
Long/short equity	84,808	-	longer than quarterly	≤ 90 days
Long/short equity	3,931,651	-	quarterly or less	≤ 90 days
Event driven	19,493,293	-	longer than quarterly	≤ 90 days
Credit	9,190,408	-	longer than quarterly	> 90 days
Multi-strategy	13,325,724	-	longer than quarterly	≤ 90 days
Multi-strategy	<u>28,861,064</u>	<u>-</u>	quarterly or less	≤ 90 days
Total commingled and hedge funds	237,672,926	-		
Private markets	94,068,532	28,216,058	*	
Other	<u>67,457,653</u>	<u>-</u>	quarterly or less	≤ 90 days
Total	<u>\$ 399,199,111</u>	<u>\$ 28,216,058</u>		
<i>June 30, 2020:</i>				
Commingled funds	\$ 129,218,452	\$ -	quarterly or less	≤ 90 days
Hedge funds:				
Long/short equity	1,306,342	-	longer than quarterly	≤ 90 days
Long/short equity	3,201,874	-	quarterly or less	≤ 90 days
Event driven	14,782,079	-	longer than quarterly	≤ 90 days
Credit	8,374,366	-	longer than quarterly	> 90 days
Multi-strategy	13,809,907	-	longer than quarterly	≤ 90 days
Multi-strategy	<u>25,999,196</u>	<u>-</u>	quarterly or less	≤ 90 days
Total commingled and hedge funds	196,692,216	-		
Private markets	73,268,784	32,424,717	*	
Other	<u>45,754,282</u>	<u>-</u>	quarterly or less	≤ 90 days
Total	<u>\$ 315,715,282</u>	<u>\$ 32,424,717</u>		

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

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Values of Financial Instruments (continued)

The following table presents the changes in fair value in Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020:

Balance - June 30, 2019	\$ 1,855,634
Unrealized gains	<u>44,554</u>
Balance - June 30, 2020	1,900,188
Sales	(273,959)
Purchases	1,633,796
Unrealized gains	<u>324,377</u>
Balance - June 30, 2021	\$ <u>3,584,402</u>

The realized and unrealized gains or losses recorded during the years ended June 30, 2021 and 2020, are included in the consolidated statements of activities and changes in net assets as earnings allocation within net assets with or without donor restrictions based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds.

4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Promises to give expected to be collected in:		
Less than one year	\$ 11,266,480	\$ 5,379,403
One to five years	18,266,341	12,305,763
More than five years	<u>2,556,075</u>	<u>3,474,204</u>
	32,088,896	21,159,370
Less discount on promises to give	(1,813,496)	(1,883,552)
Less allowance for uncollectible accounts	<u>(105,750)</u>	<u>(513,231)</u>
Net unconditional promises to give	\$ <u>30,169,650</u>	\$ <u>18,762,587</u>

The discount rates used in discounting unconditional promises to give that were made in fiscal years 2021 and 2020 were 0.22% and 0.16%, respectively.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Split-Interest Agreements

The Foundation serves as trustee for several charitable remainder trusts for which the Foundation is the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair value of the funds held is reported as an asset and corresponding liability in the consolidated statements of financial position. As of June 30, 2021 and 2020, the fair value of both the asset and corresponding liability of these charitable remainder trusts totaled \$315,695 and \$268,558, respectively.

The Foundation has several charitable gift annuity arrangements with donors in which the Foundation has received assets from a donor in exchange for the Foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held and administered by a third-party financial institution as an agent of the Foundation. The assets are reported as investments - split-interest agreements on the consolidated statements of financial position at the fair value of \$2,964,796 and \$2,461,266 at June 30, 2021 and 2020, respectively. The present value of the amount due to these donors or their designees as of June 30, 2021 and June 30, 2020, totaled \$2,060,370 and \$2,060,912, respectively.

The Foundation is the irrevocable beneficiary of several split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at its present value and reported as assets in the consolidated statements of financial position as beneficial interest in split-interest agreements. As of June 30, 2021 and 2020, the fair value of the beneficial interests totaled \$3,430,318 and \$1,746,104 respectively.

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,515,728	\$ 2,372,694
Buildings and building improvements	24,824,305	23,198,046
Furniture and equipment	<u>2,494,260</u>	<u>2,495,590</u>
	29,834,293	28,066,330
Less: accumulated depreciation and amortization	<u>(5,958,892)</u>	<u>(4,694,450)</u>
	23,875,401	23,371,880
Construction in progress	4,954,367	3,413,906
Land	511,924	781,924
Artwork and other non-depreciable assets	<u>4,218,976</u>	<u>4,218,976</u>
	<u>\$ 33,560,668</u>	<u>\$ 31,786,686</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Investment in Partnership

The Foundation is a 50% investor in the Shaw Center for the Arts, LLC, and accordingly, accounts for the investment using the equity method of accounting. The investments recorded on the consolidated statements of financial position totaled \$12,953,862 and \$13,469,113 at June 30, 2021 and 2020, respectively. The summarized financial information as of and for the years ended June 30, 2021 and 2020 of the Shaw Center for the Arts, LLC is as follows:

	<u>2021</u>	<u>2020</u>
Total assets	\$ <u>26,447,436</u>	\$ <u>27,392,843</u>
Total liabilities	\$ <u>539,714</u>	\$ <u>454,617</u>
Net loss	(\$ <u>1,066,379</u>)	(\$ <u>1,154,994</u>)

8. Notes Payable

The Foundation Office Building, LLC had a construction line of credit that was converted to a \$3,250,000 term note on November 8, 2016 and is secured by the mortgaged property. The note bears interest at a fixed rate of 3.5% and the outstanding balances as of June 30, 2021 and 2020, are \$816,752 and \$843,510, respectively. The note is scheduled to mature on November 8, 2026. For the years ended June 30, 2021 and 2020, interest expense totaling \$29,477 and \$30,339, respectively, was recognized and is included in office operations expense within the management and general function.

On March 28, 2018, the Nicholson Gateway Project, LLC, entered into a \$2,430,000 term note secured by all property of the borrower. The note bears interest at a fixed rate of 4.61% and the outstanding balances as of June 30, 2021 and 2020, are \$2,162,700 and \$2,254,953, respectively. Level payments of principal and interest are due until the maturity date, March 28, 2028. Interest expense totaling \$106,400 and \$105,426 was recognized for the years ended June 30, 2021 and June 30, 2020, respectively, and is included in office operations expense within the management and general function.

On February 8, 2019, Bengal Village, LLC, executed an assumption of a mortgage promissory note secured by the property to refinance a loan taken out on September 21, 2018, by Eunice Student Housing Foundation for the construction of the Bengal Village student housing on the LSU-E campus in the amount of \$6,650,711. The note originally bore interest at a fixed rate of 5.5%. During the year ended June 30, 2021, the terms of the loan were modified, and the rate was lowered to 4.5% and the maturity date of the loan was extended to August 8, 2025. The outstanding balances as of June 30, 2021 and 2020, are \$6,321,730 and \$6,407,068, respectively. For the years ended June 30, 2021 and 2020, interest expense totaling \$298,034 and \$360,335, respectively, was recognized and is included in office operations expense within the management and general function.

On March 25, 2020, Pilots Pointe, LLC, entered into a \$5,300,000 term loan secured by all property of the borrower. The note bears interest at a fixed rate of 2.40% and the outstanding balances as of June 30, 2021 and 2020 are \$5,244,792 and \$5,300,000, respectively. The note is scheduled to mature on March 25, 2027. For the years ended June 30, 2021 and 2020 interest expense totaling \$126,999 and \$33,684, respectively, was recognized and is included in office operations expense within the management and general function.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Notes Payable (continued)

On April 7, 2020, LSU Foundation received a loan in the amount of \$1,382,880 under the Paycheck Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was fully forgiven in May of 2021.

The notes payable are scheduled to mature as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 503,315
2023	511,656
2024	519,557
2025	529,452
2026	5,996,742
Thereafter	<u>6,485,252</u>
	<u>\$ 14,545,974</u>

9. Funds Held In Custody For Others

Under agreements with the University and certain other charitable organizations, the Foundation manages and holds for deposit designated funds for these entities. The funds being held at June 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
LSU - Alexandria Foundation	\$ 24,217,098	\$ 20,340,285
LSU - Eunice Foundation	3,418,469	2,744,145
State Matching Funds Managed for the University	118,976,386	112,825,675
Split-interest agreements	<u>2,376,065</u>	<u>2,329,470</u>
	148,988,018	138,239,575
Less: portion classified as current	<u>(30,147,600)</u>	<u>(23,107,383)</u>
	<u>\$ 118,840,418</u>	<u>\$ 115,132,192</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Net Assets

Net assets with donor restrictions at June 30, 2021 and 2020, were restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Chairs and professorships	\$ 224,119,914	\$ 181,119,600
Scholarships and fellowships	167,941,448	129,580,010
Academic support and development	183,354,732	148,139,599
Capital outlay and improvements	33,549,785	26,743,836
Research support	8,697,178	7,047,290
Institutional support	601,048	698,344
	<u>\$ 618,264,105</u>	<u>\$ 493,328,679</u>

Of the above amounts reported as net asset with donor restrictions, the following are permanently restricted to investments in perpetuity, the income from which is expendable to support the activities below:

	<u>2021</u>	<u>2020</u>
Chairs and professorships	\$ 127,493,967	\$ 122,339,446
Scholarships and fellowships	97,827,923	91,001,066
Academic support and development	70,186,078	68,997,387
Capital outlay and improvements	233,727	209,885
Research support	2,396,311	2,209,262
	<u>\$ 298,138,006</u>	<u>\$ 284,757,046</u>

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of the passage of time or other events specified by the donors during the years ended June 30, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Chairs and professorships	\$ 6,181,586	\$ 8,635,511
Scholarships and fellowships	11,008,213	8,834,722
Academic support and development	11,694,711	13,579,663
Capital outlay and improvements	6,216,729	1,544,499
Research support	835,217	1,223,347
Institutional support	85,787	83,991
	<u>\$ 36,022,243</u>	<u>\$ 33,901,733</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Net Assets (continued)

The Foundation's net assets without donor restrictions at June 30, 2021 and 2020, comprised undesignated and Board designated amounts to support the activities below:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 20,574,573	\$ 11,279,727
Board designated for continued University support	17,336,164	12,851,914
Board designated for operating reserve	5,072,000	4,810,000
Board designated for capital outlay and improvements	3,426,530	566,545
Board designated for quasi-endowment and scholarships	598,881	512,636
Board designated for partnership investment	<u>12,953,862</u>	<u>13,469,113</u>
	<u>\$ 59,962,010</u>	<u>\$ 43,489,935</u>

Board designated for continued University support

The Foundation's Board has designated funds to provide continued support for the University.

Board designated for operating reserve

The Foundation maintains a minimum operating reserve of board designated funds equal to 40% of the approved budget for the Foundation total operating revenues for the current fiscal year. The minimum operating reserve is intended to preserve sufficient unrestricted dollars for possible occurrences of significant negative variances in projected revenues or other unforeseen circumstances.

Board designated for capital outlay and improvements

The Foundation's Board has designated funds to provide temporary bridge loans for various capital projects before the projects secure longer-term financing options while awaiting donor pledge commitments to be funded or financial closings for debt financed projects to be completed.

Board designated for quasi-endowment and scholarships

The Foundation's Board designated funds to establish and maintain a quasi-endowment for the purpose of securing Foundation's long-term financial viability and continuing to meet the needs of the Foundation. The Foundation's Board has also designated funds to provide scholarships for the University.

Board designated for partnership investment

As discussed in Note 7, the Foundation is a 50% investor in the Shaw Center for the Arts, LLC ("Shaw Center"), and accordingly, the net assets related to the Shaw Center are designated to its investment.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Endowed Net Assets

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

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the University for the University's benefit. These state matching endowed funds, which are maintained in a separate pool from other Foundation investments, are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the LSU Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2021 and 2020, was 4.00%.

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

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

The Louisiana Board of Regents spending policy dictates that the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of an endowment is below the original corpus, a spending allocation is not allowed.

The LSU Foundation Board of Directors has chosen to manage a portion of its net assets without donor restrictions as part of the endowed funds investment pool. At June 30, 2021 and 2020, the fair value of these Board Designated Endowed Funds was \$598,881 and \$512,636 respectively.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Endowed Net Assets (continued)

The Foundation reclassified market value adjustments from non-endowed donor-restricted amounts to endowed donor-restricted amounts to accurately reflect endowed funds with donor restrictions.

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2019	\$ 2,462,272	\$ 383,376,663	\$ 385,838,935
Investment return	(9,024)	(14,343,205)	(14,352,229)
Contributions	1,951	8,989,304	8,991,255
Funds undesignated by the Board	(1,935,292)	-	(1,935,292)
Released from restrictions	-	(954,038)	(954,038)
Appropriation for expenditures	(7,271)	(6,538,780)	(6,546,051)
Balance at June 30, 2020	512,636	370,529,944	371,042,580
Investment return	86,245	99,960,667	100,046,912
Contributions	-	15,240,158	15,240,158
Released from restrictions	-	(544)	(544)
Balance at June 30, 2021	<u>\$ 598,881</u>	<u>\$ 485,730,225</u>	<u>\$ 486,329,106</u>

The composition of endowed net assets, by fund type, at June 30, 2021 and 2020, was as follows:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
<i>June 30, 2021:</i>			
Donor-restricted endowment	\$ -	\$ 485,730,225	\$ 485,730,225
Board-designated endowment	598,881	-	598,881
	<u>\$ 598,881</u>	<u>\$ 485,730,225</u>	<u>\$ 486,329,106</u>
<i>June 30, 2020:</i>			
Donor-restricted endowment	\$ -	\$ 370,529,944	\$ 370,529,944
Board-designated endowment	512,636	-	512,636
	<u>\$ 512,636</u>	<u>\$ 370,529,944</u>	<u>\$ 371,042,580</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund beneficiary purposes such as faculty support, scholarships, and research. In addition, the Foundation receives support without donor restrictions; such support consists of contributions, investment income without donor restrictions, and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, earnings from donor-restricted gifts and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs to be available to meet cash needs for expenditures. Expenditures include operating expenses, program expenses, and disbursements related to funds held in custody for others.

As part of the liquidity policy, the Foundation has identified operating, financing, and market liquidity risks. Liquidity risk is mitigated in part through monitoring and reporting of the Primary Reserve Ratio, which measures the sufficiency and availability of the liquid financial resources of the Foundation by comparing expendable net assets to total expenses and disbursements related to funds held in custody. The ratio provides a snapshot of financial strength and flexibility by indicating how long the Foundation could function using its expendable net assets without relying on additional net assets generated by operations. As part of the liquidity management plan, the Foundation will monitor the Primary Reserve Ratio to ensure it is in compliance with the internally established benchmark.

For operating and program expenses, the Foundation monitors cash and the investment of non-endowed funds using a rolling 15-month cash flow forecast, to determine availability of these funds for the Foundation's general expenditures, liabilities, and other obligations, including debt service payments, as they become due for that given time frame.

For funds held in custody, the spendable funds managed for University-related third parties are invested in the Foundation's non-endowed pool, which consists primarily of cash and cash equivalents and highly liquid fixed income securities. Ordinary expenditure of such funds is factored into a 15-month cash flow forecast. The endowed funds managed for the third parties are invested in the Foundation's endowed pools. Fund redemption request notice for the endowed pools is required to be given at least 90 days in advance. The liquidity of these investment pools is governed by the Investment Policy Statement with oversight by the Foundation's Investment Committee.

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12. Liquidity and Availability (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 116,450,667	\$ 130,913,608
Investments	644,875,226	495,645,567
Assets held in split-interest agreements	3,280,491	2,729,824
Beneficial interest in split-interest agreements	3,430,318	1,746,104
Accrued interest receivable	100,160	290,654
Accounts receivable, net	989,846	1,455,092
Investment in partnership	12,953,862	13,469,113
Unconditional promises to give, net	<u>30,169,650</u>	<u>18,762,587</u>
Total financial assets	<u>812,250,220</u>	<u>665,012,549</u>
Less amounts not available to be used within one year:		
Donor-restricted endowments	485,730,225	370,529,944
Assets held in split-interest agreements	3,280,491	2,729,824
Beneficial interest in split-interest agreements	3,340,318	1,746,104
Investment in partnership	12,953,862	13,469,113
Unconditional promises to give, net	<u>20,537,360</u>	<u>13,896,415</u>
	<u>525,842,256</u>	<u>402,371,400</u>
Less amounts unavailable without Board's approval:		
Designated for continuing university support	17,336,164	12,851,914
Designated for operating reserves	5,072,000	4,810,000
Designated for capital outlay and improvements	3,426,530	566,545
Designated for quasi-endowment and scholarships	<u>598,881</u>	<u>512,636</u>
	<u>26,433,575</u>	<u>18,741,095</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 259,974,389</u>	<u>\$ 243,900,054</u>

13. Retirement Plan

The Foundation sponsors a 401(k) retirement plan for its employees. The Foundation's match is 6%. An employee is vested 100% upon beginning employment with the Foundation. The retirement plan requires a minimum participation age of 21. The Foundation contributed \$385,058 and \$464,472 to the Plan during the years ended June 30, 2021 and 2020, respectively.

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14. Operating Lease

Louisiana State University (“LSU”) executed a ground lease with Nicholson Gateway Project, LLC (“NGP”) to develop student housing and retail space on LSU’s campus. In furtherance of development, NGP subleased the property to Provident Group – Flagship Properties, LLC (“Provident”). The lease commenced in September 2016 and expires on the fortieth anniversary of the commencement date. Annual lease payments of \$2 million shall be paid during year three through seven of the lease. Commencing in year 8 through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year.

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

15. Commitments

The Foundation has contractual commitments associated with the construction, restoration, and renovation projects for certain LSU buildings. The total contract amount for these projects is \$10,407,320, and the remaining commitment as of June 30, 2021, totals \$4,870,274.

The Foundation also previously committed an additional \$154,778,022 to various Private Equity Funds. As of June 30, 2021, the remaining commitments to these funds total \$28,216,058.

16. Transactions with the University

The Foundation has certain transactions with the University in the normal course of operations. The transactions consist of reimbursement for salaries, which are processed by the University and reimbursement for certain expenses paid by the University on behalf of the Foundation, such as payments of scholarships and capital projects. The amount owed to the University at June 30, 2021 and 2020, for these types of expenses was \$1,522,567 and \$2,237,190, respectively and is included in accounts payable on the statements of financial positions.

17. Subsequent Events

Management evaluated subsequent events through, October 8, 2021, the date that the financial statements were available to be issued, and determined that no additional disclosures were necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.