Financial Statements
June 30, 2019
PENNINGTON BIOMEDICAL RESEARCH FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2019
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors' Report</td>
<td>1 - 2</td>
</tr>
<tr>
<td>Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Activities and Changes in Net Assets</td>
<td>4 - 5</td>
</tr>
<tr>
<td>Statements of Functional Expenses</td>
<td>6 - 7</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9 - 24</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT

Board of Directors
Pennington Biomedical Research Foundation
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennington Biomedical Research Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and changes in net 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. 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 entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 on the previous page present fairly, in all material respects, the financial position of the Pennington Biomedical Research Foundation as of June 30, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, during the current fiscal year. Our opinion is not modified with respect to this matter.

Baton Rouge, Louisiana
November 21, 2019
**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$144,612</td>
<td>$336,120</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7,955</td>
<td>11,096</td>
</tr>
<tr>
<td>Unconditional promises to give, net</td>
<td>1,496,976</td>
<td>1,088,772</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>64,627</td>
<td>55,598</td>
</tr>
<tr>
<td>Office equipment (net of accumulated depreciation of $6,892 and $6,674, respectively)</td>
<td>3,165</td>
<td>1,035</td>
</tr>
<tr>
<td>Investments</td>
<td>23,007,100</td>
<td>23,315,858</td>
</tr>
<tr>
<td>Annuity held by rabbi trust</td>
<td>651,818</td>
<td>632,263</td>
</tr>
<tr>
<td>Beneficial interest in split-interest agreements</td>
<td>433,884</td>
<td>456,171</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$25,810,137</strong></td>
<td><strong>$25,896,913</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$74,764</td>
<td>$163,285</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>18,047</td>
<td>51,472</td>
</tr>
<tr>
<td>Retirement obligation</td>
<td>651,818</td>
<td>632,263</td>
</tr>
<tr>
<td>Funds held-in-custody</td>
<td>6,914,320</td>
<td>6,851,639</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>7,658,949</strong></td>
<td><strong>7,698,659</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>1,953,227</td>
<td>1,873,848</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>16,197,961</td>
<td>16,324,406</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>18,151,188</strong></td>
<td><strong>18,198,254</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$25,810,137</strong></td>
<td><strong>$25,896,913</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUPPORT AND REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 1,034,153</td>
<td>$ 1,359,782</td>
<td>$ 2,393,935</td>
</tr>
<tr>
<td>Investment income allocation</td>
<td>101,136</td>
<td>388,383</td>
<td>489,519</td>
</tr>
<tr>
<td>Management fee income</td>
<td>227,163</td>
<td>-</td>
<td>227,163</td>
</tr>
<tr>
<td>Other revenues</td>
<td>83,848</td>
<td>2,100</td>
<td>85,948</td>
</tr>
<tr>
<td>Change in value of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>split interest agreements</td>
<td>-</td>
<td>16,701</td>
<td>16,701</td>
</tr>
<tr>
<td></td>
<td>1,446,300</td>
<td>1,766,966</td>
<td>3,213,266</td>
</tr>
<tr>
<td>Net assets released by satisfaction of program restrictions</td>
<td>1,893,411</td>
<td>(1,893,411)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,339,711</td>
<td>(126,445)</td>
<td>3,213,266</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>1,985,781</td>
<td>-</td>
<td>1,985,781</td>
</tr>
<tr>
<td>Management and general</td>
<td>541,718</td>
<td>-</td>
<td>541,718</td>
</tr>
<tr>
<td>Development</td>
<td>732,833</td>
<td>-</td>
<td>732,833</td>
</tr>
<tr>
<td></td>
<td>3,260,332</td>
<td>-</td>
<td>3,260,332</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>79,379</td>
<td>(126,445)</td>
<td>(47,066)</td>
</tr>
<tr>
<td>Net assets, beginning of period</td>
<td>1,873,848</td>
<td>16,324,406</td>
<td>18,198,254</td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF PERIOD</strong></td>
<td>$ 1,953,227</td>
<td>$ 16,197,961</td>
<td>$ 18,151,188</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
### 2018

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,088,817</td>
<td>$ 1,598,248</td>
<td>$ 2,687,065</td>
</tr>
<tr>
<td>52,391</td>
<td>681,048</td>
<td>733,439</td>
</tr>
<tr>
<td>277,392</td>
<td></td>
<td>277,392</td>
</tr>
<tr>
<td>21,513</td>
<td>110,500</td>
<td>132,013</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>10,664</td>
</tr>
<tr>
<td>1,440,113</td>
<td>2,400,460</td>
<td>3,840,573</td>
</tr>
<tr>
<td>2,349,527</td>
<td>(2,349,527)</td>
<td>-</td>
</tr>
<tr>
<td>3,789,640</td>
<td>50,933</td>
<td>3,840,573</td>
</tr>
<tr>
<td>2,445,264</td>
<td></td>
<td>2,445,264</td>
</tr>
<tr>
<td>671,158</td>
<td></td>
<td>671,158</td>
</tr>
<tr>
<td>736,697</td>
<td></td>
<td>736,697</td>
</tr>
<tr>
<td>3,853,119</td>
<td></td>
<td>3,853,119</td>
</tr>
<tr>
<td>(63,479)</td>
<td>50,933</td>
<td>(12,546)</td>
</tr>
<tr>
<td>1,937,327</td>
<td>16,273,473</td>
<td>18,210,800</td>
</tr>
<tr>
<td>$ 1,873,848</td>
<td>$ 16,324,406</td>
<td>$ 18,198,254</td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of these statements.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Management and General</th>
<th>Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$ 8,307</td>
<td>$</td>
<td>$ 8,307</td>
</tr>
<tr>
<td>61,404</td>
<td>10,274</td>
<td>173,624</td>
<td>245,302</td>
</tr>
<tr>
<td>-</td>
<td>293</td>
<td>-</td>
<td>293</td>
</tr>
<tr>
<td>24,249</td>
<td>14,648</td>
<td>6,017</td>
<td>44,914</td>
</tr>
<tr>
<td>-</td>
<td>53,568</td>
<td>-</td>
<td>53,568</td>
</tr>
<tr>
<td>252,761</td>
<td>57,054</td>
<td>-</td>
<td>309,815</td>
</tr>
<tr>
<td>-</td>
<td>12,998</td>
<td>-</td>
<td>12,998</td>
</tr>
<tr>
<td>50,608</td>
<td>2,793</td>
<td>1,411</td>
<td>54,812</td>
</tr>
<tr>
<td>32,693</td>
<td>6,481</td>
<td>-</td>
<td>39,174</td>
</tr>
<tr>
<td>285,546</td>
<td>54,351</td>
<td>71,524</td>
<td>411,421</td>
</tr>
<tr>
<td>673</td>
<td>5,043</td>
<td>760</td>
<td>6,476</td>
</tr>
<tr>
<td>16,161</td>
<td>8,190</td>
<td>-</td>
<td>24,351</td>
</tr>
<tr>
<td>272,221</td>
<td>36,295</td>
<td>42</td>
<td>308,558</td>
</tr>
<tr>
<td>240,614</td>
<td>33,044</td>
<td>25,442</td>
<td>299,100</td>
</tr>
<tr>
<td>282,233</td>
<td>-</td>
<td>-</td>
<td>282,233</td>
</tr>
<tr>
<td>1,250,255</td>
<td>343,800</td>
<td>437,837</td>
<td>2,031,892</td>
</tr>
<tr>
<td>2,483</td>
<td>15,977</td>
<td>412</td>
<td>18,872</td>
</tr>
<tr>
<td>-</td>
<td>55</td>
<td>-</td>
<td>55</td>
</tr>
<tr>
<td>2,828</td>
<td>18</td>
<td>750</td>
<td>3,596</td>
</tr>
<tr>
<td>28</td>
<td>2,384</td>
<td>5,384</td>
<td>7,796</td>
</tr>
<tr>
<td>64,055</td>
<td>5,585</td>
<td>13,494</td>
<td>83,134</td>
</tr>
<tr>
<td>2,838,812</td>
<td>671,158</td>
<td>736,697</td>
<td>4,246,667</td>
</tr>
</tbody>
</table>

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(393,548)</td>
<td>-</td>
<td>-</td>
<td>(393,548)</td>
</tr>
</tbody>
</table>

| $ 2,445,264          | $ 671,158              | $ 736,697   | $ 3,853,119 |
PENNINGTON BIOMEDICAL RESEARCH FOUNDATION  
BATON ROUGE, LOUISIANA  

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ (47,066)</td>
<td>$ (12,546)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>218</td>
<td>293</td>
</tr>
<tr>
<td>Discount on unconditional promises to give</td>
<td>(19,343)</td>
<td>17,729</td>
</tr>
<tr>
<td>Realized gains on sales of investment securities</td>
<td>(1,558,314)</td>
<td>(518,545)</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investment securities</td>
<td>1,464,878</td>
<td>262,453</td>
</tr>
<tr>
<td>Unrealized gain on beneficial interest in split-interest agreements</td>
<td>(21,006)</td>
<td>(18,093)</td>
</tr>
<tr>
<td>Distributions received from beneficial interest in split-interest agreements</td>
<td>43,293</td>
<td>44,641</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,141</td>
<td>(10,823)</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>(388,861)</td>
<td>623,510</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(9,029)</td>
<td>(3,197)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(88,521)</td>
<td>14,081</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>(33,425)</td>
<td>4,473</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>(654,035)</td>
<td>403,976</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(2,348)</td>
<td>(1,089)</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>29,550,999</td>
<td>2,030,237</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(29,148,805)</td>
<td>(2,565,068)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>399,846</td>
<td>(535,920)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in funds held-in-custody</td>
<td>62,681</td>
<td>(20,402)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>62,681</td>
<td>(20,402)</td>
</tr>
</tbody>
</table>

Net increase (decrease) in cash and cash equivalents | (191,508) | (152,346) |

Cash and cash equivalents at beginning of period | 336,120 | 488,466 |

Cash and cash equivalents at end of period | $ 144,612 | $ 336,120 |

The accompanying notes are an integral part of these statements.
1) Summary of significant accounting policies

The accounting and reporting policies of the Pennington Biomedical Research Foundation (the Foundation) conform to the accounting principles generally accepted in the United States of America and the prevailing practices within the not-for-profit industry. The significant accounting policies used by the Foundation in preparing and presenting its financial statements are summarized as follows:

Organization

The Pennington Biomedical Research Foundation (the Foundation) is a non-profit charitable organization dedicated to providing the Pennington Biomedical Research Center (the Center) with financial support derived from individual, foundation, and corporate philanthropy. The Center’s mission is to discover the triggers of chronic diseases through innovative research that improves human health across the lifespan. As such, the Center has made many significant contributions to disease prevention, health, and longevity with a particular focus on diabetes, cardiovascular disease, obesity, and dementia.

Basis of accounting and presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which requires 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 the 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, where by the donor has stipulated the funds be maintained in perpetuity.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Promises to give

Unconditional promises to give are recognized as revenue in the period the promise is received. Promises to give are recorded at their realizable value if they are expected to be collected in one year or at fair value if they are expected to be collected in more than one year. Based on management’s assessment of collectability, an allowance for doubtful accounts was not necessary at either June 30, 2019 or 2018.
1) **Summary of significant accounting policies (continued)**

**Office equipment**

Office equipment is stated at historical cost. Additions, renewals, and betterments that extend the lives or increase the values of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using accelerated methods over the estimated useful lives of the assets, which range from 5 to 7 years.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers or the general partners. Dividend, interest, and other investment income are recorded as increases in net assets with or without donor restrictions depending on donor stipulations.

Donated investments are recorded at their fair value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost bases of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation’s current operations.

**Split-interest agreements**

Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the present value of the expected cash flows to be received by the Foundation over the term of the agreements. Changes in the values of the split interest agreements are recorded in the statements of activities and changes in net assets and classified as with or without donor restrictions depending on the classification used when the contribution was originally recorded.

**Funds held in custody**

The Foundation considers all state matching funds and unexpended income from these funds to be funds held in custody. All funds held in custody are recorded in the statements of financial position at their fair values.

**Revenue recognition**

Contributions received are recorded as with or without donor restricted support, depending on the existence or nature of any donor 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 unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.
1) Summary of significant accounting policies (continued)

Income taxes

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

The Foundation accounts for income taxes in accordance with the guidance included in the Accounting Standards Codification (ASC). The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions at June 30, 2019.

Cash and cash equivalents

For purposes of financial statement presentation, cash and cash equivalents includes operating funds on deposit at various financial institutions.

Statements of functional expenses

The costs of providing for the various programs and other activities of the Foundation have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Expenses have been allocated between functions on several bases and estimates, including time and effort, square footage, and specific identification. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts.

Concentrations of credit risk

The Foundation’s investments are secured by the Securities Investor Protection Corporation (SPIC). Any investment balances over the SIPC coverage are insured by private insurance of the investment custodian. SIPC and private insurance do not insure the quality of investments or protect against losses from fluctuating market values.
1) Summary of significant accounting policies (continued)

New accounting pronouncements adopted

The Foundation adopted Accounting Standards Update (“ASU”) 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit organization’s liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Accounting pronouncements issued but not yet adopted

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction. The updated guidance is effective for annual periods beginning after December 15, 2018.

ASU 2014-09, Revenue from Contracts with Customers, was issued to update the revenue recognition standard in order to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements in excess of 12 months on the statements of financial position and to provide additional disclosures. This ASU is effective for annual periods beginning after December 15, 2020.

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

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.
2) Unconditional promises to give

Unconditional promises to give at June 30, 2019 and 2018 consisted of the following:

<table>
<thead>
<tr>
<th>Promises to give expected to be collected in:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$ 1,401,354</td>
<td>$ 680,810</td>
</tr>
<tr>
<td>One to five years</td>
<td>$ 99,018</td>
<td>$ 430,700</td>
</tr>
<tr>
<td></td>
<td>$ 1,500,372</td>
<td>$ 1,111,510</td>
</tr>
<tr>
<td>Less: discount on promises to give</td>
<td>(3,396)</td>
<td>(22,738)</td>
</tr>
<tr>
<td>Net unconditional promises to give</td>
<td>$ 1,496,976</td>
<td>$ 1,088,772</td>
</tr>
</tbody>
</table>

The rates used in discounting unconditional promises to give were 1.76% and 2.73% as of June 30, 2019 and 2018, respectively.

3) Split-Interest agreements

The Foundation is the irrevocable beneficiary of two split-interest agreements, related to a charitable lead trust and a charitable remainder trust, under various terms and conditions. The funds are held and administered by unrelated third party trustees. The Foundation’s interests in the funds held by the trustees are recorded at fair value in the statements of financial position as beneficial interests in split-interest agreements.

For the charitable lead trust, the discount rate used in the present value calculation for future payments is the prevailing rate of interest for similar types of high quality, fixed income investments. The discount rates used for 2019 and 2018 were 3.46% and 4.11%, respectively and the remaining term of the agreement was approximately 10 years at June 30, 2019.

For the charitable remainder trust, the donor is the sole income beneficiary for life, with the Foundation receiving the principal amount of the trust upon the donor’s death. The discount rates used in the present value calculations for the future payment were the ten-year treasury-bond rate at June 30, 2019 and 2018. The discount rates used for 2019 and 2018 were 2.00% and 2.86%, respectively, and the estimated remaining term of the agreement was approximately 7 years at June 30, 2019.

Income statement adjustments recognized for these split-interest agreements were positive adjustments of $16,701 and $10,664 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the fair value of the beneficial interests was $433,884 and $456,171, respectively. The Foundation received distributions from the charitable lead trust of $43,293 and $44,641 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, trust distributions are expected to be received as follows:

| Less than one year                               | $ 41,705 |
| Two to five years                                | $ 169,368 |
| Six to ten years                                 | $ 287,099 |
|                                              | $ 498,172 |
|                                              | (64,288) |
| Beneficial interest in split-interest agreements | $ 433,884 |
4) Investments

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value 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. See Note 5 for further discussion of fair value measurements.

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

The investments of the Endowed Professorship Programs and the Endowed Chairs for Eminent Scholars Programs are maintained and managed in brokerage accounts in compliance with the Board of Regent's investment policy.

Investments are stated at fair value and consisted of the following at June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$10,160,233</td>
<td>$8,209,444</td>
</tr>
<tr>
<td>Domestic fixed income securities</td>
<td>8,565,854</td>
<td>7,894,374</td>
</tr>
<tr>
<td>International fixed income securities</td>
<td>-</td>
<td>596,052</td>
</tr>
<tr>
<td>Hedge fund of funds and private equity</td>
<td>1,645,509</td>
<td>3,301,406</td>
</tr>
<tr>
<td>Real estate investment trust</td>
<td>184,069</td>
<td>688,817</td>
</tr>
<tr>
<td>Master limited partnerships</td>
<td>10,024</td>
<td>1,044,483</td>
</tr>
<tr>
<td>Hard assets</td>
<td>106,272</td>
<td>-</td>
</tr>
<tr>
<td>Money market funds</td>
<td>2,335,139</td>
<td>1,581,282</td>
</tr>
<tr>
<td></td>
<td>$23,007,100</td>
<td>$23,315,858</td>
</tr>
</tbody>
</table>

Investment earnings are classified as with or without donor restricted net assets based on donor restrictions for certain permanently endowed funds and policies approved by the Board of Directors for certain non-endowed funds. The Foundation allocates investment activity to the pooled endowed investments based on the average daily balance of each endowed project. A spending allocation approved by the Board of Directors is made each year to the funds.

Investment earnings were comprised of the following for the years ended June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest, net</td>
<td>$450,408</td>
<td>$477,347</td>
</tr>
<tr>
<td>Realized gains on sales of investments</td>
<td>1,558,314</td>
<td>518,545</td>
</tr>
<tr>
<td>Unrealized gains (losses) on investments</td>
<td>(1,519,203)</td>
<td>(262,453)</td>
</tr>
<tr>
<td></td>
<td>$489,519</td>
<td>$733,439</td>
</tr>
</tbody>
</table>
5) Fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB ASC, disclosure of fair value information about financial instruments is required. 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. 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. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Foundation.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

*Fair Value Hierarchy*

The *Fair Value Measurements and Disclosures* topic of the FASB ASC provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- **Level 1** - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- **Level 2** - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- **Level 3** - inputs to the valuation methodology are unobservable and significant to the fair value measurement which is determined using model-based techniques such as option pricing models, discounted cash flow models, and similar techniques.
5) Fair value of financial instruments (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation’s investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data. The Foundation utilizes several externally managed fund of funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. The Foundation relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The application of those valuation procedures and methodologies are borne out in each manager’s compliant annual audited financial statements and were monitored through the Foundation’s reporting period ended June 30, 2019.

Level 3 Valuation Techniques

Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, Foundation staff and the Foundation’s investment advisor conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards and best practices. The investment advisor seeks to identify managers with experienced personnel and sound investment philosophy. Managers must demonstrate strength in key tenets such as conviction, consistency, pragmatism, investment culture, risk control, and active return. Capital statements, audit reports, current and past performance, and pertinent news regarding changes in management are scrutinized as an internal part of the due diligence process prior to hiring a manager. In addition, Service Organization Control Reports for fund administrator internal controls are obtained and reviewed. These reports are prepared by external independent firms and provide assurance concerning the suitability of the design and operating effectiveness of the administrators’ controls and control objectives. These same elements are monitored on an on-going basis, as a matter of regular business practice, following the hiring of a manager. Level 3 asset types for which this due diligence process and focused monitoring are applied internally consist of investments in hedge fund of funds.

The valuation process conducted internally for Level 3 assets categorized as Beneficial Interests in Split-Interest Agreements primarily entails a calculation of the present value of proceeds expected to be received in accordance with the terms of the agreement. Each agreement is reviewed by management to determine the amount of any contractual and/or estimated payments to income beneficiaries using available actuarial data. The Foundation uses the Moody’s Aa Index for corporate bonds to calculate net present value. This rate is commonly used when determining actuarial liabilities for other types of plans and investments.
5) Fair value of financial instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of June 30, 2019:

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedge fund of funds and private equity</td>
<td>$ 767,411</td>
<td>$ -</td>
<td>$ 878,098</td>
</tr>
<tr>
<td>Money market</td>
<td>2,335,139</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap equity - blend</td>
<td>5,022,967</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mid cap equity - blend</td>
<td>1,175,916</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - growth</td>
<td>20,084</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - blend</td>
<td>257,790</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - value</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international large cap equity - blend</td>
<td>2,084,569</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international large cap equity - value</td>
<td>29,879</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international small cap equity - growth</td>
<td>24,221</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Emerging markets equity - blend</td>
<td>1,544,807</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real estate investment trust - domestic</td>
<td>184,069</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income by credit quality rating:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAA</td>
<td>6,186,665</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>2,197,403</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BBB</td>
<td>181,785</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hard assets</td>
<td>106,272</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Master limited partnerships</td>
<td>10,023</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>22,129,002</td>
<td>-</td>
<td>878,098</td>
</tr>
<tr>
<td>Beneficial interest in split interest agreements</td>
<td>-</td>
<td>-</td>
<td>433,884</td>
</tr>
<tr>
<td>Total</td>
<td>$ 22,129,002</td>
<td>$ -</td>
<td>$ 1,311,982</td>
</tr>
</tbody>
</table>
5) **Fair value of financial instruments** (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of June 30, 2018:

<table>
<thead>
<tr>
<th>Hedge fund of funds and private equity</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market</td>
<td>$1,581,282</td>
<td>$3,301,406</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap equity - growth</td>
<td>315,877</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Large cap equity - blend</td>
<td>2,323,345</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mid cap equity - growth</td>
<td>3,937</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mid cap equity - blend</td>
<td>688,928</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - growth</td>
<td>442,903</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - blend</td>
<td>27,543</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small cap equity - value</td>
<td>340,174</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international large cap equity - blend</td>
<td>1,177,940</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international large cap equity - value</td>
<td>31,361</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developing international small cap equity - blend</td>
<td>650,243</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Emerging markets equity - blend</td>
<td>2,207,193</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real estate investment trust - global</td>
<td>688,817</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Fixed income by credit quality rating:**

| AAA        | 4,341,906 | -        | -        |
| AA         | 315,775   | -        | -        |
| A          | 789,437   | -        | -        |
| BBB        | 1,026,269 | -        | -        |
| BB         | 394,719   | -        | -        |
| B          | 157,887   | -        | -        |
| CCC        | 157,887   | -        | -        |
| CC         | 710,494   | -        | -        |
| Fixed income international             | 596,052   | -        | -        |
| Master limited partnerships            | 1,044,483 | -        | -        |
| Total investments                      | 20,014,452 | -        | 3,301,406 |
| Beneficial interest in split interest agreements | -        | -        | 456,171  |

**Total**

$20,014,452 $3,757,577

- 18 -
5) Fair value of financial instruments (continued)

The following table presents the changes in fair value, in Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Hedge Funds of Funds and</th>
<th>Split-interest Agreements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance - June 30, 2017</td>
<td>3,070,039</td>
<td>482,719</td>
</tr>
<tr>
<td>Purchases</td>
<td>140,000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>(31,893)</td>
<td>(44,641)</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>125,195</td>
<td>18,093</td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>(1,935)</td>
<td></td>
</tr>
<tr>
<td>Balance - June 30, 2018</td>
<td>3,301,406</td>
<td>456,171</td>
</tr>
<tr>
<td>Purchases</td>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>(2,540,264)</td>
<td>(43,293)</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>(104,286)</td>
<td>21,006</td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>131,242</td>
<td></td>
</tr>
<tr>
<td>Balance - June 30, 2019</td>
<td>878,098</td>
<td>433,884</td>
</tr>
</tbody>
</table>

Realized and unrealized earnings and/or losses are included in the investment earnings allocations in the statements of activities and changes in net assets.

6) Funds held in custody and permanently restricted net assets

Included in investments at June 30, 2019 and 2018, were funds held-in-custody with the Foundation’s investment custodian, which represent the fair value of the matching funds received from the State of Louisiana and earnings allocations available for expenditure. Investments also include private donations which are permanently restricted by donors.

The Endowed Chairs for Eminent Scholars Program requires a $600,000 private donation and a matching $400,000 gift from the State of Louisiana, making a total endowment of $1,000,000 per program. The Eminent Scholars Program requires a $60,000 private donation and a $40,000 matching gift from the State of Louisiana, making a total endowment of $100,000. Total funds held in custody were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Matching Funds</td>
<td>$6,914,320</td>
<td>$6,851,639</td>
</tr>
</tbody>
</table>
7) Net assets

Temporarily restricted net assets were available for specific nutritional research programs and other nutritional research programs being conducted at the Pennington Biomedical Research Center. Temporarily restricted net assets consisted of the following at June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowed Chairs &amp; Professorships</td>
<td>$2,527,406</td>
<td>$2,767,374</td>
</tr>
<tr>
<td>Specific Research Projects</td>
<td>3,442,435</td>
<td>3,749,073</td>
</tr>
<tr>
<td>Faculty Research Support</td>
<td>1,512,209</td>
<td>1,102,065</td>
</tr>
<tr>
<td><strong>Total Temporarily Restricted Net Assets</strong></td>
<td><strong>$7,482,050</strong></td>
<td><strong>$7,618,512</strong></td>
</tr>
</tbody>
</table>

Permanently restricted net assets were as follows at June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private donations</td>
<td>$7,729,320</td>
<td>$7,728,718</td>
</tr>
<tr>
<td>Beneficial interest in split interest agreements</td>
<td>986,591</td>
<td>977,176</td>
</tr>
<tr>
<td></td>
<td><strong>$8,715,911</strong></td>
<td><strong>$8,705,894</strong></td>
</tr>
</tbody>
</table>

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes for the years ended June 30, 2019 and 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowed Chairs &amp; Professorships</td>
<td>$602,818</td>
<td>$598,711</td>
</tr>
<tr>
<td>Specific Research Projects</td>
<td>1,216,202</td>
<td>1,538,796</td>
</tr>
<tr>
<td>Faculty Research Support</td>
<td>74,391</td>
<td>212,020</td>
</tr>
<tr>
<td><strong>Total Restrictions Released</strong></td>
<td><strong>$1,893,411</strong></td>
<td><strong>$2,349,527</strong></td>
</tr>
</tbody>
</table>

The Foundation’s net assets without donor restrictions included Board designated amounts of $229,392 and $146,161 as of June 30, 2019 and 2018, respectively, for use in future Center projects.
8) Endowed net assets

The primary objective of the Foundation’s investment and spending policies for its endowed assets is to be a source of capital for the current and future support of the Center. Implicit in this objective is the financial goal of preserving and enhancing the inflation-adjusted earning and purchasing power of assets. The long-term investment objective of the endowed portfolio is to attain an average annual real total return at or above the level of spending and fees. Real total return is investment return minus inflation. It is also the intent of the policy to earn the highest rate of return over the long term, consistent with prudent funds management, and to provide adequate distribution of income to the Center, within policy and budget guidelines.

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

The net asset composition by type of fund was as follows as of June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without Donor Restrictions</td>
<td>Temporary</td>
<td>Permanent</td>
<td>Total</td>
</tr>
<tr>
<td><strong>June 30, 2019:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-Restricted</td>
<td>$229,392</td>
<td>$2,618,700</td>
<td>$8,715,911</td>
<td>$11,564,003</td>
</tr>
<tr>
<td>Endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>June 30, 2018:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-Restricted</td>
<td>$146,161</td>
<td>$2,856,429</td>
<td>$8,705,894</td>
<td>$11,708,484</td>
</tr>
<tr>
<td>Endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8) **Endowed net assets (continued)**

Changes in endowment net assets were as follows as of June 30, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporary</td>
<td>Permanent</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2017</td>
<td>$ 294,430</td>
<td>$ 2,801,747</td>
</tr>
<tr>
<td>Investment return: Investment income</td>
<td>-</td>
<td>915,182</td>
</tr>
<tr>
<td>Net appreciation (depreciation)</td>
<td>-</td>
<td>( 234,149)</td>
</tr>
<tr>
<td>Contributions</td>
<td>100,171</td>
<td>-</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>( 248,440)</td>
<td>( 626,351)</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2018</td>
<td>146,161</td>
<td>2,856,429</td>
</tr>
<tr>
<td>Investment return: Investment income</td>
<td>-</td>
<td>2,183,260</td>
</tr>
<tr>
<td>Net appreciation (depreciation)</td>
<td>-</td>
<td>( 1,794,907)</td>
</tr>
<tr>
<td>Contributions</td>
<td>321,930</td>
<td>-</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>( 238,699)</td>
<td>( 626,082)</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2019</td>
<td>$ 229,392</td>
<td>$ 2,618,700</td>
</tr>
</tbody>
</table>

A spending rate is determined by the Foundation’s Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer foundations and the level of real return after spending measured over a rolling five-year time period. The spending rate approved by the Board is applied to the five-year average market value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for the years ended June 30, 2019 and 2018 was 4.50%. In accordance with the Board’s policies, no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for program spending.
8) **Endowed net assets (continued)**

Guided by the philosophy that asset allocation is the most significant determinant of long-term investment return, the Foundation’s Board of Directors establishes asset allocation targets for its pool of endowed assets in order to achieve the total return objectives of its investment policy within acceptable risk levels. Target ranges are established within asset classes, and investments are diversified in order to minimize the risk of large losses.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donor or the Board of Regents policy requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 or 2018. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level would be classified as an increase in temporarily restricted net assets.

9) **Retirement contributions**

The Foundation makes an annual contribution to a 403(b) retirement plan for eligible employees, and effective, January 1, 2010, the Plan adopted safe harbor provisions. Contributions for the years ended June 30, 2019 and 2018 totaled approximately $25,000 and $17,000, respectively.

10) **Related party transactions**

The Pennington Biomedical Research Foundation provides accounting services and administrative support to the Pennington Medical Foundation (PMF). For the years ended June 30, 2019 and 2018, PMF paid the Foundation $3,000 for these services. The amounts owed from PMF to the Foundation at June 30, 2019 and 2018 for these types of services and other miscellaneous reimbursements were $7 and $786, respectively.

As part of its mission, the Foundation also has certain transactions in the normal course of operations with the Pennington Biomedical Research Center. The transactions consist of research support for salaries, research equipment, and supplies, which are processed by the Center. In addition, the Foundation reimburses the Center for certain costs pertaining to Foundation operations. For the years ended June 30, 2019 and 2018, these costs totaled $1,760,444 and $2,300,264, respectively. The amount owed to the Center at June 30, 2019 and 2018 for these types of expenses was $43,968 and $94,293, respectively.

11) **Commitments**

In 1999, the Foundation purchased an annuity to fund the retirement obligation of a former Executive Director of the Center. The annuity’s value and corresponding retirement obligation were approximately $652,000 and $632,000 at June 30, 2019 and 2018, respectively.

In 2006 the Foundation committed up to $100,000 per year to the Pennington Biomedical Research Center for faculty support for a former Executive Director of the Center. The commitment is currently funded through an endowed chair and unrestricted funds.
12) Liquidity and availability

The Foundation regularly monitors and manages liquidity required to meet its operating needs and commitments to the Pennington Biomedical Research Center. Nearly all of the Foundation’s non-endowed investments are invested in money market funds and marketable securities with immediate liquidity. With the exception of the current hedge fund audit holdback of $81,116, all of the Foundation’s cash and investments can be liquidated within two business days if necessary. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission, as well as the conduct of services undertaken to support those activities, to be general expenditures. As of June 30, 2019, the Foundation’s financial assets available to meet cash needs for general expenditures within one year totaled $1,812,951. The Foundation’s budgeted operating expenditures for fiscal year ending June 30, 2020 totals approximately $1.5 million.

The Board of Directors has the ultimate authority and responsibility to designate the use of net assets without donor restrictions to, or for the support of, the Pennington Biomedical Research Center. Such uses include support for projects, programs, activities, and initiatives that enables the Foundation to fulfill its mission. Prior to making these designations, the Board considers the short-term and long-term operating needs of the Foundation. Likewise, the Board has the authority to un-designate prior net asset designations for the operating needs of the Foundation. Designated net assets without donor restrictions are invested in cash and cash equivalents and marketable debt securities.

As of June 30, 2019, the following financial assets could readily be made available within one year of the statement of financial position to meet the general expenditures of the Foundation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$144,612</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>1,496,976</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>64,627</td>
</tr>
<tr>
<td>Investments</td>
<td>24,092,802</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,799,017</td>
</tr>
</tbody>
</table>

Less assets unavailable for general expenditures:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets restricted by donors with time or purpose restrictions</td>
<td>(4,859,098)</td>
</tr>
<tr>
<td>Assets subject to appropriation and satisfaction of donor restrictions</td>
<td>(17,811,874)</td>
</tr>
<tr>
<td>Investments held in annuity trust</td>
<td>(1,085,702)</td>
</tr>
<tr>
<td>Board designated amounts</td>
<td>(229,392)</td>
</tr>
<tr>
<td><strong>Financial assets available to meet needs for general expenditures within one year</strong></td>
<td><strong>$1,812,951</strong></td>
</tr>
</tbody>
</table>

13) Subsequent events

Management has evaluated events through the date that the financial statements were available to be issued, November 21, 2019, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.