

LSU HEALTH SCIENCES CENTER FOUNDATION

FINANCIAL STATEMENTS

June 30, 2017 and 2016



**LSU Health Sciences Center Foundation
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June 30, 2017**

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Report





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INDEPENDENT AUDITORS' REPORT

Board of Directors
LSU Health Sciences Center Foundation
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The LSU Health Sciences Center Foundation (the "Foundation") (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2017 and 2016, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 the Foundation'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 Foundation'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 Foundation as of June 30, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 24 through 25 are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information on pages 26 through 34 are not a required part of the basic financial statements but are supplementary information required by the State of Louisiana. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

August 31, 2017



Financial Statements

**LSU Health Sciences Center Foundation
Statements of Financial Position**

June 30,

2017

2016

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,283,900	\$ 1,597,779
Investments	3,253,202	2,828,217
Unconditional promises to give, net	566,267	769,260
Estate receivable	-	246,402
Accounts receivable	135,103	80,102
Other assets	43,326	53,451
 Total current assets	 5,281,798	5,575,211
 Noncurrent Assets:		
Investments	132,858,701	128,847,868
Property and equipment, net	7,553,348	7,803,373
Unconditional promises to give, net	800,254	768,367
Land	215,027	215,027
 Total noncurrent assets	 141,427,330	137,634,635
 Total assets	 \$ 146,709,128	\$ 143,209,846

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,087,158	\$ 2,247,899
Split-interest agreements	51,375	51,375
 Total current liabilities	 1,138,533	2,299,274
 Noncurrent Liabilities:		
Amounts held in custody for others	29,117,677	26,523,815
Split-interest agreements	251,843	278,739
 Total noncurrent liabilities	 29,369,520	26,802,554
 Total liabilities	 30,508,053	29,101,828

Net Assets

Unrestricted	8,880,512	8,350,864
Board-designated	1,139,106	1,387,755
Temporarily restricted	49,736,777	49,788,571
Permanently restricted	56,444,680	54,580,828
 Total net assets	 116,201,075	114,108,018
 Total liabilities and net assets	 \$ 146,709,128	\$ 143,209,846

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

**LSU Health Sciences Center Foundation
Statements of Activities**

For the years ended June 30,

2017

2016

UNRESTRICTED NET ASSETS

Unrestricted revenues and other support:

Contributions	\$ 23,302	\$ 37,834
Management and deposit fee income	1,894,370	1,803,639
Investment income (loss), net	1,328,420	(117,399)
Rental income	241,909	138,675
Transfers	5,154	-
	3,493,155	1,862,749
Net assets released from restrictions	11,075,307	9,735,579
Total unrestricted revenues and other support	14,568,462	11,598,328
Expenses:		
Program services	11,323,956	10,435,737
General and administrative	1,593,215	1,562,623
Development	1,370,292	1,097,538
Total expenses	14,287,463	13,095,898
Increase (decrease) in unrestricted net assets	280,999	(1,497,570)

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted revenues and other support (expense):

Contributions	4,888,786	6,169,929
Investment income, net	6,274,049	672,372
Transfers	(111,144)	(693,430)
Other expense	(28,178)	(30,969)
	11,023,513	6,117,902
Net assets released from restrictions	(11,075,307)	(9,735,579)
Decrease in temporarily restricted net assets	(51,794)	(3,617,677)

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted revenues and other support:

Contributions	1,757,862	2,804,300
Transfers	105,990	693,430
Increase in permanently restricted net assets	1,863,852	3,497,730
Increase (decrease) in net assets	2,093,057	(1,617,517)
Net assets at beginning of year	114,108,018	115,725,535
Net assets at end of year	\$ 116,201,075	\$ 114,108,018

**LSU Health Sciences Center Foundation
Statements of Cash Flows**

For the years ended June 30,

2017

2016

Cash Flows From Operating Activities

Change in net assets	\$ 2,093,057	\$ (1,617,517)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	250,024	264,342
Decrease (increase) in unconditional promises to give	297,633	(1,658,092)
Change in allowance for uncollectible accounts	(104,171)	580,332
Net change in discount on unconditional promises to give	(22,356)	70,154
Realized and unrealized gain on investments	(7,602,469)	(554,973)
Changes in operating assets and liabilities:		
Decrease in state matching receivable	-	120,000
Decrease in estate receivable	246,402	54,467
Increase in accounts receivable	(55,001)	(18,191)
Decrease in other assets	10,125	1,215
(Decrease) increase in accounts payable and accrued expenses	(1,160,741)	1,539,772
(Decrease) increase in split-interest agreement	(26,896)	283,243
Increase (decrease) in funds held in custody	2,593,862	(1,915,626)
Contributions permanently restricted by donors	(1,863,852)	(3,497,730)
Net cash used in operating activities	(5,344,383)	(6,348,604)

Cash Flows From Investing Activities

Proceeds from sales and maturities of investments	21,694,491	5,293,561
Purchases of investments	(18,527,840)	(577,452)
Decrease in cash restricted for debt service	-	122,004
Net cash provided by investing activities	3,166,652	4,838,113

Cash Flows From Financing Activities

Payments on bonds payable	-	(925,000)
Contributions permanently restricted by donors	1,863,852	3,497,730
Net cash provided by financing activities	1,863,852	2,572,730

Net (Decrease) Increase in Cash and Cash Equivalents

Net (Decrease) Increase in Cash and Cash Equivalents	(313,879)	1,062,239
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Cash and Cash Equivalents

Beginning of year	1,597,779	535,540
End of year	\$ 1,283,900	\$ 1,597,779

Supplemental data:

Cash paid for interest	\$ -	\$ 2,065
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The accompanying footnotes are an integral part of these financial statements.

LSU Health Sciences Center Foundation Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES

The LSU Health Sciences Center Foundation (the “Foundation”) supports the activities of the LSU Health Sciences Center. The Foundation’s activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The Foundation is supported primarily through donor contributions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

The Foundation is a Louisiana nonprofit organization under Section 501(c)(3) of the Internal Revenue code that been granted an exemption from the payment of income taxes under Section 501(c)(3) and has been determined to be other than private foundations. The Foundation’s management believes that the Foundation continues to operate in a manner that preserves its tax exempt status.

On January 1, 2009, the Foundation adopted a standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Foundation recognizes the financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, the Foundation applied the new accounting standard to all tax positions for which the statute of limitations remained open. The Foundation did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard. Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

b) Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

c) Risks and Uncertainties

The Foundation holds various investments in any combination of stocks, bonds, fixed income securities, mutual funds and other investment securities. Investment securities are

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exposed to various risks, such as interest rate, market and credit. Given the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the Statements of Financial Position and the Statements of Activities.

d) Basis of Presentation

Financial statement presentation follows the reporting requirements of FASB Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which establishes external financial reporting for not-for-profit organizations. Under ASC 958, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Board-designated unrestricted net assets are set aside for specific use by action of the Board of Directors, but not subject to any donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met by actions of the Foundation.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather, invested to provide a permanent source of income for the Foundation's programs.

e) Use of Estimates

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

f) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investments

Investments are carried at estimated current market value. Investments that are short term and highly liquid, with a maturity date of 90 days or less are classified as current assets on the Statements of Financial Position.

h) Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Pledges due in subsequent years are recorded at net present value of estimated future cash flows using an appropriate discount rate. Unconditional promises to give that are due to be received within one year are classified as current assets on the Statements of Net Position.

Management's estimate for the allowance of uncollectible promises to give at June 30, 2017 and 2016 was \$762,221 and \$866,392, respectively.

i) Property and Equipment

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to an expense. The cost of these assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. As of June 30, 2017, all other furniture, equipment, and accounting software owned by the Foundation were purchased with restricted private donations and have not been capitalized. The Foundation finished construction on a new building in July of 2013 and is using the straight-line method to depreciate it over an estimated useful life of 40 years. Furniture is being depreciated over estimated useful lives of five years using the straight-line method.

j) Noncurrent Liabilities

Noncurrent liabilities include all obligations that are not due to be paid within one year.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Amounts Held in Custody for Others

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Amounts Held in Custody for Others. All Funds Held in Custody for Others are recorded at fair market value.

l) Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

m) Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

n) Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

o) Subsequent Events

Subsequent events have been evaluated through August 31, 2017, the date the financial statements were available to be issued, and no events material to the financial statements occurred which require disclosure.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 3: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services, including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors. Transfers can be made between temporarily and permanently restricted net assets to reflect a change in donor intent for specific gifts made or deposits held with the Foundation.

NOTE 4: UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2017 and 2016:

	2017	2016
Gross unconditional promises to give	\$ 2,177,777	\$ 2,475,410
Less: unamortized discount	(49,035)	(71,391)
Less: allowance for uncollectible amounts	<u>(762,221)</u>	<u>(866,392)</u>
Net unconditional promises to give	<u>\$ 1,366,521</u>	<u>\$ 1,537,627</u>
Amount due in:		
Less than one year	\$ 888,416	\$ 769,260
One to five years	1,076,277	1,388,617
Over five years	<u>213,084</u>	<u>317,533</u>
Total	<u>\$ 2,177,777</u>	<u>\$ 2,475,410</u>

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 5: INVESTMENTS

As of June 30, 2017, investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency			
mortgage-backed securities	\$ 418,746	\$ 680,560	\$ 261,814
U.S. Government Agency			
bonds and notes	21,021,033	34,164,088	13,143,055
Corporate bonds and notes	6,699,931	10,888,951	4,189,022
Mutual funds and other equities	38,440,853	62,475,364	24,034,511
Hedge funds	5,862,439	9,527,833	3,665,394
Money market/certificates of deposit	<u>18,375,107</u>	<u>18,375,107</u>	-
Total	<u>\$ 90,818,108</u>	<u>\$136,111,903</u>	<u>\$ 45,293,796</u>

Investment return for the year ended June 30, 2017 is summarized as follows:

Interest and dividend income	\$ 414,792
Net realized and unrealized gains	<u>7,187,677</u>
Total investment income	<u>\$ 7,602,469</u>

As of June 30, 2016, investments consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency			
mortgage-backed securities	\$ 414,551	\$ 658,380	\$ 243,829
U.S. Government Agency			
bonds and notes	20,810,483	33,050,697	12,240,214
Corporate bonds and notes	6,632,823	10,534,087	3,901,264
Mutual funds and other equities	38,055,824	60,439,323	22,383,499
Hedge funds	5,803,720	9,217,326	3,413,606
Money market/certificates of deposit	<u>17,776,272</u>	<u>17,776,272</u>	-
Total	<u>\$ 89,493,673</u>	<u>\$131,676,085</u>	<u>\$ 42,182,412</u>

Investment return for the year ended June 30, 2016 is summarized as follows:

Interest and dividend income	\$ 423,161
Net realized and unrealized gains	<u>131,812</u>
Total investment income	<u>\$ 554,973</u>

LSU Health Sciences Center Foundation Notes to Financial Statements

NOTE 5: INVESTMENTS (CONTINUED)

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Prudent Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2017.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor-restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in hedge funds through its investment manager. The investments are part of a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investments offer a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time-tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The funds have a demonstrated track record of superior performance in maintaining a highly disciplined and effective investment allocation decision process. The Foundation's objective is to maximize its returns related to these investments. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached. The result is a portfolio with a demonstrated ability to protect capital from loss in adverse market conditions and to produce superior risk-adjusted returns. The returns from hedge funds are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge funds are included in investment income, net, in the Statements of Activities. The fair market value of these funds was \$9,527,833 and \$9,217,326 at June 30, 2017 and 2016, respectively.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Building	\$ 8,346,657	\$ 8,346,657
Furniture	206,788	206,788
Less accumulated depreciation	<u>(1,000,097)</u>	<u>(750,072)</u>
Property and equipment, net	<u>\$ 7,553,348</u>	<u>\$ 7,803,373</u>
Land	215,027	215,027
Total non-depreciable assets	<u>\$ 215,027</u>	<u>\$ 215,027</u>

Depreciation expense totaled \$250,024 and \$264,342 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. At June 30, 2017, the Foundation's balances are fully insured or collateralized.

NOTE 8: FUNDS HELD IN CUSTODY

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and the Endowed Professorship Programs. Funds held in custody were \$29,117,677 and \$26,523,815 on June 30, 2017 and 2016, respectively. The amount of state matching funds received was \$360,000 and \$600,000 for the fiscal years ended 2017 and 2016, respectively.

NOTE 9: RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$40,859 and \$38,817 as of June 30, 2017 and 2016, respectively, which is allocated to both general and administrative and development expenses on the Statements of Activities.

LSU Health Sciences Center Foundation Notes to Financial Statements

NOTE 9: RETIREMENT PLAN (CONTINUED)

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 403(b) Plan, which is intended to be an ERISA Section 404(c) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts for The Variable Annuity Life Insurance Company (VALIC). Employees are eligible to participate upon the date of employment. Under the Plan, the Foundation matches amounts contributed up to 6% of the employee's compensation only if the employee has completed a year of service and is at least 21 years of age.

NOTE 10: SPLIT-INTEREST AGREEMENTS

The Foundation has entered into three (3) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$51,375 paid in quarterly or monthly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$303,218 at June 30, 2017) is calculated using a discount rate of 2.4% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$51,375 and \$32,875 for the fiscal years ended June 30, 2017 and 2016, respectively.

NOTE 11: ENDOWMENT COMPOSITION

The Foundation manages endowments for the benefit of the LSU Health Sciences Center. These endowments consist of funds raised for memorials, scholarships and awards along with Chairs and Professorships as defined by the Louisiana Board of Regents. The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board of Regents also has a policy statement that applies to the management of the endowments that received matching funds through their program.

The Foundation's endowment includes donor-restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 11: ENDOWMENT COMPOSITION (CONTINUED)

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies. The Foundation further adheres to the policies adopted by the Louisiana Board of Regents and applies their Statement of Investment Policy and Objectives to the Foundation's management of Chairs and Professorships. This program allows for eligible public matching funds totaling 40% of established thresholds to be received after successfully raising 60% of the goal in private contributions. The public matching funds are shown as Funds Held in Custody in the Statements of Financial Position. Increases (decreases) in the endowment values below are due to changes in contributions received, investment earnings, matching funds received, and spending allocations.

The Foundation's investment portfolio is actively managed by an independent management consultant under the specific direction of the Foundation's Investment Committee. The Foundation's internal investment policy allows for the growth of each endowment while also achieving a 5% maximum annual spending allocation. The goal is for each endowment to maintain an adequate purchasing power while also actively benefitting the needs of the program supported by a particular endowment.

The Foundation's Endowment Net Asset Composition by fund type as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted	\$ 34,874,123	\$ 33,899,518
Permanently restricted	<u>56,444,680</u>	<u>54,580,828</u>
Total endowment funds	<u>\$ 91,318,803</u>	<u>\$ 88,480,346</u>

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 11: ENDOWMENT COMPOSITION (CONTINUED)

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 33,899,518	\$ 54,580,828	\$ 88,480,346
Total investment return	974,605	-	974,605
Contributions	-	1,863,852	1,863,852
Allocations for spending	-	-	-
Endowment net assets, June 30, 2017	\$ 34,874,123	\$ 56,444,680	\$ 91,318,803

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ 37,606,665	\$ 51,083,099	\$ 88,689,764
Total investment return	63,213	-	63,213
Contributions	-	3,497,729	3,497,729
Allocations for spending	(3,770,360)	-	(3,770,360)
Endowment net assets, June 30, 2016	<u>\$ 33,899,518</u>	<u>\$ 54,580,828</u>	<u>\$ 88,480,346</u>

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") and FASB ASC 825, *Financial Instruments* ("ASC 825") require disclosure of fair value information about financial instruments, whether or not recognized in the Statements of Financial Position. The 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. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825 excludes certain financial instruments from its disclosure requirements.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 1 classification is applied to any asset that has a readily available quoted price from an active market where there is significant transparency in the executed/quoted price.

Level 2 classification is applied to assets that have evaluated prices received from fixed income vendors with data inputs which are observable either directly or indirectly, but do not represent quoted prices from an active market for each individual security.

Level 3 classification is applied to assets for which prices are not derived from existing market data.

Investment securities - The fair value of investment securities including U.S. government agency mortgage-backed securities, U.S. government agency bonds and notes, corporate bonds and notes, hedge funds and mutual funds and other equities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quoted prices are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the investment.

Money market/certificate of deposit - The fair value of money market accounts and certificates of deposit are the amounts payable on demand at the reporting date. The fair value is estimated by discounting the future cash flows using the market rates offered as of June 30 for similar deposits with the same remaining maturities.

Unconditional promises to give – The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions.

Split interest agreements – The fair value of split interest agreements is based on the present value of estimated future payments based on management's assumptions.

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016 are as follows:

Fair value measurement at reporting date using above description:

June 30, 2017

ASSETS	Balance as of 6/30/2017	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 1,366,521	\$ -	\$ -	\$ 1,366,521
U.S. government agency mortgage-backed securities	680,560	-	680,560	-
U.S. government agency bonds and notes	34,164,088	-	34,164,088	-
Corporate bonds and notes	10,888,951	10,888,951	-	-
Mutual funds and other equities	62,475,364	62,475,364	-	-
Hedge funds	9,527,833	-	9,527,833	-
Money market/certificates of deposit	18,375,107	-	18,375,107	-
Total	\$ 137,478,424	\$ 73,364,315	\$ 62,747,588	\$ 1,366,521

LIABILITIES	Balance as of 6/30/2017	Level 1	Level 2	Level 3
Split-interest agreements	\$ 303,218	\$ -	\$ 303,218	\$ -
Total	\$ 303,218	\$ -	\$ 303,218	\$ -

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

ASSETS	Level 3 beginning balance 7/1/2016	Increase in allowance/ discount	Net payments and gifts	Level 3 ending balance 6/30/2017
Unconditional promises to give	\$ 1,537,627	\$ 126,527	\$ (297,633)	\$ 1,366,521
Total	\$ 1,537,627	\$ 126,527	\$ (297,633)	\$ 1,366,521

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement at reporting date using above description:

June 30, 2016

ASSETS	Balance as of 6/30/2016	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 1,537,627	\$ -	\$ -	\$ 1,537,627
U.S. government agency mortgage-backed securities	658,380	-	658,380	-
U.S. government agency bonds and notes	33,050,697	-	33,050,697	-
Corporate bonds and notes	10,534,087	10,534,087	-	-
Mutual funds and other equities	60,439,323	60,439,323	-	-
Hedge funds	9,217,326	-	9,217,326	-
Money market/certificates of deposit	17,776,271	-	17,776,271	-
Total	\$ 133,213,711	\$ 70,973,410	\$ 60,702,674	\$ 1,537,627

LIABILITIES	Balance as of 6/30/2016	Level 1	Level 2	Level 3
Split-interest agreements	\$ 330,114	\$ -	\$ 330,114	\$ -
Total	\$ 330,114	\$ -	\$ 330,114	\$ -

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

ASSETS	Level 3 beginning balance 7/1/2016	Increase in allowance/ discount	Net payments and gifts	Level 3 ending balance 6/30/2017
Unconditional promises to give	\$ 530,021	\$ (650,486)	\$ 1,658,092	\$ 1,537,627
Total	\$ 530,021	\$ (650,486)	\$ 1,658,092	\$ 1,537,627

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 13: RESTRICTED NET ASSETS

Unrestricted net assets may be designated by the Board of Directors for certain purposes. These funds are not considered donor-restricted, carry no legal restrictions on spending by the Foundation, and may be undesignated by the Board at any time. The Board has designated unrestricted net assets as follows:

	<u>2017</u>	<u>2016</u>
Cardiovascular Center and Dean Support	<u>\$ 1,139,106</u>	<u>\$ 1,387,755</u>

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Awards	\$79,965	\$70,393
Chairs	26,867,741	24,867,193
General Endowments	(4,522,600)	(2,265,909)
Gift Annuities	(73,157)	(74,591)
Lectureships	246,678	230,563
Memorials	124,869	118,686
Professorships	8,390,469	7,606,664
Scholarships	1,974,434	1,836,997
Superchairs	2,555,220	2,142,363
Donor restrictions	14,093,158	15,256,212
Total temporarily restricted net assets	\$49,736,777	\$49,788,571

Permanently restricted net assets are set aside as follows:

	<u>2017</u>	<u>2016</u>
Awards	\$ 120,583	\$ 98,783
Chairs	29,581,532	29,393,528
General endowments	5,304,980	4,865,655
Gift annuities	360,856	360,856
Lectureships	414,086	261,710
Memorials	140,350	140,350
Professorships	12,549,539	12,134,275
Scholarships	5,148,476	4,501,393
Superchairs	2,824,278	2,824,278
Total permanently restricted net assets	\$ 56,444,680	\$ 54,580,828

**LSU Health Sciences Center Foundation
Notes to Financial Statements**

NOTE 14: RELATED PARTY TRANSACTIONS

In the normal course of business, the Foundation reimburses the LSU Health Sciences Center for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the year ended June 30, 2017 and 2016 are \$9,579,362 and \$8,632,098, respectively, which represents payments on behalf of the Health Sciences Center. At June 30, 2017 and 2016, there were no funds due to or from the Health Sciences Center.



..... **Reports Required by**
Government Auditing Standards

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
LSU Health Sciences Center Foundation
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the LSU Health Sciences Center Foundation (the "Foundation") (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2017 and 2016, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Car, Riggs & Ingram, L.L.C.

August 31, 2017



Supplementary Information

**LSU Health Sciences Center Foundation
Schedule of Functional Expenses**

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services			Total Expenses
		General and Administrative	Development		
For the year ended June 30, 2017					
Professional fees and contract service payments	\$ 2,357,931	\$ 262,167	\$ 63,223	\$ 2,683,321	
Salary supplemental payments	2,272,026	-	-	2,272,026	
Management and deposit fees	1,894,370	-	-	1,894,370	
Equipment purchases	1,356,739	15,027	4,000	1,375,766	
Salaries and benefits	-	688,114	664,893	1,353,007	
Conferences, meetings, and other travel	959,896	1,466	21,375	982,737	
Entertainment	814,297	1,183	9,655	825,135	
Scholarships and awards	642,113	-	-	642,113	
Community support	210,848	24,317	313,133	548,298	
Supplies	354,983	20,231	5,010	380,224	
Occupancy	54,414	210,116	5,665	270,195	
Dues and subscriptions	138,316	16,851	97,192	252,359	
Depreciation	-	250,024	-	250,024	
Recruitment and relocation	166,563	-	-	166,563	
Insurance	1,023	53,887	104,984	159,894	
Printing and publications	38,932	3,066	71,683	113,681	
Education and seminars	75,155	3,993	700	79,848	
Honoraria	57,000	-	-	57,000	
Repairs and maintenance	3,733	39,923	-	43,656	
Credit card fees	15,640	4,837	-	20,477	
Postage and shipping	7,309	938	5,972	14,219	
Bank charges	143	12,280	-	12,423	
Advertising	10,165	-	675	10,840	
Miscellaneous	18,887	(17,503)	2,132	3,516	
Meeting expenses	-	2,298	-	2,298	
Provision for uncollectible accounts	(126,527)	-	-	(126,527)	
	\$ 11,323,956	\$ 1,593,215	\$ 1,370,292	\$ 14,287,463	

**LSU Health Sciences Center Foundation
Schedule of Functional Expenses**

For the year ended June 30, 2016	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Total Expenses
		General and Administrative	Development	
Supplies	\$ 2,029,957	\$ 27,174	\$ 5,570	\$ 2,062,701
Professional fees and contract service payments	1,529,449	217,822	62,477	1,809,748
Management and deposit fees	1,803,639	-	-	1,803,639
Salary supplemental payments	1,486,232	-	-	1,486,232
Salaries and benefits	-	507,404	665,389	1,172,793
Conferences, meetings, and other travel	700,247	799	30,911	731,957
Entertainment	723,168	3,484	7,073	733,725
Provision for uncollectible accounts	650,486	-	-	650,486
Equipment purchases	511,563	2,100	29,433	543,096
Community support	150,031	243,675	96,383	490,089
Scholarships and awards	344,362	-	-	344,362
Depreciation	-	264,342	-	264,342
Occupancy	57,034	141,847	6,162	205,043
Dues and subscriptions	90,661	15,742	79,697	186,100
Recruitment and relocation	129,286	-	-	129,286
Insurance	1,023	48,221	87,096	136,340
Education and seminars	68,450	2,100	1,132	71,682
Repairs and maintenance	49	30,273	-	30,322
Printing and publications	52,080	10,718	19,657	82,455
Honoraria	28,864	-	-	28,864
Bank charges	-	18,726	-	18,726
Credit card fees	14,605	4,164	-	18,769
Miscellaneous	10,389	18,296	-	28,685
Advertising	49,050	-	715	49,765
Meeting expenses	3,606	1,992	-	5,598
Postage and shipping	1,506	1,679	5,843	9,028
Interest expense	-	2,065	-	2,065
	\$ 10,435,737	\$ 1,562,623	\$ 1,097,538	\$ 13,095,898

LSU Health Sciences Center Foundation
Statement of Net Position - GASB

June 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,283,900
Investments	3,253,202
Accounts receivable, net	135,103
Pledges receivable, net	566,267
Prepaid expenses and advances	43,326
Total current assets	5,281,798

Noncurrent Assets:

Investments	132,858,701
Pledges receivable, net	800,254
Property and equipment, net	7,768,375
Total noncurrent assets	141,427,330
Total assets	146,709,128

Total assets and deferred outflow of resources \$ 146,709,128

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,087,158
Other liabilities	51,375
Total current liabilities	1,138,533

Long-Term Portion of Noncurrent Liabilities:

Other liabilities	29,369,520
Total noncurrent liabilities	29,369,520
Total liabilities	30,508,053
Total liabilities and deferred inflows of resources	30,508,053

NET POSITION

Net investment in capital assets	7,768,375
Restricted:	
Nonexpendable	56,444,680
Expendable	49,736,777
Unrestricted	2,251,243
Total net position	116,201,075
Total liabilities, deferred inflows of resources, and net position	\$ 146,709,128

LSU Health Sciences Center Foundation
Statement of Financial Position - FASB

June 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,283,900
Investments	3,253,202
Accounts receivable, net	135,103
Unconditional promises to give	566,267
Deferred charges and prepaid expenses	43,326
Total current assets	5,281,798

Noncurrent Assets:

Investments	132,858,701
Unconditional promises to give	800,254
Property and equipment, net	7,768,375
Total noncurrent assets	141,427,330

Total assets \$ 146,709,128

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,087,158
Other current liabilities	51,375
Total current liabilities	1,138,533

Long-Term Portion of Noncurrent Liabilities:

Amounts held in custody for others	29,117,677
Other liabilities	251,843
Total noncurrent liabilities	29,369,520
Total liabilities	30,508,053

NET ASSETS

Unrestricted	10,019,618
Temporarily restricted	49,736,777
Permanently restricted	56,444,680
Total net assets	116,201,075

Total liabilities and net assets \$ 146,709,128

LSU Health Sciences Center Foundation
Statement of Revenues, Expenses, and Change in Net Position

For the Year Ended June 30,	2017
OPERATING REVENUES	
Gifts received by foundations	\$ 4,912,088
Nongovernmental grants and contracts	1,894,370
Other operating revenues	247,063
Total operating revenues	7,053,521
OPERATING EXPENSES	
Other operating expenses	3,102,829
Total operating expenses	3,102,829
Operating Income	3,950,692
NONOPERATING REVENUES (Expenses)	
Net investment income	7,602,469
Payment to or on behalf of University	(11,323,956)
Net nonoperating revenues	(3,721,487)
Income Before Other Revenues, Expenses, Gains, and Losses	229,205
Additions to permanent endowments	1,863,852
Increase (decrease) in Net Position	2,093,057
Net Position at Beginning of Year	114,108,018
Net Position at End of Year	\$ 116,201,075

LSU Health Sciences Center Foundation
Statement of Activities - GASB
For the Year Ended June 30, 2017

Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and change in net assets
\$ (14,287,463)	\$ 2,136,279	\$ 6,669,950	\$ -	\$ (5,481,234)
<hr/>				
General Revenues:				
Investment income				\$ 7,602,469
Miscellaneous				(28,178)
				<hr/> 7,574,291
Change in net position				2,093,057
				<hr/> 114,108,018
Net position , beginning of year				<hr/> \$ 116,201,075
				<hr/>

**LSU Health Sciences Center Foundation
Statement of Activities (FASB)**

For the year ended June 30,

2017

Changes in unrestricted net assets:

Contributions	\$ 23,302
Investment earnings (loss), net	1,328,420
Service fees	1,894,370
Transfers	5,154
Other revenues	241,909
Total unrestricted revenues	3,493,155
Net assets released from restrictions:	
Satisfaction of program expenses	11,075,307
Total unrestricted revenues and other support	14,568,462

Expenses:

Amounts paid to benefit Louisiana State University for:

Projects specified by donors	6,834,465
Other:	
Grants and contracts	4,252,301
Property operations	54,414
Other	182,776
Total program expenses	11,323,956

Supporting services:

Salaries and benefits	1,353,007
Occupancy	215,781
Office operations	322,811
Travel	22,841
Professional services	325,390
Dues and subscriptions	114,043
Meetings and development	2,298
Depreciation	250,024
Other	357,312
Total supporting services	2,963,507

Total expenses	14,287,463
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Increase in unrestricted net assets	280,999
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(Continued)

**LSU Health Sciences Center Foundation
Statement of Activities (FASB)**

Changes in temporarily restricted net assets:

Contributions	\$ 4,888,786
Investment earnings	6,274,049
Other	(28,178)
Total temporarily restricted revenues	11,134,657
Net assets released from restrictions:	
Transfers	(111,144)
Satisfaction of program expenses	(11,075,307)
Decrease in temporarily restricted net assets	(51,794)

Changes in permanently restricted net assets:

Contributions	1,757,862
Transfers	105,990
Increase in permanently restricted net assets	1,863,852

Increase in net assets 2,093,057

Net assets at beginning of year 114,108,018

Net assets at end of year \$ 116,201,075

**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2017**

Note A. 15 Component Units - Discrete

1. A brief description of the component unit including its relationship to the University; a discussion of the criteria for including it; how it is reported, and the nature and amount of significant transactions between the university and the component unit.

The LSU Health Sciences Center Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: LSU Health Sciences Center Foundation.

During the year ended June 30, 2017, the LSU Health Sciences Center Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$11,323,956.

Complete financial statements for the LSU Health Sciences Center Foundation can be obtained from:

2000 Tulane Ave., New Orleans, LA 70112

(mailing address)

or from the foundation's website at: www.lsuheathfoundation.org

The LSU Health Sciences Center Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including the FASB Accounting Standards Codification Section 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2017**

Note C. 2 Investments and Custodial Credit Risk

Type of Investment	on SNA	Fair Value
LSU Health Foundation investment pool	<u>\$ 136,111,903</u>	<u>\$ 136,111,903</u>
Total investments	<u>\$ 136,111,903</u>	<u>\$ 136,111,903</u>

**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2017**

<u>Component Unit(s)</u>	Balance 6/30/2016	Prior Period Adjustments	Restated Balance 6/30/2016		Reclassifications of CIP		Balance 6/30/2017
			Additions	CIP	Retirements		
Capital assets not depreciated:							
Land	\$ 215,027	\$ -	\$ 215,027	\$ -	\$ -	\$ -	\$ 215,027
Construction in progress	-	-	-	-	-	-	-
Total capital assets not depreciated	<u>\$ 215,027</u>	<u>\$ -</u>	<u>\$ 215,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,027</u>
Other capital assets:							
Buildings	8,346,657	-	8,346,657	-	-	-	8,346,657
Accumulated depreciation	(625,998)	-	(625,998)	(208,667)	-	-	(834,665)
Total buildings	<u>7,720,659</u>	<u>-</u>	<u>7,720,659</u>	<u>(208,667)</u>	<u>-</u>	<u>-</u>	<u>7,511,992</u>
Equipment (including library books)	206,788	-	206,788	-	-	-	206,788
Accumulated depreciation	(124,074)	-	(124,074)	(41,358)	-	-	(165,432)
Total equipment	<u>82,714</u>	<u>-</u>	<u>82,714</u>	<u>(41,358)</u>	<u>-</u>	<u>-</u>	<u>41,356</u>
Total other capital assets	<u>\$ 7,803,373</u>	<u>\$ -</u>	<u>\$ 7,803,373</u>	<u>\$ (250,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,553,348</u>
Capital asset summary:							
Capital assets not depreciated	\$ 215,027	\$ -	\$ 215,027	\$ -	\$ -	\$ -	\$ 215,027
Other capital assets, book value	<u>8,553,445</u>	<u>-</u>	<u>8,553,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,553,445</u>
Total cost of capital assets	<u>8,768,472</u>	<u>-</u>	<u>8,768,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,768,472</u>
Accumulated depreciation/amortization	<u>(750,072)</u>	<u>-</u>	<u>(750,072)</u>	<u>(250,025)</u>	<u>-</u>	<u>-</u>	<u>(1,000,097)</u>
Capital assets, net	<u>\$ 8,018,400</u>	<u>\$ -</u>	<u>\$ 8,018,400</u>	<u>\$ (250,025)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,768,375</u>