
LSU HEALTH FOUNDATION, NEW ORLEANS

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

LSU HEALTH FOUNDATION, NEW ORLEANS

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the LSU Health Foundation, New Orleans (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in assets, functional expenses, 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 audits 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, 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 solely 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* in considering the Foundation's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
December 7, 2021

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,506,953	\$ 327,892
Investments	3,582,277	5,516,982
Unconditional promises to give, net	979,678	450,669
Accounts receivable	167,786	1,004,283
Prepaid and other assets	357,262	167,740
Total current assets	<u>6,593,956</u>	<u>7,467,566</u>
Noncurrent Assets:		
Investments	182,877,018	137,673,877
Property and equipment, net	17,442,244	17,644,758
Unconditional promises to give, net	526,086	259,763
Total noncurrent assets	<u>200,845,348</u>	<u>155,578,398</u>
<u>TOTAL ASSETS</u>	<u>\$ 207,439,304</u>	<u>\$ 163,045,964</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 571,295	\$ 1,595,074
Line of credit	1,524,000	1,136,000
Split-interest agreements	51,375	51,375
Note payable	395,435	381,000
Total current liabilities	<u>2,542,105</u>	<u>3,163,449</u>
Noncurrent Liabilities:		
Amounts held in custody for others	41,422,408	28,785,909
Split-interest agreements	210,819	222,469
Total noncurrent liabilities	<u>41,633,227</u>	<u>29,008,378</u>
<u>TOTAL LIABILITIES</u>	<u>44,175,332</u>	<u>32,171,827</u>
<u>NET ASSETS</u>		
Without donor restrictions	21,643,604	15,420,474
Board-designated	362,550	379,447
Total without donor restrictions	<u>22,006,154</u>	<u>15,799,921</u>
With donor restrictions	141,257,818	115,074,216
Total net assets	<u>163,263,972</u>	<u>130,874,137</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 207,439,304</u>	<u>\$ 163,045,964</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 2,962,802	\$ 5,680,427	\$ 8,643,229
Management and deposit fee income	2,419,118	-	2,419,118
Investment income, net	6,580,926	29,316,930	35,897,856
Rental income	403,426	-	403,426
Business venture revenue	356,710	-	356,710
Other revenue	704,664	-	704,664
	<u>13,427,646</u>	<u>34,997,357</u>	<u>48,425,003</u>
Net assets released from restrictions	<u>8,813,755</u>	<u>(8,813,755)</u>	<u>-</u>
Total revenue and other support	<u>22,241,401</u>	<u>26,183,602</u>	<u>48,425,003</u>
Expenses:			
Program services	12,963,315	-	12,963,315
General and administrative	1,185,916	-	1,185,916
Development	1,885,937	-	1,885,937
Total expenses	<u>16,035,168</u>	<u>-</u>	<u>16,035,168</u>
Change in net assets	6,206,233	26,183,602	32,389,835
Net assets at beginning of year	<u>15,799,921</u>	<u>115,074,216</u>	<u>130,874,137</u>
Net assets at end of year	<u>\$ 22,006,154</u>	<u>\$ 141,257,818</u>	<u>\$ 163,263,972</u>

The accompanying notes are an integral part of this financial statement.

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 45,809	\$ 7,564,644	\$ 7,610,453
Management and deposit fee income	2,354,013	-	2,354,013
Investment income, net	368,170	6,827,341	7,195,511
Rental income	288,028	-	288,028
Business venture revenue	522,267	-	522,267
Other revenue	137,981	-	137,981
	<u>3,716,268</u>	<u>14,391,985</u>	<u>18,108,253</u>
Net assets released from restrictions	<u>10,211,004</u>	<u>(10,211,004)</u>	<u>-</u>
Total revenue and other support	<u>13,927,272</u>	<u>4,180,981</u>	<u>18,108,253</u>
Expenses:			
Program services	11,712,327	-	11,712,327
General and administrative	1,207,799	-	1,207,799
Development	1,764,349	-	1,764,349
Total expenses	<u>14,684,475</u>	<u>-</u>	<u>14,684,475</u>
Change in net assets	(757,203)	4,180,981	3,423,778
Net assets at beginning of year	<u>16,557,124</u>	<u>110,893,235</u>	<u>127,450,359</u>
Net assets at end of year	<u>\$ 15,799,921</u>	<u>\$ 115,074,216</u>	<u>\$ 130,874,137</u>

The accompanying notes are an integral part of this financial statement.

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Program Services

**Program Services -
Scientific, Research
and Educational
Enhancement of
The LSU Health
Sciences Center**

Supporting Services

	Other Program Services	Total Program Services	General and Administrative	Development	Total Expenses	
Salary and related cost	\$ 2,141,226	\$ 666,468	\$ 2,807,694	\$ 759,827	\$ 1,150,073	\$ 4,717,594
Travel, conferences and meetings	330,365	2,220	332,585	4,959	11,537	349,081
Deposit and management fees	2,419,118	-	2,419,118	-	-	2,419,118
Professional services	636,987	62,409	699,396	99,997	214,176	1,013,569
Office supplies and equipment	1,211,071	45,971	1,257,042	12,193	12,151	1,281,386
Community and campus support	3,802,506	770	3,803,276	292	120,150	3,923,718
Dues, subscriptions and databases	195,686	4,935	200,621	9,998	124,366	334,985
Utilities and property maintenance	77,407	140,675	218,082	86,493	23,423	327,998
Depreciation	-	7,815	7,815	175,832	39,074	222,721
Repairs and maintenance	29,678	21,167	50,845	26,200	6,457	83,502
Professional education	231,606	2,358	233,964	339	508	234,811
Printing and postage	90,021	6,027	96,048	3,745	157,421	257,214
Marketing and website	59,406	10	59,416	108	26,544	86,068
Provision for uncollectible accounts and pledge discounts	547,739	138,713	686,452	-	-	686,452
Banking and credit card fees	20,986	15,411	36,397	5,933	57	42,387
Taxes and licenses	54,564	-	54,564	-	-	54,564
Totals	\$ 11,848,366	\$ 1,114,949	\$ 12,963,315	\$ 1,185,916	\$ 1,885,937	\$ 16,035,168

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Program Services

**Program Services -
Scientific, Research
and Educational
Enhancement of
The LSU Health
Sciences Center**

Supporting Services

	Other Program Services	Total Program Services	General and Administrative	Development	Total Expenses	
Salary and related cost	\$ 2,777,149	\$ 628,764	\$ 3,405,913	\$ 669,407	\$ 1,100,295	\$ 5,175,615
Travel, conferences and meetings	1,405,193	4,895	1,410,088	4,538	30,409	1,445,035
Deposit and management fees	2,354,013	-	2,354,013	-	-	2,354,013
Professional services	727,921	141,857	869,778	150,769	118,448	1,138,995
Office supplies and equipment	1,846,214	57,155	1,903,369	15,439	25,092	1,943,900
Community and campus support	1,049,693	771	1,050,464	476	178,486	1,229,426
Dues, subscriptions and databases	215,495	1,769	217,264	39,986	103,323	360,573
Utilities and property maintenance	66,376	147,964	214,340	89,945	34,935	339,220
Depreciation	-	8,229	8,229	160,464	41,145	209,838
Repairs and maintenance	67,345	76,788	144,133	56,737	16,168	217,038
Professional education	124,447	-	124,447	1,364	495	126,306
Printing and postage	68,545	4,238	72,783	4,002	101,584	178,369
Marketing and website	39,581	-	39,581	90	10,404	50,075
Provision for uncollectible accounts and pledge discounts	(188,491)	-	(188,491)	-	-	(188,491)
Banking and credit card fees	29,145	19,677	48,822	4,968	38	53,828
Taxes and licenses	36,239	1,355	37,594	9,614	3,527	50,735
Totals	\$ 10,618,865	\$ 1,093,462	\$ 11,712,327	\$ 1,207,799	\$ 1,764,349	\$ 14,684,475

LSU HEALTH FOUNDATION, NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income	\$ 32,389,835	\$ 3,423,778
Adjustments to reconcile change in net assets to net cash provide by (used in) operating activities:		
Depreciation	222,721	209,838
Change in allowance for uncollectible accounts	77,665	(86,629)
Net change in discount on unconditional promises to give	470,070	(101,860)
Realized and unrealized gain on investments, net	(34,153,995)	(2,315,092)
Non-cash donation of property, net	292,414	(333,321)
Forgiveness of debt	(381,000)	-
Contributions with donor restrictions in perpetuity	(2,149,985)	(3,149,200)
Increase in split interest agreement	39,725	124,751
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	(1,343,067)	291,032
Decrease in accounts receivable	836,497	223,686
(Increase) in other assets	(189,522)	(73,690)
(Decrease) Increase in accounts payable and accrued expenses	(1,023,779)	897,896
Payments to beneficiaries of split interest agreements	(51,375)	(51,375)
Increase (Decrease) in funds held in custody	12,636,499	(807,533)
	<u>7,672,703</u>	<u>(1,747,719)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net purchases of investments	(9,114,441)	(280,785)
Purchases of property	(645,942)	(2,228,938)
Proceeds from disposal of property	333,321	-
Net cash used in investing activities	<u>(9,427,062)</u>	<u>(2,509,723)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from line of credit	388,000	488,966
Proceeds from notes payable	395,435	381,000
Contributions with donor restrictions in perpetuity	2,149,985	3,149,200
Net cash provided by financing activities	<u>2,933,420</u>	<u>4,019,166</u>
Net change in cash and cash equivalents	1,179,061	(238,276)
Cash and cash equivalents at beginning of year	<u>327,892</u>	<u>566,168</u>
Cash and cash equivalents at end of year	<u>\$ 1,506,953</u>	<u>\$ 327,892</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 48,938</u>	<u>\$ 53,859</u>

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

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

The LSU Health Foundation, New Orleans (the “Foundation”) is a non-profit organization which was organized to promote and support the activities of the LSU Health Sciences Center in New Orleans. 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.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (US GAAP), which require the Foundation to report financial information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of Foundation’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Risks and Uncertainties

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Certain investments in hedge and private equity funds are through limited partnership interests and valued by management using net asset value (NAV) as a practical expedient. Net investment income/loss is reported in the statements of activities and changes in net assets and consists of realized and unrealized gains and losses, interest income, and dividends, less investment management and custodial fees.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on historical cost and are recorded in the statements of activities and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

The Foundation's pooled investments are managed by various portfolio management companies. Custody of some of the investments is performed by an investment bank custodian. The alternative investment assets are custodied by various prime brokers and invested in various restricted corporations and limited partnerships.

The Board of Directors has a formal investment policy and has hired an independent investment consultant with discretionary and co-fiduciary oversight of the fund managers selected to meet the asset allocation and performance goals. The Foundation's investment policy statement defines and assigns responsibilities of all parties involved, establishes a clear understanding of the objectives and goals of the investments under management, offers guidelines and limitations to all parties involved, establishes a basis for evaluation of performance and sets principals to manage the investments according to prudent standards. The Foundation's investment committee, in coordination with the investment consultant, periodically examines the returns of the fund managers 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 Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal and must be retained in endowment fund accounts. However, under the Uniform Prudent Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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, 2021.

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 is without donor restriction and pertains to short term donor-restricted activities is reported as support without donor restriction, and the portion that pertains to endowment activities is reported as revenue with donor restriction, because it could be expended on the restricted purposes of the endowments in subsequent periods.

Unconditional Promises to Give

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

Management's estimate for the allowance of uncollectible promises to give at June 30, 2021 and 2020 was \$905,379 and \$435,309, respectively.

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. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. 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. Construction-in-progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Amounts Held in Custody for Others

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

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as support without donor restriction or support with donor restriction, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributed assets are recorded at fair value at the date of donation.

Program Service Fees

The Foundation recognizes revenues related to the management and deposit fee income when earned according to the contractually obligated terms. The Company's performance obligation is primarily satisfied over time as the services are performed and provided to the customer, which is the underlying donor fund. Fees are dependent on the market value of the underlying donor funds, which are sourced from donors based in Louisiana and elsewhere and through custodial arrangements. Business venture revenues, primarily the Foundation's management of fitness centers in the New Orleans area, are recognized as the performance obligations are met, which generally is at the point in time in which the services are performed.

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Endowed Chairs for Eminent Scholars, Endowed Professorships and Endowed Superior Graduate Student Scholarships, 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 endowed net assets were made to comply with this policy.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Functional Expenses (continued)

The expenses that are allocated include the following:

Salary and related cost	Time and effort
Professional services	Full time equivalent
Travel, conferences and meetings	Time and effort
Community and campus support	Full time equivalent
Printing and postage	Full time equivalent
Dues, subscriptions and databases	Full time equivalent
Professional education	Time and effort
Office supplies and equipment	Time and effort and square footage by full time equivalent
Taxes and licenses	Full time equivalent
Repairs and maintenance	Time and effort and square footage by full time equivalent
Utilities and property maintenance	Time and effort and square footage by full time equivalent
Depreciation	Square footage by full time equivalent

Income Taxes

The Foundation is a not-for-profit foundation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI). The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Accounting pronouncements issued but not yet adopted

On September 17, 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting non-profit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Foundation's fiscal year ending June 30, 2022.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Accounting pronouncements issued but not yet adopted (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, entities can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. The ASU will be effective for the Foundation's fiscal year ending June 30, 2023.

The Foundation is currently assessing the impact of these pronouncements on its financial statements.

3. Liquidity and Availability of Resources

The following represents the Foundation's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,506,953	\$ 327,892
Investments	186,459,295	143,190,859
Unconditional promises to give, see Note 5	1,507,135	693,337
Accounts receivable	<u>167,786</u>	<u>1,004,283</u>
Total financial assets available within one year	<u>189,641,169</u>	<u>145,216,371</u>
Less amounts unavailable to be used for general expenditures within one year, due to:		
Amounts held in custody for others	41,422,408	28,785,909
Designated by Board of Directors	362,550	379,447
Restricted by donors with purpose restrictions	<u>141,257,818</u>	<u>115,074,216</u>
	<u>183,042,776</u>	<u>144,239,572</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,598,393</u>	<u>\$ 976,799</u>

The Foundation maintains a practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of weekly requirements in a variety of short-term investments. To help manage unanticipated needs, the Foundation has a committed line of credit of \$4,000,000, of which \$2,476,000 is available which it could draw upon, subject to certain specific covenants in its agreement.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources (continued)

Additionally, the Foundation has Board-designated net assets without donor restriction that, while the Foundation does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

4. Restrictions on Net Assets

Net assets with donor restrictions 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 or when time has elapsed. Transfers can be made between net assets with and without donor restrictions to reflect a change in donor intent for specific gifts made or deposits held with the Foundation.

5. Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Gross unconditional promises to give	\$ 2,586,816	\$ 1,243,749
Less: unamortized discount	(175,673)	(98,008)
Less: allowance for uncollectible amounts	(905,379)	(435,309)
Net unconditional promises to give	<u>\$ 1,505,764</u>	<u>\$ 710,432</u>
Amount due in:		
Less than one year	\$ 1,507,135	\$ 693,337
One to five years	1,064,181	536,899
Over five years	15,500	13,513
Total	<u>\$ 2,586,816</u>	<u>\$ 1,243,749</u>

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building	\$ 8,346,657	\$ 8,346,657
Building improvements	562,185	562,185
Furniture	206,788	206,788
Construction in progress	1,613,330	1,749,766
Land	8,604,630	8,447,986
Less accumulated depreciation	<u>(1,891,346)</u>	<u>(1,668,624)</u>
Property and equipment, net	<u>\$ 17,442,244</u>	<u>\$ 17,644,758</u>

7. Concentration of Credits 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, 2021, the Foundation's balances are fully insured or collateralized.

8. Amounts Held in Custody for Others

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 Endowed Chairs for Eminent Scholars, Endowed Professorships and Endowed Superior Graduate Student Scholarships Programs. Funds held in custody were \$41,422,408 and \$28,785,909 on June 30, 2021 and 2020, respectively. The amount of state matching funds received was \$920,000 and \$1,200,000 for the fiscal years ended June 30, 2021 and 2020, respectively.

9. Retirement Plan

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$83,228 and \$64,999 for the years ending June 30, 2021 and 2020, respectively, which is allocated to both general and administrative and development expenses on the statements of activities and changes in net assets.

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

10. Split-Interest Agreements

The Foundation has entered into three (3) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$51,375 paid in quarterly or monthly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$262,194 and \$273,844 at June 30, 2021 and 2020) is calculated using a discount rate of 1.20% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$51,375 for both fiscal years ended June 30, 2021 and 2020.

11. Line of Credit

The Foundation also maintains a \$4,000,000 line of credit at a financial institution to mature in February 2022 with options to renew. The line bears an interest rate at the 30 day LIBOR rate plus 2.60%, but not less than 3.60%, and is unsecured, and is subject to certain specific covenants in its agreement. As of June 30, 2021, there was \$1,524,000 outstanding for the line of credit account at a rate of 3.60%.

12. Notes Payable

On April 22, 2020, the Foundation received a loan in the amount of \$381,000 under the Paycheck Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. In January 2021, the loan was forgiven and is included in other revenue in the statement of changes in net assets for the year ended June 30, 2021.

On March 29, 2021, the Foundation received a loan in the amount of \$395,435 under the Paycheck Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small business administration. The loan accrues interest at a fixed rate of 1.0%, but payments are not required to begin for 10 months after the 24 month covered period from the date the loan was funded. The term of the loan is 5 years from the of funding of the loan. The Foundation is eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements.

13. Endowments

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.

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

13. Endowments (continued)

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 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, Professorships, and Student Scholarships. The Chairs 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 Professorships program allows for eligible public matching funds totaling 20% of established thresholds to be received after successfully raising 80% of the goal in private contributions. The Student Scholarships program allows for eligible public matching funds totaling 40% of established threshold to be received after successfully raising 60% of the goal in private contributions. The public matching funds are shown as amounts held in custody for others 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.

At June 30, the Foundation had the following endowment net asset composition:

	2021	2020
Without donor restriction	\$ 362,550	\$ 379,447
With donor restriction	124,466,251	98,709,444
Total endowment funds	\$ 124,828,801	\$ 99,088,891

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2020	\$ 379,447	\$ 98,709,444	\$ 99,088,891
Investment return, net	-	29,316,929	29,316,929
Contributions/transfers	-	2,127,190	2,127,190
Appropriated for expenditure	(16,897)	(5,687,312)	(5,704,209)
Endowment net assets, June 30, 2021	\$ 362,550	\$ 124,466,251	\$ 124,828,801

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

13. Endowments (continued)

A summary of the changes in the Foundation’s Endowment net assets for the year ended June 30, 2020 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 515,628	\$ 96,098,382	\$ 96,614,010
Investment return, net	-	6,952,092	6,952,092
Contributions/transfers	100,000	3,149,200	3,249,200
Appropriated for expenditure	<u>(236,181)</u>	<u>(7,490,230)</u>	<u>(7,726,411)</u>
Endowment net assets, June 30, 2020	<u>\$ 379,447</u>	<u>\$ 98,709,444</u>	<u>\$ 99,088,891</u>

14. Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) and FASB ASC 825, Financial Instruments (“ASC 825”) requires disclosure of fair value information about financial instruments. 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 some 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.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

14. Fair Value of Financial Instruments (continued)

Investment in corporate bonds, mutual funds, equities, and REITS – The fair value of investment securities including 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.

Private equity, private debt and private real assets – This category includes investments in buyouts, growth equity, venture capital, real estate (debt and or property) oil and gas, private debt and other illiquid investments in limited partnership form. The unfunded commitments related to the private equity investments and real assets is \$1,796,125 and \$2,963,696, respectively, as of June 30, 2021. The nature of the investments in this category are limited partnerships that call capital from the unfunded commitment balances to make new private investments. Distributions are received through the liquidation of the underlying assets of the limited partnerships with the average 10-year life of the limited partnership. The fair value of all private asset (equity, debt or real assets) is calculated from the net asset value of the Foundation's ownership interest in these limited partnerships. The private equity funds have a life ranging from 7 to 10 years with potential extensions available. The Foundation's investments in these limited partnerships are available for drawdown for a maximum of five years from initial inception of the investment.

Hedge funds – Value is determined by the General Partner in accordance with the partnership agreement. The General Partner estimates the fair value of the Fund's investments in investment funds on the basis of the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, wherever a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Fund's fiscal year end date.

The Foundation also holds a note receivable which is convertible into equity securities to investors on or before the date of repayment in full of the note in an equity financing resulting in gross proceeds to the issuer of at least \$6,000,000. At which time the outstanding principal balance of the note shall automatically convert in whole without any further action by the Foundation into such equity securities at a conversion price equal to 80% of the per unit or share price paid by the investors and otherwise on the same terms and conditions as given to investors.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

14. Fair Value of Financial Instruments (continued)

The valuation of the Foundation's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 are as follows:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Corporate stocks and convertible debt	\$ 12,660,958	\$ -	\$ 500,000	\$ 13,160,958
Mutual funds and other equities	47,685,891	-	-	47,685,891
Money market	-	3,582,277	-	3,582,277
	\$ 60,346,849	\$ 3,582,277	\$ 500,000	64,429,126
Hedge and private equity funds valued at NAV (a)				122,030,169
				\$ 186,459,295

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Corporate stocks and convertible debt	\$ 8,469,986	\$ -	\$ 300,000	\$ 8,769,986
Mutual funds and other equities	41,218,433	-	-	41,218,433
Money market	-	5,516,982	-	5,516,982
	\$ 49,688,419	\$ 5,516,982	\$ 300,000	55,505,401
Hedge and private equity funds valued at NAV (a)				87,685,458
				\$ 143,190,859

(a) The hedge and private equity funds are measured using NAV as a practical expedient. These investments have not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

During the years ended June 30, 2021 and 2020, the Foundation made purchases of investments classified as Level 3 under the fair value hierarchy of \$200,000 and \$0, respectively.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

15. Restricted Net Assets

Net assets without donor restrictions 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 net assets without donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
Chancellor and deans' discretionary support funds	\$ 362,550	\$ 379,447

Net Assets subject to expenditure for specified purpose are at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Awards	\$ 349,545	\$ 235,496
Chairs and superchairs	71,329,718	58,762,514
Gift annuities	266,250	151,184
Grants	268,293	-
Lectureships	1,209,977	876,891
Memorials	371,267	272,407
Professorships	35,752,794	27,661,667
Scholarships	16,342,855	11,833,550
Other donor restrictions	15,367,119	15,280,507
Total subject to expenditure for specified purpose or period	<u>\$ 141,257,818</u>	<u>\$ 115,074,216</u>

16. 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 years ended June 30, 2021 and 2020 are \$8,881,510 and \$8,453,343, respectively, which represent payments on behalf of the Health Sciences Center. At June 30, 2021 and 2020, the Foundation has no receivables for either year from the Health Sciences Center, and a payable to the Health Sciences Center of \$42 and \$44,658, respectively.

Members of the Foundation's board of directors and parties related to them made contributions of \$610,457 and \$86,850 for the years ended June 30, 2021 and 2020, respectively.

17. Leased Property

The Foundation leases income producing property to further its mission supporting the LSU Health Sciences Center in New Orleans. Leases incorporate property owned by the Foundation (Footnote 6) and property leased by the Foundation for other auxiliary purposes.

LSU HEALTH FOUNDATION, NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

17. Leased Property (continued)

2000 Tulane Avenue

In October 2014, the Foundation entered a lease with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (“LSU”) for office space at 2000 Tulane Avenue. The initial term was one year with optional terms that continue through April 2022. The annual payment totals \$138,453.

In August 2016, the Foundation entered a lease with a tenant for office space at 2000 Tulane Avenue. The initial term was five years with the renewal term expiring September 2024. The annual payment totals \$130,680 with increases each successive year. The tenant has an option to extend the renewal for two years.

In September 2018, the Foundation entered a lease with a tenant for retail space at 2000 Tulane Avenue. The initial term was five years with three five-year extension terms. The annual payment totals \$52,500 with increases each successive term.

In September 2018, the Foundation entered a lease with a tenant for retail space at 2000 Tulane Avenue. The initial term was two five-year terms with five five-year extension terms. The annual payment totals \$33,996 with increases each successive term.

LSU Health Fitness Center

In December 2017, the Foundation through a cooperative endeavor agreement with the Algiers Development District, assumed management operations for the Riverside Fitness Center in Algiers, Louisiana and branded the facility LSU Health Fitness. The term ends in December 2047 and no lease obligation exists beyond operating the facility.

In June 2020, the Foundation entered a contract with a physical therapist to operate and sublease space at the LSU Health Fitness facility. The initial term is one year with two three-year options to extend the contract. The annual payments from the operator for the initial term total \$18,000. Annual payments for options to extend the contract increase thereafter.

Other Non-Owned Leased Property

In October 2020, a cooperative endeavor and lease agreement was signed between the Foundation and the LSU Health Sciences Center New Orleans (the Housing Agreement). Land was donated to the Foundation by a private developer. The land was then donated by the Foundation to LSU Health Sciences Center New Orleans to allow for the development and construction of student housing. The term of the agreement is fifty years with annual payments totaling \$1,000. On the same day the LSUHSC – New Orleans lease was executed, a ground sublease agreement was executed with the developer and the Foundation to build and operate student housing on the property. The term of the agreement is either the earlier of forty years or when the financing is extinguished, at which time the building will be donated to the Foundation. Annual payments total \$1,000 and an amount equal to the annual surplus cash flow as additional ground rent, if any.

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

17. Leased Property (continued)

Other Non-Owned Leased Property (continued)

In October 2020, a sublease agreement was executed between the Foundation and a tenant for Butterworth and Hutchinson buildings that are leased by the Foundation from LSUHSC – New Orleans. The term is five years from the effective date and the tenant occupied the building in January 2021. Annual payments for the first twelve months total \$131,652 and subsequent annual payments total \$258,633 until the agreement expires. In December 2020, the Foundation executed an agreement with LSUHSC – New Orleans to lease the subleased property for five years from the effective date. Annual payments to LSUHSC – New Orleans for the first twelve months total \$112,148 and subsequent annual payments total \$220,317 until the agreement expires.

Future minimum lease payments and receipts under these leases for the next 5 years are as follows at June 30, 2021:

	Future Minimum Lease Payments	Future Minimum Lease Receipts
2022	\$ 176,247	\$ 455,484
2023	221,317	346,133
2024	221,317	321,583
2025	221,317	297,033
2026	92,799	124,611
Thereafter	44,000	127,500
	<u>\$ 976,997</u>	<u>\$ 1,672,344</u>

18. Effects of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. This pandemic has subsequently impacted the global economy, creating volatility and disrupting financial markets. Given the continued spread of COVID-19 throughout the United States, the related impact, if any, on the Foundation’s operational and financial performance will depend on evolving factors that cannot be predicted at this time.

19. Subsequent Events

In July 2021, a ground lease was executed with a developer for undeveloped property in Mandeville, Louisiana. The term of the lease is ninety-nine years commencing on the earlier of the date of construction or the first day of the calendar month after the design and financing period. Ground lease payments will begin at the start of the construction period and increase for each phase of the development. When all phases are executed, total annual payments will be \$600,000 with Consumer Price Index adjustments over the term of the lease.

In August 2021, the Foundation purchased a property for future campus development in the amount of \$5.57 million with a related note payable of \$4.675 million.

LSU HEALTH FOUNDATION, NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

19. Subsequent Events (continued)

In August 2021, a lease was executed with a tenant for retail and warehouse space. The term of the lease is two years. The annual payment totals \$318,100 and expires at the end of the term.

Subsequent events have been evaluated through December 7, 2021, the date the financial statements were available to be issued, and determined that no events occurred, other than described above, which require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

**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 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 Foundation, New Orleans (the “Foundation”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2021.

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) as a basis for designing 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.

Postlethwaite & Netterville

Metairie, Louisiana
December 7, 2021