

LSU HEALTH SCIENCES FOUNDATION

IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

JUNE 30, 2017 AND 2016

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

August 29, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 AND 2016

<u>A S S E T S</u>	<u>2017</u>	<u>2016</u>
Cash	1,711,652	1,678,625
Accounts receivable	139,902	138,335
Pledges receivable-Note 3	3,000	10,000
Investments-pools-Note 4	63,479,472	58,142,230
Investments-CFeist Legacy-Note 5	77,179,710	69,593,915
Investments-MFeist Legacy-Note 6	45,376,003	44,486,549
Investments-LSU Health Shreveport-endowments-Note 6	8,580,265	7,804,869
Investments-other	172,865	164,338
Equipment and furniture, less accumulated depreciation of \$83,799 and \$81,271, respectively	-	2,528
Investment in real estate-Notes 8 and 9	3,381,830	3,581,826
Other assets	<u>31,248</u>	<u>25,766</u>
Total assets	<u>200,055,947</u>	<u>185,628,981</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	932,928	1,292,717
Other payables	93,245	107,126
Notes payable-Note 9	82,606	202,296
Due to LSU Health Shreveport-BOR match-Note 10	9,345,770	8,442,933
Due to LSU Health Shreveport-MFeist Legacy-Note 6	45,376,003	44,486,549
Due to LSU Health Shreveport-endowments-Note 6	<u>8,580,265</u>	<u>7,804,869</u>
Total liabilities	64,410,817	62,336,490
 <u>Net assets:</u>		
Unrestricted:		
Board designated	2,102,656	2,202,301
Undesignated	<u>12,757,836</u>	<u>12,106,748</u>
Total unrestricted	14,860,492	14,309,049
Temporarily restricted-Note 11	105,629,747	96,611,048
Permanently restricted-Notes 12 and 13	<u>15,154,891</u>	<u>12,372,394</u>
Total net assets	<u>135,645,130</u>	<u>123,292,491</u>
Total liabilities and net assets	<u>200,055,947</u>	<u>185,628,981</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, 2017 AND 2016

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support, revenues and gains:</u>				
Contributions	889,384	1,737,532	1,611,365	4,238,281
Income on investments	493,580	2,582,886	439,695	3,516,161
Net realized and unrealized gains (losses) on investments	631,941	9,033,878	1,490,449	11,156,268
Management fee income	2,132,756	-	-	2,132,756
Rental income	37,460	-	-	37,460
Total support, revenues and gains	4,185,121	13,354,296	3,541,509	21,080,926
<u>Net assets released from restrictions</u>	5,161,828	(5,216,157)	54,329	-
<u>Transfers between classifications</u>	(67,219)	880,560	(813,341)	-
<u>Total support, revenue, gains and reclassifications</u>	9,279,730	9,018,699	2,782,497	21,080,926
<u>Expenses:</u>				
Management and general	1,510,042	-	-	1,510,042
Real estate management	108,234	-	-	108,234
LSU Health Sciences Center Support:				
Specified by donors for Feist-Weiller Cancer Center	4,053,288	-	-	4,053,288
Specified by donors for other departments	1,114,781	-	-	1,114,781
Specified by the Board of Directors	1,941,942	-	-	1,941,942
Total support	7,110,011	-	-	7,110,011
Total expenses	8,728,287	-	-	8,728,287
<u>Change in net assets</u>	551,443	9,018,699	2,782,497	12,352,639
<u>Net assets at beginning of period</u>	14,309,049	96,611,048	12,372,394	123,292,491
<u>Net assets at end of period</u>	14,860,492	105,629,747	15,154,891	135,645,130

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

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
431,436	1,563,456	24,463	2,019,355
486,333	2,659,999	440,811	3,587,143
(59,665)	(2,105,584)	(347,990)	(2,513,239)
2,023,683	-	-	2,023,683
<u>59,683</u>	<u>-</u>	<u>-</u>	<u>59,683</u>
2,941,470	2,117,871	117,284	5,176,625
6,424,420	(6,282,075)	(142,345)	-
<u>(225,819)</u>	<u>1,031,253</u>	<u>(805,434)</u>	<u>-</u>
9,140,071	(3,132,951)	(830,495)	5,176,625
1,564,672	-	-	1,564,672
246,353	-	-	246,353
5,196,850	-	-	5,196,850
1,227,751	-	-	1,227,751
<u>1,164,798</u>	<u>-</u>	<u>-</u>	<u>1,164,798</u>
<u>7,589,399</u>	<u>-</u>	<u>-</u>	<u>7,589,399</u>
<u>9,400,424</u>	<u>-</u>	<u>-</u>	<u>9,400,424</u>
(260,353)	(3,132,951)	(830,495)	(4,223,799)
<u>14,569,402</u>	<u>99,743,999</u>	<u>13,202,889</u>	<u>127,516,290</u>
<u>14,309,049</u>	<u>96,611,048</u>	<u>12,372,394</u>	<u>123,292,491</u>

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	12,352,639	(4,223,799)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	59,889	62,547
Net realized and unrealized (gain) loss on long-term investments	(11,156,268)	2,513,239
Impairment of investment in real estate	-	122,720
(Increase) decrease in accounts receivable	(1,567)	10,948
Decrease (increase) in pledges receivable	7,000	(1,000)
(Increase) decrease in other assets	(5,482)	9,754
(Decrease) increase in accounts payable	(359,789)	733,165
(Decrease) in other payable	(13,881)	(218,564)
Net cash provided (used) by operating activities	<u>882,541</u>	<u>(990,990)</u>
<u>Cash flows from investing activities:</u>		
Sale of real estate	142,635	-
Purchases of investments	(35,412,810)	(12,798,523)
Proceeds from sale and maturities of investments	33,637,514	14,472,939
Increase (decrease) in due to LSU Health Shreveport	<u>902,837</u>	<u>(102,436)</u>
Net cash (used) provided by investing activities	<u>(729,824)</u>	<u>1,571,980</u>
<u>Cash flows from financing activities:</u>		
Repayment of notes payable	<u>(119,690)</u>	<u>(113,671)</u>
Net cash (used) by financing activities	<u>(119,690)</u>	<u>(113,671)</u>
<u>Net increase in cash</u>	33,027	467,319
<u>Cash at beginning of period</u>	<u>1,678,625</u>	<u>1,211,306</u>
<u>Cash at end of period</u>	<u><u>1,711,652</u></u>	<u><u>1,678,625</u></u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	<u><u>7,515</u></u>	<u><u>13,534</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, 2017 AND 2016

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 2013 and beyond remain subject to examination by the Internal Revenue Service.

- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are 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, 2017 and 2016 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unconditional pledges expected to be collected in:		
Less than one year	2,000	8,000
One year to five years	1,000	2,000
More than five years	-	-
Pledges receivable	<u>3,000</u>	<u>10,000</u>

4. Investments-Pools

Investments-pools consisted primarily of Vanguard mutual funds.

	<u>2017</u>		<u>2016</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	2,239,180	2,231,503	1,685,744	1,635,885
Inflation protected mutual funds	-	-	337,999	330,423
Total Fixed Income	<u>2,239,180</u>	<u>2,231,503</u>	<u>2,023,743</u>	<u>1,966,308</u>
Equity:				
Domestic mutual funds	3,034,541	2,336,562	3,383,380	3,021,542
International mutual funds	<u>1,947,472</u>	<u>1,838,316</u>	<u>1,370,195</u>	<u>1,480,553</u>
Total Equity	<u>4,982,013</u>	<u>4,174,878</u>	<u>4,753,575</u>	<u>4,502,095</u>
Total Unrestricted Pool	<u>7,221,193</u>	<u>6,406,381</u>	<u>6,777,318</u>	<u>6,468,403</u>
<u>Nonendowed Pool</u>				
Cash and cash equivalents	4,406,520	4,406,520	4,381,440	4,381,440
Fixed Income:				
Investment grade mutual funds	<u>13,015,690</u>	<u>13,061,519</u>	<u>12,919,205</u>	<u>12,806,915</u>
Total Fixed Income	<u>13,015,690</u>	<u>13,061,519</u>	<u>12,919,205</u>	<u>12,806,915</u>
Total Nonendowed Pool	<u>17,422,210</u>	<u>17,468,039</u>	<u>17,300,645</u>	<u>17,188,355</u>
<u>General/Feist Endowed Pool</u>				
Cash and cash equivalents	14,141	14,141	354	354
Fixed Income:				
Investment grade mutual funds	5,161,753	5,145,325	3,913,108	3,797,792
Inflation protected mutual funds	-	-	791,454	775,527
Total Fixed Income	<u>5,161,753</u>	<u>5,145,325</u>	<u>4,704,562</u>	<u>4,573,319</u>
Equity:				
Domestic mutual funds	7,015,269	5,293,034	7,872,736	6,892,621
International mutual funds	<u>4,488,932</u>	<u>4,246,471</u>	<u>2,718,535</u>	<u>2,946,512</u>
Total Equity	<u>11,504,201</u>	<u>9,539,506</u>	<u>10,591,271</u>	<u>9,839,134</u>
Total General/Feist Endowed Pool	<u>16,680,095</u>	<u>14,684,830</u>	<u>15,296,187</u>	<u>14,412,807</u>

4. Investments-Pools (Continued)

	<u>2017</u>		<u>2016</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	<u>Value</u>		<u>Value</u>	
<u>Future Endowment Pool</u>				
Cash and cash equivalents	<u>1,668,540</u>	<u>1,668,540</u>	<u>393,526</u>	<u>393,526</u>
Total Future Endowment Pool	<u>1,668,540</u>	<u>1,668,540</u>	<u>393,526</u>	<u>393,526</u>
<u>BRSF Pool</u>				
Cash and cash equivalents	471,128	471,128	2,529	2,529
Fixed Income:				
Investment grade mutual funds	6,199,908	6,178,877	4,696,258	4,556,316
Inflation protected mutual funds	-	-	<u>950,934</u>	<u>930,824</u>
Total Fixed Income	<u>6,199,908</u>	<u>6,178,877</u>	<u>5,647,192</u>	<u>5,487,140</u>
Equity:				
Domestic mutual funds	8,425,988	6,359,123	9,482,147	8,295,752
International mutual funds	<u>5,390,410</u>	<u>5,095,878</u>	<u>3,242,686</u>	<u>3,509,382</u>
Total Equity	<u>13,816,398</u>	<u>11,455,001</u>	<u>12,724,833</u>	<u>11,805,134</u>
Total BRSF Pool	<u>20,487,434</u>	<u>17,633,878</u>	<u>18,374,554</u>	<u>17,294,803</u>
Total Investments-pool	<u>63,479,472</u>	<u>57,861,668</u>	<u>58,142,230</u>	<u>55,757,893</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. Such approvals were required in 2017 and 2016.

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	405,462	159,538	565,000
2017	<u>393,947</u>	<u>141,053</u>	<u>535,000</u>
	<u>15,240,976</u>	<u>38,647,981</u>	<u>53,888,957</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, 2017 and 2016.

	<u>2017</u>		<u>2016</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	23,932,258	23,850,420	17,872,902	17,342,297
Inflation protected mutual funds	<u>-</u>	<u>-</u>	<u>3,585,171</u>	<u>3,507,671</u>
Total Fixed Income	23,932,258	23,850,420	21,458,073	20,849,968
Equities:				
Domestic mutual funds	32,435,535	24,564,654	35,904,443	31,442,497
International mutual funds	<u>20,811,917</u>	<u>19,691,537</u>	<u>12,231,399</u>	<u>13,262,243</u>
Total Equities	<u>53,247,452</u>	<u>44,256,191</u>	<u>48,135,842</u>	<u>44,704,740</u>
Total Investments-CFeist Legacy	<u>77,179,710</u>	<u>68,106,611</u>	<u>69,593,915</u>	<u>65,554,708</u>

Following is a summary of the transactions on the CFeist Legacy for the years ended June 30, 2017 and 2016. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2017 and 2016.

	<u>2017</u>		<u>2016</u>
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>
Net asset balances at beginning of year	11,540,357	57,852,355	71,906,765
Activity during the year:			
Distributions from Succession	393,947	141,053	565,000
Interest and dividend income	2,174,612	-	2,246,468
Net realized and unrealized gain (loss)	7,641,662	-	(1,771,810)
Management fees	(546,588)	(546,588)	(1,022,652)
Other expenses	(24,220)	-	(31,059)

5. CFeist Legacy (Continued)

	<u>2017</u>		<u>2016</u>	
	<u>Income</u>	<u>Principal</u>	<u>Total Market Value</u>	<u>Total Market Value</u>
Transfer to spending account	<u>(1,700,000)</u>	-	<u>(1,700,000)</u>	<u>(2,500,000)</u>
Net asset balances at end of year	<u>19,479,770</u>	<u>57,446,820</u>	<u>76,926,590</u>	<u>69,392,712</u>
		<u>2017</u>	<u>2016</u>	
Consists of:				
Above investments		77,179,710	69,593,915	
Management fees and other payable		<u>(253,120)</u>	<u>(201,203)</u>	
Total net assets at end of year		<u>76,926,590</u>	<u>69,392,712</u>	

In addition to the above, there are undistributed assets in the Succession totaling approximately \$16,184,000 (principal - \$16,104,000 and income \$80,000) as of June 30, 2017. 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, 2017 and 2016, total cash and investments totaled \$45,376,003 and \$44,486,549, 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, 2017 and 2016, cash and investments totaled \$8,580,265 and \$7,804,869, respectively.

Agency investments consisted of Vanguard mutual funds. Agency investments are presented below with their respective market values and cost as of June 30, 2017 and 2016.

6. Agency Investments (Continued)

	<u>2017</u>		<u>2016</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	34,251,019	34,255,040	30,389,138	29,742,554
Inflation protected mutual funds	<u>-</u>	<u>-</u>	<u>2,640,280</u>	<u>2,479,374</u>
Total Fixed Income	34,251,019	34,255,040	33,029,418	32,221,928
Equities:				
Domestic mutual funds	12,340,022	8,850,713	14,182,887	11,835,409
International mutual funds	<u>7,365,227</u>	<u>6,931,298</u>	<u>5,079,113</u>	<u>5,472,133</u>
Total Equities	<u>19,705,249</u>	<u>15,782,011</u>	<u>19,262,000</u>	<u>17,307,542</u>
Total Investments-Agency	<u>53,956,268</u>	<u>50,037,051</u>	<u>52,291,418</u>	<u>49,529,470</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, 2017 and 2016 are as follows:

7. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2017:				
Cash and cash equivalents	6,560,359	-	-	6,560,359
Fixed Income:				
Investment grade mutual funds	50,548,789	-	-	50,548,789
Inflation protected mutual funds	-	-	-	-
Total Fixed Income	<u>50,548,789</u>	<u>-</u>	<u>-</u>	<u>50,548,789</u>
Equities:				
Domestic mutual funds	50,911,303	-	-	50,911,303
International mutual funds	<u>32,638,731</u>	<u>-</u>	<u>-</u>	<u>32,638,731</u>
Total Equities	<u>83,550,034</u>	<u>-</u>	<u>-</u>	<u>83,550,034</u>
Total Investments	<u>140,659,182</u>	<u>-</u>	<u>-</u>	<u>140,659,182</u>
June 30, 2016:				
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	<u>46,752,774</u>	<u>-</u>	<u>-</u>	<u>46,752,774</u>
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>127,736,145</u>	<u>-</u>	<u>-</u>	<u>127,736,145</u>

Fair value of Agency assets and liabilities on a recurring basis at June 30, 2017 and 2016 are as follows:

	<u>June 30, 2017</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	34,251,019	-	-	34,251,019
Inflation protected mutual funds	-	-	-	-
Total Fixed Income	<u>34,251,019</u>	<u>-</u>	<u>-</u>	<u>34,251,019</u>
Equities:				
Domestic mutual funds	12,340,022	-	-	12,340,022
International mutual funds	<u>7,365,227</u>	<u>-</u>	<u>-</u>	<u>7,365,227</u>
Total Equities	<u>19,705,249</u>	<u>-</u>	<u>-</u>	<u>19,705,249</u>
Total Investments-Agency	<u>53,956,268</u>	<u>-</u>	<u>-</u>	<u>53,956,268</u>
Total Liabilities-Agency	<u>(53,956,268)</u>	<u>-</u>	<u>-</u>	<u>(53,956,268)</u>

7. Fair Value Measurements (Continued)

	June 30, 2016			Total
	Level 1	Level 2	Level 3	
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>52,291,418</u>	<u>-</u>	<u>-</u>	<u>52,291,418</u>
Total Liabilities-Agency	<u>(52,291,418)</u>	<u>-</u>	<u>-</u>	<u>(52,291,418)</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, 2017 and 2016, the Foundation's investment in real estate consists of:

	2017	2016
Yokem property	122,000	122,000
Sklar Phillips property	-	142,635
Yokem Body Shop property	110,000	110,000
Monsour property	235,238	235,238
Crawford property	79,656	79,656
Kings Highway property	316,587	316,587
Blood Center property	419,176	419,176
1341 Jennings Street	35,896	35,896
1328 Woodrow Street	60,447	60,447
1345 Jennings Street	44,031	44,031
1338 Woodrow	36,989	36,989
3206 Samford Avenue	772,317	772,317
Chicora property	4,000	4,000
Intermodal Transit Facility property, less accumulated depreciation of \$463,667 and \$406,306, respectively, on improvements of \$1,609,160.	<u>1,145,493</u>	<u>1,202,854</u>
	<u>3,381,830</u>	<u>3,581,826</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:

2018	30,000
2019	7,500
2020	-
2021	-
2022	-
	<u>37,500</u>

9. Notes Payable

Notes payable at June 30, 2017 and 2016 were \$82,606 and \$202,296, 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>	
2018	82,606
2019	-
2020	-
2021	-
2022	-
	<u>82,606</u>

Included in real estate management expense is \$7,515 and \$13,534 in interest expense for the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
John C. McDonald, M.D. Chair in Surgery	671,126	606,863
Jack W. Pou, M.D. Chair in Otolaryngology	659,628	609,083
Albert Sklar Professorship in Surgery	72,161	64,848
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	804,888	732,662
Mary Louise and Ben Levy Professorship in Neurosurgery	61,991	51,899
Paul R. Winder, M.D. Professorship in Dermatology	86,844	79,099
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	67,011	59,725
Muslow Chair in Academic Affairs	661,804	596,963
Albert G. and Harriet G. Smith Professorship in Pathology	69,144	64,044
Randy Bryn, M.D. Professorship in Pulmonology	56,327	52,654
W. R. Matthews, M.D. Professorship in Pathology	58,061	52,606
YK Reddy Professorship in Allergy and Immunology	68,006	62,858
Albertson's Distinguished Professorship in Allied Health Sciences	71,549	66,917
Robert E. Wolf, M.D. Professorship in Rheumatology	61,812	55,721
Donald Mack, M.D. Professorship in Pediatric Oncology	71,355	64,819
Donald and Kathryn R. Smith Endowed Chair in Spinal Treatment	583,583	523,992
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education*	-	50,181
Edward J. Crawford, Jr., M.D. Professorship in GYN Surgery*	-	64,554
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Recruitment*	-	54,883
Burdette E. Trichel, M.D. Professorship in Urology	54,542	57,796
Charles D. Knight, Sr. Professorship in General Surgery	55,753	51,990
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	60,973	56,099
Eugene St. Martin Professorship in Urology	61,935	59,596
Edward J. Crawford Professorship in Continuing Education*	-	60,885

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

	<u>2017</u>	<u>2016</u>
Nathan Professorship in Head & Neck Surgery	65,741	59,491
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	55,218	49,694
Joe E. Holoubek Professorship in Medicine	66,120	60,217
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	58,263	52,607
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	56,038	52,334
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	56,777	51,581
James A. Ardoin, M.D. Professorship in OB/GYN	58,931	53,110
Brad and Kay McPherson Professorship in Child Psychiatry	57,759	51,633
Khoury-Mack Professorship #3 St. Jude	58,625	52,834
Selber-Levin Professorship in Endocrinology	64,857	59,034
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education*	-	55,320
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Recruitment*	-	51,639
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Oncology Education*	-	55,762
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Reproductive Endocrinology*	-	55,763
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement*	-	55,077
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Technology Enhancement*	-	55,762
Juneau Chair in Transplantation Surgery	725,889	655,776
Stafford and Marianne Comegys Professorship in Medical Library Science	65,578	60,301
Mary Louise and Jack R. Cassingham Professorship in Forensic Pathology	53,088	47,473
Edward and Freda Green Professorship in Oral and Maxillofacial Surgery	58,013	52,414
Edward and Freda Green Professorship in Surgical Oncology	48,105	44,037
Scott and Larene Woodard Professorship in Neurosurgery	88,617	82,064
Dr. George and Sandra Bakowski Foundation Professorship in Aero-Digestive Malignancies	56,592	51,044
Brad and Kay McPherson Professorship	44,145	39,799
Drs. Diana and John Herbst Professorship in Pediatric Gastroenterology	53,078	47,464
Carroll W. Feist Chair for the Study of Cancer	1,343,650	1,299,872
Nancy Jane Sentell Seale Professorship in Cancer Palliative Care	52,146	46,781
Edna Boatright Sherling Professorship in Cancer Care	46,377	41,156
Dr. Ming Yu Ding Memorial Professorship in Microbiology	60,028	53,984
Archibald Bell Nelson Professorship in Orthopaedics	102,924	93,774
Joanna Gunning Magale Professorship in Neurology	74,588	68,456
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	745,984	685,943
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	302,995	-

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

	<u>2017</u>	<u>2016</u>
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Enhancement	306,319	-
Charles Richard Parks Professorship in Neurological Rehab	40,178	-
Dudley R. Ison, DDS Endowed Prof. in Oral & Maxillofacial Surgery	40,218	-
Clarence H. Webb, MD Endowed Professorship in Pediatrics	40,218	-
Medical Center Clinics Endowed Professorship in Radiology	40,218	-
	<u>9,345,770</u>	<u>8,442,933</u>

*Certain funds merged in 2017

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Board-designated endowments:		
CFeist Legacy	76,926,590	69,392,711
Feist-Weiller Investment Account	13,824,437	12,699,584
Feist Investment Spending	1,577,363	1,184,046
CFeist Legacy Spending	<u>1,052,573</u>	<u>1,820,829</u>
Total Board-designated endowments	93,380,963	85,097,170
Other:		
Feist-Weiller Cancer Center	203,492	213,764
Boatright FWCC Research	150,000	150,000
LSUMC Alumni Association	191,273	149,666
Otolaryngology Flexible Spending	2,271,900	1,799,287
Feist-Chancellor Fund	289,602	289,602
Oral surgery/Ghali/Discretionary Spending	145,246	110,655
Chancellor's Discretionary Fund	788,585	788,585
Neurosurgery/Nanda/Research	261,536	276,607
Pediatrics Kohl's Cares for Kids	201,534	172,321
John C. McDonald Endowed Chair Spending	305,187	250,898
Jack W. Pou, M.D. Chair in Otolaryngology Spending	397,804	382,329
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology Spending	624,056	573,749
Carroll W. Feist Chair for the Study of Cancer Spending	432,803	589,366
Jack W. Gamble M.D. Chair in Oral/Maxillofacial Surgery Spending	397,550	373,103
Donnie and Gail Juneau Chair in Transplantation	332,758	279,040
SAHP Communication Disorders	131,374	127,127
Pediatrics/Bocchini Children's Hospital	151,699	135,679
Trauma Center Fund	324,569	325,683
Muslow Academic Affairs	283,895	234,483
Smith Chair of Spinal Treatment	202,147	150,804
Psychiatry/Frost Endowment	143,221	115,133
Crawford Professorship-OB/GYN Faculty Enhancement	202,597	108,437
Arts in Medicine	103,744	-
Other (individual fund balance ≤ 100,000)	<u>3,712,212</u>	<u>3,917,560</u>
Total other	<u>12,248,784</u>	<u>11,513,878</u>
Total temporarily restricted net assets	<u>105,629,747</u>	<u>96,611,048</u>

11. Temporarily Restricted Net Assets (Continued)

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
John C. McDonald, M.D. Chair in Surgery	957,920	877,303
Jack W. Pou, M.D. Chair in Otolaryngology	868,922	796,996
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	854,234	783,250
Muslow Endowed Chair in Academic Affairs	814,260	747,678
Gail and Donnie Juneau Chair in Transplantation	888,730	815,845
Carroll W. Feist Chair for the Study of Cancer	1,713,444	1,574,744
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	858,747	789,235
Smith Chair of Spinal Treatment	875,935	798,977
Scotty and Larene Woodard Professorship in Neurosurgery	273,283	249,448
Comegys Library Endowment	484,269	444,597
Urology/Womack Endowment	239,521	219,905
Psychiatry/Frost Endowment	1,090,390	1,001,074
Dr. Y. S. Goel Student Scholarship	171,705	157,642
Anil Nanda Neurosurgery Endowment	201,680	201,381
Paul D. Abramson Fund	212,620	195,184
Nathan Professorship in Otolaryngology	104,897	-
Selber Leveine Professorship in Endocrinology	132,261	120,355
Nelson Professorship in Orthopaedic Surgery	108,831	100,005
Nancy Jane Sentelle Seale Professorship in Cancer Palliative Care	121,507	111,032
Endowment for Medical Education	206,462	174,432
WR Matthew MD Professorship in Pathology	100,326	-
St. Martin Professorship in Urology	103,509	-
Ardoin MD Memorial Professorship-OB/GYN	103,775	-
Crawford Professorship-OB/GYN Faculty Enhancement	393,367	359,305
Crawford Professorship-OB/GYN Residency Enhancement	409,239	373,687
Medical Center Clinics Chair in Graduate Medical Education	1,201,207	-
Other (individual fund balance ≤ 100,000)	<u>1,663,850</u>	<u>1,480,319</u>
Total permanently restricted net assets	<u>15,154,891</u>	<u>12,372,394</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.

13. Endowed Net Assets (Continued)

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, 2017 and 2016 was 4.00%.

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

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

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

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	-	4,407,344	15,154,891	19,562,235
Board-designated endowment	-	93,380,963	-	93,380,963
	<u>-</u>	<u>97,788,307</u>	<u>15,154,891</u>	<u>112,943,198</u>

13. Endowed Net Assets (Continued)

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	-	92,721,036	13,202,889	105,923,925
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	-	(3,675,956)	-	(3,675,956)
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>89,260,589</u>	<u>12,372,394</u>	<u>101,632,983</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	-	85,097,170	-	85,097,170
	<u>-</u>	<u>89,260,589</u>	<u>12,372,394</u>	<u>101,632,983</u>

As of June 30, 2017 and 2016, non-endowment fund net assets were \$7,841,440 and \$7,350,459, respectively, for temporarily restricted.

14. Operating Leases

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

2018	71,517
2019	68,735
2020	55,748
2021	748
2022	-
	<u>196,748</u>

Included in management and general expense is \$71,841 and \$70,438 in rent and equipment rental expense for the years ended June 30, 2017 and 2016, 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

15. Commitments (Continued)

from the Feist Legacy account going forward. As of June 30, 2017, the Foundation segregated \$2,500,000 for the Otolaryngology Department, of which \$2,271,900 remained as of June 30, 2017 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. In order to receive such funds, the Center was required to submit an implementation plan on how the funds will be used and obtain a minimum industry match of at least 20%. The Foundation provided a written commitment of \$400,000 to satisfy the match requirement. In 2016, the Foundation paid fees of \$132,719 towards the commitment.

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 29, 2017, 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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Salary expense	726,424	665,515
Payroll taxes	51,331	47,491
Employee benefit expense	83,343	75,179
Contractual services	3,274	2,929
Investment fees	43,900	76,321
Professional services	187,949	292,041
Insurance	38,149	37,827
Bank charges	13,073	10,496
Depreciation	2,527	5,187
Office supplies	10,929	11,456
Postage	5,727	14,343
Telephone expense	8,168	7,890
Maintenance agreements	25,430	28,540
Books and subscriptions	79	-
Rent	65,255	65,150
Equipment rental	6,586	5,288
Travel	5,928	4,623
Meals and entertainment	18,452	13,781
Advertising and promotional expenses	9,877	1,843
Printing	61,714	44,258
Gifts and acknowledgments	1,462	28,002
Professional development	10,527	12,497
Dues and licenses	6,006	6,119
Fundraising events	118,835	102,907
Computer and software	-	4,425
Miscellaneous	<u>5,097</u>	<u>564</u>
Total management and general expenses	<u>1,510,042</u>	<u>1,564,672</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Academic affairs	14,393	12,494
Admissions	-	237
Allied Health	131,583	84,461
Alumni affairs	92,727	95,696
Anesthesiology	10,315	9,893
Biochemistry	126	1,194
Cardiology	6,337	917
Cellular biology and anatomy	7,253	10,189
Chancellor	46,122	161,950
Continuing medical education	40,319	38,002
Dermatology	1,014	980
E. A. Conway	16,752	335
Emergency medicine	4,191	3,697
Endocrinology	2,067	2,002
Family medicine	9,842	16,129
Foundation	52,056	5,854
Health sciences library	42,360	8,483
Human resource management	1,264	-
Internal medicine	3,367	8,163
Microbiology	3,047	6,135
Multicultural affairs	7	20
Nephrology	520	1,294
Neurology	31,048	68,517
Neurosurgery	45,610	71,290
Nursing administration	4,004	12,262
OB/GYN	49,186	31,670
Ophthalmology	8,450	3,073
Oral/maxillofacial	106,319	82,905
Ortho surgery	32,488	49,281
Orthopaedics	(358)	6,068
Otolaryngology	79,238	57,505
Pathology	7,438	43,898
Pediatrics	50,588	128,264
Pharmacology	19,828	23,435
Physiology	8,456	25,068
Psychiatry	36,819	41,592
Pulmonary	6,533	7,010
Radiology	5,818	3,468

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Rheumatology	10,678	969
Social services	1,220	620
Student affairs	1,402	874
Surgery	97,982	92,431
Urology	<u>26,372</u>	<u>9,426</u>
Total	<u>1,114,781</u>	<u>1,227,751</u>