

**THE FOUNDATION FOR THE
LSU HEALTH SCIENCES CENTER**

FINANCIAL STATEMENTS

June 30, 2014 and 2013



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The Foundation for the LSU Health Sciences Center
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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activities, 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.

Auditor's 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 auditor's 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, 2014 and 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information on pages 27 through 41 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 22, 2014, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC

August 22, 2014

**The Foundation for the LSU Health Sciences Center
Statements of Financial Position**

June 30,

2014

2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 757,870	\$ 4,482,277
Investments	17,284,901	25,496,761
Unconditional promises to give, net	1,200	1,200
State matching funds receivable	320,000	-
Estate receivable	312,038	318,967
Accounts receivable	124,933	100,924
Other assets	37,029	-
Federal grant receivable	-	595,179

Total current assets	18,837,971	30,995,308
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Noncurrent Assets

Investments	109,538,537	86,949,601
Unconditional promises to give, net	2,583	3,150
Property and equipment, net	8,303,421	-
Construction in progress	-	7,538,799
Cash restricted for debt service	112,559	566,368
Land	215,027	215,027

Total noncurrent assets	118,172,127	95,272,945
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Total assets	\$ 137,010,098	\$ 126,268,253
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LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,194,140	\$ 808,527
Bonds payable	100,000	95,000
Split-interest agreements	6,975	6,975

Total current liabilities	1,301,115	910,502
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Noncurrent Liabilities

Amounts held in custody for others	26,918,308	24,434,350
Bonds payable, net	904,092	1,002,501
Split-interest agreements	44,750	47,704

Total noncurrent liabilities	27,867,150	25,484,555
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Total liabilities	29,168,265	26,395,057
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Net Assets

Unrestricted	9,981,546	7,703,201
Board-designated	3,722,602	5,500,000
Temporarily restricted	45,822,783	39,695,536
Permanently restricted	48,314,902	46,974,459

Total net assets	107,841,833	99,873,196
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Total liabilities and net assets	\$ 137,010,098	\$ 126,268,253
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The accompanying footnotes are an integral part of these financial statements.

**The Foundation for the LSU Health Sciences Center
Statements of Activities**

For the year ended June 30,

2014

2013

UNRESTRICTED NET ASSETS

Unrestricted revenues and other support:

Contributions	\$ 24,569	\$ 10,351
Management and deposit fee income	1,401,774	1,411,543
Investment income, net	3,031,657	2,297,213
Federal grant revenue	-	5,422,677
Other income	31,081	367,769
	4,489,081	9,509,553
Net assets released from restrictions	7,496,395	6,716,808
	11,985,476	16,226,361
Expenses:		
Program services	9,273,793	6,716,808
General and administrative	1,568,565	1,145,280
Development	642,171	786,938
	11,484,529	8,649,026
Increase in unrestricted net assets	500,947	7,577,335

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted revenues and other support:

Contributions	2,678,632	4,684,165
Investment income, net	10,950,757	8,393,721
Other income (expense)	(5,747)	(5,326)
	13,623,642	13,072,560
Net assets released from restrictions	(7,496,395)	(6,716,808)
	6,127,247	6,355,752

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted revenues and other support:

Contributions	1,340,443	854,530
	1,340,443	854,530
Increase in permanently restricted net assets	7,968,637	14,787,617
	99,873,196	85,085,579
Net assets at beginning of year	99,873,196	85,085,579
Net assets at end of year	\$ 107,841,833	\$ 99,873,196

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

**The Foundation for the LSU Health Sciences Center
Statement of Functional Expenses**

For the year ended June 30, 2014	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center		Supporting Services		Total Expenses			
			General and Administrative	Development				
Advertising	\$	3,119	\$	3,836	\$	2,493	\$	9,448
Bank charges		-		26,852		-		26,852
Clinical trials, professional education and seminars		124,636		1,746		-		126,382
Community support		801,487		115,021		45,476		961,984
Conferences, meetings, and other travel		803,785		559		-		804,344
Credit card fees		10,405		3,639		-		14,044
Depreciation and amortization		-		251,615		-		251,615
Dues and subscriptions		87,191		11,691		55,687		154,569
Entertainment		681,303		15,495		-		696,798
Equipment purchases		1,377,383		64,574		6,750		1,448,707
Honoraria		46,250		-		-		46,250
Insurance		1,023		42,419		36,209		79,651
Interest expense		-		6,264		-		6,264
Management and deposit fees		1,401,774		-		-		1,401,774
Meeting expenses		3,292		2,465		-		5,757
Miscellaneous		5,359		161,555		-		166,914
Occupancy		88,436		137,347		1,837		227,620
Postage and shipping		3,994		527		1,105		5,626
Printing and publications		17,329		6,890		-		24,219
Professional fees and contract service payments		269,043		207,662		228,031		704,736
Recruitment and relocation		81,271		-		-		81,271
Repairs and maintenance		65		13,454		-		13,519
Salaries and benefits		-		477,562		264,583		742,145
Salary supplemental payments		1,319,293		-		-		1,319,293
Scholarships and awards		136,858		-		-		136,858
Supplies		2,010,497		17,392		-		2,027,889
	\$	9,273,793	\$	1,568,565	\$	642,171	\$	11,484,529

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

The Foundation for the LSU Health Sciences Center
Statement of Functional Expenses

For the year ended June 30, 2013	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center		Supporting Services		Total Expenses			
			General and Administrative	Development				
Advertising	\$	23,775	\$	9,485	\$	110,145	\$	143,405
Bank charges		-		28,180		-		28,180
Clinical trials, professional education and seminars		56,378		1,004		-		57,382
Community support		134,097		30,986		205,182		370,265
Conferences, meetings, and other travel		684,013		-		464		684,477
Credit card fees		11,344		3,276		-		14,620
Depreciation and amortization		-		1,591		-		1,591
Dues and subscriptions		85,192		9,998		57,691		152,881
Entertainment		582,591		2,708		72		585,371
Equipment purchases		1,106,814		1,913		6,400		1,115,127
Honoraria		59,184		-		-		59,184
Insurance		-		41,255		29,853		71,108
Interest expense		-		8,406		-		8,406
Management and deposit fees		1,411,543		-		-		1,411,543
Meeting expenses		-		3,077		-		3,077
Miscellaneous		9,636		452		-		10,088
Occupancy		58,875		14,730		19,171		92,776
Postage and shipping		1,333		536		1,025		2,894
Printing and publications		31,591		3,753		-		35,344
Professional fees and contract service payments		170,429		550,050		21,086		741,565
Recruitment and relocation		75,682		-		-		75,682
Repairs and maintenance		1,000		591		-		1,591
Salaries and benefits		-		424,455		263,399		687,854
Salary supplemental payments		1,359,633		-		-		1,359,633
Scholarships and awards		213,682		-		16,151		229,833
Supplies		640,016		8,834		56,299		705,149
	\$	6,716,808	\$	1,145,280	\$	786,938	\$	8,649,026

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

**The Foundation for the LSU Health Sciences Center
Statements of Cash Flows**

For the years ended June 30,

2014

2013

Cash Flows From Operating Activities

Change in net assets	\$ 7,968,637	\$ 14,787,617
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	251,615	1,591
Decrease in unconditional promises to give	1,200	1,200
Change in allowance for uncollectible accounts	(420)	36
Net change in discount on unconditional promises to give	(213)	(455)
Realized and unrealized gain on investments	(10,950,757)	(8,607,919)
Changes in operating assets and liabilities:		
(Increase) in state matching receivable	(320,000)	-
(Increase) decrease in estate receivable	6,929	(650)
(Increase) in accounts receivable	(24,009)	(35,915)
(Increase) decrease in federal grant receivable	595,179	(369,360)
(Increase) in other assets	(37,029)	-
Increase (decrease) in accounts payable and accrued expenses	385,613	(72,745)
Decrease in split-interest agreement	(2,954)	(3,056)
Increase in funds held in custody	2,483,958	2,576,399
Contributions permanently restricted by donors	(1,340,443)	(854,530)
Net cash provided by operating activities	(982,694)	7,422,213

Cash Flows From Investing Activities

Proceeds from sales and maturities of investments	7,540,160	19,503,120
Purchases of investments	(10,966,479)	(22,713,607)
Decrease (increase) in cash restricted for debt service	453,809	(335,273)
Additions to property and equipment, net	(1,014,646)	(5,292,910)
Net cash used in investing activities	(3,987,156)	(8,838,670)

Cash Flows From Financing Activities

Payments on bonds payable	(95,000)	(95,000)
Contributions permanently restricted by donors	1,340,443	854,530
Net cash provided by financing activities	1,245,443	759,530

Net Decrease in Cash and Cash Equivalents

(3,724,407) (656,927)

Cash and Cash Equivalents

Beginning of year	4,482,277	5,139,204
End of year	\$ 757,870	\$ 4,482,277

Supplemental data:

Cash paid for interest	\$ 6,264	\$ 8,406
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The accompanying footnotes are an integral part of these financial statements.

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES

The Foundation for the LSU Health Sciences Center (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 509(a)(3) of the Internal Revenue code that been granted an exemption from the payment of income taxes under Section 503(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. The Foundation is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the fiscal years before 2010.

b) Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting.

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

The Foundation for the LSU Health Sciences Center 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 consider 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.

The Foundation for the LSU Health Sciences Center
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investments

Investments are carried at estimated current market value. Investments that are 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 Statement of Financial Position.

h) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable and other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

i) 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.

j) 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 Statement of Activities as net assets released from restrictions.

k) 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.

Management's estimate for the allowance of uncollectible promises to give at June 30, 2014 and 2013 was \$2,413 and \$2,833, respectively. A provision for uncollectible promises to give was not recorded for the years ended June 30, 2014 and 2013.

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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, 2014, 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.

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 22, 2014, the date the financial statements were available to be issued.

**The Foundation for the LSU Health Sciences Center
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.

NOTE 4: UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Permanently restricted purposes	\$ 6,900	\$ 8,100
Less: unamortized discount	(704)	(917)
Less: allowance for uncollectible amounts	<u>(2,413)</u>	<u>(2,833)</u>
Net unconditional promises to give	<u>\$ 3,783</u>	<u>\$ 4,350</u>
Amount due in:		
Less than one year	\$ 1,200	\$ 1,200
One to five years	5,700	6,000
Over five years	<u>-</u>	<u>900</u>
Total	<u>\$ 6,900</u>	<u>\$ 8,100</u>

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 5: INVESTMENTS

As of June 30, 2014, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 422,468	\$ 634,117	\$ 211,649
U.S. Government Agency bonds and notes	21,207,898	31,832,683	10,624,785
Corporate bonds and notes	6,759,489	10,145,875	3,386,386
Mutual funds and other equities	38,782,570	58,211,958	19,429,388
Hedge funds	5,914,553	8,877,641	2,963,088
Money market/certificates of deposit	<u>17,121,164</u>	<u>17,121,164</u>	-
Total	<u>\$ 90,208,142</u>	<u>\$126,823,438</u>	<u>\$ 36,615,296</u>

Investment return for the year ended June 30, 2014 is summarized as follows:

Interest and dividend income	\$ 2,365,482
Net realized and unrealized gains	<u>11,616,932</u>
Total investment income	<u>\$ 13,982,414</u>

As of June 30, 2013, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
U.S. Government Agency mortgage-backed securities	\$ 3,477,443	\$ 4,509,099	\$ 1,031,656
U.S. Government Agency bonds and notes	22,373,577	29,011,162	6,637,585
Corporate bonds and notes	5,064,407	6,566,868	1,502,461
Mutual funds and other equities	39,994,935	51,860,261	11,865,326
Hedge funds	6,061,679	7,860,001	1,798,322
Money market/certificates of deposit	<u>12,638,971</u>	<u>12,638,971</u>	-
Total	<u>\$ 89,611,012</u>	<u>\$112,446,362</u>	<u>\$ 22,835,350</u>

Investment return for the year ended June 30, 2013 is summarized as follows:

Interest and dividend income	\$ 3,259,414
Net realized and unrealized gains	<u>7,431,520</u>
Total investment income	<u>\$ 10,690,934</u>

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 5: INVESTMENTS (CONTINUED)

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform 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, 2014.

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 a hedge fund through its investment manager. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers 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 fund has 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 this investment. 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 this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities. The fund's fair market value was \$8,877,641 and \$7,860,001 at June 30, 2014 and 2013, respectively.

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Building	\$ 8,346,657	\$ -
Furniture	206,788	-
Less accumulated depreciation	<u>(250,024)</u>	<u>-</u>
Property and equipment, net	<u>\$ 8,303,421</u>	<u>\$ -</u>
Construction in progress	\$ -	\$ 7,538,799
Land	<u>215,027</u>	<u>215,027</u>
Total non depreciable assets	<u>\$ 215,027</u>	<u>\$ 7,753,826</u>

Depreciation expense totaled \$250,024 and \$0 for the years ended June 30, 2014 and 2013, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. At June 30, 2014, 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 \$26,918,308 and \$24,434,350 on June 30, 2014 and 2013, respectively. The amount of state matching funds received was \$320,000 and \$1,400,000 for the fiscal years ended 2014 and 2013, respectively.

NOTE 9: ADVERTISING

The Foundation advertises to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2014 and 2013 were \$9,448 and \$143,405, respectively.

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 10: 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. As discussed in Note 17, the building was heavily damaged by Hurricane Katrina on August 29, 2005 and during fiscal year 2010, the building was demolished. The Foundation reduced certain expenditures and as a result, has met the below described debt obligation for fiscal years ending 2006 through 2014 and believes it will be able to continue to do so even with the loss of the rental income from the building.

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. Bond amortization expense for each of the fiscal years ended June 30, 2014 and 2013 was \$1,591.

Unamortized bond issuance costs at June 30, 2014 and June 30, 2013 were \$15,908 and \$17,499, respectively. Bonds payable, net at June 30, 2014 and 2013 were \$1,004,092 and \$1,097,501, respectively.

The bond proceeds were used to finance the renovation of the building. Bond proceeds available at June 30, 2014 are held by a trustee in restricted cash accounts. Restricted cash at June 30, 2014 and 2013 totaled \$112,559 and \$566,368, respectively. Principal payments of \$95,000 were made on the bond in the years ended June 30, 2014 and 2013. Interest was accrued and paid on the bonds in the amounts of \$6,264 and \$8,406 for the years ended June 30, 2014 and 2013, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2015	\$ 100,000
2016	105,000
2017	110,000
2018	115,000
2019	120,000
2020-2023	<u>470,000</u>
Total	<u>\$ 1,020,000</u>

NOTE 11: RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$36,055 and \$32,350 as of June 30, 2014 and 2013, respectively, which is included in salaries and benefits.

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 11: RETIREMENT PLAN (CONTINUED)

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

NOTE 12: SPLIT-INTEREST AGREEMENTS

The Foundation has entered into two (2) 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 \$6,975 paid in quarterly 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 (\$51,725 at June 30, 2014) is calculated using a discount rate of 1.2% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$6,975 for the years ended June 30, 2014 and 2013.

NOTE 13: 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

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 13: ENDOWMENT COMPOSITION (CONTINUED)

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 on Statement of Financial Position. Increases (Decreases) in the endowment values below are due to changes in contributions received, investment earnings, matching funds received and spending allocations.

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

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

	<u>2014</u>	<u>2013</u>
Temporarily restricted	\$ 32,912,929	\$ 25,464,503
Permanently restricted	<u>48,314,902</u>	<u>46,974,460</u>
Total endowment funds	<u>\$ 81,227,831</u>	<u>\$ 72,438,963</u>

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 13: ENDOWMENT COMPOSITION (CONTINUED)

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2014 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 25,464,503	\$ 46,974,459	\$ 72,438,962
Total investment return	10,950,757	-	10,950,757
Contributions	-	1,340,443	1,340,443
Allocations for spending	<u>(3,502,331)</u>	<u>-</u>	<u>(3,502,331)</u>
Endowment net assets, June 30, 2014	<u>\$ 32,912,929</u>	<u>\$ 48,314,902</u>	<u>\$ 81,227,831</u>

A summary of the changes in the Foundation's Endowment net assets for the year ended June 30, 2013 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 20,103,710	\$ 46,119,929	\$ 66,223,639
Total investment return	9,570,120	-	9,570,120
Contributions	-	855,730	855,730
Allocations for spending	(4,267,543)	-	(4,267,543)
Other activity	<u>58,216</u>	<u>(1,200)</u>	<u>57,016</u>
Endowment net assets, June 30, 2013	<u>\$ 25,464,503</u>	<u>\$ 46,974,459</u>	<u>\$ 72,438,962</u>

NOTE 14: 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

The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 14: 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, 2014 and 2013 are as follows:

Fair value measurement at reporting date using above description:

June 30, 2014

ASSETS	Balance as of 6/30/2014	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 3,783	\$ -	\$ -	\$ 3,783
U.S. government agency mortgage-backed securities	634,117	-	634,117	-
U.S. government agency bonds and notes	31,832,683	-	31,832,683	-
Corporate bonds and notes	10,145,875	10,145,875	-	-
Mutual funds and other equities	58,211,958	58,211,958	-	-
Hedge funds	8,877,641	-	8,877,641	-
Money market/certificates of deposit	17,121,164	-	17,121,164	-
Total	\$ 126,827,221	\$ 68,357,833	\$ 58,465,605	\$ 3,783

LIABILITIES	Balance as of 6/30/2014	Level 1	Level 2	Level 3
Split interest agreements	\$ 51,725	\$ -	\$ 51,725	\$ -
Total	\$ 51,725	\$ -	\$ 51,725	\$ -

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 7/1/2013	Net realized and unrealized gains (losses)	Net payments and gifts	Level 3 ending balance 6/30/2014
Unconditional promises to give	\$ 4,350	\$ 633	\$ (1,200)	\$ 3,783
Total	\$ 4,350	\$ 633	\$ (1,200)	\$ 3,783

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement at reporting date using above description:

June 30, 2013

ASSETS	Balance as of 6/30/2014	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 4,350	\$ -	\$ -	\$ 4,350
U.S. government agency mortgage-backed securities	4,509,099	-	4,509,099	-
U.S. government agency bonds and notes	29,011,162	-	29,011,162	-
Corporate bonds and notes	6,566,868	6,566,868	-	-
Mutual funds and other equities	51,860,261	51,860,263	-	-
Hedge funds	7,860,001	-	7,860,001	-
Money market/certificates of deposit	12,638,971	-	12,638,971	-
Total	\$ 112,450,712	\$ 58,427,131	\$ 54,019,233	\$ 4,350

LIABILITIES	Balance as of 6/30/2014	Level 1	Level 2	Level 3
Split interest agreements	\$ 54,679	\$ -	\$ 54,679	\$ -
Total	\$ 54,679	\$ -	\$ 54,679	\$ -

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 7/1/2013	Net realized and unrealized gains (losses)	Net payments and gifts	Level 3 ending balance 6/30/2014
Unconditional promises to give	\$ 5,131	\$ (2,200)	\$ 1,419	\$ 4,350
Total	\$ 5,131	\$ (2,200)	\$ 1,419	\$ 4,350

**The Foundation for the LSU Health Sciences Center
Notes to Financial Statements**

NOTE 15: 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 the following unrestricted net assets as follows:


	<u>2014</u>	<u>2013</u>
Cardiovascular Center and Dean Support	\$ 3,722,602	\$ 5,500,000

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

	<u>2014</u>	<u>2013</u>
Awards	\$ 57,261	\$ 47,487
Chairs	21,834,552	16,746,228
General Endowments	(2,802,704)	(1,090,670)
Gift Annuities	(23,262)	(29,086)
Lectureships	276,196	-
Memorials	92,577	69,427
Professorships	9,728,744	7,216,838
Scholarships	2,233,414	1,792,841
Superchairs	2,278,966	1,571,596
Donor restrictions	<u>12,147,039</u>	<u>13,370,875</u>
Total temporarily restricted nets assets	<u>\$ 45,822,783</u>	<u>\$ 39,695,536</u>

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

	<u>2014</u>	<u>2013</u>
Awards	\$ 50,665	\$ 39,565
Chairs	26,082,947	26,497,596
General endowments	4,096,771	2,890,037
Gift annuities	43,457	43,457
Lectureships	182,109	
Memorials	99,435	99,435
Professorships	11,545,002	11,309,077
Scholarships	3,390,238	3,271,013
Superchairs	<u>2,824,278</u>	<u>2,824,279</u>
Total permanently restricted nets assets	<u>\$ 48,314,902</u>	<u>\$46,974,459</u>



The Foundation for the LSU Health Sciences Center Notes to Financial Statements

NOTE 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 year ended June 30, 2014 and 2013 are \$7,872,019 and \$5,305,265, respectively, which represents payments on behalf of the Health Sciences Center. At June 30, 2014 and 2013, there were no funds due to or from the Health Sciences Center.

NOTE 17: REPLACEMENT BUILDING

During fiscal 2006, Hurricane Katrina heavily damaged the building (2000 Tulane Avenue) that housed the Foundation's offices. During fiscal 2010, the building was demolished and the resulting loss was recorded on the Foundation's Statement of Activities and the net cost of the building recorded on the Foundation's Statement of Financial Position was written off.

The Foundation has negotiated with the Federal Emergency Management Agency (FEMA) and received a project worksheet for \$7,469,668. Subsequent to June 30, 2013, construction of the new building has been completed substantially within budget. As of June 30, 2014 and 2013, the Foundation had \$- and \$7,538,799, respectively, in construction in progress recorded on its Statement of Financial Position related to this building.

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR’S 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
The Foundation for the LSU Health Sciences Center
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 Foundation for the LSU Health Sciences Center (the “Foundation”) (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2014, 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 22, 2014.

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.

Carr, Riggs & Ingram, LLC

August 22, 2014

**SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA**

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

June 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 757,870
Investments	17,284,901
Accounts receivable, net	756,971
Pledges receivable	1,200
Prepaid expenses and advances	37,029
Total current assets	18,837,971
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	112,559
Investments	109,538,537
Pledges receivable	2,583
Property and equipment, net	8,518,448
Total noncurrent assets	118,172,127
Total assets	137,010,098
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	-
Total assets and deferred outflow of resources	\$ 137,010,098
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,194,140
Other liabilities	6,975
Current portion of long-term debt:	
Bonds payable	100,000
Total current liabilities	1,301,115
Long-Term Portion of Noncurrent Liabilities:	
Bonds payable	904,092
Other liabilities	26,963,058
Total noncurrent liabilities	27,867,150
Total liabilities	29,168,265
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	-
Total liabilities and deferred outflow of resources	29,168,265
NET POSITION	
Net investment in capital assets	8,518,448
Restricted:	
Nonexpendable	48,314,902
Expendable	45,822,783
Unrestricted	5,185,700
Total net position	107,841,833
Total liabilities, deferred inflows of resources, and net position	\$ 137,010,098

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

June 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 757,870
Investments	17,284,901
Accounts receivable, net	756,971
Unconditional promises to give	1,200
Deferred charges and prepaid expenses	37,029
Total current assets	18,837,971
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	112,559
Investments	109,538,537
Unconditional promises to give	2,583
Property and equipment, net	8,518,448
Total noncurrent assets	118,172,127
Total assets	\$ 137,010,098
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,194,140
Current portion of bonds payable	100,000
Other current liabilities	6,975
Total current liabilities	1,301,115
Long-Term Portion of Noncurrent Liabilities:	
Bonds payable	904,092
Amounts held in custody for others	26,918,308
Other liabilities	44,750
Total noncurrent liabilities	27,867,150
Total liabilities	29,168,265
NET ASSETS	
Unrestricted	13,704,148
Temporarily restricted	45,822,783
Permanently restricted	48,314,902
Total net assets	107,841,833
Total liabilities and net assets	\$ 137,010,098

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

For the Year Ended June 30,	2014
OPERATING REVENUES	
Gifts received by foundations	\$ 2,703,201
Nongovernmental grants and contracts	1,401,774
Other operating revenues	25,334
Total operating revenues	4,130,309
OPERATING EXPENSES	
Other operating expenses	2,210,736
Total operating expenses	2,210,736
Operating Income	1,919,573
NONOPERATING REVENUES (Expenses)	
Net investment income	13,982,414
Payment to or on behalf of University	(9,273,793)
Net nonoperating revenues	4,708,621
Income Before Other Revenues, Expenses, Gains, and Losses	6,628,194
Additions to permanent endowments	1,340,443
Increase in Net Position	7,968,637
Net Position at Beginning of Year	99,873,196
Net Position at End of Year	\$ 107,841,833

The Foundation for the LSU Health Sciences Center
Statement of Activities - GASB
For the Year Ended June 30, 2014

Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and change in net assets
\$ (11,484,529)	\$ 1,401,774	\$ 4,043,644	\$ -	\$ (6,039,111)
General Revenues:				
Investment income				\$ 13,982,414
Miscellaneous				25,334
Total general revenues and special items				14,007,748
Change in net position				7,968,637
Net position , beginning of year				99,873,196
Net position, end of year				\$ 107,841,833

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

For the year ended June 30, 2014

Changes in unrestricted net assets:	
Contributions	\$ 24,569
Investment earnings (loss), net	3,031,657
Service fees	1,401,774
Other revenues	31,081
Total unrestricted revenues	4,489,081
Net assets released from restrictions:	
Satisfaction of program expenses	7,496,395
Total unrestricted revenues and other support	11,985,476
Expenses:	
Amounts paid to benefit Louisiana State University for:	
Projects specified by donors	7,382,763
Other:	
Grants and contracts	1,670,817
Property operations	88,436
Other	131,777
Total program expenses	9,273,793
Supporting services:	
Salaries and benefits	742,145
Occupancy	139,184
Office operations	148,487
Travel	559
Professional services	435,693
Dues and subscriptions	67,378
Meetings and development	10,540
Depreciation	250,024
Other	416,726
Total supporting services	2,210,736
Fund-raising expenses	
	-
Total expenses	11,484,529
Increase (decrease) in unrestricted net assets	500,947

(Continued)

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

Changes in temporarily restricted net assets:

Contributions	\$	2,678,632
Investment earnings		10,950,757
Other		(5,747)
<hr/>		
Total temporarily restricted revenues		13,623,642
Net assets released from restrictions:		
Reclassification in net assets due to change in law		-
Satisfaction of program expenses		(7,496,395)
<hr/>		

**Increase (decrease) in temporarily
restricted net assets**

6,127,247

Changes in permanently restricted net assets:

Contributions	1,340,443
<hr/>	

**Increase (decrease) in permanently
restricted net assets**

1,340,443

Increase (decrease) in net assets

7,968,637

Net assets at beginning of year

99,873,196

Net assets at end of year

\$ 107,841,833

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

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 Foundation for the LSU Health Sciences Center 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, 2014, 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 \$9,273,793.

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

2000 Tulane Ave., New Orleans, LA 70112
(mailing address)

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

The Foundation for the LSU Health Sciences Center is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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.

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

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	<u>\$ 126,823,438</u>	<u>\$ 126,823,438</u>
Total investments	<u><u>\$ 126,823,438</u></u>	<u><u>\$ 126,823,438</u></u>

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

Note C. 2a Cash and Cash Equivalents - Component Units

Cash and cash equivalents of the component units totaling \$757,870, as shown on the Statement of Financial Position, are reported under FASB ASC Topic 958, Financial Reporting for Not-for-Profit Organizations, which does not require the disclosures of GASB Statement No. 40, Deposit and Investment Risk Disclosures.

The LSU Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Occasionally, the LSU Foundation has deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation's management believes the credit risk associated with these deposits is minimal.

The Tiger Athletic Foundation (TAF) periodically maintains cash in bank accounts in excess of insured limits. The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The Foundation for the LSU Health Sciences Center 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.

The LSU Health Sciences Center Foundation in Shreveport considers cash to include amounts on hand and amounts on deposit at financial institutions. The Foundation in Shreveport, at times may have deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.

The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
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<u>Component Unit(s)</u>	Balance 6/30/2013	Prior Period Adjustments	Restated Balance 6/30/2013	Additions	Reclassifications of CIP	Retirements	Balance 6/30/2014
Capital assets not depreciated:							
Land	\$ 215,027	\$ -	\$ 215,027	\$ -	\$ -	\$ -	\$ 215,027
Construction in progress	7,538,799	-	7,538,799	-	(7,538,799)	-	-
Total capital assets not depreciated	<u>\$ 7,753,826</u>	<u>\$ -</u>	<u>\$ 7,753,826</u>	<u>\$ -</u>	<u>\$ (7,538,799)</u>	<u>\$ -</u>	<u>\$ 215,027</u>
Other capital assets:							
Buildings	-	-	-	807,858	7,538,799	-	8,346,657
** Accumulated depreciation	-	-	-	(208,666)	-	-	(208,666)
Total buildings	-	-	-	599,192	7,538,799	-	8,137,991
Equipment (including library books)	-	-	-	206,788	-	-	206,788
** Accumulated depreciation	-	-	-	(41,358)	-	-	(41,358)
Total equipment	-	-	-	165,430	-	-	165,430
Total other capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764,622</u>	<u>\$ 7,538,799</u>	<u>\$ -</u>	<u>\$ 8,303,421</u>
Capital asset summary:							
Capital assets not depreciated	\$ 7,753,826	\$ -	\$ 7,753,826	\$ -	\$ (7,538,799)	\$ -	\$ 215,027
Other capital assets, book value	-	-	-	1,014,646	7,538,799	-	8,553,445
Total cost of capital assets	<u>7,753,826</u>	<u>-</u>	<u>7,753,826</u>	<u>1,014,646</u>	<u>-</u>	<u>-</u>	<u>8,768,472</u>
Accumulated depreciation/amortization	-	-	-	(250,024)	-	-	(250,024)
Capital assets, net	<u>\$ 7,753,826</u>	<u>\$ -</u>	<u>\$ 7,753,826</u>	<u>\$ 764,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,518,448</u>

The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014

Note I. Bonds & notes payable & capital leases.

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Amounts due within one year</u>
Notes & bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-
Bonds payable	1,097,501	-	(93,409)	1,004,092	100,000
Total bonds and notes payable	<u>1,097,501</u>	<u>-</u>	<u>(93,409)</u>	<u>1,004,092</u>	<u>100,000</u>
Other liabilities:					
Compensated absences payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Pollution remediation obligations	-	-	-	-	-
Contracts payable	-	-	-	-	-
Reimbursement contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
OPEB Payable	-	-	-	-	-
Total other liabilities	-	-	-	-	-
Total long-term liabilities	<u>\$ 1,097,501</u>	<u>\$ -</u>	<u>\$ (93,409)</u>	<u>\$ 1,004,092</u>	<u>\$ 100,000</u>

The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014

SCHEDULE 1-A

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/13	(Redeemed) Issued	Principal Outstanding 6/30/2014 *	Interest Rates	Interest Outstanding 6/30/14	Maturities
LSU HSC Foundation New Orleans								
Equipment & Capital Facilities Pooled Loan Program	01/01/02	\$ 2,035,000	\$ 1,115,000	\$ (95,000)	\$ 1,020,000	variable	-	2014-2024
		<u>2,035,000</u>	<u>1,115,000</u>	<u>(95,000)</u>	<u>1,020,000</u>			
Premiums/discounts, net			<u>17,499</u>	<u>(1,591)</u>	<u>15,908</u>			
Total bonds payable		<u><u>2,035,000</u></u>	<u><u>1,097,501</u></u>	<u><u>(93,409)</u></u>	<u><u>1,004,092</u></u>			

The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
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Schedule 2-A: Schedule of Bonds Payable Amortization

Fiscal Year		Principal	Interest	Total
Ending				
2015	\$	100,000 variable	\$	100,000
2016		105,000 variable		105,000
2017		110,000 variable		110,000
2018		115,000 variable		115,000
2019		120,000 variable		120,000
2020		125,000 variable		125,000
2021		130,000 variable		130,000
2022		135,000 variable		135,000
2023		80,000 variable		80,000
2024		-		-
2025		-		-
2026		-		-
2027		-		-
2028		-		-
2029		-		-
2030		-		-
2031		-		-
2032		-		-
2033		-		-
2034		-		-
2035		-		-
2036		-		-
2037		-		-
2038		-		-
2039		-		-
2040		-		-
2041		-		-
2042		-		-
Sub-total		1,020,000	-	1,020,000
Unamortized discount		(15,908)	-	(15,908)
Unamortized premiums				-
TOTAL	\$	1,004,092	\$	1,004,092

List the terms by which interest rate changes for variable-rate debt:

Default interest rate is Prime Rate plus 2%.
--

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

**SCHEDULE OF EXPENSES BY UNIVERSITY
For the Year Ended June 30, 2014**

Agency No.	Name of individual university and agency no.:	University Amount	*Foundation Amount	Eliminations	Total Expenses
1. 19-601	1) LSU	\$	\$	\$	\$ -
2. 19-603	2) LSU Alexandria				-
3. 19-606	3) LSU Eunice				-
4. 19-608	4) LSU Agricultural Center				-
5. 19-609	5) LSU Law Center				-
6. 19-600	6) LSU System Office				-
7.	7) LSU Pennington Biomedical Center				-
8. 19-605	8) LSU Health Sciences Center - New Orleans		11,484,529		11,484,529
9.	9) LSU Health Sciences Center - Shreveport				-
10 19-607	10) LSU Shreveport				-
	Total	\$ -	\$ 11,484,529	\$ -	\$ 11,484,529

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

System Office Note 16: Restricted Net Assets - Component Units

	LSU Foundation	Tiger Athletic Foundation	HSC S Foundation	HSC N.O. Foundation
Temporarily restricted:				
Chairs and professorships	\$ -	\$ -	\$ -	\$ 33,842,262
Scholarships and fellowships	-	-	-	2,233,414
Specific academic and research projects	-	-	-	-
Academic support	-	-	-	276,196
Capital outlay and improvements	-	-	-	-
Research support	-	-	-	-
Institutional support	-	-	-	126,577
Faculty - salary supplements	-	-	-	-
Donor restrictions	-	-	-	9,344,334
Restricted contributions receivable	-	-	-	-
Restricted accounts payable	-	-	-	-
Building funds	-	-	-	-
Educational studies program	-	-	-	-
Total temporarily restricted	\$ -	\$ -	\$ -	\$ 45,822,783
Permanently restricted				
Chairs and professorships	\$ -	\$ -	\$ -	\$ 40,452,226
Scholarships and fellowships	-	-	-	3,390,238
Specific academic and research projects	-	-	-	-
Academic support	-	-	-	182,110
Capital outlay and improvements	-	-	-	-
Research support	-	-	-	-
Institutional support	-	-	-	193,557
Endowment Funds	-	-	-	4,096,771
Educational studies program	-	-	-	-
Faculty - salary supplements	-	-	-	-
Total permanently restricted	\$ -	\$ -	\$ -	\$ 48,314,902

**The Foundation for the LSU Health Sciences Center
Notes to Supplemental Information
Required by the State of Louisiana
For the Year Ended June 30, 2014**

System Note 25. Amounts Held in Custody for Others - Component Units

<u>Entity</u>	<u>LSU Foundation</u>	<u>Tiger Athletic Foundation*</u>	<u>LSU Health Sciences Center Foundation</u>	<u>LSUHSC New Orleans Foundation</u>	<u>Total</u>
LSU at Alexandria Foundation	\$ -	\$ -	\$ -	\$ -	\$ -
LSU at Eunice Foundation	-	-	-	-	-
State matching funds	-	-	-	26,918,308	26,918,308
Split-interest agreements	-	-	-	51,725	51,725
Tiger Athletic Foundation	-	-	-	-	-
Coaches escrow accounts/ affiliated chapters	-	-	-	-	-
LSU Athletic Department	-	-	-	-	-
Building tenant security deposits	-	-	-	-	-
Total temporarily restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,970,033</u>	<u>\$ 26,970,033</u>