

LSU HEALTH SCIENCES CENTER FOUNDATION

FINANCIAL STATEMENTS

June 30, 2016 and 2015



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LSU Health Sciences Center Foundation
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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The LSU Health Sciences Center Foundation – New Orleans (the “Foundation”) (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2016 and 2015, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 24 through 25 are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information on pages 26 through 35 is not a required part of the basic financial statements but is supplementary information required by the State of Louisiana. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Foundation's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

August 31, 2016

LSU Health Sciences Center Foundation
Statements of Financial Position

June 30,

2016

2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,597,779	\$ 535,540
Investments	2,828,217	10,768,405
Unconditional promises to give, net	769,260	149,945
Estate receivable	246,402	300,869
Accounts receivable	80,102	61,911
Other assets	53,451	54,666
State matching funds receivable	-	120,000

Total current assets	5,575,211	11,991,336
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Noncurrent Assets:

Investments	128,847,868	125,068,816
Property and equipment, net	7,803,373	8,053,397
Unconditional promises to give, net	768,367	380,076
Land	215,027	215,027
Cash restricted for debt service	-	122,004

Total noncurrent assets	137,634,635	133,839,320
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Total assets	\$ 143,209,846	\$ 145,830,656
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LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 2,247,899	\$ 708,127
Bonds payable	-	105,000
Split-interest agreements	51,375	6,975

Total current liabilities	2,299,274	820,102
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Noncurrent Liabilities:

Amounts held in custody for others	26,523,815	28,439,441
Bonds payable, net	-	805,682
Split-interest agreements	278,739	39,896

Total noncurrent liabilities	26,802,554	29,285,019
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Total liabilities	29,101,828	30,105,121
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Net Assets

Unrestricted	8,350,864	9,148,276
Board-designated	1,387,755	2,087,913
Temporarily restricted	49,788,571	53,406,248
Permanently restricted	54,580,828	51,083,098

Total net assets	114,108,018	115,725,535
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Total liabilities and net assets	\$ 143,209,846	\$ 145,830,656
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The accompanying footnotes are an integral part of these financial statements.

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

For the years ended June 30,

2016

2015

UNRESTRICTED NET ASSETS

Unrestricted revenues and other support:

Contributions	\$ 37,834	\$ 25,249
Management and deposit fee income	1,803,639	1,552,376
Investment (loss) income, net	(117,399)	190,720
Rental income	138,675	92,524
Other income	-	6,465

1,862,749 1,867,334

Net assets released from restrictions **9,735,579** 5,788,137

11,598,328 7,655,471

Expenses:

Program services	10,435,737	7,422,826
General and administrative	1,562,623	1,466,913
Development	1,097,538	1,233,691

13,095,898 10,123,430

(1,497,570) (2,467,959)

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted revenues and other support:

Contributions	6,169,929	11,592,762
Investment income, net	672,372	1,783,246
Transfers	(693,430)	-
Other expense	(30,969)	(4,406)

6,117,902 13,371,602

Net assets released from restrictions **(9,735,579)** (5,788,137)

(3,617,677) 7,583,465

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted revenues and other support:

Contributions	2,804,300	2,768,196
Transfers	693,430	-

3,497,730 2,768,196

(1,617,517) 7,883,702

115,725,535 107,841,833

\$ 114,108,018 \$ 115,725,535

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

LSU Health Sciences Center Foundation
Statements of Cash Flows

For the years ended June 30,

2016

2015

Cash Flows From Operating Activities

Change in net assets	\$ (1,617,517)	\$ 7,883,702
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	264,342	251,615
Increase in unconditional promises to give	(1,658,092)	(810,418)
Change in allowance for uncollectible accounts	580,332	283,647
Net change in discount on unconditional promises to give	70,154	533
Realized and unrealized (gain) loss on investments	(131,812)	(1,480,699)
Dividend and interest income	(423,161)	(493,267)
Changes in operating assets and liabilities:		
Decrease in state matching receivable	120,000	200,000
Decrease in estate receivable	54,467	11,169
(Increase) decrease in accounts receivable	(18,191)	63,022
Decrease (increase) in other assets	1,215	(17,637)
(Decrease) increase in accounts payable and accrued expenses	1,539,772	(486,013)
Increase (decrease) in split-interest agreement	283,243	(4,854)
(Decrease) increase in funds held in custody	(1,915,626)	1,521,133
Contributions permanently restricted by donors	(3,497,730)	(2,768,196)
Net cash (used in) provided by operating activities	(6,348,604)	4,153,737

Cash Flows From Investing Activities

Proceeds from sales and maturities of investments	5,293,561	7,197,617
Purchases of investments	(577,452)	(14,237,435)
Decrease (increase) in cash restricted for debt service	122,004	(9,445)
Net cash provided by (used in) investing activities	4,838,113	(7,049,263)

Cash Flows From Financing Activities

Payments on bonds payable	(925,000)	(95,000)
Contributions permanently restricted by donors	3,497,730	2,768,196
Net cash provided by financing activities	2,572,730	2,673,196

Net Increase (Decrease) in Cash and Cash Equivalents

	1,062,239	(222,330)
Cash and Cash Equivalents		
Beginning of year	535,540	757,870
End of year	\$ 1,597,779	\$ 535,540

Supplemental data:

Cash paid for interest	\$ 2,065	\$ 3,949
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The accompanying footnotes are an integral part of these financial statements.

LSU Health Sciences Center Foundation Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

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

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

b) Basis of Accounting

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

c) Risks and Uncertainties

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

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d) Basis of Presentation

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

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

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

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

e) Use of Estimates

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

f) Cash and Cash Equivalents

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investments

Investments are carried at estimated current market value. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statements of Financial Position.

h) Unconditional Promises to Give

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

Management's estimate for the allowance of uncollectible promises to give at June 30, 2016 and 2015 was \$866,392 and \$286,060, respectively.

i) Property and Equipment

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to an expense. The cost of these assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. As of June 30, 2016, all other furniture, equipment, and accounting software owned by the Foundation were purchased with restricted private donations and have not been capitalized. The Foundation finished construction on a new building in July of 2013 and is using the straight-line method to depreciate it over an estimated useful life of 40 years. Furniture is being depreciated over estimated useful lives of five years using the straight-line method.

j) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable and other liabilities that are not due to be paid within one year.

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Funds Held in Custody for Others

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

l) Contributions

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

m) Expense Allocation

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

n) Required Transfers

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

o) Subsequent Events

Subsequent events have been evaluated through August 31, 2016, the date the financial statements were available to be issued, and no events material to the financial statements occurred which require disclosure.

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 3: RESTRICTIONS ON NET ASSETS

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

NOTE 4: UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Gross unconditional promises to give	\$ 2,475,410	\$ 817,318
Less: unamortized discount	(71,391)	(1,237)
Less: allowance for uncollectible amounts	<u>(866,392)</u>	<u>(286,060)</u>
Net unconditional promises to give	<u>\$ 1,537,627</u>	<u>\$ 530,021</u>
Amount due in:		
Less than one year	\$ 769,260	\$ 230,684
One to five years	1,388,617	581,900
Over five years	<u>317,533</u>	4,734
Total	<u>\$ 2,475,410</u>	<u>\$ 817,318</u>

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 5: INVESTMENTS

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

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

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

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

As of June 30, 2015, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 431,763	\$ 679,186	\$ 247,423
U.S. Government Agency bonds and notes	21,674,508	34,095,142	12,420,634
Corporate bonds and notes	6,908,210	10,866,978	3,958,768
Mutual funds and other equities	39,635,853	62,349,284	22,713,431
Hedge funds	6,044,684	9,508,606	3,463,922
Money market/certificates of deposit	18,338,025	18,338,025	-
Total	<u>\$ 93,033,043</u>	<u>\$135,837,221</u>	<u>\$ 42,804,178</u>

Investment return for the year ended June 30, 2015 is summarized as follows:

Interest and dividend income	\$ 493,267
Net realized and unrealized gains	<u>1,480,699</u>
Total investment income	<u>\$ 1,973,966</u>

NOTE 5: INVESTMENTS (CONTINUED)

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

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2016.

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

The Foundation invests in hedge funds through its investment manager. The investments are part of a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investments offer a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The funds have a demonstrated track record of superior performance in maintaining a highly disciplined and effective investment allocation decision process. The Foundation's objective is to maximize its returns related to these investments. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached. The result is a portfolio with a demonstrated ability to protect capital from loss in adverse market conditions and to produce superior risk-adjusted returns. The returns from hedge funds are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge funds are included in unrealized gains (losses) in the Statements of Activities. The fair market value was \$9,217,326 and \$9,508,605 at June 30, 2016 and 2015, respectively.

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Building	\$ 8,346,657	\$ 8,346,657
Furniture	206,788	206,788
Less accumulated depreciation	<u>(750,072)</u>	<u>(500,048)</u>
Property and equipment, net	<u>\$ 7,803,373</u>	<u>\$ 8,053,397</u>
Land	<u>215,027</u>	<u>215,027</u>
Total non-depreciable assets	<u>\$ 215,027</u>	<u>\$ 215,027</u>

Depreciation expense totaled \$250,024 for each of the years ended June 30, 2016 and 2015.

NOTE 7: CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. At June 30, 2016, the Foundation's balances are fully insured or collateralized.

NOTE 8: FUNDS HELD IN CUSTODY

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and the Endowed Professorship Programs. Funds held in custody were \$26,523,815 and \$28,439,441 on June 30, 2016 and 2015, respectively. The amount of state matching funds received was \$600,000 and \$920,000 for the fiscal years ended 2016 and 2015, respectively.

NOTE 9: BONDS PAYABLE

The Foundation financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003 with bond proceeds of \$2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit.

The Foundation issued bonds in January 2002 totaling \$2,035,000 with a variable interest rate. The bond issuance costs of \$35,000 are being amortized over the life of the bonds beginning July 1, 2002. The remaining balance of the bonds was paid in full in 2016 and remaining issuance costs were fully amortized. Bond amortization expense for each of the fiscal years ended June 30, 2016 and 2015 was \$14,318 and \$1,591, respectively.

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 9: BONDS PAYABLE (CONTINUED)

Unamortized bond issuance costs at June 30, 2016 and June 30, 2015 were \$0 and \$14,318, respectively. Bonds payable, net at June 30, 2016 and 2015 were \$0 and \$910,682, respectively.

Bond proceeds available at June 30, 2016 and 2015 were held by a trustee in restricted cash accounts. Restricted cash at June 30, 2016 and 2015 totaled \$0 and \$122,004, respectively. Principal payments of \$925,000 and \$95,000 were made on the bond in the years ended June 30, 2016 and 2015, respectively. Interest was accrued and paid on the bonds in the amounts of \$2,065 and \$3,949 for the years ended June 30, 2016 and 2015, respectively.

NOTE 10: RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$47,817 and \$38,824 as of June 30, 2016 and 2015, respectively, which is included in salaries and benefits.

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

NOTE 11: SPLIT-INTEREST AGREEMENTS

The Foundation has entered into three (3) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$51,375 paid in quarterly or monthly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$330,114 at June 30, 2016) is calculated using a discount rate of 1.8% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$32,875 for the years ended June 30, 2016 and 2015.

NOTE 12: ENDOWMENT COMPOSITION

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

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

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

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

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

NOTE 12: ENDOWMENT COMPOSITION (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Temporarily restricted	\$ 33,899,518	\$ 37,606,665
Permanently restricted	<u>54,580,828</u>	<u>51,083,099</u>
Total endowment funds	<u>\$ 88,480,346</u>	<u>\$ 88,689,764</u>

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

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

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2015 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 32,912,929	\$ 48,314,902	\$ 81,227,831
Total investment return	1,783,246	-	1,783,246
Contributions	6,227,467	2,768,197	8,995,664
Allocations for spending	<u>(3,316,977)</u>	<u>-</u>	<u>(3,316,977)</u>
Endowment net assets, June 30, 2015	<u>\$ 37,606,665</u>	<u>\$ 51,083,099</u>	<u>\$ 88,689,764</u>

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") and FASB ASC 825, *Financial Instruments* ("ASC 825") require disclosure of fair value information about financial instruments, whether or not recognized in the Statements of Financial Position. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825 excludes certain financial instruments from its disclosure requirements.

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

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

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

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

Money market/certificate of deposit - The fair value of money market accounts and certificates of deposit are the amounts payable on demand at the reporting date. The fair value is estimated by discounting the future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities.

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

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

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

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2016 and 2015 are as follows:

Fair value measurement at reporting date using above description:

June 30, 2016

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

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

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

ASSETS	Level 3 beginning balance 7/1/2015	Increase in allowance/ discount	Net payments and gifts	Level 3 ending balance 6/30/2016
Unconditional promises to give	\$ 530,021	\$ (650,486)	\$ 1,658,092	\$ 1,537,627
Total	\$ 530,021	\$ (650,486)	\$ 1,658,092	\$ 1,537,627

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

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement at reporting date using above description:

June 30, 2015

ASSETS	Balance as of 6/30/2015	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 530,021	\$ -	\$ -	\$ 530,021
U.S. government agency mortgage-backed securities	679,186	-	679,186	-
U.S. government agency bonds and notes	34,095,142	-	34,095,142	-
Corporate bonds and notes	10,866,978	10,866,978	-	-
Mutual funds and other equities	62,349,285	62,349,284	-	-
Hedge funds	9,508,605	-	9,508,605	-
Money market/certificates of deposit	18,338,025	-	18,338,025	-
Total	\$ 136,367,242	\$ 73,216,262	\$ 62,620,958	\$ 530,021

LIABILITIES	Balance as of 6/30/2015	Level 1	Level 2	Level 3
Split interest agreements	\$ 46,871	\$ -	\$ 46,871	\$ -
Total	\$ 46,871	\$ -	\$ 46,871	\$ -

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

ASSETS	Level 3 beginning balance 7/1/2014	Increase in allowance/ discount	Net payments and gifts	Level 3 ending balance 6/30/2015
Unconditional promises to give	\$ 3,783	\$ (553)	\$ 526,771	\$ 530,021
Total	\$ 3,783	\$ (553)	\$ 526,771	\$ 530,021

LSU Health Sciences Center Foundation
Notes to Financial Statements

NOTE 14: RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Cardiovascular Center and Dean Support	<u>\$ 1,387,755</u>	<u>\$ 2,087,913</u>

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

	<u>2016</u>	<u>2015</u>
Awards	\$70,393	\$55,012
Chairs	24,867,193	28,007,561
General Endowments	(2,265,909)	(3,705,703)
Gift Annuities	(74,591)	(25,987)
Lectureships	230,563	259,715
Memorials	118,686	88,751
Professorships	7,606,664	9,154,638
Scholarships	1,836,997	2,181,545
Superchairs	2,142,363	2,327,512
Donor restrictions	15,256,212	15,063,204
Total temporarily restricted net assets	<u>\$49,788,571</u>	<u>\$53,406,248</u>

Permanently restricted net assets are set aside as follows:

	<u>2016</u>	<u>2015</u>
Awards	\$98,783	\$50,965
Chairs	29,393,528	28,253,340
General endowments	4,865,655	3,665,949
Gift annuities	360,856	43,457
Lectureships	261,710	242,109
Memorials	140,350	99,435
Professorships	12,134,275	12,086,067
Scholarships	4,501,393	3,817,498
Superchairs	2,824,278	2,824,278
Total permanently restricted net assets	<u>\$54,580,828</u>	<u>\$51,083,098</u>



LSU Health Sciences Center Foundation Notes to Financial Statements

NOTE 15: RELATED PARTY TRANSACTIONS

In the normal course of business, the Foundation reimburses the LSU Health Sciences Center for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the year ended June 30, 2016 and 2015 are \$8,405,780 and \$5,870,450, respectively, which represents payments on behalf of the Health Sciences Center. At June 30, 2016 and 2015, there were no funds due to or from the Health Sciences Center.

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the LSU Health Sciences Center Foundation – New Orleans (the “Foundation”) (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2016 and 2015, and the related Statements of Activities, and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

August 31, 2016

SUPPLEMENTAL INFORMATION

LSU Health Sciences Center Foundation
Schedule of Functional Expenses

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

LSU Health Sciences Center Foundation
Schedule of Functional Expenses

For the year ended June 30, 2015	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center		<u>Supporting Services</u>		Total Expenses
			General and Administrative	Development	
Management and deposit fees	\$ 1,552,376		\$ -	\$ -	\$ 1,552,376
Supplies	1,397,080		19,463	125	1,416,668
Salary supplemental payments	1,195,328		-	-	1,195,328
Community support	145,104		147,883	617,128	910,115
Professional fees and contract service payments	557,939		275,951	40,740	874,630
Salaries and benefits	-		470,453	372,282	842,735
Conferences, meetings, and other travel	760,615		2,596	-	763,211
Entertainment	683,038		1,393	905	685,336
Provision for uncollectible accounts	284,180		-	-	284,180
Equipment purchases	205,569		8,805	67,526	281,900
Scholarships and awards	262,078		-	16,000	278,078
Depreciation and amortization	-		251,615	-	251,615
Occupancy	58,272		139,690	2,265	200,227
Dues and subscriptions	80,183		12,201	66,327	158,711
Recruitment and relocation	102,396		-	-	102,396
Insurance	14,417		43,065	44,857	102,339
Clinical trials, professional education and seminars	60,890		-	2,066	62,956
Repairs and maintenance	249		47,595	-	47,844
Printing and publications	16,037		8,067	-	24,104
Honoraria	23,800		-	-	23,800
Bank charges	-		23,302	-	23,302
Credit card fees	13,137		3,017	-	16,154
Miscellaneous	7,736		370	-	8,106
Advertising	-		2,743	2,280	5,023
Meeting expenses	-		4,255	40	4,295
Postage and shipping	2,402		500	1,150	4,052
Interest expense	-		3,949	-	3,949
	\$ 7,422,826		\$ 1,466,913	\$ 1,233,691	\$ 10,123,430

The Foundation for the LSU Health Sciences Center
Statement of Net Position - GASB


June 30, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,597,779
Investments	2,828,217
Accounts receivable, net	326,504
Pledges receivable	769,260
Prepaid expenses and advances	53,451
Total current assets	5,575,211
Noncurrent Assets:	
Investments	128,847,868
Pledges receivable	768,367
Property and equipment, net	8,018,400
Total noncurrent assets	137,634,635
Total assets	143,209,846
Total assets and deferred outflow of resources	\$ 143,209,846
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 2,247,899
Other liabilities	51,375
Total current liabilities	2,299,274
Long-Term Portion of Noncurrent Liabilities:	
Other liabilities	26,802,554
Total noncurrent liabilities	26,802,554
Total liabilities	29,101,828
Total liabilities and deferred inflows of resources	29,101,828
NET POSITION	
Net investment in capital assets	8,018,400
Restricted:	
Nonexpendable	54,580,828
Expendable	49,788,571
Unrestricted	1,720,219
Total net position	114,108,018
Total liabilities, deferred inflows of resources, and net position	\$ 143,209,846

The Foundation for the LSU Health Sciences Center
Statement of Financial Position - FASB

June 30, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,597,779
Investments	2,828,217
Accounts receivable, net	326,504
Unconditional promises to give	769,260
Deferred charges and prepaid expenses	53,451
Total current assets	5,575,211
Noncurrent Assets:	
Investments	128,847,868
Unconditional promises to give	768,367
Property and equipment, net	8,018,400
Total noncurrent assets	137,634,635
Total assets	\$ 143,209,846
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 2,247,899
Other current liabilities	51,375
Total current liabilities	2,299,274
Long-Term Portion of Noncurrent Liabilities:	
Amounts held in custody for others	26,523,815
Other liabilities	278,739
Total noncurrent liabilities	26,802,554
Total liabilities	29,101,828
NET ASSETS	
Unrestricted	9,738,619
Temporarily restricted	49,788,571
Permanently restricted	54,580,828
Total net assets	114,108,018
Total liabilities and net assets	\$ 143,209,846



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

For the Year Ended June 30,	2016
OPERATING REVENUES	
Gifts received by foundations	\$ 6,207,763
Nongovernmental grants and contracts	1,803,639
Other operating revenues	107,706
Total operating revenues	8,119,108
OPERATING EXPENSES	
Other operating expenses	2,660,161
Total operating expenses	2,660,161
Operating Income	5,458,947
NONOPERATING REVENUES (Expenses)	
Net investment income	554,973
Payment to or on behalf of University	(10,435,737)
Net nonoperating revenues	(9,880,764)
Income Before Other Revenues, Expenses, Gains, and Losses	(4,421,817)
Additions to permanent endowments	2,804,300
Decrease in Net Position	(1,617,517)
Net Position at Beginning of Year	115,725,535
Net Position at End of Year	\$ 114,108,018

The Foundation for the LSU Health Sciences Center
Statement of Activities - GASB
For the Year Ended June 30, 2016

Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and change in net assets
\$ (13,095,898)	\$ 1,942,314	\$ 9,012,063	\$ -	\$ (2,141,521)
General Revenues:				
Investment income			\$	554,973
Miscellaneous				(30,969)
Total general revenues and special items				524,004
Change in net position				(1,617,517)
Net position , beginning of year				115,725,535
Net position, end of year				\$ 114,108,018

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

For the year ended June 30, 2016

Changes in unrestricted net assets:	
Contributions	\$ 37,834
Investment earnings (loss), net	(117,399)
Service fees	1,803,639
Other revenues	138,675
Total unrestricted revenues	1,862,749
Net assets released from restrictions:	
Satisfaction of program expenses	9,735,579
Total unrestricted revenues and other support	11,598,328
Expenses:	
Amounts paid to benefit Louisiana State University for:	
Projects specified by donors	6,103,710
Other:	
Grants and contracts	3,333,088
Property operations	57,034
Other	941,905
Total program expenses	10,435,737
Supporting services:	
Salaries and benefits	1,172,793
Occupancy	148,009
Office operations	259,122
Travel	31,710
Professional services	280,299
Dues and subscriptions	95,439
Meetings and development	1,992
Depreciation	264,342
Other	406,455
Total supporting services	2,660,161
Total expenses	13,095,898
(Decrease) in unrestricted net assets	(1,497,570)

(Continued)

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

Changes in temporarily restricted net assets:

Contributions	\$	6,169,929
Investment earnings		672,372
Other		(30,969)
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Total temporarily restricted revenues		6,811,332
Net assets released from restrictions:		
Transfers		(693,430)
Satisfaction of program expenses		(9,735,579)
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Decrease in temporarily restricted net assets		(3,617,677)
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Changes in permanently restricted net assets:

Contributions		2,804,300
Transfers		693,430
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Increase in permanently restricted net assets		3,497,730
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Increase in net assets		(1,617,517)
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Net assets at beginning of year		115,725,535
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Net assets at end of year	\$	114,108,018
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**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2016**

Note A. 15 Component Units - Discrete

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

The LSU Health Sciences Center Foundation New Orleans is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: LSU Health Sciences Center. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2016, the Foundation for the LSU Health Sciences Center made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$10,435,737.

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

2000 Tulane Ave., New Orleans, LA 70112

(mailing address)

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

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

**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2016**

Note C. 2 Investments and Custodial Credit Risk

<u>Type of Investment</u>	<u>on SNA</u>	<u>Fair Value</u>
LSU Foundation investment pool	\$ 131,676,085	\$ 131,676,085
Total investments	\$ 131,676,085	\$ 131,676,085

LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2016

<u>Component Unit(s)</u>	Balance 6/30/2015	Prior Period Adjustments	Restated Balance 6/30/2015	Additions	Reclassifications of CIP	Retirements	Balance 6/30/2016
Capital assets not depreciated:							
Land	\$ 215,027	-	\$ 215,027	-	-	-	\$ 215,027
Construction in progress	-	-	-	-	-	-	-
Total capital assets not depreciated	<u>\$ 215,027</u>	<u>-</u>	<u>\$ 215,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 215,027</u>
Other capital assets:							
Buildings	8,346,657	-	8,346,657	-	-	-	8,346,657
** Accumulated depreciation	(417,332)	-	(417,332)	(208,666)	-	-	(625,998)
Total buildings	<u>7,929,325</u>	<u>-</u>	<u>7,929,325</u>	<u>(208,666)</u>	<u>-</u>	<u>-</u>	<u>7,720,659</u>
Equipment (including library books)	206,788	-	206,788	-	-	-	206,788
** Accumulated depreciation	(82,716)	-	(82,716)	(41,358)	-	-	(124,074)
Total equipment	<u>124,072</u>	<u>-</u>	<u>124,072</u>	<u>(41,358)</u>	<u>-</u>	<u>-</u>	<u>82,714</u>
Total other capital assets	<u>\$ 8,053,397</u>	<u>-</u>	<u>\$ 8,053,397</u>	<u>\$(250,024)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,803,373</u>
Capital asset summary:							
Capital assets not depreciated	\$ 215,027	-	\$ 215,027	-	-	-	\$ 215,027
Other capital assets, book value	8,553,445	-	8,553,445	-	-	-	8,553,445
Total cost of capital assets	<u>8,768,472</u>	<u>-</u>	<u>8,768,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,768,472</u>
Accumulated depreciation/amortization	<u>(500,048)</u>	<u>-</u>	<u>(500,048)</u>	<u>(250,024)</u>	<u>-</u>	<u>-</u>	<u>(750,072)</u>
Capital assets, net	<u>\$ 8,268,424</u>	<u>-</u>	<u>\$ 8,268,424</u>	<u>\$(250,024)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,018,400</u>

**LSU Health Sciences Center Foundation
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2016**

SCHEDULE 1-A

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/15	(Redeemed) Issued	Principal Outstanding 6/30/2016 *	Interest Rates	Interest Outstanding 6/30/16	Maturities
LSU HSC Foundation New Orleans								
Equipment & Capital Facilities Pooled Loan Program	01/01/02	\$ 2,035,000	\$ 925,000	\$ (925,000)	\$ -	variable	-	2016-2024
		2,035,000	925,000	(925,000)	-			
Premiums/discounts, net			14,318	(14,318)	-			
Total bonds payable		2,035,000	910,682	(910,682)	-			