

**LSU HEALTH SCIENCES FOUNDATION**

**IN SHREVEPORT AND SUBSIDIARY**

**SHREVEPORT, LOUISIANA**

**JUNE 30, 2016 AND 2015**

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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August 26, 2016

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

## **Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

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

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



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Health Sciences Foundation in Shreveport and Subsidiary as of June 30, 2016 and 2015, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

<u>A S S E T S</u>	<u>2016</u>	<u>2015</u>
Cash	1,678,625	1,211,306
Accounts receivable	138,335	149,283
Pledges receivable-Note 3	10,000	9,000
Investments-pools-Note 4	58,142,230	59,528,866
Investments-CFeist Legacy-Note 5	69,593,915	72,171,356
Investments-MFeist Legacy-Note 6	44,486,549	47,651,853
Investments-LSU Health Shreveport-endowments-Note 6	7,804,869	8,087,001
Investments-other	164,338	387,916
Equipment and furniture, less accumulated depreciation of \$81,271 and \$76,085, respectively	2,528	7,714
Investment in real estate-Notes 8 and 9	3,581,826	3,761,907
Other assets	<u>25,766</u>	<u>35,520</u>
Total assets	<u>185,628,981</u>	<u>193,001,722</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	1,292,717	559,552
Other payables	107,126	325,690
Notes payable-Note 9	202,296	315,967
Due to LSU Health Shreveport-BOR match-Note 10	8,442,933	8,545,369
Due to LSU Health Shreveport-MFeist Legacy-Note 6	44,486,549	47,651,853
Due to LSU Health Shreveport-endowments-Note 6	<u>7,804,869</u>	<u>8,087,001</u>
Total liabilities	62,336,490	65,485,432
 <u>Net assets:</u>		
Unrestricted:		
Board designated	2,163,764	2,563,763
Undesignated	<u>12,145,285</u>	<u>12,005,639</u>
Total unrestricted	14,309,049	14,569,402
Temporarily restricted-Note 11	96,611,048	99,743,999
Permanently restricted-Notes 12 and 13	<u>12,372,394</u>	<u>13,202,889</u>
Total net assets	<u>123,292,491</u>	<u>127,516,290</u>
Total liabilities and net assets	<u>185,628,981</u>	<u>193,001,722</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support, revenues and gains:</u>				
Contributions	431,436	1,563,456	24,463	2,019,355
Income on investments	486,333	2,659,999	440,811	3,587,143
Net realized and unrealized gains (losses) on investments	(59,665)	(2,105,584)	(347,990)	(2,513,239)
Management fee income	2,023,683	-	-	2,023,683
Rental income	<u>59,683</u>	<u>-</u>	<u>-</u>	<u>59,683</u>
Total support, revenues and gains	2,941,470	2,117,871	117,284	5,176,625
<u>Net assets released from restrictions</u>	6,424,420	(6,282,075)	(142,345)	-
<u>Transfers between classifications</u>	<u>(225,819)</u>	<u>1,031,253</u>	<u>(805,434)</u>	<u>-</u>
<u>Total support, revenue, gains and reclassifications</u>	9,140,071	(3,132,951)	(830,495)	5,176,625
<u>Expenses:</u>				
Management and general	1,564,672	-	-	1,564,672
Real estate management	246,353	-	-	246,353
LSU Health Sciences Center Support:				
Specified by donors for Feist-Weiller Cancer Center	5,196,850	-	-	5,196,850
Specified by donors for other departments	1,227,751	-	-	1,227,751
Specified by the Board of Directors	<u>1,164,798</u>	<u>-</u>	<u>-</u>	<u>1,164,798</u>
Total support	<u>7,589,399</u>	<u>-</u>	<u>-</u>	<u>7,589,399</u>
Total expenses	<u>9,400,424</u>	<u>-</u>	<u>-</u>	<u>9,400,424</u>
<u>Change in net assets</u>	(260,353)	(3,132,951)	(830,495)	(4,223,799)
<u>Net assets at beginning of period</u>	<u>14,569,402</u>	<u>99,743,999</u>	<u>13,202,889</u>	<u>127,516,290</u>
<u>Net assets at end of period</u>	<u>14,309,049</u>	<u>96,611,048</u>	<u>12,372,394</u>	<u>123,292,491</u>

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

## 2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
478,492	2,537,606	159,076	3,175,174
450,477	2,812,398	464,423	3,727,298
(87,114)	(132,425)	(24,647)	(244,186)
2,097,981	-	-	2,097,981
<u>85,698</u>	<u>404</u>	<u>-</u>	<u>86,102</u>
3,025,534	5,217,983	598,852	8,842,369
4,557,320	(4,414,546)	(142,774)	-
<u>(59,100)</u>	<u>836,352</u>	<u>(777,252)</u>	<u>-</u>
7,523,754	1,639,789	(321,174)	8,842,369
1,525,538	-	-	1,525,538
179,612	-	-	179,612
3,407,996	-	-	3,407,996
1,149,324	-	-	1,149,324
<u>1,311,221</u>	<u>-</u>	<u>-</u>	<u>1,311,221</u>
<u>5,868,541</u>	<u>-</u>	<u>-</u>	<u>5,868,541</u>
<u>7,573,691</u>	<u>-</u>	<u>-</u>	<u>7,573,691</u>
(49,937)	1,639,789	(321,174)	1,268,678
<u>14,619,339</u>	<u>98,104,210</u>	<u>13,524,063</u>	<u>126,247,612</u>
<u>14,569,402</u>	<u>99,743,999</u>	<u>13,202,889</u>	<u>127,516,290</u>



LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(4,223,799)	1,268,678
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	62,547	75,444
Net realized and unrealized loss on long-term investments	2,513,239	244,186
Impairment of investment in real estate	122,720	-
Donation of investment in real estate	-	430,824
Decrease in accounts receivable	10,948	89,565
(Increase) in pledges receivable	(1,000)	(6,289)
Decrease (increase) in other assets	9,754	(7,881)
(Decrease) in accounts payable	733,165	(181,363)
(Decrease) increase in other payable	(218,564)	41,758
(Decrease) increase in due to LSU Health Shreveport	<u>(102,436)</u>	<u>75,300</u>
Net cash (used) provided by operating activities	(1,093,426)	2,030,222
<u>Cash flows from investing activities:</u>		
Purchase of real estate and fixed assets	-	(5,242)
Purchases of investments	(12,798,523)	(14,405,384)
Proceeds from sale and maturities of investments	<u>14,472,939</u>	<u>12,278,041</u>
Net cash provided (used) by investing activities	1,674,416	(2,132,585)
<u>Cash flows from financing activities:</u>		
Repayment of notes payable	<u>(113,671)</u>	<u>(108,170)</u>
Net cash (used) by financing activities	<u>(113,671)</u>	<u>(108,170)</u>
<u>Net increase (decrease) in cash</u>	467,319	(210,533)
<u>Cash at beginning of period</u>	<u>1,211,306</u>	<u>1,421,839</u>
<u>Cash at end of period</u>	<u><u>1,678,625</u></u>	<u><u>1,211,306</u></u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	<u><u>13,534</u></u>	<u><u>19,035</u></u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

**1. Nature of Business**

The consolidated financial statements include the LSU Health Sciences Foundation in Shreveport and its wholly-owned subsidiary – the LSU Health Sciences Building Foundation in Shreveport (“Building Foundation”). All significant intercompany accounts and transactions, except for management fees, have been eliminated in consolidation.

The LSU Health Sciences Foundation in Shreveport (the “Foundation”) is a public, nonprofit corporation formed in 1997 and governed by a board of directors. The organization's goal is to support, enhance, and assist the LSU Health Sciences Center Shreveport (the “Center”) in its many endeavors by expanding the public's awareness of the Center's many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Center, and provide the means through which financial support is received and administered.

The Building Foundation is a public, nonprofit corporation formed in 2003 to hold real estate donated to or purchased by the Foundation. In October 2013, the Foundation’s three previous subsidiaries, Foundation Property, LLC, Foundation General Holdings, LLC, and Intermodal Transit Facility, LLC, were merged into the Building Foundation, which had been inactive prior to that date.

Intermodal Transit Facility, LLC was formed in March 2007 to purchase property and construct an intermodal transit oriented facility as a ride link for the City of Shreveport’s SporTran passengers and the Center’s patients, employees, students, and customers. Intermodal Transit Facility, LLC entered into a Cooperative Endeavor Agreement with the City of Shreveport which governed the use of \$1,235,949 of Section 5309 Federal Transit Administration funds earmarked as an 80% match for construction of the intermodal transit facility. In order to receive these grant funds, Intermodal Transit Facility, LLC was required to provide a match equal to 20% of the project cost. In addition, Intermodal Transit Facility, LLC was required to pay the City of Shreveport an administrative fee in the amount of 10% of the total FTA grant funds used for the project. Construction of the intermodal transit facility was completed in June 2009, and the total cost of the facility including the purchase of property and administrative fees of \$1,609,160 net of accumulated depreciation is reflected as an investment in real estate in the consolidated financial statements. A summary of the project’s activity follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Capitalized</u> <u>Expenditures</u>	<u>Expensed</u> <u>Expenditures</u>	<u>Capitalized</u> <u>Administrative</u> <u>Fees</u>	<u>Total</u> <u>Project</u> <u>Cost</u>	<u>Less</u> <u>Grant</u> <u>Income</u>	<u>Intermodal’s</u> <u>Match Plus</u> <u>Admin. Fees</u>
2007	748,749	-	59,900	808,649	598,999	209,650
2008	110,402	-	8,832	119,234	88,322	30,912
2009	630,515	4,016	50,762	685,293	507,624	177,669
	<u>1,489,666</u>	<u>4,016</u>	<u>119,494</u>	<u>1,613,176</u>	<u>1,194,945</u>	<u>418,231</u>

## 2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

The Foundation and Building Foundation file U.S. federal Form 990 for informational purposes. The Foundation's and Building Foundation's federal income tax returns for the tax years 2012 and beyond remain subject to examination by the Internal Revenue Service.

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

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

- h. Equipment and furniture are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of three to seven years.
- i. Investments in real estate are stated at cost if purchased, and at fair market value at date of donation, if donated, less accumulated depreciation on any improvements. Depreciation of improvements is calculated using the straight-line method over an estimated useful life of fifteen years.
- j. The Foundation's financial instruments, excluding investments which are recorded at estimated fair value, include cash, pledges receivable, and notes payable. The Foundation estimates that the fair values of these financial instruments at June 30, 2016 and 2015 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying financial statements.

## 3. Pledges Receivable

Pledges receivable is summarized as follows as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unconditional pledges expected to be collected in:		
Less than one year	8,000	6,000
One year to five years	2,000	3,000
More than five years	-	-
Pledges receivable	<u>10,000</u>	<u>9,000</u>

#### 4. Investments-Pools

Investments-pools consisted primarily of Vanguard mutual funds.

	<u>2016</u>		<u>2015</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Unrestricted Pool</u>				
Cash and cash equivalents	-	-	-	-
Fixed Income:				
Investment grade mutual funds	1,685,744	1,635,885	1,856,196	1,853,768
Inflation protected mutual funds	<u>337,999</u>	<u>330,423</u>	<u>370,397</u>	<u>375,941</u>
Total Fixed Income	2,023,743	1,966,308	2,226,593	2,229,709
Equity:				
Domestic mutual funds	3,383,380	3,021,542	3,586,913	3,083,642
International mutual funds	<u>1,370,195</u>	<u>1,480,553</u>	<u>1,426,527</u>	<u>1,380,355</u>
Total Equity	<u>4,753,575</u>	<u>4,502,095</u>	<u>5,013,440</u>	<u>4,463,997</u>
Total Unrestricted Pool	<u>6,777,318</u>	<u>6,468,403</u>	<u>7,240,033</u>	<u>6,693,706</u>
<u>Nonendowed Pool</u>				
Cash and cash equivalents	4,381,440	4,381,440	4,465,267	4,465,267
Fixed Income:				
Investment grade mutual funds	<u>12,919,205</u>	<u>12,806,915</u>	<u>12,213,347</u>	<u>12,227,898</u>
Total Fixed Income	<u>12,919,205</u>	<u>12,806,915</u>	<u>12,213,347</u>	<u>12,227,898</u>
Total Nonendowed Pool	<u>17,300,645</u>	<u>17,188,355</u>	<u>16,678,614</u>	<u>16,693,165</u>
<u>General/Feist Endowed Pool</u>				
Cash and cash equivalents	354	354	11,923	11,923
Fixed Income:				
Investment grade mutual funds	3,913,108	3,797,792	3,959,768	3,957,045
Inflation protected mutual funds	<u>791,454</u>	<u>775,527</u>	<u>760,597</u>	<u>773,883</u>
Total Fixed Income	4,704,562	4,573,319	4,720,365	4,730,928
Equity:				
Domestic mutual funds	7,872,736	6,892,621	8,286,737	7,020,963
International mutual funds	<u>2,718,535</u>	<u>2,946,512</u>	<u>3,016,892</u>	<u>2,897,475</u>
Total Equity	<u>10,591,271</u>	<u>9,839,134</u>	<u>11,303,629</u>	<u>9,918,438</u>
Total General/Feist Endowed Pool	<u>15,296,187</u>	<u>14,412,807</u>	<u>16,035,917</u>	<u>14,661,289</u>

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

	<u>2016</u>		<u>2015</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Future Endowment Pool</u>				
Cash and cash equivalents	<u>393,526</u>	<u>393,526</u>	<u>456,522</u>	<u>456,522</u>
Total Future Endowment Pool	<u>393,526</u>	<u>393,526</u>	<u>456,522</u>	<u>456,522</u>
<u>BRSF Pool</u>				
Cash and cash equivalents	2,529	2,529	1,133	1,133
Fixed Income:				
Investment grade mutual funds	4,696,258	4,556,316	4,723,141	4,718,470
Inflation protected mutual funds	<u>950,934</u>	<u>930,824</u>	<u>907,944</u>	<u>922,830</u>
Total Fixed Income	5,647,192	5,487,140	5,631,085	5,641,300
Equity:				
Domestic mutual funds	9,482,147	8,295,752	9,887,025	8,377,677
International mutual funds	<u>3,242,686</u>	<u>3,509,382</u>	<u>3,598,537</u>	<u>3,450,895</u>
Total Equity	<u>12,724,833</u>	<u>11,805,134</u>	13,485,562	11,828,572
Total BRSF Pool	<u>18,374,554</u>	<u>17,294,803</u>	<u>19,117,780</u>	<u>17,471,005</u>
Total Investments-pool	<u>58,142,230</u>	<u>55,757,893</u>	<u>59,528,866</u>	<u>55,975,687</u>

#### 5. CFeist Legacy

Carroll W. Feist died on July 29, 2005. His Will and codicils created ambiguities with respect to the identity of the universal legatee. The proper universal legatee was either Louisiana State University or the LSU Health Sciences Foundation in Shreveport. The parties compromised and agreed that Mr. Feist's Will should be interpreted so that the universal legatee is the Foundation. The parties entered into a written agreement whereby the management details of the legacy from Mr. Feist were outlined.

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

Because of the difficulty in valuing certain assets in the Succession, contributions will be recorded as the assets are received from the Succession. Distributions received from the Succession and recorded as contributions since inception are as follows:

<u>Year Ended June 30,</u>	<u>Income</u>	<u>Principal</u>	<u>Total Distributions</u>
2006	2,312,389	23,557,148	25,869,537
2007	1,144,781	5,683,039	6,827,820
2008	2,728,319	3,648,281	6,376,600
2009	2,086,779	1,168,221	3,255,000
2010	1,064,881	485,119	1,550,000
2011	1,124,600	475,400	1,600,000

## 5. CFeist Legacy (Continued)

Year Ended June 30,	<u>Income</u>	<u>Principal</u>	<u>Total Distributions</u>
2012	1,171,168	563,832	1,735,000
2013	1,144,435	2,040,565	3,185,000
2014	909,695	430,305	1,340,000
2015	754,520	295,480	1,050,000
2016	<u>405,462</u>	<u>159,538</u>	<u>565,000</u>
	<u>14,847,029</u>	<u>38,506,928</u>	<u>53,353,957</u>

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

Investments-CFeist Legacy are presented below with their respective market values and costs as of June 30, 2016 and 2015.

	<u>2016</u>		<u>2015</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Cash and cash equivalents	-	-	-	-
Fixed Income:				
Investment grade mutual funds	17,872,902	17,342,297	17,798,165	17,779,104
Inflation protected mutual funds	<u>3,585,171</u>	<u>3,507,671</u>	<u>3,561,237</u>	<u>3,617,873</u>
Total Fixed Income	21,458,073	20,849,968	21,359,402	21,396,977
Equities:				
Domestic mutual funds	35,904,443	31,442,497	37,237,883	31,578,577
International mutual funds	<u>12,231,399</u>	<u>13,262,243</u>	<u>13,574,071</u>	<u>13,041,575</u>
Total Equities	<u>48,135,842</u>	<u>44,704,740</u>	<u>50,811,954</u>	<u>44,620,152</u>
Total Investments-CFeist Legacy	<u>69,593,915</u>	<u>65,554,708</u>	<u>72,171,356</u>	<u>66,017,129</u>

Following is a summary of the transactions on the CFeist Legacy for the years ended June 30, 2016 and 2015. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2016 and 2015.

	<u>2016</u>		<u>2015</u>	
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>	<u>Total Market Value</u>
Net asset balances at beginning of year	13,702,622	58,204,143	71,906,765	72,709,724
Activity during the year:				
Distributions from Succession	405,462	159,538	565,000	1,050,000
Interest and dividend income	2,246,468	-	2,246,468	2,367,439
Net realized and unrealized gain (loss)	(1,771,810)	-	(1,771,810)	(112,611)
Management fees	(511,326)	(511,326)	(1,022,652)	(1,075,728)
Other expenses	(31,059)	-	(31,059)	(32,059)

**5. CFeist Legacy (Continued)**

	<u>2016</u>		<u>2015</u>
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>
Transfer to spending account	<u>(2,500,000)</u>	<u>-</u>	<u>(2,500,000) (3,000,000)</u>
Net asset balances at end of year	<u>11,540,357</u>	<u>57,852,355</u>	<u>69,392,712 71,906,765</u>
Consists of:			
Above investments			69,593,915
Management fees and other payable			<u>(201,203)</u>
Total net assets at end of year			<u>69,392,712</u>

In addition to the above, there are undistributed assets in the Succession totaling approximately \$16,130,000 (principal - \$16,087,000 and income \$43,000) as of June 30, 2016. As stated above, such assets will be reflected in the Foundation's financial statements when distributed by the Succession and received by the Foundation.

**6. Agency Investments**

In 1986, the LSU Board of Supervisors received a substantial monetary bequest from Malcolm W. Feist, who specified in his testament that the bequest was to be used for the benefit of LSU Health Sciences Center at Shreveport. An agreement was executed on May 9, 2012 between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for these funds, in return for which the Foundation is entitled to a monthly management fee. The agreement is effective July 1, 2012. The agreement specifies that MFeist Legacy funds will remain state funds owned by the Board of Supervisors. The funds will be used for purposes consistent with the donor's express intent and deemed appropriate by the Chancellor of LSU Health Sciences Center at Shreveport; the Chancellor's approval is required for withdrawal.

While the funds remain state-owned, the Foundation will act as agent as described in the provisions of FASB ASC 958, and therefore record an asset and liability for the amount transferred. As of June 30, 2016 and 2015, total cash and investments totaled \$44,486,549 and \$47,651,853, respectively.

On January 1, 2013, another agreement was executed between the LSU Board of Supervisors and the Foundation authorizing the Foundation to provide management and investment services for certain other LSU Health Science Center at Shreveport endowments. These funds remain state owned, thereby the Foundation will act as an agent as described in the provisions of FASB ASC 958, and thereafter record an asset and liability for the amount transferred. As of June 30, 2016 and 2015, cash and investments totaled \$7,804,869 and \$8,087,001, respectively.

Agency investments consisted of Vanguard mutual funds. Agency investments are presented below with their respective market values and cost as of June 30, 2016 and 2015.



## 6. Agency Investments (Continued)

	<u>2016</u>		<u>2015</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	<u>Value</u>		<u>Value</u>	
Cash and cash equivalents	-	-	-	-
Fixed Income:				
Investment grade mutual funds	30,389,138	29,742,554	32,418,486	32,560,283
Inflation protected mutual funds	<u>2,640,280</u>	<u>2,479,374</u>	<u>2,765,797</u>	<u>2,810,842</u>
Total Fixed Income	33,029,418	32,221,928	35,184,283	35,371,125
Equities:				
Domestic mutual funds	14,182,887	11,835,409	14,961,182	12,304,245
International mutual funds	<u>5,079,113</u>	<u>5,472,133</u>	<u>5,593,389</u>	<u>5,336,137</u>
Total Equities	<u>19,262,000</u>	<u>17,307,542</u>	<u>20,554,571</u>	<u>17,640,382</u>
Total Investments-Agency	<u>52,291,418</u>	<u>49,529,470</u>	<u>55,738,854</u>	<u>53,011,507</u>

## 7. Fair Value Measurements

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation’s own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2016 and 2015 are as follows:

## 7. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2016:</b>				
Cash and cash equivalents	4,777,848	-	-	4,777,848
Fixed Income:				
Investment grade mutual funds	46,414,775	-	-	46,414,775
Inflation protected mutual funds	<u>337,999</u>	<u>-</u>	<u>-</u>	<u>337,999</u>
Total Fixed Income	46,752,774	-	-	46,752,774
Equities:				
Domestic mutual funds	56,642,707	-	-	56,642,707
International mutual funds	<u>19,562,815</u>	<u>-</u>	<u>-</u>	<u>19,562,815</u>
Total Equities	<u>76,205,522</u>	<u>-</u>	<u>-</u>	<u>76,205,522</u>
Total Investments	<u><u>127,736,145</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>127,736,145</u></u>
<b>June 30, 2015:</b>				
Cash and cash equivalents	4,934,845	-	-	4,934,845
Fixed Income:				
Investment grade mutual funds	40,550,617	-	-	40,550,617
Inflation protected mutual funds	5,600,175	-	-	5,600,175
Commingled funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fixed Income	46,150,792	-	-	46,150,792
Equities:				
Domestic mutual funds	58,998,558	-	-	58,998,558
International mutual funds	<u>21,616,027</u>	<u>-</u>	<u>-</u>	<u>21,616,027</u>
Total Equities	<u>80,614,585</u>	<u>-</u>	<u>-</u>	<u>80,614,585</u>
Total Investments	<u><u>131,700,222</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>131,700,222</u></u>

Fair value of Agency assets and liabilities on a recurring basis at June 30, 2016 and 2015 are as follows:

	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	-	-	-	-
Fixed Income:				
Investment grade mutual funds	30,389,138	-	-	30,389,138
Inflation protected mutual funds	<u>2,640,280</u>	<u>-</u>	<u>-</u>	<u>2,640,280</u>
Total Fixed Income	33,029,418	-	-	33,029,418
Equities:				
Domestic mutual funds	14,182,887	-	-	14,182,887
International mutual funds	<u>5,079,113</u>	<u>-</u>	<u>-</u>	<u>5,079,113</u>
Total Equities	<u>19,262,000</u>	<u>-</u>	<u>-</u>	<u>19,262,000</u>
Total Investments-Agency	<u><u>52,291,418</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>52,291,418</u></u>
Total Liabilities-Agency	<u><u>(52,291,418)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(52,291,418)</u></u>

## 7. Fair Value Measurements (Continued)

	June 30, 2015			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and cash equivalents	-	-	-	-
Fixed Income:				
Investment grade mutual funds	32,418,486	-	-	32,418,486
Inflation protected mutual funds	<u>2,765,797</u>	<u>-</u>	<u>-</u>	<u>2,765,797</u>
Total Fixed Income	35,184,283	-	-	35,184,283
Equities:				
Domestic mutual funds	14,961,182	-	-	14,961,182
International mutual funds	<u>5,593,389</u>	<u>-</u>	<u>-</u>	<u>5,593,389</u>
Total Equities	<u>20,554,571</u>	<u>-</u>	<u>-</u>	<u>20,554,571</u>
Total Investments-Agency	<u>55,738,854</u>	<u>-</u>	<u>-</u>	<u>55,738,854</u>
Total Liabilities-Agency	<u>(55,738,854)</u>	<u>-</u>	<u>-</u>	<u>(55,738,854)</u>

## 8. Investment in Real Estate

During the fiscal year ended June 30, 2002, the Foundation began purchasing property adjacent to and near the LSU Health Sciences Center Shreveport. The Foundation's intent is to ultimately transfer ownership of this property to the LSU Health Sciences Center Shreveport either by sale or donation. On occasion, the Foundation has also received donations of property. At June 30, 2016 and 2015, the Foundation's investment in real estate consists of:

	<u>2016</u>	<u>2015</u>
Yokem property	122,000	125,000
Sklar Phillips property	142,635	253,425
Yokem Body Shop property	110,000	118,930
Monsour property	235,238	235,238
Crawford property	79,656	79,656
Kings Highway property	316,587	316,587
Blood Center property	419,176	419,176
1341 Jennings Street	35,896	35,896
1328 Woodrow Street	60,447	60,447
1345 Jennings Street	44,031	44,031
1338 Woodrow	36,989	36,989
3206 Samford Avenue	772,317	772,317
Chicora property	4,000	4,000
Intermodal Transit Facility property, less accumulated depreciation of \$406,306 and 348,945, respectively, on improvements of \$1,609,160.	<u>1,202,854</u>	<u>1,260,215</u>
	<u>3,581,826</u>	<u>3,761,907</u>

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

2017	31,000
2018	30,000
2019	7,500
2020	-
2021	-
	<u>68,500</u>

## 9. **Notes Payable**

Notes payable at June 30, 2016 and 2015 were \$202,296 and \$315,967, respectively, and consisted of a note payable to JPMorgan Chase Bank, original amount of \$750,000, interest at a fixed rate 5.00%, due in consecutive monthly installments of \$10,600 including interest beginning March 31, 2011 with principal and interest due in full on March 31, 2018. The notes payable are unsecured.

Notes payable maturities are as follows:

<u>Due In</u>	
2017	118,783
2018	83,513
2019	-
2020	-
	<u>202,296</u>

Included in management and general expense is \$13,534 and \$19,035 in interest expense for the years ended June 30, 2016 and 2015, respectively.

## 10. **Due to LSU Health Shreveport-BOR Match**

The amount due to LSU Health Sciences Center Shreveport-BOR Match represents the Louisiana Board of Regents state match for the following chairs and professorships, which are being held and invested for the Center by the LSU Health Sciences Foundation in Shreveport. The liability consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
John C. McDonald, M.D. Chair in Surgery	606,863	611,721
Jack W. Pou, M.D. Chair in Otolaryngology	609,083	628,294
Albert Sklar Professorship in Surgery	64,848	65,138
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	732,662	735,566
Mary Louise and Ben Levy Professorship in Neurosurgery	51,899	59,392
Paul R. Winder, M.D. Professorship in Dermatology	79,099	79,406
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	59,725	60,013
Muslow Chair in Academic Affairs	596,963	599,549
Albert G. and Harriet G. Smith Professorship in Pathology	64,044	64,329
Randy Bryn, M.D. Professorship in Pulmonology	52,654	54,410
W. R. Matthews, M.D. Professorship in Pathology	52,606	53,606
YK Reddy Professorship in Allergy and Immunology	62,858	64,246
Albertson's Distinguished Professorship in Allied Health Sciences	66,917	68,193
Robert E. Wolf, M.D. Professorship in Rheumatology	55,721	55,964
Donald Mack, M.D. Professorship in Pediatric Oncology	64,819	65,081
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	523,992	526,627
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education	50,181	53,260
Edward J. Crawford, Jr., M.D. Professorship in GYN Surgery	64,554	64,812
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Recruitment	54,883	55,782
Burdette E. Trichel, M.D. Professorship in Urology	57,796	61,207
Charles D. Knight, Sr. Professorship in General Surgery	51,990	55,080
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	56,099	59,791
Eugene St. Martin Professorship in Urology	59,596	59,828
Edward J. Crawford Professorship in Continuing Education	60,885	61,137

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

	<u>2016</u>	<u>2015</u>
Nathan Professorship in Head & Neck Surgery	59,491	59,748
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	49,694	49,917
Joe E. Holoubek Professorship in Medicine	60,217	60,471
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	52,607	52,835
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	52,334	52,562
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	51,581	53,357
James A. Ardoin, M.D. Professorship in OB/GYN	53,110	53,715
Brad and Kay McPherson Professorship in Child Psychiatry	51,633	51,877
Khoury-Mack Professorship #3 St. Jude	52,834	53,075
Selber-Levin Professorship in Endocrinology	59,034	59,644
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education	55,320	56,006
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Recruitment	51,639	54,739
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Oncology Education	55,762	56,005
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Reproductive Endocrinology	55,763	56,006
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	55,077	55,383
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Technology Enhancement	55,762	56,005
Juneau Chair in Transplantation Surgery	655,776	658,575
Stafford and Marianne Comegys Professorship in Medical Library Science	60,301	60,648
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	47,473	47,725
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	52,414	52,676
Edward and Freda Green Professorship in Surgical Oncology	44,037	45,858
Scott and Larene Woodard Professorship in Neurosurgery	82,064	89,741
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	51,044	51,657
Brad and Kay McPherson Professorship	39,799	-
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	47,464	47,725
Carroll W. Feist Chair for the Study of Cancer	1,299,872	1,350,096
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	46,781	47,723
Edna Boatright Sherling Professorship in Cancer Care	41,156	41,390
Dr. Ming Yu Ding Memorial Professorship in Microbiology	53,984	54,226
Archibald Bell Nelson Professorship in Orthopaedics	93,774	94,137
Joanna Gunning Magale Professorship in Neurology	68,456	71,907
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	685,943	687,508
	<u>8,442,933</u>	<u>8,545,369</u>

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Board-designated endowments:		
CFeist Legacy	69,392,711	71,906,765
Feist-Weiller Investment Account	12,699,584	13,308,109
Feist Investment Spending	1,134,046	848,636
CFeist Legacy Spending	<u>2,690,201</u>	<u>2,978,858</u>
Total Board-designated endowments	85,916,542	89,042,368
Other:		
Feist-Weiller Cancer Center	213,764	328,568
Boatright FWCC Research	150,000	150,000
LSUMC Alumni Association	149,666	147,912
Otolaryngology Flexible Spending	1,799,287	1,339,987
Feist-Chancellor Fund	289,602	289,602
Continuing Medical Education	-	105,078
Oral surgery	110,655	101,233
Chancellor's Discretionary Fund	788,585	908,465
Neurosurgery/Nanda/Research	276,607	309,665
Pediatrics Kohl's Cares for Kids	172,321	210,793
John C. McDonald Chair Spending	250,898	203,321
Jack W. Pou, M.D. Chair in Otolaryngology Spending	382,329	373,317
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology Spending	573,749	521,179
Carroll W. Feist Chair for the Study of Cancer Spending	589,366	599,156
Jack W. Gamble M.D. Chair in Oral/Maxillofacial Surgery Spending	373,103	320,404
Donnie and Gail Juneau Chair in Transplantation	279,040	226,162
SAHP Communication Disorders	127,127	118,454
Childrens Hospital Refurbishing Fund	135,679	123,207
Trauma Center Fund	325,683	332,459
Muslow Academic Affairs	234,483	185,792
Smith Chair of Spinal Treatment	150,804	-
Psychiatry/Frost Endowment	115,133	-
Other (individual fund balance ≤ 100,000)	<u>3,206,625</u>	<u>3,806,877</u>
Total other	<u>10,694,506</u>	<u>10,701,631</u>
Total temporarily restricted net assets	<u>96,611,048</u>	<u>99,743,999</u>

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

**12. Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
John C. McDonald, M.D. Chair in Surgery	877,303	913,686
Jack W. Pou, M.D. Chair in Otolaryngology	796,996	831,398
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	783,250	818,838
Muslow Endowed Chair in Academic Affairs	747,678	778,305

**12. Permanently Restricted Net Assets (Continued)**

	<u>2016</u>	<u>2015</u>
Gail and Donnie Juneau Chair in Transplantation	815,845	851,767
Carroll W. Feist Chair for the Study of Cancer	1,574,744	1,645,946
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	789,235	824,932
Smith Chair of Spinal Treatment	798,977	834,319
Scotty and Larene Woodard Professorship in Neurosurgery	249,448	259,302
Comegys Library Endowment	444,597	464,525
Urology/Womack Endowment	219,905	229,780
Psychiatry/Frost Endowment	1,001,074	1,045,988
Dr. Y. S. Goel Student Scholarship	157,642	164,720
Anil Nanda Neurosurgery Endowment	201,381	201,072
Paul D. Abramson Fund	195,184	204,020
Selber Leveine Professorship in Endocrinology	120,355	124,398
Nelson Professorship in Orthopaedic Surgery	100,005	104,513
Nancy Jane Sentelle Seale Professorship in Cancer Palliative Care	111,032	115,550
Endowment for Medical Education	174,432	161,235
Other (individual fund balance $\leq$ 100,000)	<u>2,213,311</u>	<u>2,628,595</u>
Total permanently restricted net assets	<u>12,372,394</u>	<u>13,202,889</u>

**13. Endowed Net Assets**

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

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

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal years ended June 30, 2016 and 2015 was 4.00%.

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

The Louisiana Board of Regents spending policy states that annual spending must be determined in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made.

### 13. Endowed Net Assets (Continued)

The Foundation classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Changes in endowment net assets for fiscal year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	-	92,671,036	13,202,889	105,873,925
Contributions	-	596,156	24,463	620,619
Income on investments	-	2,326,224	440,811	2,767,035
Net depreciation	-	(1,771,810)	(347,990)	(2,119,800)
Other expenditures for facilities and programs	-	(2,806,584)	-	(2,806,584)
Administrative expenses	-	(1,240,495)	(142,345)	(1,382,840)
Transfers for spending	-	805,434	(805,434)	-
Transfer to fund otolaryngology commitment	-	(500,000)	-	(500,000)
Endowment net assets, June 30, 2016	<u>-</u>	<u>90,079,961</u>	<u>12,372,394</u>	<u>102,452,355</u>

Endowment fund net asset composition as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	-	4,163,419	12,372,394	16,535,813
Board-designated endowment	-	85,916,542	-	85,916,542
	<u>-</u>	<u>90,079,961</u>	<u>12,372,394</u>	<u>102,452,355</u>

Changes in endowment net assets for fiscal year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	-	91,666,462	13,524,063	105,190,525
Contributions	-	1,651,653	159,076	1,810,729
Income on investments	-	2,347,219	464,424	2,811,643
Net appreciation	-	(112,611)	(24,648)	(137,259)
Other expenditures for facilities and programs	-	(1,834,446)	-	(1,834,446)
Administrative expenses	-	(1,307,126)	(142,774)	(1,449,900)
Transfers for spending	-	767,252	(767,252)	-
Transfer to fund otolaryngology commitment	-	(500,000)	-	(500,000)
Other transfer	-	(7,367)	(10,000)	(17,367)
Endowment net assets, June 30, 2015	<u>-</u>	<u>92,671,036</u>	<u>13,202,889</u>	<u>105,873,925</u>



### 13. Endowed Net Assets (Continued)

Endowment fund net asset composition as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	-	3,628,668	13,202,889	16,831,557
Board-designated endowment	-	89,042,368	-	89,042,368
	<u>-</u>	<u>92,671,036</u>	<u>13,202,889</u>	<u>105,873,925</u>

### 14. Operating Leases

The Foundation leases office space under an operating lease which expires on March 31, 2017. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2019 and a postage machine which expires on July 9, 2017. Future minimum lease requirements are as follows:

2017	54,832
2018	5,261
2019	5,261
2020	5,261
2021	438
	<u>71,053</u>

Included in management and general expense is \$70,436 and \$71,737 in rent and equipment rental expense for the years ended June 30, 2016 and 2015, respectively.

### 15. Commitments

During the fiscal year ended June 30, 2011, the Foundation was asked by the Chancellor of the Center to consider an infusion into the Otolaryngology Department for growth of the department. The Board of Directors voted and approved to donate up to \$2.5 million over the next five years. The first year's funding allocation of \$500,000 came from the Feist-Weiller Investment account, with the remainder from the Feist Legacy account going forward. As of June 30, 2016, the Foundation segregated \$2,000,000 for the Otolaryngology Department, of which \$1,799,286 remained as of June 30, 2016 and is included as temporarily restricted net assets.

On July 15, 2009, the Board of Directors approved an Operating Reserve Policy to establish guidelines for achieving an operating reserve sufficient for the Foundation to adequately support its annual budget, ensure continued growth of current and future programs, fulfill its mission even during times of harsh economic conditions, and provide financial stability and the means for the development of its principal activity. The policy states that the operating reserve of \$1 million shall be established beginning in fiscal year ending June 30, 2011 and shall be fully funded by the end of the fiscal year ending June 30, 2016 through designation of unrestricted funds given to the Foundation. The reserve shall be invested in highly liquid United States Treasury obligations or FDIC insured accounts and may be used only for unanticipated and unbudgeted expenses or loss of revenue. Reserves may not be accessed in the absence of a plan for their replenishment over a reasonable period of time. On October 19, 2011, the Executive Committee of the Board of Directors voted to fully fund the Operating Reserve of \$1 million from unrestricted funds of the Foundation rather than partially funding the reserve between the remaining fiscal years ending June 30, 2012 through June 30, 2016.

During the fiscal year ended June 30, 2015, the LSU Health Sciences Center Shreveport received approximately \$1.0 million from the State of Louisiana Workforce and Innovation for a Stronger Economy (WISE) fund, which is dedicated to funding Louisiana's public higher education institutions.

**15. Commitments (Continued)**

In order to receive such funds, the Center was required to submit an implementation plan on how the funds will be used and obtain a minimum industry match of at least 20%. The Foundation provided a written commitment of \$400,000 to satisfy the match requirement.

**16. Subsequent Events**

In accordance with FASB Accounting Standards Codification Topic 740 “Subsequent Events,” the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through August 26, 2016, and noted no subsequent events.

**OTHER FINANCIAL INFORMATION**

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Salary expense	665,515	676,016
Payroll taxes	47,491	48,824
Employee benefit expense	75,179	74,723
Contractual services	2,929	2,558
Investment fees	76,321	26,001
Professional services	292,041	317,025
Insurance	37,827	40,356
Bank charges	10,496	7,946
Depreciation	5,187	18,083
Office supplies	11,456	16,683
Postage	14,343	5,756
Telephone expense	7,890	9,120
Maintenance agreements	28,540	25,851
Books and subscriptions	-	477
Rent	65,150	65,063
Equipment rental	5,288	6,674
Travel	4,623	6,763
Meals and entertainment	13,781	11,287
Advertising and promotional expenses	1,843	1,688
Printing	44,258	12,453
Gifts and acknowledgments	28,002	15,549
Professional development	12,497	11,844
Dues and licenses	6,119	6,718
Fundraising event	102,907	111,071
Computer and software	4,425	3,995
Miscellaneous	<u>564</u>	<u>3,014</u>
Total management and general expenses	<u>1,564,672</u>	<u>1,525,538</u>

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF LSU HEALTH SCIENCES CENTER SUPPORT

SPECIFIED BY DONORS FOR OTHER DEPARTMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Academic affairs	12,494	12,625
Admissions	237	345
Allied Health	84,461	107,966
Alumni affairs	95,696	82,753
Anesthesiology	9,893	7,269
Biochemistry	1,194	442
Cardiology	917	961
Cellular biology and anatomy	10,189	4,113
Chancellor	161,950	53,753
Continuing medical education	38,002	47,187
Dermatology	980	950
E. A. Conway	335	-
Emergency medicine	3,697	6,365
Endocrinology	2,002	2,206
Family medicine	16,129	34,999
Foundation	5,854	7,512
Health sciences library	8,483	13,993
Internal medicine	8,163	8,805
Microbiology	6,135	1,363
Multicultural affairs	20	-
Nephrology	1,294	193
Neurology	68,517	29,178
Neurosurgery	71,290	56,983
Nursing administration	12,262	13,989
OB/GYN	31,670	29,876
Ophthalmology	3,073	240
Oral/maxillofacial	82,905	70,150
Ortho surgery	49,281	30,231
Orthopaedics	6,068	3,005
Otolaryngology	57,505	65,107
Pathology	43,898	34,478
Pediatrics	128,264	181,937
Pharmacology	23,435	11,945
Physiology	25,068	12,011
Psychiatry	41,592	63,607
Pulmonary	7,010	10,933
Radiology	3,468	4,249
Rheumatology	969	978
Social services	620	1,287

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF LSU HEALTH SCIENCES CENTER SUPPORT  
SPECIFIED BY DONORS FOR OTHER DEPARTMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Student affairs	874	1,185
Surgery	92,431	123,498
Urology	<u>9,426</u>	<u>10,657</u>
Total	<u>1,227,751</u>	<u>1,149,324</u>