

LOUISIANA STATE UNIVERSITY SYSTEM  
A COMPONENT UNIT OF THE  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2020  
ISSUED MARCH 29, 2021

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TEMPORARY LEGISLATIVE AUDITOR  
THOMAS H. COLE, CPA, CGMA

March 23, 2021

## Independent Auditor's Report

**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### **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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Health Care Services Foundation and its subsidiary; the Stephenson Technologies Corporation; and the LSU Research Foundation, which are nonprofit corporations included as blended component units in the basic financial statements representing approximately 1.98%, 0.68%, 5.3%, and 5.95% of total assets, liabilities, revenues, and expenses, respectively. We also did not audit the financial statements of the LSU Foundation, the Tiger Athletic Foundation, or the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units included in the basic financial statements of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts reported for these component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Stephenson Technologies Corporation, the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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 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 opinions.

### **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the System as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As disclosed in note 7, the net pension liability for the System was \$1,610,873,569 at June 30, 2020, as determined by the Louisiana State Employees' Retirement System (LASERS) and Teachers' Retirement System of Louisiana (TRSL). The related actuarial valuations were performed by LASERS's and TRSL's actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2020, could be under or overstated. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 18, the Schedule of Proportionate Share of the Total OPEB Liability on page 93, the Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans on page 94, and the Schedule of Contributions to Cost

Sharing Defined Benefit Pension Plans on page 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information schedules including the Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 100 through 111 for the year ended June 30, 2020, are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2020, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the System as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated February 19, 2020, which contained unmodified opinions on the respective financial statements of the business-type activities. The Combining Schedule of Net Position; the Combining Schedule of Revenues, Expenses, and Changes in Net Position; and the Combining Schedule of Cash Flows on pages 112 through 123 for the year ended June 30, 2019, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2019 financial statements. The combining schedules for the fiscal year ended June 30, 2019, have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the schedules for the fiscal year ended June 30, 2019, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2019.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,



Thomas H. Cole, CPA, CGMA  
Temporary Legislative Auditor

REW:JPT:BH:EFS:ch  
LSU 2020



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## INTRODUCTION

The following discussion and analysis has been prepared by management and is written to provide an overview of the financial position and activities of the Louisiana State University System (System) for the year ended June 30, 2020. It should be read in conjunction with the financial statements and the notes thereto which follow this section.

The annual report consists of a series of financial statements prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB) that are published in the codification of governmental accounting and financial reporting standards available from GASB. These standards include those required by Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38.

The System applies GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement addresses which support organizations, such as foundations, should be included as component units and how these component units should be presented in the financial statements. The State of Louisiana has set a threshold for including discretely presented component units if the potential component unit's assets equal 3% or more of the total assets of the system of universities it supports. A component unit that falls below this threshold may be excluded if it has been included in the financial report for at least three consecutive years and currently does not meet the reporting threshold.

The System has three foundations that will be discretely presented in its financial statements. These are the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport. The financial data of each of these foundations is presented separately in a Statement of Financial Position and a Statement of Activities. Additional information about the foundations is contained in the notes to the financial statements.

## BACKGROUND

The Louisiana State University System is the state's flagship university system. It is also one of the most diverse and comprehensive higher education systems in the country. Headcount enrollment during the fall 2019 semester was 51,051 which was an increase from the 48,646 reported in the previous year.

Degrees conferred by System campuses range from associate degree to doctor of philosophy. In addition, professional degrees in law, veterinary medicine, medicine, dentistry, and the complete spectrum of Allied Health, Nursing and Public Health professions are conferred.

The System also encompasses specialized campuses including the Pennington Biomedical Research Center, an internationally renowned metabolic institute extending the human health life

span through discoveries that shed light on new treatments and protocols to remedy chronic diseases such as obesity, diabetes, heart disease and cancer. The LSU Agricultural Center plays a vital and integral role in supporting agricultural industries, enhancing the environment, and improving quality of life through its 4-H youth programs, family and consumer sciences, and community development programs. The Ag Center completes its work through a network of 13 departments primarily located in Baton Rouge, 15 research stations throughout the state and 64 parish offices.

As it relates to health care, beginning in 1997 the LSU System was charged with the responsibility of administering 10 public hospitals across the state. These hospitals served as the primary source of health care services for the indigent population of the state and accounted for more than two million inpatient and outpatient visits each year. In addition, these hospitals were utilized by the LSU Health Sciences Centers in New Orleans and Shreveport as teaching hospitals wherein the medical, dental, nursing and allied health faculty provided supervision and training to students while simultaneously providing necessary medical care to patients.

Beginning in the Spring of 2013, following a directive from the State, the LSU System began to transition the management and operations of all but one of its hospitals to private entities, entering into public private hospital partnerships. This major transformation of public healthcare in Louisiana occurred in a span of months, beginning in July 2012, when Congress reduced the state's disaster-recovery Federal Medical Assistance Percentage (FMAP) rate from 71.92 percent to a projected 65.51 percent, the lowest reimbursement rate Louisiana has had in more than 25 years. The FMAP was a major source of funding for the hospitals. Congress made the cut to correct a mistake in Louisiana's FMAP calculation. Realizing that the cut to FMAP could be problematic, the public private hospital partnerships were formed as a way to increase support for healthcare services and these partnerships continue today.

The transition of the management and operations of the hospitals to private partners were negotiated and formalized through cooperative endeavor agreements (CEA). These CEA's were executed by the State, the LSU System and the Private Partner selected for each former public hospital. The LSU System, through the CEA's and supporting documents, ensured that the public purpose of serving the indigent as well as the public mission of providing graduate medical education to its students and residents was maintained in the partnerships. The latest of the public private partnerships to occur is one between LSU Health Sciences Center Shreveport and Ochsner; this partnership, unlike the others, is established as a Joint Venture and just recently reached its second year anniversary in October of 2020.

While many of these partnerships have been in place for several years now, they have been annually extended through the development and approval of Memorandum of Understandings. With changes in health care financing and funding as well as the changing health care industry and teaching, many of the original CEA's are being renegotiated at this time between all appropriate parties, including the State and LSU.

## FINANCIAL HIGHLIGHTS

### GENERAL

Despite a challenging year due to disruptions caused by the COVID-19 Pandemic, LSU was able to sustain itself financially and continue to report positive results overall by increasing its net position by \$116.6 million. A breakdown of the various components of this increase is described through the following paragraphs.

Total operating revenues increased from the prior fiscal year by approximately \$123 million, while operating expenses increased by approximately \$177.5 million. The operating loss for fiscal year 2020 was \$610.8 million; the operating loss for fiscal year 2019, restated, was \$556.4 million.

An overall increase in operating revenue of \$123 million is a result of a combination of both increases and decreases in several different revenue sources. The increases primarily occurred with non-governmental grants and contracts revenue as a result of the Medicaid Managed Care Quality Incentive Program (MCIP) contracts that the LSU Health Sciences Center in New Orleans has on behalf of Louisiana Department of Health and the surrounding hospitals. Student tuition and fees also experienced a moderate increase of \$19.0 million, approximately 3.9% over the prior year's revenue.

The overall increase in operating expenses is attributable to several factors including increased activity in the following functional expenses categories: (1) increased public service costs due to the MCIP contract expenditures of the LSU Health Sciences Center New Orleans and because of additional faculty and compensation costs for LSU Health Sciences Center Shreveport, (2) increased institutional support attributable to facilities and administrative costs related to MCIP and fair market value contracts for LSU Health Sciences Center in New Orleans (2019 had no MCIP Contracts), and 3) an increase in scholarships and fellowships as a result of CARES funded tuition scholarships and refunds and an overall increase in tuition rates. The increases within these functional expense areas were somewhat offset by decreases in instruction, academic support, and hospital operations.

If you include non-operating revenues and expenses, the System shows income before other revenues, expenses, gains, and losses of \$41.2 million for fiscal year 2019-2020. This level of income represents a decrease of \$131.8 million compared to the \$173.0 million posted in the previous year. This decrease can be attributed largely to a decrease in net non-operating revenues and expenses, wherein the System experienced a 52.7% decrease in gifts received, a 38.4% decrease in net investment income and a 66.6% decrease in other non-operating revenues as lease revenue returned to a more normalized amount after recognition of several years of prior lease payments during 2019. These decreases were somewhat offset by increases in federal non-operating revenues as a result of funding provided for facilities through the Louisiana Office of Facility Control and that were received as a result of the CARES Act.

Other revenues, expenses, gains and losses which include non-recurring items such as capital appropriations and gifts were \$75.4 million in 2020 compared to \$39.9 million in 2019. The increase of \$35.5 million was attributable to the donation of several athletic facilities to LSU from the Tiger Athletic Foundation.

As stated previously, when accounting for all of the operating, non-operating and other revenues and expenses as described above, the System's net financial position improved by \$116.6 million over 2019 (as restated).

## OVERVIEW OF THE FINANCIAL STATEMENTS

The System's financial report consists of three sections: Management's Discussion and Analysis (this section), the basic financial statements, including the notes to the financial statements, and supplementary information. The basic financial statements are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows, as well as the financial statements related to the discretely presented component units.

## BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the System as a whole. The Statement of Net Position presents the financial position of the System at the end of the fiscal year and includes all assets, deferred outflows, liabilities, and deferred inflows of the System. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows is one way to measure the System's financial health or net position, while the change in net position is a useful indicator of whether the financial condition of the System is improving or deteriorating. Over time, increases or decreases in the System's net position can be useful in assessing whether its financial health is improving. Other non-financial factors such as the trend in enrollment and the condition of the physical plant are also useful in evaluating the overall financial health of the System. Finally, the Statement of Cash Flows presents the significant sources and uses of cash.

## STATEMENT OF NET POSITION

Net position is divided into three major categories.

Net investment in capital assets represents the System's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

Restricted net position represents the System's assets that are available for spending only as legally or contractually permitted, or obligated by legislative requirements, donor agreements, grant requirements, etc.

Unrestricted net position represents the System's assets that may be used at the discretion of the governing board to meet current expenses and for any lawful purpose.

From the data presented, readers of the Statement of Net Position are able to determine the following:

- The assets available to further the mission of the System,
- Deferred outflows and inflows representing consumption or acquisition of net resources applicable to future periods,

- The liabilities of the System which include the amount owed vendors, lending institutions, bondholders and retirees, and
- The net position and availability of assets for use by the System.

Current assets total \$1.2 billion and consist primarily of cash and cash equivalents, net receivables including leases receivable, investments, amounts due from governments, and prepaid expenses and advances. Deferred outflows of resources total \$814.9 million and consist primarily of deferred outflows related to changes in the pension liability, deferred outflows related to debt refunding, and deferred outflows related to other post-employment benefits liability. Current liabilities total \$460.2 million and consist mainly of accounts payable and accrued liabilities, unearned revenues, the current portion of bonds payable and other borrowings, amounts held in custody for others, the other post-employment benefits liability to be paid within one year, and a contingent amount for uncompensated absences.

Noncurrent assets total \$4.8 billion and include net capital assets of \$2.0 billion and other noncurrent assets total \$2.8 billion. The other noncurrent assets primarily include leases receivable of \$2.3 billion along with cash and investments that are externally restricted to certain programs and/or to make debt service payments or to maintain sinking or reserve funds, as well as other restricted assets. Noncurrent liabilities total \$5.7 billion and include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) the other postemployment benefits liability that will not be paid within one year; (4) the net pension liability; (5) unearned revenue; and (6) other liabilities that, while scheduled to be paid within one year, are to be paid from funds classified as noncurrent assets. Deferred inflows of resources total \$400.0 million and consist primarily of changes in the net pension liability and the other post-employment benefits liability that will be recognized as inflows in future years.

Restricted nonexpendable net position totals \$188.6 million and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal.

Restricted expendable net position totals \$341.3 million and includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. A summarized listing of the System's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2020, and June 30, 2019 (restated), follows.

## Louisiana State University System Statement of Net Position

	As of		Change	Percentage Change
	June 30, 2020	June 30, 2019 (Restated)		
<b>Assets:</b>				
Current assets	\$ 1,182,039,984	\$ 1,089,187,769	\$ 92,852,215	8.5%
Capital and intangible assets	2,041,162,556	1,951,236,102	89,926,454	4.6%
Other assets	2,736,853,320	2,821,673,099	(84,819,779)	(3.0%)
Total Assets	<u>5,960,055,860</u>	<u>5,862,096,970</u>	<u>97,958,890</u>	1.7%
<b>Deferred Outflows of Resources:</b>				
Deferred amounts on debt refunding	23,726,613	20,493,064	3,233,549	15.8%
OPEB-related deferred outflows of resources	408,407,431	111,948,473	296,458,958	264.8%
Deferred outflows related to pensions	382,754,012	311,801,586	70,952,426	22.8%
Total Deferred Outflows of Resources	<u>814,888,056</u>	<u>444,243,123</u>	<u>370,644,933</u>	83.4%
Total Assets and Deferred Outflows of Resources	<u>6,774,943,916</u>	<u>6,306,340,093</u>	<u>468,603,823</u>	7.4%
<b>Liabilities:</b>				
Current liabilities	460,234,099	436,898,976	23,335,123	5.3%
Noncurrent liabilities	5,734,217,477	5,513,852,574	220,364,903	4.0%
Total Liabilities	<u>6,194,451,576</u>	<u>5,950,751,550</u>	<u>243,700,026</u>	4.1%
<b>Deferred Inflows of Resources:</b>				
OPEB-related deferred inflows of resources	273,735,089	113,892,952	159,842,137	140.3%
Deferred inflows related to pensions	126,228,199	177,808,676	(51,580,477)	(29.0%)
Total Deferred Inflows of Resources	<u>399,963,288</u>	<u>291,701,628</u>	<u>108,261,660</u>	37.1%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 6,594,414,864</u>	<u>\$ 6,242,453,178</u>	<u>\$ 351,961,686</u>	5.6%
<b>Net Position:</b>				
Net investment in capital assets	\$ 1,341,984,183	\$ 1,315,691,522	\$ 26,292,661	2.0%
Restricted - nonexpendable	188,640,535	186,320,293	2,320,242	1.2%
Restricted - expendable	341,321,952	361,688,347	(20,366,395)	-5.6%
Unrestricted	<u>(1,691,417,618)</u>	<u>(1,799,813,247)</u>	<u>108,395,629</u>	6.0%
Total Net Position	<u>\$ 180,529,052</u>	<u>\$ 63,886,915</u>	<u>\$ 116,642,137</u>	182.6%

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) display information on how the System's net position changed as a result of current year operations. This statement presents the revenues of the System, both operating and nonoperating, the expenses incurred by the System, operating and non-operating, and capital grants, contributions and other net inflows or outflows.

Generally, operating revenues are recognized for providing goods and services to various customers and constituencies of the System. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Non-operating revenues are revenues for which goods and services are not provided as an exchange transaction. For example, State appropriations are required to be reported as non-operating because they are provided by the Legislature to the System without the Legislature directly receiving commensurate goods and services for those revenues.

The consolidated SRECNP at June 30, 2020, for the System indicates a net operating loss of \$610.8 million determined without including State appropriations, gifts, or investment earnings and before subtracting interest expenses on debt.

Operating revenues increased by \$123 million and operating expenses increased by \$177.5 million. Changes in operating revenues and operating expenses are identified in the financial highlights section above.

After including non-operating revenues such as State appropriations (\$450 million), gifts (\$63.7 million), federal non-operating revenues (\$95.5 million), investment income (\$52.2 million), and other non-operating revenues (\$19.8 million), and after subtracting interest expense (\$28.8 million), the System had income before other revenues, expenses, gains, and losses of \$41.2 million.

The following table summarizes the System's operating revenues for the year ending June 30, 2020 with comparative totals for the year ended June 30, 2019, as restated.

**Louisiana State University System Operating Revenues**

	As of			Percentage
	June 30, 2020	June 30, 2019 (Restated)	Change	Change
Tuition and fees, net	\$ 511,378,385	\$ 492,336,665	\$ 19,041,720	3.9%
Federal appropriations	12,147,289	13,001,295	(854,006)	(6.6%)
Grants and contracts	909,034,438	768,149,286	140,885,152	18.3%
Sales and services of educational departments	203,731,064	224,852,668	(21,121,604)	(9.4%)
Auxiliary enterprises, net	226,363,594	219,619,890	6,743,704	3.1%
Hospital income	49,479,221	72,343,752	(22,864,531)	(31.6%)
Other	28,324,055	27,150,864	1,173,191	4.3%
<b>Total operating revenues</b>	<b>\$ 1,940,458,046</b>	<b>\$ 1,817,454,420</b>	<b>\$ 123,003,626</b>	<b>6.8%</b>

**Operating Revenues**

Operating revenues for the System totaled \$1.9 billion at June 30, 2020. Major components of operating revenues are grants and contracts, representing 46.9% of the total; net tuition and fees, representing 26.4% of the total; auxiliary revenues, representing 11.7% of the total; sales and services of educational departments, representing 10.5% of the total; and hospital income, representing 2.6%.

For 2020, net tuition and fee revenue increased due to student fee increases, expansion of program offerings and other factors. Grants and contracts revenue increased because of the revenue generated from the Medicaid Managed Care Quality Incentive Program at the LSU Health Sciences Center New Orleans. Sales and services of educational departments revenue decreased as a result of reduction in activity attributable to COVID-19. Auxiliary enterprise revenue increased as a result of expanded housing at the Baton Rouge campus. Hospital income decreased due to the continued transitioning of the management and services of the hospitals to public-private partnership models.

Summarized on the next page is the Statement of Revenues, Expenses, and Changes in Net Position.



**Louisiana State University System**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	As of		Change	Percentage Change
	June 30, 2020	June 30, 2019 (restated)		
Operating revenues	\$ 1,940,458,046	\$ 1,817,454,420	\$ 123,003,626	6.8%
Operating expenses	2,551,292,808	2,373,835,329	177,457,479	7.5%
Operating loss	(610,834,762)	(556,380,909)	(54,453,853)	(9.8%)
Nonoperating revenues (expenses)	652,066,205	729,370,868	(77,304,663)	(10.6%)
Income before other revenues, expenses, gains, and losses	41,231,443	172,989,959	(131,758,516)	(76.2%)
Other revenues, expenses, gains, and losses	75,410,694	39,871,921	35,538,773	89.1%
Change in net position	116,642,137	212,861,880	(96,219,743)	(45.2%)
Net position at beginning of year - restated	63,886,915	(148,974,965)	212,861,880	142.9%
Net position at end of year	<u>\$ 180,529,052</u>	<u>\$ 63,886,915</u>	<u>\$ 116,642,137</u>	<u>182.6%</u>

### Operating Expenses

Total operating expenses for the System amounted to approximately \$2.6 billion for the year ended June 30, 2020. Instruction expenses represented 26.7% of all operating expenses and represented the largest functional component. Other major components are research expenses, 12.6%; public service expenses, 23.4%; institutional support, 7.9%; operation and maintenance of plant, 7.8%; auxiliary enterprises, 7.7%; and academic support, 5.6%. Shown below in tabular format is a summary of the System's operating expenses for the fiscal year ended June 30, 2020, with comparative totals for the year ended June 30, 2019, as restated.

### Louisiana State University System Operating Expenses

	As of		Change	Percentage Change
	June 30, 2020	June 30, 2019 (restated)		
Instruction	\$ 682,288,566	\$ 725,439,352	\$ (43,150,786)	-5.9%
Research	320,419,870	308,714,625	11,705,245	3.8%
Public service	596,403,787	434,161,933	162,241,854	37.4%
Academic support	142,143,394	168,481,155	(26,337,761)	-15.6%
Student services	50,538,611	46,778,017	3,760,594	8.0%
Institutional support	201,909,173	144,233,793	57,675,380	40.0%
Operation and maintenance of plant	198,612,785	204,172,405	(5,559,620)	-2.7%
Scholarships and fellowships	78,334,450	59,843,100	18,491,350	30.9%
Auxiliary enterprises	196,466,993	179,872,864	16,594,129	9.2%
Hospital	84,175,179	102,138,085	(17,962,906)	-17.6%
<b>Total operating expenses</b>	<b>\$ 2,551,292,808</b>	<b>\$ 2,373,835,329</b>	<b>\$ 177,457,479</b>	<b>7.5%</b>

### CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2020, the System had approximately \$2.0 billion invested in a broad range of capital assets including land, buildings and improvements, equipment, construction in progress, and infrastructure, which is net of accumulated depreciation of \$2.6 billion (see the following table).

### Louisiana State University System Capital Asset Summary

	As of		Change	Percentage Change
	June 30, 2020	June 30, 2019 (restated)		
Land and Non-depreciable Easements	\$ 83,029,017	\$ 82,178,005	\$ 851,012	1.0%
Other Capital Assets:				
Buildings and Improvements	3,294,028,834	3,142,181,189	151,847,645	4.8%
Machinery and Equipment	1,027,009,645	1,035,117,960	(8,108,315)	(0.8%)
Infrastructure	43,905,535	43,905,535	-	0.0%
Intangible Assets	87,761,685	87,578,497	183,188	0.2%
Construction/Development in Progress	62,427,332	25,096,782	37,330,550	148.7%
Total cost of capital assets	4,598,162,048	4,416,057,968	182,104,080	4.1%
Less accumulated depreciation and amortization	(2,556,999,492)	(2,464,821,866)	(92,177,626)	3.7%
<b>Capital assets, net</b>	<b>\$ 2,041,162,556</b>	<b>\$ 1,951,236,102</b>	<b>\$ 89,926,454</b>	<b>4.6%</b>

Land and Non-depreciable Easements total \$83 million, while other capital assets net of accumulated depreciation total \$1.96 billion at June 30, 2020. The overall net increase in capital assets of \$89.9 million is largely a result of an increase in buildings and improvements.

Major capital additions during 2020 included residential and athletic facilities at the Baton Rouge campus as part of the second of two public-private partnerships, this one known as the Greenhouse Project, as well as athletic facilities donated to LSU from the Tiger Athletic Foundation.

### **Long-Term Debt**

At June 30, 2020, the System had \$385.7 million in bonds outstanding, \$92.9 million in compensated absence liabilities, \$339.3 million in capital lease obligations outstanding, \$2 billion in OPEB obligations, \$1.6 billion in pension obligations, and \$1.6 billion in unearned revenue. Bonds outstanding decreased \$17.4 million from June 30, 2019, mainly due to regular principal payments being made according to schedule.

The OPEB liability increased by approximately \$179.5 million from the amount as of June 30, 2019 largely due to changes in the actuarial assumptions used in estimating the cost of future benefits. The net pension liability increased approximately \$81.3 million, also because of changes in actuarial assumptions.

The long-term portion of unearned revenue decreased by \$111.7 million as lease revenues for hospital facilities continued to be recognized as earned revenue over the applicable contract periods.

Capital lease obligations increased by \$84.4 million as a result of recognition of the means of financing for the aforementioned Greenhouse Project, a new residential facility located on the Baton Rouge campus.

### **ECONOMIC OUTLOOK**

Over the past decade the state's fiscal condition has vacillated based on various changes in state tax and exemption laws, and ups and downs in the regional economy. Institutions of higher education have experienced substantial cuts in state appropriated funds and state general fund direct appropriations. Tuition, fees and other self-generated revenues mitigated most of the reductions, and now comprise a significant portion of the total operating budget revenue. Considering the budgetary pressures at the state level as a result of the COVID-19 pandemic, it is unlikely state appropriations to higher education will grow significantly in the next two to five years, making tuition and fee setting authority more important to establish a stable funding base to maintain current academic quality and make enhancements.

In utilization of the Federal CARES Act funds allocated to Louisiana, the Legislature approved the Governor's proposal to free up State General Fund (SGF) in order to mitigate the budgetary impacts of COVID-19 in both FY 2019-20 and FY 2020-21. This allowed a number of state agencies to swap SGF funds with funds from the Federal Coronavirus Relief Fund. Higher Education was spared from a budget reduction thanks to a \$97 million swap of CARES funds;

the System's share totaling \$29.3 million. However, these one-time monies will need to be replaced by recurring revenues in FY 2021-22.

The state's general operating budget for FY 2020-21, Act 1 of the 2020 First Extraordinary Session, totals about \$35 billion and utilizes federal CARES dollars to keep important programs and services from receiving large cuts. The FY 2020-21 state general fund direct appropriation level for the System remained relatively flat from the previous fiscal year, bolstered by the federal CARES Act funds allocated to the state. The System's annual state funding per FTE student ranks near the bottom of its Southern Regional Education Board (SREB) peers while graduation rates have been equal to or exceeded the SREB average and the University is enrolling and graduating more students than ever before.

In October, the Legislature reconvened for a Second Extraordinary Session, in which members voted to renew the operational autonomies granted to certain postsecondary education institutions, which allowed LSU to retain purchasing, risk management and other autonomies it had been granted through the LA GRAD Act.

Facts, decisions, or conditions that could have an effect on financial position and results include the following:

- Changes in current enrollment
- Changes in tuition and fee charges
- Changes in state appropriations
- Significant or new capital appropriations or projects
- Changes in the healthcare arrangements
- Changes in enterprise resource systems
- Changes in bond ratings
- Changes in organizational structure

## **CONTACTING THE LOUISIANA STATE UNIVERSITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of System's finances and to show Louisiana State University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Vice President and Chief Financial Officer at 3810 West Lakeshore Drive, Suite 109, Baton Rouge, LA 70808.

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

## Statement of Net Position, June 30, 2020

**ASSETS**

## Current Assets:

Cash and cash equivalents (note 2)	\$ 242,776,270
Investments (note 3)	438,394,915
Receivables, net (note 4)	302,552,409
Due from State Treasury (note 14)	33,881,330
Due from Federal Government (note 4)	47,220,885
Inventories	6,992,525
Prepaid expenses and advances	32,456,358
Notes receivable	3,038,106
Leases receivable (note 12)	74,272,069
Other current assets	455,117
Total current assets	<u>1,182,039,984</u>

## Noncurrent Assets:

## Restricted Assets:

Cash and cash equivalents (note 2)	143,866,360
Investments (note 3)	258,633,401
Receivables, net (note 4)	216,797
Notes receivable	15,659,861
Other restricted assets	10,726,523
Investments (note 3)	54,266,440
Lease receivable (note 12)	2,252,718,012
Other noncurrent assets	765,926
Capital assets, net (note 5)	2,041,162,556
Total noncurrent assets	<u>4,778,015,876</u>

**Total assets**5,960,055,860**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amounts on debt refunding	23,726,613
OPEB-related deferred outflows of resources (note 8)	408,407,431
Pension-related deferred outflows of resources (note 7)	382,754,012

**Total deferred outflows of resources**814,888,056**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**\$ 6,774,943,916

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Position, June 30, 2020**

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities (note 6)	\$ 124,063,023
Due to Federal Government	5,292,661
Unearned revenues	215,657,287
Amounts held in custody for others	9,149,571
Other liabilities (note 26)	8,994,589
Compensated absences (note 10 and 13)	7,016,738
Capital lease obligations (note 13)	3,354,008
Notes payable (note 13)	797,367
Bonds payable (note 13)	20,224,108
Total OPEB liability (note 8)	65,684,747
<b>Total current liabilities</b>	<u>460,234,099</u>

Noncurrent Liabilities:

Compensated absences payable (note 10 and 13)	85,875,983
Capital lease obligations (note 12 and 13)	335,923,386
Notes payable (note 13)	2,808,072
Bonds payable (note 13)	365,491,468
Total OPEB liability (note 8)	1,923,677,840
Net pension liability (note 7)	1,610,873,569
Unearned revenues (notes 12 and 13)	1,408,991,896
Other noncurrent liabilities (note 13)	575,263
<b>Total noncurrent liabilities</b>	<u>5,734,217,477</u>
<b>Total liabilities</b>	<u>6,194,451,576</u>

**DEFERRED INFLOWS OF RESOURCES**

OPEB-related deferred inflows of resources (note 8)	273,735,089
Pension-related deferred inflows of resources (note 7)	126,228,199
<b>Total deferred inflows of resources</b>	<u>399,963,288</u>

**NET POSITION**

Net investment in capital assets	1,341,984,183
Restricted	
Nonexpendable (note 15)	188,640,535
Expendable (note 15)	341,321,952
Unrestricted	<u>(1,691,417,618)</u>
<b>Total net position</b>	<u>180,529,052</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

\$ 6,774,943,916

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

## COMPONENT UNITS

## Statement of Financial Position, June 30, 2020

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents (note 2)	\$ 16,133,582	\$ 16,811,970	\$ 2,963,692	\$ 35,909,244
Restricted cash and cash equivalents (note 2)	114,780,026	32,360,764	-	147,140,790
Investments (note 3)	-	15,710,504	11,016,899	26,727,403
Restricted investments (note 3)	-	3,811,525	-	3,811,525
Accrued interest receivable	290,654	-	-	290,654
Accounts receivable, net	1,455,092	3,379,860	160,796	4,995,748
Unconditional promises to give, net (note 23)	4,866,172	6,130,807	2,527,120	13,524,099
Deferred charges and prepaid expenses	-	182,574	23,664	206,238
Other current assets	159,254	24,472,986	-	24,632,240
Total current assets	137,684,780	102,860,990	16,692,171	257,237,941
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents (note 2)	-	10,244,284	908,369	11,152,653
Investments (note 3)	495,645,567	103,463,266	212,553,463	811,662,296
Other	4,475,928	-	-	4,475,928
Investments (note 3)	13,469,113	-	-	13,469,113
Other receivables, net	-	4,535,138	-	4,535,138
Unconditional promises to give, net (note 23)	13,896,415	6,241,693	5,356,924	25,495,032
Property and equipment, net (note 5)	31,786,686	216,736,243	3,465,921	251,988,850
Other noncurrent assets	1,003,624	39,758,458	-	40,762,082
Total noncurrent assets	560,277,333	380,979,082	222,284,677	1,163,541,092
<b>Total assets</b>	<b>\$ 697,962,113</b>	<b>\$ 483,840,072</b>	<b>\$ 238,976,848</b>	<b>\$ 1,420,779,033</b>
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,401,544	\$ 3,845,143	\$ 1,206,454	\$ 9,453,141
Amounts held in custody for others	23,107,383	2,495,786	77,666,616	103,269,785
Deferred revenues	40,907	26,546,111	-	26,587,018
Compensated absences payable	495,467	-	-	495,467
Current portion of notes payable	879,634	2,884,606	-	3,764,240
Current portion of bonds payable (note 13)	-	7,807,000	-	7,807,000
Total current liabilities	28,924,935	43,578,646	78,873,070	151,376,651
<b>Noncurrent Liabilities:</b>				
Amounts held in custody for others	115,132,192	544,700	-	115,676,892
Notes payable	15,308,777	16,682,845	-	31,991,622
Bonds payable (note 13)	-	133,784,383	-	133,784,383
Deferred revenues	-	31,248,216	-	31,248,216
Other noncurrent liabilities	1,777,595	-	-	1,777,595
Total noncurrent liabilities	132,218,564	182,260,144	-	314,478,708
<b>Total liabilities</b>	<b>161,143,499</b>	<b>225,838,790</b>	<b>78,873,070</b>	<b>465,855,359</b>
<b>NET ASSETS</b>				
Without donor restrictions	43,489,935	202,787,864	21,963,269	268,241,068
With donor restrictions	493,328,679	55,213,418	138,140,509	686,682,606
<b>Total net assets</b>	<b>536,818,614</b>	<b>258,001,282</b>	<b>160,103,778</b>	<b>954,923,674</b>
<b>Total liabilities and net assets</b>	<b>\$ 697,962,113</b>	<b>\$ 483,840,072</b>	<b>\$ 238,976,848</b>	<b>\$ 1,420,779,033</b>

\*As of December 31, 2019

The accompanying notes are an integral part of this statement.





**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Year Ended June 30, 2020**

**OPERATING REVENUES**

Student tuition and fees	\$ 632,591,902
Less scholarship allowances	(121,213,517)
Net student tuition and fees	<u>511,378,385</u>
Federal appropriations	12,147,289
Federal grants and contracts	160,206,092
State and local grants and contracts	69,503,499
Nongovernmental grants and contracts	679,324,847
Sales and services of educational departments	203,731,064
Hospital income	49,479,221
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 22)	249,893,980
Less scholarship allowances	(23,530,386)
Net auxiliary revenues	<u>226,363,594</u>
Other operating revenues	28,324,055
<b>Total operating revenues</b>	<u><u>1,940,458,046</u></u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	682,288,566
Research	320,419,870
Public service	596,403,787
Academic support	142,143,394
Student services	50,538,611
Institutional support	201,909,173
Operation and maintenance of plant	198,612,785
Scholarships and fellowships	78,334,450
Auxiliary enterprises	196,466,993
Hospital	84,175,179
<b>Total operating expenses (note 18)</b>	<u><u>2,551,292,808</u></u>

<b>Operating Loss</b>	<u><u>(610,834,762)</u></u>
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(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Year Ended June 30, 2020**

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	\$ 449,656,100
Gifts	63,688,595
Federal nonoperating revenues	95,524,544
Net investment income	52,171,396
Interest expense	(28,753,937)
Other nonoperating revenues	19,779,507
	<u>652,066,205</u>
<b>Income Before Other Revenues, Expenses, Gains, and Losses</b>	41,231,443
Capital appropriations	26,963,161
Capital gifts and grants	47,776,489
Additions to permanent endowments	2,725,000
Other deductions, net	(2,053,956)
	<u>116,642,137</u>
<b>Change in Net Position</b>	116,642,137
<b>Net Position at Beginning of Year, Restated (Note 16)</b>	<u>63,886,915</u>
<b>Net Position at End of Year</b>	<u>\$ 180,529,052</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

COMPONENT UNITS  
Statement of Activities  
For the Year Ended June 30, 2020

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>Changes in net assets without donor restrictions:</b>				
<b>Operating activities</b>				
Revenues:				
Contributions	\$ 1,318,737	\$ 1,733,453	\$ 237,067	\$ 3,289,257
Contract revenue	-	33,466,076	-	33,466,076
Investment earnings (loss), net	1,456,546	7,837,223	1,108,731	10,402,500
Service fees	1,331,493	-	700,670	2,032,163
Other revenues	10,555,276	13,571,387	18,420	24,145,083
Total revenues without donor restrictions	14,662,052	56,608,139	2,064,888	73,335,079
Net assets released from donor restrictions:				
Satisfaction of purpose restrictions	33,901,733	25,876,485	6,153,897	65,932,115
Total operating revenues and other support	48,563,785	82,484,624	8,218,785	139,267,194
Expenses:				
Amounts paid to benefit Universities for:				
Projects specified by donors	29,177,672	-	4,559,480	33,737,152
Projects specified by the Board of Directors	5,005,790	60,289,287	-	65,295,077
Other:				
Property operations	-	-	72,345	72,345
Other	-	14,674,764	-	14,674,764
Total program expenses	34,183,462	74,964,051	4,631,825	113,779,338
Supporting services:				
Salaries and benefits	4,854,170	2,849,373	454,917	8,158,460
Occupancy	180,737	240,079	28,563	449,379
Office operations	738,729	174,203	42,373	955,305
Travel	9,771	107,675	877	118,323
Professional services	225,323	136,299	78,816	440,438
Dues and subscriptions	14,820	38,770	4,910	58,500
Meetings and development	33,646	33,338	5,093	72,077
Depreciation	442,879	-	57,361	500,240
Other	-	1,538,010	-	1,538,010
Total supporting services	6,500,075	5,117,747	672,910	12,290,732
Fund-raising expenses	9,574,576	3,021,397	1,333,502	13,929,475
Total expenses	50,258,113	83,103,195	6,638,237	139,999,545
<b>Excess operating revenues over expenses</b>	<b>(1,694,328)</b>	<b>(618,571)</b>	<b>1,580,548</b>	<b>(732,351)</b>
<b>Change in net assets without donor restrictions</b>	<b>(1,694,328)</b>	<b>(618,571)</b>	<b>1,580,548</b>	<b>(732,351)</b>

\* For the period December 31, 2019

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**COMPONENT UNITS**

**Statement of Activities**

**For the Year Ended June 30, 2020**

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Foundations
<b>Changes in net assets with donor restrictions</b>				
Contributions	\$ 34,291,175	\$ 11,676,416	\$ 8,430,955	\$ 54,398,546
Investment earnings (loss)	4,619,619	2,684,261	5,260,760	12,564,640
Changes in value of split interest agreements	(69,739)	-	-	(69,739)
Other	-	-	-	-
Net assets released from restrictions				
Satisfaction of purpose restrictions	(33,901,733)	(25,876,485)	(6,153,897)	(65,932,115)
<b>Change in net assets with donor restrictions</b>	<u>4,939,322</u>	<u>(11,515,808)</u>	<u>7,537,818</u>	<u>961,332</u>
<b>Change in net assets</b>	3,244,994	(12,134,379)	9,118,366	228,981
<b>Net assets at beginning of year</b>	<u>533,573,620</u>	<u>270,135,661</u>	<u>150,985,412</u>	<u>954,694,693</u>
<b>Net assets at end of year</b>	<u>\$ 536,818,614</u>	<u>\$ 258,001,282</u>	<u>\$ 160,103,778</u>	<u>\$ 954,923,674</u>

\*For the period ending December 31, 2019

(Concluded)

The accompanying notes are an integral part of this statement.



**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$ 519,332,565
Federal appropriations	12,276,779
Grants and contracts	876,685,244
Sales and services of educational departments	225,693,338
Hospital income	50,821,791
Auxiliary enterprise receipts	231,192,536
Payments for employee compensation	(1,160,983,143)
Payments for benefits	(381,341,924)
Payments for utilities	(42,969,131)
Payments for supplies and services	(798,819,191)
Payments for scholarships and fellowships	(78,609,469)
Loans to students	(129,505)
Collection of loans to students	1,085,946
Other receipts	38,743,207
Net cash used by operating activities	<u>(507,020,957)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

State appropriations	418,403,220
Gifts and grants for other than capital purposes	95,208,183
Private gifts for endowment purposes	1,776,102
TOPS receipts	114,344,310
TOPS disbursements	(114,200,342)
FEMA receipts	1,198,281
FEMA disbursements	(2,363,778)
Direct lending receipts	326,694,803
Direct lending disbursements	(326,398,083)
CARES receipts	20,802,037
CARES disbursements	(20,525,263)
Other receipts	67,159,924
Net cash provided by noncapital financing activities	<u>582,099,394</u>

**CASH FLOWS FROM CAPITAL  
FINANCING ACTIVITIES:**

Proceeds from issuance of debt	82,505,717
Capital gifts and grants received	4,492,470
Purchase of capital assets	(72,167,412)
Principal paid on capital debt and leases	(19,318,249)
Interest paid on capital debt and leases	(31,226,191)
Refunding of bonds	(74,554,710)
Bond issuance cost	(829,542)
Deposits with trustees	(2,300)
Other sources	(372,333)
Net cash used by capital financing activities	<u>(111,472,550)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2020**

<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sales and maturities of investments	\$ 601,374,408
Interest received on investments	32,739,141
Purchase of investments	(541,311,784)
Net cash provided by investing activities	<u>92,801,765</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	56,407,652
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR- RESTATED</b>	<u>330,234,978</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 386,642,630</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (610,834,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	124,598,970
Non-Employer contributing entity revenue	5,085,786
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) in accounts receivable, net	(37,803,970)
Decrease in inventories	229,689
(Increase) in prepaid expenses and other	(25,545,145)
Decrease in notes receivable	2,242,326
(Increase) in deferred outflows related to OPEB	(296,458,958)
(Increase) in deferred outflows related to pensions	(70,952,426)
Decrease in other assets	1,816,101
(Decrease) in accounts payable and accrued liabilities	(13,393,379)
Increase in unearned revenue	35,208,234
Increase in amounts held in custody for others	1,320,461
Increase in compensated absences	4,829,323
Increase in total OPEB liability	179,474,772
Increase in net pension liability	81,277,678
Increase in deferred inflows related to OPEB	159,842,137
(Decrease) in deferred inflows related to pensions	(51,580,477)
Increase in other liabilities	<u>3,622,683</u>
Net cash used by operating activities	<u>\$ (507,020,957)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2020**

**RECONCILIATION OF CASH AND CASH EQUIVALENTS  
TO THE STATEMENT OF NET POSITION:**

Cash and cash equivalents classified as current assets	\$ 242,776,270
Cash and cash equivalents classified as noncurrent assets	143,866,360

<b>Cash and cash equivalents at end of the year</b>	<b>\$ 386,642,630</b>
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**SCHEDULE OF NONCASH INVESTING, CAPITAL,  
AND FINANCING ACTIVITIES:**

Capital appropriations	\$ 26,963,161
Property acquired through capital lease	87,705,000
Amortized borrowing expense	(19,089)
Increase in fair market value of assets	20,239,019
Non-Employer contributing entity revenue	5,085,786
Capital gifts and grants	43,028,847
Transfers/disposal of capital assets	231,192
	<b>\$ 183,233,916</b>

(Concluded)

The accompanying notes are an integral part of this statement.



# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

The Louisiana State University System (System) is a publicly-supported institution of higher education. The System is a component unit of the State of Louisiana within the executive branch of government. The System is under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budgets of the universities and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. The Board of Supervisors is comprised of 15 members appointed for a six-year term by the governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities. As state universities, operations of the universities' instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the System is the president.

The System is comprised of nine campuses in five cities and one state hospital. In addition, the System has established public/private partnership cooperative endeavors for the management of six additional hospitals. The System includes LSU and A&M College (LSU) and the Pennington Biomedical Research Center, both in Baton Rouge; the LSU Agricultural Center (including the Louisiana Agricultural Experiment Stations and the Louisiana Cooperative Extension Service), with headquarters in Baton Rouge; LSU Shreveport; LSU of Alexandria; LSU Eunice, a two-year institution; the LSU Health Sciences Center in New Orleans, which includes schools of Medicine, Dentistry, Nursing, Public Health, and Allied Health Professions, and a Graduate School in New Orleans, and the Louisiana State University School of Medicine in New Orleans Faculty Group Practice (a Louisiana nonprofit corporation doing business as LSU Healthcare Network); the Health Care Services Division; and the LSU Health Sciences Center in Shreveport, which includes schools of Medicine, Allied Professions, and Graduate Studies. Student enrollment as of the fourteenth class day for the System for the 2019 fall semester totaled approximately 51,051. As of November 1, 2019, the System had approximately 4,371 full and part-time faculty members with the academic rank of instructor or above, including those positions with equivalent rank.

Beginning in 1997, Louisiana Revised Statute (R.S.) 17:1519.1 provided for the operation of Louisiana's public hospitals by the LSU Health Sciences Center - Health Care Services Division, under the overall management of the LSU Board of Supervisors. These hospitals serve as the primary source of health care services for the indigent population of the state. In addition, these hospitals are utilized by the LSU Health Sciences Centers as teaching hospitals wherein the medical and dental faculty and medical education students provide the medical care to patients.

In 2013, LSU transitioned management and operations of its hospitals to private hospital partnerships. Under cooperative endeavor agreements, the Louisiana Children's Medical Center (LCMC) manages the new University Medical Center. Leonard J. Chabert Medical Center in Houma is now operated by a partnership between Terrebonne General Medical Center and Southern Regional Medical Center, which delivers services through the Ochsner Health System. University Medical Center in Lafayette is managed by Lafayette General Medical Center.

W.O. Moss Regional Medical Center in Lake Charles closed as an inpatient facility in 2013, and its outpatient services are now managed by Lake Charles Memorial Health System. Earl K. Long Medical Center in Baton Rouge closed in April 2013. An extensive network of outpatient clinics is now managed by Our Lady of the Lake Regional Medical Center. Bogalusa Medical Center is operated by Franciscan Missionaries of Our Lady Health System through Our Lady of Angels. Lallie Kemp Medical Center in Independence is under the management of the System.

Beginning in October 2013, E.A. Conway Medical Center in Monroe and LSU Medical Center in Shreveport transitioned from LSU Health Sciences Center Shreveport to management by the Biomedical Research Foundation of Northwest Louisiana, and subsequently to Ochsner LSU Health System in October 2018. The management of the Shreveport Faculty Group Practice also transitioned to Ochsner LSU Health System of North Louisiana in October 2018. Huey P. Long Medical Center under the management of LSU Health Sciences Center Shreveport closed June 30, 2014. Outpatient clinic and inpatient hospital services are delivered by Christus St. Frances Cabrini Hospital and Rapides Regional Medical Center.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards* published by GASB.

The discrete component unit foundations, which are the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, follow the provisions of the Financial Accounting Standards Board for not-for-profit organizations.

### **B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the State exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the State has control and exercises authority over budget matters; (3) the State issues or approves the issuance of bonds to finance certain construction; and (4) the System primarily serves State residents. The accompanying financial statements present information only as to the transactions of the programs of the LSU System.

#### **Blended Component Units**

Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana Non-Profit Corporation, d/b/a LSU Healthcare Network (LSUHN), supports the LSU Health Sciences Center (LSUHSC) in carrying out its patient care, educational, and research functions. The Board of Directors

consists of seven (7) members who are representatives of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the LSUHSC, and the LSU School of Medicine in New Orleans, as well as eight (8) public or community members who are not employees of LSU and are nominated by either the Nominating Committee or any member of the Board of Directors. Upon dissolution of LSUHN, any remaining assets would be distributed to the Board of Supervisors of LSU or its successor for distribution to LSUHSC or to the Louisiana State University Medical Center Foundation. LSUHN provides health care to the general public including, but not limited to, the delivery of physician medical services and other healthcare services to individuals. LSUHN receives compensation for these services from the Medicare and Medicaid programs, certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and directly from patients.

LSUHN's activities include services provided in both hospitals across Southern Louisiana and the clinics operated by LSUHN on behalf of LSUHSC. In August 2011, LSUHN and LSUHSC (through the Board of Supervisors of LSU) entered into a restated and amended agreement pursuant to the Uniform Affiliation Agreement. The agreement establishes support of the Board of Supervisors of LSU and LSUHSC-NO in the attainment of its mission and goals, particularly as they relate to the LSUHSC-NO Schools of Medicine, Allied Health Professions, Dentistry, Nursing, and Public Health (collectively, the Health Professional Schools) in their clinical practices.

LSUHN remains a private entity under Louisiana Revised Statute (LRS) 17:3390 but is combined with the Louisiana State University System for financial reporting purposes and is included in the basic financial statements of the Louisiana State University System.

To obtain the latest audit report of the LSU Healthcare Network, write to the LSU Healthcare Network, 2025 Gravier Street, 6<sup>th</sup> Floor, New Orleans, Louisiana 70112.

The Health Care Services Foundation (HCSF) and its subsidiary, Bogalusa Community Medical Center (BCMC), are blended component units of the university system and are included in the financial statements. The component units are included in the reporting entity because they are fiscally dependent on the LSU System and the LSU Health Care Services Division (HCSD) and provide services exclusively to HCSD. HCSF is a nonprofit organization, incorporated in the State of Louisiana that provides support and appropriate services to the HCSD, including purchasing, leasing, owning, operating, managing, and selling property and services to maximize healthcare capabilities in Louisiana. BCMC is a nonprofit, nonstock corporation, incorporated in Louisiana. On April 25, 2002, HCSF became the sole member of the BCMC, which leases the hospital's facilities to the HCSD. Although HCSF and BCMC are legally separate entities, they are reported as a part of the university system because their purposes are to

assist the LSU Health Care Services Division in carrying out its medical, educational, and research functions.

To obtain the latest audit report of the HCSF and the BCMC, write to Health Care Services Foundation, Post Office Box 91308, Baton Rouge, Louisiana 70821-1308.

Stephenson Technologies Corporation (STC) is an affiliate of the Louisiana State University and Agriculture and Mechanical College (LSU) that operates primarily for scientific and educational services. STC conducts contract research and development, test and evaluation, operations and maintenance, and policy development for the government, academia, and industry. The component unit is included in the reporting entity because of the significant operational relationship with LSU, its sole corporate member. STC has its headquarters in Baton Rouge, Louisiana, and conducts operations in various corporate and client locations throughout the United States. Stephenson Technologies Corporation (STC, formerly Nascent Technologies Corporation) was established on the 8th of May 2015, began operations in October 2016, and changed its name to STC in April 2017. STC qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code.

To obtain the latest audit report for STC, write to the Stephenson Technologies Corporation, 340 East Parker Street, Suite 368, Baton Rouge, Louisiana 70803-0001.

The LSU Research Foundation (formerly the LSU Research and Technology Foundation) was formed on July 3, 2002 and began operations on July 18, 2003. The LSU Research Foundation was organized to encourage, support, facilitate, foster, and manage research, technology, and start-up life sciences business emanating from the Louisiana State University System and other research institutions and facilities in Louisiana to enhance economic growth; to coordinate and manage the transfer of intellectual property and other intangible property and rights derived from such research and technology to the marketplace; and to pursue all other activities and actions contemplated by the foregoing. It is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

To obtain the latest audit report for the Foundation, write LSU Research Foundation, 101 Louisiana Emerging Technology Center, Baton Rouge, LA 70803.

### **Discretely Presented Component Units**

The LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport are included as discretely presented component units of the System in the System's basic financial statements, in

accordance with the criteria outlined in GASB Codification Section 2100. The foundations are legally separate, tax-exempt organizations supporting the System. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the System. In addition, the foundations assist the university in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The university and the LSU Foundation are also in management agreements related to endowed chairs and professorships. These agreements are in compliance with Board of Regents policy and allow the foundations to manage funds on behalf of the university.

Each of these foundations is a nonprofit organization that prepares its financial reports under the Financial Accounting Standards Board (FASB) standards as set forth in its codification (ASC), including FASB ASC Topic 958. 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 foundations' financial information in the System's financial report for these differences.

Furthermore, each of these foundations is a legally separate, tax-exempt organization supporting the LSU System. They are included in the System's financial statements because their assets, individually, equaled 3% or more of the assets of the System or the assets had equaled 3% or more of the assets of the System in the past three years.

Each discretely presented component unit is described as follows:

The LSU Foundation supports LSU A&M. During the year ended June 30, 2020, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$34,183,462. Complete financial statements for the foundation can be obtained at 3796 Nicholson Dr., Baton Rouge, Louisiana 70802 or from the foundation's website at [www.lsufoundation.org](http://www.lsufoundation.org).

The Tiger Athletic Foundation (TAF) supports LSU A&M. During the year ended December 31, 2019, TAF made distributions to or on behalf of the university for both restricted and unrestricted purposes for \$60,289,287 with an additional \$1,141,124 from booster clubs and \$219,307 from affiliated chapters. Complete financial statements for TAF can be obtained from Post Office Box 711, Baton Rouge, Louisiana 70821 or from the foundation's website at [www.lsutaf.org](http://www.lsutaf.org).

The LSU Health Sciences Foundation in Shreveport supports LSU-HSC Shreveport. During the year ended June 30, 2020, the foundation made distributions to or on behalf of the university for either restricted or unrestricted purposes for \$4,559,480. Complete financial statements for

the foundation can be obtained at 920 Pierremont, Suite 506, Shreveport, Louisiana 71106 or from the foundation's website at [www.lsuhsfoundation.org](http://www.lsuhsfoundation.org).

### **Joint Venture**

On September 18, 2018 and in accordance with R.S. 39:366.11, the Joint Legislative Committee on Budget held a public hearing on the Cooperative Endeavor Agreement (CEA) by and among the State of Louisiana (State), acting by and through the Louisiana Division of Administration (DOA), Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), and Ochsner LSU Health System of North Louisiana (OLHS-NL), a private Louisiana nonprofit corporation. The CEA and service agreements cover the hospital and clinic facilities in Shreveport and Monroe. The Joint Venture CEA, effective October 1, 2018 is for an initial term of ten (10) years. The annual base rent for the leased premises is \$41,827,876.35 adjusted annually for CPI payable directly by Ochsner LSU Hospitals, L.L.C (Lessee), a subsidiary of OLHS-NL, to The State of Louisiana, through the Division of Administration (Lessor).

LSU and Ochsner appoint equal parties to the Board and the Joint Management Committee of OLHS-NL. LSU appoints the Chief Medical Officer of OLHS-NL (CMO) who has the authority to Act on behalf of LSU in matters pertaining to the agreement, and Ochsner appoints the Chief Executive Officer (CEO). LSUHSC-S and Ochsner LSU Hospitals, LLC (OLH) will share in other fees and cost as outlined in the shared services agreement.

OLHS-NL will operate the hospitals in a manner that assures Safety Net Services are available to the citizens of north Louisiana through the hospitals and clinic facilities. In order to help compensate OLHS-NL for its role in ensuring the availability of Safety Net Services to Medicaid and uninsured beneficiaries, the State committed to include the amount of \$294,000,000 in its Executive Budget in state fiscal years 2018-2019 and 2019-2020 for Total Medicaid payments to the Hospitals and has continued this this level of funding for fiscal 2020-2021. In subsequent years, the State will continue to include the specified amount in its annual budget request and put forth reasonable good faith efforts to help insure that the Louisiana Legislature approves an appropriation.

To request a copy of the latest audit report of OLHS-NL, write to Ochsner LSU Health System of North Louisiana, 1541 Kings Highway, Shreveport, Louisiana 71103.

In addition, effective October 1, 2018, Ochsner LSU Health System of North Louisiana (OLHS-NL) became the sole member of LSU Health Sciences Center-Shreveport Faculty Group Practice (FPG) doing business as Ochsner LSU Physician Group (OLPG) which provides physician and non-physician practitioner services and medical administrative services at the hospitals by and

through LSUHSC-S faculty. To request a copy of the latest audit report of the OLPG, write to the Ochsner LSU Physician Group, 1541 Kings Highway, Shreveport, Louisiana 71103.

The LSU System is a component unit of the State of Louisiana. Annually, the State of Louisiana issues a Comprehensive Annual Financial Report, which includes the activity contained in the accompanying financial statements. These financial statements are audited by the Louisiana Legislative Auditor.

### C. BASIS OF ACCOUNTING

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-campus transactions have been eliminated.

Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the System follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA*.

#### Discrete Component Units

The foundations follow the provisions of FASB as they apply to not-for-profit organizations. The FASB has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions.
- Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundations and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**D. BUDGET PRACTICES**

The appropriations made for the General Fund of the LSU System are annual lapsing appropriations established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs, other postemployment benefits, and pension costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The original approved budget and subsequent amendments approved are as follows:

Original approved budget	\$ 1,059,809,225
Increases (Decreases)	
Self-generated	28,176,297
Interagency transfers	30,103,142
Statutory dedications	<u>25,811</u>
Final budget	<u>\$ 1,118,114,475</u>

The other funds of the System, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. All highly-liquid investments with an original maturity of three months or less are considered cash equivalents. Under State law, the LSU System may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The System may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In accordance with Louisiana Revised Statute (R.S.) 49:327, the System is authorized to invest funds in direct U.S. government obligations, U.S. government agency obligations, mutual funds, direct security repurchase agreements, and time certificates of deposit. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are U.S. Treasury securities, mutual funds, and investments



held by private foundations and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

In accordance with provisions of Article VII, Section 14 of the Louisiana Constitution and R.S. 49:327(C)(3)(b), the university may invest publicly-funded, permanently-endowed funds in the stock of any corporation listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations display on the National Association of Securities Dealers Automated Quotations System, provided that the total investment in such stocks at any one time shall not exceed 35% of the market value of all publicly-endowed funds of the university. The System's investment of endowed chairs and professorships funded by the Board of Regents and maintained by the foundations are authorized by policies and procedures established by the Board of Regents.

#### **F. INVENTORIES**

Inventories are valued at cost or replacement cost, except for livestock at LSU and the LSU Agricultural Center and the inventory of the Dental School of the LSU Health Sciences Center in New Orleans. These inventories are valued at current market prices. The System uses periodic and perpetual inventory systems and values its various other inventories using the first-in, first-out and weighted-average valuation methods. The System accounts for its inventories using the consumption method.

#### **G. NONCURRENT RESTRICTED ASSETS**

Cash, investments, receivables, and other assets that are externally restricted for grants, endowments, debt service payments, maintenance of sinking or reserve funds, or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Position.

#### **H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated acquisition value at the date of donation. For movable property, the System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that total \$100,000 or more and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Depreciation and amortization expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position. The LSU System uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

Hospitals and medical units within the LSU Health Sciences Centers are subject to federal cost reporting requirements and use capitalization and depreciation policies of the Centers for Medicare and Medicaid Services to ensure compliance with federal regulations. These capitalization policies include capitalizing all assets above \$5,000, depreciable lives greater than 40 years on some assets, and recognizing one-half year of depreciation in the year of acquisition and in the final year of useful life.

#### **I. UNEARNED REVENUES**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year that are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned, advanced lease payments and capital leases accounted for as unearned revenues.

#### **J. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences, total OPEB liabilities, and the System's proportionate share of net pension liabilities that will not be paid within the next fiscal year; (3) unearned revenues; and (4) other liabilities that will not be paid within the next fiscal year.

#### **K. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with State law and administrative regulations. Faculty with 12-month appointments who have over 10 years of State service, nonclassified employees with over 10 years of State service, and classified employees regardless of years of State service accumulate leave without limitation. According to the System leave schedule, faculty with 12-month appointments who have less than 10 years of State service and nonclassified employees with less than 10 years of State service can only accumulate 176 hours of annual leave; sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

**L. NET POSITION**

The System's net position is classified as follows:

(1) Net Investment in Capital Assets

This represents the System's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

(2) Restricted Net Position - Expendable

Restricted expendable net position includes resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) Restricted Net Position - Nonexpendable

Restricted nonexpendable net position consists of endowment and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(4) Unrestricted Net Position

Unrestricted net position represents the net difference between those assets, deferred outflows, deferred inflows, and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. Such net resources are generally derived from student tuition and fees, State appropriations, and sales and services of educational departments and certain auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System's policy is to first apply the expense toward unrestricted resources, and then toward restricted resources.

**M. CLASSIFICATION OF REVENUES**

The System has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- (a) Operating Revenue - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) hospital income; and (4) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating Revenue - Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants that do not have the characteristics of exchange transactions.

#### **N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the student's behalf.

#### **O. ELIMINATING INTERFUND ACTIVITY**

All major activities among departments, campuses, and auxiliary units of the LSU System are eliminated for purposes of preparing the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

#### **P. 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 those estimates.

#### **Q. DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

#### **R. PENSION PLANS**

The System is a participating employer in two defined benefit pension plans (plans), as described in note 7. For purposes of measuring the Net Pension Liability, deferred

outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Synthetic guaranteed investment contracts are reported at contract value. All other investments have been reported at fair value within each plan.

## **S. ACCOUNTING CHANGES AND STANDARDS IMPLEMENTED**

The System applied the provisions of GASB Technical Bulletin 2020-1 *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*, which established accounting for certain aspects of CARES Act assistance, including recognition of revenue for Payroll Protection Program loan forgiveness, effects of subsequent amendments to the CARES Act, extraordinary and special items, and classification of revenues.

The Tiger Athletic Foundation, one of the System's discretely presented component units, implemented Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals 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. The LSU Foundation applied FASB's ASU 2020-05 thereby delaying implementation of this reporting standard and the reporting standard had no impact for LSU Health Sciences Foundation in Shreveport.

The LSU Foundation adopted Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the year ended June 30, 2020. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Certain accounting and other changes were initially planned, however; the System applied GASB statement 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which delayed implementation of GASB 84 *Fiduciary Activities*, which was initially scheduled to be effective for the fiscal year ended June 30, 2020.

## **2. CASH AND CASH EQUIVALENTS**

At June 30, 2020, the System has cash and cash equivalents (book balances) of \$386,642,630 as follows:

Petty Cash	\$ 292,380
Demand deposits	374,182,377
Certificates of deposit	18,600
Money market funds	10,945,200
Open-end mutual fund	316,065
Cash held in foundation bond funds	<u>888,008</u>
Total	<u>\$ 386,642,630</u>

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits may not be recovered. Under state law, the System's deposits must be secured by Federal deposit insurance or similar Federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the System or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2020, \$17,250,012 of the System's bank balance of \$436,634,262 was exposed to custodial credit risk, as these balances were uninsured and uncollateralized.

Disclosures required for the open-end mutual fund reported above as cash equivalents are included in note 3.

### **CASH AND CASH EQUIVALENTS - COMPONENT UNITS**

Cash and cash equivalents of the component units totaling \$194,202,687, as reported on the Statement of Financial Position, and prepared under the standards set forth by the FASB, which does not require the disclosures of GASB Statement 40, *Deposit and Investment Risk Disclosures*. However, a brief summary of the cash and cash equivalents where held and associated risk is presented below.

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. TAF has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The LSU Health Sciences Foundation in Shreveport considers cash to include amounts on hand and amounts on deposit at financial institutions which are not held within the investment portfolio. 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.

### 3. INVESTMENTS

At June 30, 2020, the System has investments totaling \$751,294,756.

The System's established investment policy follows State law (R.S. 49:327), which authorizes the System to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. In addition, 35% of the System's publicly-funded permanent endowment funds may be invested in common stocks listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations on the National Association of Securities Dealers Automated Quotations System.

To the extent available, the Systems' investments are recorded at fair value as of June 30, 2020. GASB Statement No. 72 - *Fair Value Measurement and Application*, defines fair value as 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. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques maximized the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- |         |   |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.                 |
| Level 3 | Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.                                    |

A summary of the System's investments, along with the fair value hierarchy levels of each type of investment is as follows:

**Investments by Fair Value Level**

Type of Investment	Total Value	Fair Value Hierarchy		
		Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Negotiable CDs	\$ 100,413	\$ 100,413	\$ -	\$ -
Repurchase Agreements	1,195,248	1,195,248	-	-
U.S. Treasury Securities	34,203,200	34,203,200	-	-
Bonds and Notes:				
Federal Home Loan Bank	10,924,953	5,148,598	5,776,355	-
Federal Home Loan Mortgage Corporation	1,993,200	1,993,200	-	-
Federal Farm Credit Bank	42,613,971	-	42,613,971	-
Small Business Administration	5,933,309	-	5,933,309	-
World Bank Group	12,051,696	-	12,051,696	-
Collateralized Mortgage Obligations:				
Federal National Mortgage Association	13,289,524	-	13,289,524	-
Mortgage Backed Securities:				
Federal National Mortgage Association	18,926,181	12,952	18,913,229	-
Government National Mortgage Association	14,839,608	-	14,839,608	-
Small Business Administration	4,735,829	-	4,735,829	-
Corporate debt obligations	192,585,617	68,325,166	122,020,288	2,240,163
Municipal obligations	121,171,235	7,648,974	113,522,261	-
Fixed income mutual funds	2,359,586	2,359,586	-	-
Money market mutual funds	42,392,053	42,392,053	-	-
Equity:				
Equity mutual funds	47,621,573	46,512,871	1,108,702	-
Common and preferred stock	3,594,913	3,594,913	-	-
Investments held through Foundation (commingled)	46,624,365	46,624,365	-	-
Investments held through Foundation (held separately):				
Money market mutual funds	13,864,753	13,864,753	-	-
Equity mutual funds	32,046,752	32,046,752	-	-
Fixed Income mutual funds	44,682,289	44,682,289	-	-
Other commingled funds - fixed income	3,892,472	-	3,892,472	-
JP Morgan Savings Account	91,170	91,170	-	-
Realty Investments	9,029,356	-	-	9,029,356
<b>Total Investments by Fair Value Level</b>	<b>720,763,266</b>	<b>350,796,503</b>	<b>358,697,244</b>	<b>11,269,519</b>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Comingled funds held through foundation (net asset value)	25,804,619			
<b>Investments Reported at Amounts Other than Fair Value</b>				
<u>Other:</u>				
New Orleans Regional Physician Hospital Organization	2,531,213			
Interest Receivable	1,947,280			
BCMC Foundation Nonnegotiable Certificates of Deposit	248,378			
<b>Total Investments</b>	<b>\$ 751,294,756</b>			

Level 1 investments listed in the above table are valued using prices quoted in active markets for those securities.

Level 2 investments listed in the above table are valued using the following approaches:



- U.S. Government Agency Securities: quoted prices for similar securities in active markets, or matrix pricing based on the securities' relationship to benchmark quoted prices;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Small Business Administration: quoted prices for similar securities in active markets;
- Fixed Income Mutual Fund: quoted prices for similar securities in active markets;
- Investments held through foundations: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 investments listed in the above table include realty investments and corporate debt obligations. Valuation techniques utilized by the University are appraisals and other valuations typically based on management assumptions or expectations. Realty investments are generally less liquid and have no observable pricing inputs where there is little, if any, market activity for the investment.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2020 are presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Comingled funds held through foundation	\$ 25,804,619	\$ -	Quarterly or less	≤ 90 days

Investments reported at amounts other than fair value include the New Orleans Regional Hospital Organization (PH Holdings, LLC), which is valued using the cost method based on the audited financial statements and the accrued interest receivable is valued at the estimated amount expected to be received on the investments listed in the above table.

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rate. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The table below identifies the System's fixed-income investments by maturity ranges at June 30, 2020.

Type of Investments:	Investments	Carrying Value	Investment Maturities in Years					
			Less Than 1	1 - 5	6 - 10	11 - 20	21 - 30	Greater than 30
<b><u>Investments Reported by Fair Value Level:</u></b>								
Negotiable certificates of deposit	0.01%	\$ 100,413	\$ 100,413	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	0.16%	1,195,248	1,195,248	-	-	-	-	-
U.S. Treasury Securities	4.55%	34,203,200	2,719,239	30,936,053	547,908	-	-	-
U.S. Government Agency Securities:								
Bonds and Notes:								
Federal Home Loan Bank	1.45%	10,924,953	-	4,391,990	1,369,413	5,163,550	-	-
Federal Home Loan Mortgage Corporation	0.27%	1,993,200	-	-	1,993,200	-	-	-
Federal Farm Credit Bank	5.67%	42,613,971	1,000,850	-	6,315,150	35,297,971	-	-
Small Business Administration	0.79%	5,933,309	-	-	2,265,694	3,667,615	-	-
World Bank Group	1.60%	12,051,696	-	-	-	12,051,696	-	-
Collateralized Mortgage Obligations:								
Federal National Mortgage Association	1.77%	13,289,524	-	-	-	13,289,524	-	-
Mortgage Backed Securities:								
Federal National Mortgage Association	2.52%	18,926,181	-	1,236,985	3,396,899	7,053,087	7,239,210	-
Government National Mortgage Association	1.98%	14,839,608	-	-	-	-	14,839,608	-
Small Business Administration	0.63%	4,735,829	-	4,183,955	551,874	-	-	-
Corporate debt obligations	25.63%	192,585,617	42,917,775	54,142,960	75,876,602	12,437,285	7,210,995	-
Municipal obligations	16.13%	121,171,235	3,024,190	26,481,494	46,596,669	39,518,654	5,550,228	-
Fixed income mutual funds	0.31%	2,359,586	665,873	-	1,693,713	-	-	-
Money market mutual funds	5.64%	42,392,053	-	-	-	-	-	-
Equity:								
Equity mutual funds	6.34%	47,621,573	-	-	-	-	-	-
Common and preferred stock	0.48%	3,594,913	-	-	-	-	-	-
Investments held through Foundation (commingled)	6.21%	46,624,365	-	-	-	-	-	-
Investments held through Foundation (held separately):								
Money market mutual funds	1.85%	13,864,753	-	-	-	-	-	-
Equity mutual funds	4.27%	32,046,752	-	-	-	-	-	-
Fixed income mutual funds	5.95%	44,682,289	716,026	19,840,471	16,814,315	257,289	7,054,188	-
Other commingled funds - fixed income	0.52%	3,892,472	-	3,078,009	207,028	72,375	-	535,060
JP Morgan Savings Account	0.01%	91,170	-	-	-	-	-	-
Realty Investments	1.20%	9,029,356	-	-	-	-	-	-
<b><u>Investments Measured at Net Asset Value (NAV)</u></b>								
Comingled funds held through foundation (net asset value)	3.43%	25,804,619	699,392	25,105,227	-	-	-	-
<b><u>Investments Reported at Amounts Other than Fair Value</u></b>								
Other:								
New Orleans Regional Physician Hospital Organization	0.34%	2,531,213	-	-	-	-	-	-
Interest Receivable	0.26%	1,947,280	-	-	-	-	-	-
BCMC Foundation Nonnegotiable Certificates of Deposit	0.03%	248,378	-	-	-	-	-	-
		<u>\$ 751,294,756</u>	<u>\$ 53,039,006</u>	<u>\$ 169,397,144</u>	<u>\$ 157,628,465</u>	<u>\$ 128,809,046</u>	<u>\$ 41,894,229</u>	<u>\$ 535,060</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the System's investments by type, as described previously; however, the System does not have policies to further limit credit risk.

Ratings issued by the major rating agencies which indicate the level of credit risk for holdings of the System are as follows:

<u>Rating Agency Used</u>	<u>Rating</u>	<u>Fair Value</u>
	Unrated	\$ 166,212,938
Fitch	A-	121,147
Fitch	A+	8,422,305
Fitch	AA	1,094,370
Fitch	AA-	218,556
Moody's	A1	2,019,025
Moody's	A2	3,632,350
Moody's	A3	7,180,085
Moody's	Aa1	9,735,084
Moody's	Aa2	12,954,552
Moody's	Aa3	9,022,800
Moody's	Baa2	1,192,270
Moody's	AAA	14,044,896
S&P	A	10,513,332
S&P	A-	31,859,087
S&P	A+	10,317,056
S&P	A+f	1,693,713
S&P	AA	31,154,253
S&P	AA-	55,013,742
S&P	AA+	90,677,971
S&P	AAA	36,130,632
S&P	BB	441,500
S&P	BBB	960,738
S&P	BBB+	17,234,998
Total		<u>\$ 521,847,400</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the System's investments are exposed to custodial credit risk. For U.S. Treasury obligations and U.S. government agency obligations, the System's investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The System has a policy to limit concentration of credit risk with regard to the investment of equities. However, it does not have a policy to limit interest rate risk or the concentration of debt securities with any one issuer.

The System's concentrations are as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Total</u>
Federal Farm Credit Bank	\$ 42,613,971	5.67%

The open-end mutual fund amount of \$316,065, included in cash and cash equivalents, consists of \$1,506 invested in JPMorgan U.S. Government Plus Money Market Fund and \$314,559 of other investments. The holdings for the JPMorgan U.S. Government Plus Money Market Fund invests in high quality, short-term money market instruments which are issued and payable in U.S. dollars. The Fund principally invests in high quality commercial paper and other short-term debt securities, including floating and variable rate demand notes of U.S. and foreign corporations, debt securities issued or guaranteed by qualified U.S. and foreign banks, including certificates of deposit, time deposits, and other short-term securities, securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or Government-Sponsored Enterprises ("GSEs"), asset-backed securities, repurchase agreements, and taxable municipal obligations.

The investments in mortgage-backed securities and Small Business Administration securities are based on flows from payments on the underlying mortgages and loans that contain prepayment options that cause them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

The LSU System has \$104.8 million invested in highly sensitive investments. Of this total, \$66.3 million is invested in step-up notes, variable notes, and floating rate notes.

The step-up notes are comprised of a single, \$1.0 million corporate debt obligation. Investments in step-ups are highly sensitive to changes in interest rates due to the increasing coupons combined with the call feature embedded within the notes. The call feature grants the issuer the option to call the investment on certain specified dates. The "step-up" refers to the coupon rate of the note increasing to rates specified at inception and on a specified date. This step-up note has an initial "step" date of July 2020 and an initial coupon rate of 3.25%. The final "step" date for this security is July 2021 with a final coupon rate of 4.25%.

The variable and floating rate securities consist of \$46.1 million in corporate debt obligations and \$19.2 million in U.S. Government agency (Federal National Mortgage Association and Small Business Administration) bonds and notes. Variable and Floating Rate Notes are debt obligations that have variable interest rates. These types of securities have coupon payments that correlate to a benchmark such as LIBOR and Treasury Bill rates for example. In many instances, the coupon paid is based on a spread to or as a percentage of a specified benchmark, and may include a "floor and cap" rate. The investments in variable and floating rate notes are highly sensitive to changes in interest rates due to the coupons regularly changing in relation to the corresponding benchmark. In addition, variable and floating rate notes may include a call feature. These variable and floating rate notes had coupons ranging from 0.52% to 4.58%. The maturity dates range from February 2021 to October 2038.

Investments held by private foundations in external investment pools are managed in accordance with the terms outlined in management agreements executed between the university and the foundations. Each university is a voluntary participant. The foundations hold and manage funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship Programs.

### INVESTMENTS - COMPONENT UNITS

The carrying amount, which is equal or approximately equal to the fair value of investments held by the component unit foundations at June 30, 2020, follows:

Type of Investment	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total Investments
Money markets/certificates of deposit	\$ -	\$ 4,417,953	\$ 175,098	\$ 4,593,051
Debt obligations	28,593,249	89,245,768	-	117,839,017
Corporate stocks, common stocks, and indexed mutual funds	133,473,017	27,274,553	-	160,747,570
Shaw Center for the Arts, LLC	13,469,113	-	-	13,469,113
Royalty interest	154,084	-	-	154,084
Mutual funds	139,850,473	-	156,065,561	295,916,034
Private equity	73,268,784	-	279,542	73,548,326
Hedged funds	67,473,764	-	-	67,473,764
Real estate	-	1,043,850	-	1,043,850
Real assets	-	1,003,171	-	1,003,171
Municipal bonds	7,077,914	-	-	7,077,914
Separately managed accounts	45,754,282	-	-	45,754,282
Agency investments for LSUHSC Shreveport	-	-	67,050,161	67,050,161
<b>Total Investments</b>	<b>\$ 509,114,680</b>	<b>\$ 122,985,295</b>	<b>\$ 223,570,362</b>	<b>\$ 855,670,337</b>

\*As of December 31, 2019

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the Statement of Financial Position for \$13,469,113 at June 30, 2020, is accounted for by the equity method.

**4. RECEIVABLES**

Receivables and amounts due from the federal government are shown on Statement A net of an allowance for doubtful accounts, as follows:

	Receivables	Doubtful Accounts	Net Receivables
Student tuition and fees	\$ 58,813,265	\$ 63,730	\$ 58,749,535
Auxiliary enterprises	7,971,243	1,273	7,969,970
Contributions and gifts	3,716,744	-	3,716,744
Federal grants and contracts	47,220,885	-	47,220,885
State and private grants and contracts	181,699,290	1,452,913	180,246,377
Sales and services/other	35,329,500	558,059	34,771,441
Clinics	12,003,978	3,978,925	8,025,053
Hospital	21,291,962	16,819,458	4,472,504
Other - uncompensated care	4,817,582	-	4,817,582
Total	<u>\$ 372,864,449</u>	<u>\$ 22,874,358</u>	<u>\$ 349,990,091</u>

## 5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2019	Prior Period Adjustment	Restated Balance June 30, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Capital assets not being depreciated							
Land	\$ 82,018,105	\$ 159,900	\$ 82,178,005	\$ 851,012	\$ -	\$ -	\$ 83,029,017
Capitalized collections	8,231,813	-	8,231,813	98,250	-	(77,335)	8,252,728
Construction-in-progress	25,096,782	-	25,096,782	45,800,814	(8,470,264)	-	62,427,332
Total capital assets not being depreciated	\$ 115,346,700	\$ 159,900	\$ 115,506,600	\$ 46,750,076	\$ (8,470,264)	\$ (77,335)	\$ 153,709,077
Other capital assets:							
Infrastructure	\$ 43,905,535	\$ -	\$ 43,905,535	\$ -	\$ -	\$ -	\$ 43,905,535
Less accumulated depreciation	(23,510,516)	-	(23,510,516)	(1,132,187)	-	-	(24,642,703)
Total infrastructure	20,395,019	-	20,395,019	(1,132,187)	-	-	19,262,832
Land improvements	137,430,609	-	137,430,609	5,253,398	671,653	(8,976)	143,346,684
Less accumulated depreciation	(83,924,256)	-	(83,924,256)	(4,908,603)	-	8,976	(88,823,883)
Total land improvements	53,506,353	-	53,506,353	344,795	671,653	-	54,522,801
Buildings	2,979,946,683	24,803,897	3,004,750,580	135,621,335	12,141,556	(1,831,321)	3,150,682,150
Less accumulated depreciation	(1,375,694,221)	(10,557,794)	(1,386,252,015)	(79,364,519)	(4,943,287)	1,601,090	(1,468,958,731)
Total buildings	1,604,252,462	14,246,103	1,618,498,565	56,256,816	7,198,269	(230,231)	1,681,723,419
Equipment (including library books)	1,025,824,795	1,061,352	1,026,886,147	27,633,425	612,991	(36,375,646)	1,018,756,917
Less accumulated depreciation	(883,349,167)	(622,538)	(883,971,705)	(38,939,469)	(12,649)	35,748,651	(887,175,172)
Total equipment	142,475,628	438,814	142,914,442	(11,306,044)	600,342	(626,995)	131,581,745
Software (internally generated and purchased)	84,291,631	-	84,291,631	146,269	-	(18,563)	84,419,337
Other intangibles	3,286,866	-	3,286,866	55,482	-	-	3,342,348
Less accumulated amortization - software	(84,153,744)	-	(84,153,744)	(146,642)	-	18,563	(84,281,823)
Less accumulated amortization - other intangibles	(3,009,630)	-	(3,009,630)	(107,550)	-	-	(3,117,180)
Total intangible assets	415,123	-	415,123	(52,441)	-	-	362,682
Total other capital assets	\$ 1,821,044,585	\$ 14,684,917	\$ 1,835,729,502	\$ 44,110,939	\$ 8,470,264	\$ (857,226)	\$ 1,887,453,479
Capital asset summary:							
Capital assets not being depreciated	\$ 115,346,700	\$ 159,900	\$ 115,506,600	\$ 46,750,076	\$ (8,470,264)	\$ (77,335)	\$ 153,709,077
Other capital assets, at cost	4,274,686,119	25,865,249	4,300,551,368	168,709,909	13,426,200	(38,234,506)	4,444,452,971
Total cost of capital assets	4,390,032,819	26,025,149	4,416,057,968	215,459,985	4,955,936	(38,311,841)	4,598,162,048
Less accumulated depreciation and amortization	(2,453,641,534)	(11,180,332)	(2,464,821,866)	(124,598,970)	(4,955,936)	37,377,280	(2,556,999,492)
Capital assets, net	\$ 1,936,391,285	\$ 14,844,817	\$ 1,951,236,102	\$ 90,861,015	\$ -	\$ (934,561)	\$ 2,041,162,556

**COMPONENT UNITS**

	Balance June 30, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Capital assets not being depreciated					
Land	\$ 7,671,260	\$ 343,173	\$ -	\$ -	\$ 8,014,433
Capitalized collections	4,218,976	-	-	-	4,218,976
Construction-in-progress	23,800,094	31,702,628	(43,969,856)	(453,196)	11,079,670
<b>Total Capital assets not being depreciated</b>	<b>\$ 35,690,330</b>	<b>\$ 32,045,801</b>	<b>\$ (43,969,856)</b>	<b>\$ (453,196)</b>	<b>\$ 23,313,079</b>
Other capital assets:					
Land improvements	\$ 9,341,755	\$ -	\$ -	\$ -	\$ 9,341,755
Less accumulated depreciation	(1,392,812)	(250,391)	-	-	(1,643,203)
Total land improvements	7,948,943	(250,391)	-	-	7,698,552
Buildings	274,911,242	3,271,572	6,163,766	-	284,346,580
Less accumulated depreciation	(55,424,015)	(8,383,854)	-	-	(63,807,869)
Total buildings	219,487,227	(5,112,282)	6,163,766	-	220,538,711
Equipment	3,122,366	1,204	-	(138,301)	2,985,269
Less accumulated depreciation	(2,301,084)	(299,698)	-	54,021	(2,546,761)
Total equipment	821,282	(298,494)	-	(84,280)	438,508
<b>Total other capital assets</b>	<b>\$ 228,257,452</b>	<b>\$ (5,661,167)</b>	<b>\$ 6,163,766</b>	<b>\$ (84,280)</b>	<b>\$ 228,675,771</b>
Capital asset summary:					
Capital assets not being depreciated	\$ 35,690,330	\$ 32,045,801	\$ (43,969,856)	\$ (453,196)	\$23,313,079
Other capital assets, at cost	287,375,363	3,272,776	6,163,766	(138,301)	296,673,604
Total cost of capital assets	323,065,693	35,318,577	(37,806,090)	(591,497)	319,986,683
Less accumulated depreciation	(59,117,911)	(8,933,943)	-	54,021	(67,997,833)
<b>Capital assets, net</b>	<b>\$ 263,947,782</b>	<b>\$ 26,384,634</b>	<b>\$ (37,806,090)</b>	<b>\$ (537,476)</b>	<b>\$ 251,988,850</b>

**6. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2020, were as follows:

<u>Activity</u>	<u>Amount</u>
Vendors	\$ 53,716,052
Salaries and benefits	57,785,814
Accrued interest	89,505
Other payables	12,471,652
<b>Total</b>	<b>\$ 124,063,023</b>



## 7. DEFINED BENEFIT PENSION PLANS

The System is a participating employer in two cost-sharing, multiple employer defined benefit pension plans. These plans are administered by two public employee retirement systems, the Teachers' Retirement System of Louisiana (TRSL), and the Louisiana State Employees' Retirement System (LASERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees and both systems are component units of the State of Louisiana.

Each of the systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

TRSL:

8401 United Plaza Blvd.  
P.O. Box 94123  
Baton Rouge, Louisiana  
70804-9123  
(225) 925-6446  
www.trsl.org

LASERS:

8401 United Plaza Blvd.  
P.O. Box 44213  
Baton Rouge, Louisiana  
70804-4213  
(225) 925-0185  
www.lasersonline.org

### Plan Descriptions

#### Teachers' Retirement System of Louisiana (TRSL)

TRSL is the administrator of a cost-sharing multiple employer defined benefit plan. The plan provides retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S. 11:701. The age and years of creditable service required for a member to receive retirement benefits are established by R.S. 11:761 and vary depending on the member's hire date. The computation for retirement benefits is defined in R.S. 11:768.

#### Louisiana State Employees' Retirement System (LASERS)

LASERS is the administrator of a cost-sharing multiple employer defined benefit pension plan to provide retirement, disability, and survivor's benefits to eligible State employees and their beneficiaries as defined in R.S. 11:411-417. Act 922 of the 2010 Regular Legislative Session closed existing sub-plans for members hired before January 1, 2011, and created new sub-plans for regular members, hazardous duty members, and judges. The substantial majority of the System's members are regular plan members. The System has participants in this plan who began service under the LASERS plan and later transferred to employment with the System. The age and years of creditable service required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. The computation of retirement benefits is defined in R.S. 11:444.

A brief summary of eligibility and benefits of the plans are provided in the following table:

Final average salary	TRSL	LASERS
	Highest 36 or 60 months <sup>1</sup>	Highest 36 or 60 months <sup>1</sup>
Years of service required and/or age eligible for benefits	30 years any age <sup>5</sup>	30 years any age
	25 years age 55	25 years age 55
	20 years any age <sup>2</sup>	20 years any age <sup>2</sup>
	5 years age 60	5-10 years age 60 <sup>6</sup>
	5 years age 62 <sup>7</sup>	5 years age 62 <sup>7</sup>
Benefit percent per years of service	2% to 3.0% <sup>4</sup>	2.5% to 3.5% <sup>3</sup>

<sup>1</sup> Employees hired after a certain date use the revised benefit calculation based on the highest 60 months of service

<sup>2</sup> With actuarial reduced benefits

<sup>3</sup> Members in regular plan 2.5%, hazardous duty plan 3.33%, and judges 3.5%

<sup>4</sup> Benefit percent varies depending on when hired

<sup>5</sup> For school food service workers, hired on or before 6-30-15, 30 years at age 55

<sup>6</sup> Five to ten years of creditable service at age 60 depending upon the plan or when hired

<sup>7</sup> Hired on or after 7/1/15, age eligibility is 5 years at age 62

### Cost of Living Adjustments

The pension plans in which the System participates have the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis. COLAs may be granted to these systems (TRSL and LASERS) if approved with a two-thirds vote of both houses of the Legislature, provided the plan meets certain statutory criteria related to funded status and interest earnings. Both LASERS and TRSL have established an experience account to fund permanent benefit increases for retirees.

### Funding Policy

Employee contribution rates are established by R.S.11.62. Employer contribution rates are established annually under R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the respective pension system actuary. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Each LASERS and TRSL sub-plan pays a separate actuarially-determined employer contribution rate. However, all assets of the pension plan are used for the payment of benefits for all classes of members, regardless of their sub-plan membership.

Contributions to the plans are required and determined by state statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2020, for the System and covered employees were as follows:

	<u>System</u>	<u>Employees</u>
Teachers' Retirement System:		
Higher Ed Regular Plan	25.30%	8.00%
K-12 Regular Plan	26.00%	8.00%
State Employees' Retirement System	40.70%	7.50% - 8.00%

The LSU System's contributions made to the Retirement Systems for 2020, which equaled the required contributions, were as follows:

Teachers' Retirement System:		
Regular Plan	\$	156,171,853
State Employees' Retirement System	\$	41,930,308

Additionally, contributions are made to the retirement system from non-employers and those contributions are recognized as revenue for the LSU System for its proportionate share. The amount of revenue recognized for 2020 is \$5,085,786.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The following schedule lists the System's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2019, measurement date. The System uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2020, in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2019, along with the change compared to the June 30, 2018, rate. The System's proportion of the Net Pension Liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2020 (measured as of June 30, 2019)	Rate at June 30, 2019	Increase (Decrease) to June 30, 2018 Rate
Teachers' Retirement System	\$ 1,235,607,201	12.45%	0.67%
State Employees' Retirement System	375,266,368	5.18%	(0.27%)
	<u>\$ 1,610,873,569</u>		

The following schedule lists the System's recognized pension expense for the year ended June 30, 2020, for each of the pension plans:

Teachers' Retirement System	\$	132,922,091
State Employees' Retirement System		29,010,631
	<u>\$</u>	<u>161,932,722</u>

At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
<b>Deferred Outflows:</b>			
Differences between expected and actual experience	\$ -	\$ 2,304,255	\$ 2,304,255
Changes of assumptions	87,841,753	3,215,666	91,057,419
Net difference between projected and actual earnings on pension plan investments	-	12,964,948	12,964,948
Changes in proportion	74,527,821	1,488,859	76,016,680
Differences between contributions and proportionate share of contributions	2,182,318	126,231	2,308,549
Employer contributions subsequent to the measurement date	156,171,853	41,930,308	198,102,161
Total	<u>\$ 320,723,745</u>	<u>\$ 62,030,267</u>	<u>\$ 382,754,012</u>
<b>Deferred Inflows:</b>			
Differences between expected and actual experience	\$ (38,613,151)	\$ (779,777)	\$ (39,392,928)
Net difference between projected and actual earnings on pension plan investments	(45,731,119)	-	(45,731,119)
Changes in proportion	(19,453,690)	(13,701,949)	(33,155,639)
Differences between contributions and proportionate share of contributions	(7,415,315)	(533,198)	(7,948,513)
Total	<u>\$(111,213,275)</u>	<u>\$ (15,014,924)</u>	<u>\$ (126,228,199)</u>

The amount reported in the above table totaling \$198,102,161 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>TRSL</u>	<u>LASERS</u>	<u>Total</u>
2021	\$11,171,552	\$431,496	\$11,603,048
2022	(7,419,719)	(3,773,159)	(11,192,878)
2023	23,120,641	3,566,928	26,687,569
2024	26,466,143	4,859,770	31,325,913
	<u>\$53,338,617</u>	<u>\$5,085,035</u>	<u>\$58,423,652</u>

### Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2019, is as follows:

	TRSL	LASERS																		
Valuation Date	June 30, 2019	June 30, 2019																		
Actuarial Cost Method	Entry Age Normal	Entry Age Normal																		
Amortization Approach	Closed	Closed																		
Actuarial Assumptions:																				
Expected Remaining Service Lives	5 years	2 years																		
Investment Rate of Return	7.55% net of investment expenses (decreased from 7.65% in 2018)	7.60% net of investment expenses (decreased from 7.65% in 2018)																		
Inflation Rate	2.5% per annum	2.5% per annum																		
Mortality	<p>Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females.</p> <p>Disability retiree mortality – RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females.</p> <p>Non-Disabled retiree/inactive members – RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females.</p> <p>The mortality tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.</p>	<p>General active member: RP-2014 Blue Collar Employee tables adjusted by 0.978 for males and 1.144 for females.</p> <p>General retiree/inactive members (males): RP-2014 Blue Collar Healthy Annuitant table, adjusted by 1.280.</p> <p>General retiree/inactive members (females): RP-2014 White Collar Healthy Annuitant table, adjusted by 1.417.</p> <p>Mortality assumptions for non-disabled members include improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis.</p> <p>Disabled Members: RP-2000 Disabled Retiree Mortality Table, adjusted by 1.009 for males and 1.043 for females, with no projection for improvement.</p>																		
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2013-2017) experience study of the System's members.	Termination, disability, and retirement assumptions were updated and projected to reflect the results of the most recent five-year (2014-2018) experience study of the System's members.																		
Salary Increases	Salary increases were projected based on a 2013-2017 experience study of the System's members. The projected salary increase for regular plan members ranges from 3.3% - 4.8% varies depending on duration of service.	Salary increases were updated and projected to reflect the results of the most recent five year (2014-2018) experience study of the System's members. The salary increase ranges for specific types of members are:																		
		<table border="1"> <thead> <tr> <th style="text-align: left;">Member Type</th> <th style="text-align: center;">Lower Range</th> <th style="text-align: center;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.2%</td> <td style="text-align: center;">13.0%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">14.0%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">14.0%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">14.0%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.2%	13.0%	Judges	2.8%	5.3%	Corrections	3.8%	14.0%	Hazardous Duty	3.8%	14.0%	Wildlife	3.8%	14.0%
Member Type	Lower Range	Upper Range																		
Regular	3.2%	13.0%																		
Judges	2.8%	5.3%																		
Corrections	3.8%	14.0%																		
Hazardous Duty	3.8%	14.0%																		
Wildlife	3.8%	14.0%																		
Cost of Living Adjustments	Not substantively automatic	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

TRSL	LASERS
<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 8.48% for 2019.</p>	<p>The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.74% for 2019.</p>

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2019:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	TRSL	LASERS	TRSL	LASERS
Cash	-	-	-	0.24%
Domestic equity	27.00%	23.00%	4.60%	4.83%
International equity	19.00%	32.00%	5.70%	5.83%
Domestic fixed income	13.00%	6.00%	1.69%	2.79%
International fixed income	5.50%	10.00%	2.10%	4.49%
Alternative investments		22.00%		8.32%
Risk parity		7.00%		5.06%
Private assets	25.50%		8.67%	
Other private assets	10.00%		3.65%	
Total	<u>100%</u>	<u>100%</u>		

**Discount Rate**

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the respective pension system's actuary. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability was 7.55% for TRSL and 7.60% for LASERS for the year ended June 30, 2019. In fiscal year 2020, the TRSL Board accelerated the discount rate reduction plan again and a 7.45% rate was used to determine the projected actuarially required contribution rates for the 2020/2021 fiscal year.

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the System's proportionate share of the Net Pension Liability (NPL) using the discount rate of each retirement system as well as what the System's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the retirement systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
<b>TRSL</b>			
Rates	6.55%	7.55%	8.55%
Share of NPL	\$ 1,644,769,991	\$ 1,235,607,201	\$ 890,745,440
<b>LASERS</b>			
Rates	6.60%	7.60%	8.60%
Share of NPL	\$ 473,634,013	\$ 375,266,368	\$ 292,178,720

**Payables to the Pension Plans**

The System recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2020, primarily related to the accrual for payroll. The amounts due are included in liabilities under the amounts reported as accounts, salaries, and other payables. The balance due to each of the retirement systems at June 30, 2020, is as follows:

TRSL	\$ 16,046,893
LASERS	3,733,471
	\$ 19,780,364

## Optional Retirement System

The Optional Retirement Plan (ORP) was established for academic employees of public institutions of higher education who are eligible for membership in TRSL. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement.

ORP is a defined contribution pension plan which provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the TRSL Board of Trustees. Monthly employer and employee contributions are invested as directed by the employee to provide the employee with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employee's working lifetime. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than TRSL and purchase annuity contracts – fixed, variable, or both – for benefits payable at retirement.

R.S. 11:927 sets the contribution requirements of ORP plan members and the employer. Employer ORP contributions to TRSL for the fiscal year 2020 totaled \$95,345,052. Employee contributions totaled \$26,877,685. The active member and employer contribution rates were 8% and 6.2%, respectively, with an additional employer contribution of 22.2% made to the TRSL defined benefit plan for application to the unfunded accrued liability of the system.

## 8. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially, all System employees become eligible for these benefits if they reach normal retirement age while working for the System and qualify for retirement under one of the pension plans in which the System participates.

The System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is administered by the State of Louisiana through the Louisiana Office of Group Benefits (OGB), which also offers a life insurance plan, and the other plan is with the LSU Health Plan (Health Plan). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, promulgates the accounting and financial reporting requirements by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available are subject to the provisions of this statement.

These plans are not administered as formal trusts; therefore, there are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay future OPEB benefits. The plans are funded on a “pay-as-you-go basis” under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due. Information about each of these two plans is presented below.



**General Information about each OPEB plan:**Plan Description:*LSU Health Plan*

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to State employees and later the administration was transferred to the System. R.S. 42:851 grants the authority to establish or amend benefits under the plan to the System. The Health Plan does not issue a publicly-available financial report, but it is included in the System's financial report. The plan is defined as a single-employer defined benefit health OPEB plan.

*State OGB Plan*

System employees may also participate in the state's other OPEB Plan, a multiple-employer defined benefit OPEB Plan that provides medical, prescription drug, and life insurance to eligible active employees, retirees, and their beneficiaries. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (LASERS and TRSL), or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly-available financial report of the OPEB Plan; however, it is included in the Louisiana Comprehensive Annual Financial Report. You may obtain a copy on the Office of Statewide Reporting and Accounting Policy's website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap).

Funding policy:*LSU Health Plan*

Plan rates are actuarially determined and approved by the LSU First Benefits Oversight Committee. Plan rates are in effect for one year, and members have the opportunity to switch providers during the annual enrollment period, which usually occurs during October.

The System administers and offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major health care expenses.

Employer contributions are based on plan premiums and the employer contribution percentage. Employees who participate in a Health Plan through the State of Louisiana who retire with 20 or more years of medical coverage are generally required to pay the active contribution rate for retiree and dependent coverage prior to qualifying for Medicare, and 25% of the applicable premium for coverage once eligible for Medicare. All others pay a percentage of the retiree contribution rate (which differs for pre-Medicare eligible retirees and Medicare eligible retirees) based upon years of medical coverage at retirement. For eligible retirees, the percentages are as follows:

<b>Health Plan Medical Participation</b>	<b>Employer Contribution Percentage</b>	<b>Retiree Contribution Percentage</b>
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ Years	75%	25%

### *State OGB Plan*

The contribution requirements of plan members and the System are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree health care based on a participation schedule.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Effective January 1, 2019, retired employees, who have Medicare Part A and Part B coverage also have access to six fully insured Medicare Advantage plans and an Individual Medicare Market Exchange Plan that provides monthly health reimbursement arrangement credits.

Employees, who were active medical participants before January 1, 2002, and continue medical participation until retirement, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees who begin medical participation on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

<b>OGB Plan Medical Participation</b>	<b>Employer Contribution Percentage</b>	<b>Retiree Contribution Percentage</b>
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ Years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums. The retiree is responsible for 100% of the premium for dependents. The total monthly premium for retirees in the basic or supplemental life insurance plan varies according to age group.

**Total Collective OPEB Liability and Changes in Total Collective OPEB Liability:**

The following schedule lists the System's proportionate share of the OPEB liability at June 30, 2020, allocated by LSU Health Plan and OGB along with each respective plan measurement date and actuarial valuation date, the proportionate share allocation rate, the percentage change in proportion from the prior year rate, and the amount due within one year that was determined based on the amount of benefit payments expected to be paid within one year. The System's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the State of Louisiana reporting entity.

	Measurement Date / Actuarial Valuation Date	Total OPEB Liability	Proportion	Increase (Decrease) to Prior Proportion	Due within one year
Health Plan	June 30, 2020 / January 1, 2020	\$ 1,264,221,610	90.162%	0.3250%	\$ 29,998,478
OGB	July 1, 2019 / July 1, 2019	725,140,977	9.3902%	(0.3068%)	35,686,269
		<u>\$ 1,989,362,587</u>			<u>\$ 65,684,747</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

The following schedule list the System's recognized OPEB expense for the year ended June 30, 2020 for each of the OPEB plans:

LSU Health Plan	\$ 94,771,278
State OGB Plan	399,498
Total	<u>\$ 95,170,776</u>

At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	LSU Health Plan	State OGB Plan	Total
<b>Deferred Outflows:</b>			
Changes of assumptions	\$ 337,231,389	\$ -	\$ 337,231,389
Differences between expected and actual experience	-	8,768,676	8,768,676
Difference between actual OPEB payments and proportionate share of OPEB payments	-	16,327,547	16,327,547
Change in proportion	-	10,393,550	10,393,550
OPEB benefit payments made subsequent to the measurement date	-	35,686,269	35,686,269
Total	<u>\$ 337,231,389</u>	<u>\$ 71,176,042</u>	<u>\$ 408,407,431</u>
<b>Deferred Inflows:</b>			
Differences between expected and actual experience	\$ (83,276,914)	\$ (2,495,570)	\$ (85,772,484)
Change in proportion	-	(41,452,947)	(41,452,947)
Changes of assumptions	(29,010,581)	(116,893,849)	(145,904,430)
Difference between actual OPEB payments and proportionate share of OPEB payments	-	(605,228)	(605,228)
Total	<u>\$ (112,287,495)</u>	<u>\$ (161,447,594)</u>	<u>\$ (273,735,089)</u>

Deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	LSU Health Plan	State OGB Plan	Total
2021	\$ 38,852,683	\$ (44,486,639)	\$ (5,633,956)
2022	38,852,683	(39,198,145)	(345,462)
2023	38,852,683	(29,715,633)	9,137,050
2024	41,208,827	(12,557,404)	28,651,423
2025	43,645,103	-	43,645,103
2026	23,531,915	-	23,531,915
	<u>\$ 224,943,894</u>	<u>\$ (125,957,821)</u>	<u>\$ 98,986,073</u>

### Sensitivity of Total OPEB Liability

*Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate.* The following presents the System's proportionate share of the total collective OPEB liability using the current discount rate as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
<u>LSU Health Plan</u>			
Rates	1.21%	2.21%	3.21%
Total OPEB liability	\$1,589,350,033	\$1,264,221,610	\$1,044,549,576
<u>State OGB Plan</u>			
Rates	1.79%	2.79%	3.79%
Total OPEB liability	\$836,611,312	\$725,140,977	\$635,872,097

*Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates.* The following presents the System's proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	<u>1.0% Decrease</u>	<u>Current Healthcare Costs Trend Rate(s)</u>	<u>1.0% Increase</u>
<u>LSU Health Plan</u>			
Pre-65 Rates	5.0% decreasing to 3.50%	6.0% decreasing to 4.50%	7.0% decreasing to 5.50%
Post-65 Rates	4.0% decreasing to 3.50%	5.0% decreasing to 4.50%	6.0% decreasing to 5.50%
Total OPEB liability	<u>\$1,032,814,969</u>	<u>\$1,264,221,610</u>	<u>\$1,603,613,689</u>
<u>State OGB Plan</u>			
Pre-65 Rates	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Post-65 Rates	4.5% decreasing to 3.5%	5.5% decreasing to 4.5%	6.5% decreasing to 5.5%
Total OPEB liability	<u>\$643,238,895</u>	<u>\$725,140,977</u>	<u>\$827,624,964</u>

### **Actuarial Assumptions and Other Inputs:**

The following table includes information on the actuarial assumptions and other inputs for both of the System's OPEB plans and applies to all periods included in the measurement unless otherwise specified:

	<u>LSU Health Plan</u>	<u>State OGB Plan</u>												
Total OPEB liability measurement date	June 30, 2020	July 1, 2019												
Actuarial valuation date	January 1, 2020	July 1, 2019												
Actuarial Cost Method	Entry age normal based on level percentage of projected salary	Entry age normal, level percentage of pay. Service costs are attributed through all assumed ages of exit from active service. For current DROP participants, assumed exit from active service is the date at which DROP ends												
<b>Actuarial Assumptions:</b>														
Expected Remaining Service Lives	6.6 years for 2020 measurement and 6.7 years for 2019 measurement	4.5 years 2019 and 2018 measurement, and 4.48 years for 2017 measurement.												
Discount rate	2.21% (decreased from 3.50% in 2019) Source: Bond Buyer 20 - Bond Go Index	2.79% for July 1, 2019 measurement (decreased from 2.98% in 2018) Source: S&P 20-year municipal bond index rate.												
Healthcare cost trend rate(s)	Pre 65 medical/Rx benefits: 6.0% select rate, decreasing .5% annually to an ultimate rate of 4.5% Post Medicare benefits 5.0% select rate, decreasing .5% annually to an ultimate rate of 4.5%	Medical and drug pre-65: 7.0% for 2017 through 2020 and decreasing .25% from 2021 through 2029 to an ultimate rate of 4.5% Medical and drug post-65: 5.5% for 2017 through 2020 and decreasing .25% from 2021 through 2024 to an ultimate rate of 4.5%  The initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.												
Salary increases	2.0 % per annum	Consistent with each pension plan in which the System's employees participate. The LASERS regular member rates were assumed for employers who do not participate in one of four state retirement systems												
Inflation Rate	2.5% based on the consumer price index	2.80% based on the consumer price index												
Mortality	Non-Disabled Lives: Pub-2010 mortality table with generational scale MP-2019 Disabled Lives: Pub-2010 disabled mortality rates with generational MP-2019 scaling.	Refer to Mortality tables listed at Note 7 for both LASERS and TRSL.												
Termination, Disability, and Retirement	Relied upon the pension plans covering the same participants.	Relied upon the pension plans covering the same participants												
Dates of experience studies	Used the experience studies completed by the pension plan actuaries in which the System's employees participate  Expected annual claim costs were developed using two years of historical claim experience through December 31, 2019.  The excise tax was eliminated after it was repealed in December 2019.	Used the experience studies completed by the pension plan actuaries in which the System's employees participate. The percentage of future retirees assumed to elect medical coverage was modified based on recent plan experience for the 7/1/19 valuation.  Baseline per capita costs were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums. The impact of the High Costs Excise Tax was removed. The High Cost Excise Tax was repealed in December 2019.												
Health Claim Costs	Expected retiree claim costs were developed using 24 months of historical claim experience through December 2019 for Option 1. For Option 3, per capita health claim costs are developed by applying age adjustments to the current fully insured premiums. The annual age 60 and 70 claim costs for retirees and their spouses are provided in the table below. Per Capita <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: center;">Age 60</th> <th style="text-align: center;">Age 70 (no medicare)</th> <th style="text-align: center;">Age 70</th> </tr> </thead> <tbody> <tr> <td>Option 1</td> <td style="text-align: center;">12,130</td> <td style="text-align: center;">5,000</td> <td style="text-align: center;">16,700</td> </tr> <tr> <td>Option 3</td> <td style="text-align: center;">11,000</td> <td style="text-align: center;">4,500</td> <td style="text-align: center;">5,200</td> </tr> </tbody> </table>		Age 60	Age 70 (no medicare)	Age 70	Option 1	12,130	5,000	16,700	Option 3	11,000	4,500	5,200	Per capita costs for the self-insured plans were based on medical and prescription claims for the period January 1, 2018 through December 31, 2019, trended to the valuation date, and adjusted for incurred but not reported claims using completion factors based on prior year data. Per capita costs for fully-insured plans were based on calendar year 2020 premiums adjusted to the valuation date using the trend assumptions above. Per capita costs were adjusted for expected age-related differences in morbidity, where applicable.
	Age 60	Age 70 (no medicare)	Age 70											
Option 1	12,130	5,000	16,700											
Option 3	11,000	4,500	5,200											
Participation Rates	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 86% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.	The percentage of employees and their dependents eligible for early retiree benefits that will participate in the retiree medical plan is outlined in the table below. Active participants who have been covered continuously under the plan since before January 1, 2002 are assumed to participate at a rate of 88%. This rate assumes that a one-time irrevocable election to participate is made at the time of retirement.  <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Years of Service</th> <th style="text-align: center;">July 1, 2019 Valuation</th> </tr> </thead> <tbody> <tr> <td>Under 10 years</td> <td style="text-align: center;">52%</td> </tr> <tr> <td>10 - 14 years</td> <td style="text-align: center;">73%</td> </tr> <tr> <td>15 - 19 years</td> <td style="text-align: center;">84%</td> </tr> <tr> <td>20 + years</td> <td style="text-align: center;">88%</td> </tr> </tbody> </table> Future retirees are assumed to participate in the life insurance benefit at a 52% rate and elect a total of \$45,000 in basic and supplemental life insurance coverage, before any age reductions. Spouses are assumed to elect \$2,000 of coverage.	Years of Service	July 1, 2019 Valuation	Under 10 years	52%	10 - 14 years	73%	15 - 19 years	84%	20 + years	88%		
Years of Service	July 1, 2019 Valuation													
Under 10 years	52%													
10 - 14 years	73%													
15 - 19 years	84%													
20 + years	88%													

## 9. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the State's self-insurance fund operated by the Office of Risk Management (ORM), the agency responsible for the State's risk management program, or by General Fund appropriation. The System is involved in 45 lawsuits that are handled by contract attorneys at June 30, 2020. The attorneys have estimated a reasonably possible unfavorable outcome to the System of \$2,124,026 relating to the lawsuits. All other lawsuits are handled by either ORM or the Attorney General's Office. Within the passage of LA Grad Act 2.0 and the implementation of the afforded Risk Management's Autonomy at LSU A&M, the Board of Supervisors now has a hybrid insurance program made up of self-insurance, commercial insurance, and insurance provided through the ORM. LSU A&M is now autonomous from ORM, with the exception of medical malpractice liability insurance. LSU A&M obtains a variety of higher education-specific insurances in the commercial marketplace, many with large self-insured retentions. All other LSU Campuses are insured primarily through ORM, with the exception of travel and accident insurance. The LSU A&M Office of Risk Management is now providing support and coordination for all LSU campuses in relation to their risk management and insurance programs through the Risk and Insurance Shared Knowledge committee. LSU Health Science Center Shreveport, LSU Health Science Center New Orleans, LSU of Alexandria, LSU Eunice, LSU Shreveport, and Pennington Biomedical Research Center have joined together to form a large retention risk pool for workers' compensation coverage under ORM, which is managed by LSU A&M Office of Risk Management.

In addition, the System is exposed to various risks of losses related to the self-insured and self-funded LSU System Health Plan, which provides health insurance benefits to active and retired System employees and which began as a pilot program for the fiscal year ended June 30, 2003. Beginning in fiscal year 2011-12, estimated incurred but not reported (IBNR) claim reserve is as of December 31. This is a change in time period due to coordination with a change to LSU's health plan year. Historically, IBNR was calculated as of June 30 each year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. According to the requirements of GASB Statement No. 10, as amended by Statements 17 and 30, total claims expenditures were \$118,388,600. Changes in the reported liability for the last three periods are summarized as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Recoveries From Settled and Unsettled Claims	Balance at Fiscal Year-End
2017-18	\$9,487,000	\$109,402,015	(\$110,332,257)	\$975,242	\$9,532,000
2018-19	\$9,532,000	\$119,229,110	(\$118,197,266)	\$558,156	\$11,122,000
2019-20	\$11,122,000	\$117,027,506	(\$118,388,600)	\$542,094	\$10,303,000

## 10. COMPENSATED ABSENCES

At June 30, 2020, employees of the System have accumulated and vested annual, sick, and compensatory leave benefits of \$59,777,309, \$32,742,833, and \$372,579, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

## 11. OPERATING LEASES

For the year ended June 30, 2020, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed is \$14,694,235. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2020:

Nature of Operating Lease	Fiscal Year						
	2021	2022	2023	2024	2025	2026-2030	2031-3035
Office space	\$ 11,764,572	\$ 10,890,122	\$ 10,465,996	\$ 10,502,918	\$ 9,966,167	\$ 46,201,628	\$ 42,434,800
Equipment	549,917	51,149	13,141	9,600	-	-	-
Land	143,690	143,690	143,690	132,381	132,381	661,905	661,905
Other	2,276,719	2,338,879	2,334,129	2,325,329	2,305,329	10,857,045	2,082,129
<b>Total</b>	<b>\$ 14,734,898</b>	<b>\$ 13,423,840</b>	<b>\$ 12,956,956</b>	<b>\$ 12,970,228</b>	<b>\$ 12,403,877</b>	<b>\$ 57,720,578</b>	<b>\$ 45,178,834</b>

Nature of Operating Lease	Fiscal Year						Total Future
	2036-2040	2041-2045	2046-2050	2051-2055	2056-2060	2061-2065	Minimum Rental Payments
Office space	\$ 42,434,800	\$ 27,582,672	\$ -	\$ -	\$ -	\$ -	\$ 212,243,675
Equipment	-	-	-	-	-	-	623,807
Land	661,905	661,905	661,905	661,905	661,905	441,270	5,770,437
Other	-	-	-	-	-	-	24,519,559
<b>Total</b>	<b>\$ 43,096,705</b>	<b>\$ 28,244,577</b>	<b>\$ 661,905</b>	<b>\$ 661,905</b>	<b>\$ 661,905</b>	<b>\$ 441,270</b>	<b>\$ 243,157,478</b>

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

### Operating Leases – Component Units

**LSU Foundation** - The Foundation Office Building, LLC entered into a ground lease agreement with the LSU Board of Supervisors in May 2015 to lease the land occupied by the LSU Foundation Center for Philanthropy. The term of the agreement is 40 years with two successive options to renew the lease for 30 and 25 years for a total of 95 consecutive years. The annual rent payments are \$5,000 for the first 40 years, \$7,000 for the first renewal term, and \$9,000 for the second renewal term.



Louisiana State University (“LSU”) executed a ground lease with Nicholson Gateway Project, LLC (“NGP”, wholly owned subsidiary of the LSU Foundation) to develop student housing and retail space on LSU’s campus. In furtherance of development, NGP subleased the property to Provident Group – Flagship Properties, LLC (“Provident”). The lease commenced in September 2016 and expires on the fortieth anniversary of the commencement date. Annual lease payments of \$2 million shall be paid during year three through seven of the lease. Commencing in year eight through the remainder of the term, the ground rent will be adjusted by actual CPI at the beginning of each year.

**LSU Health Sciences Foundation in Shreveport** - LSU Health Sciences Foundation in Shreveport (the Foundation) leases office space under an operating lease which expires on January 3, 2021. In addition, the Foundation leases a copier/printer/scanner under an operating lease which expires on November 30, 2024, and a postage machine which expires on July 9, 2021. Included in management and general and fundraising expense is \$73,679 in rent and equipment rental expense for the year ended June 30, 2020.

## 12. LESSOR LEASES

### Operating Leases

The System’s operating leases consist primarily of leasing property for the purposes of providing food services to students; bookstore operations; land for fraternity and sorority houses and parking spaces to foundations; office space for postal services, banking services, and university affiliated organizations; space on rooftops for communication towers; and mineral leases. As noted previously, the System has entered into public/private partnerships for the management of its hospitals, and in some cases those partnerships included leasing of the associated assets.

The following schedule provides an analysis of the cost and carrying amount of the System’s investment in property on operating leases and property held for lease as of June 30, 2020:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$ 801,539	\$ (586,872)	\$ 214,667
Buildings	287,562,060	(209,266,898)	78,295,162
Equipment	148,247,388	(140,888,353)	7,359,035
Land and Land Improvements	2,930,688	(2,867,669)	63,019
Total	<u>\$ 439,541,675</u>	<u>\$ (353,609,792)</u>	<u>\$ 85,931,883</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2020:

Fiscal year ending June 30,	Office Space	Buildings	Equipment	Land	Other	Total
2021	\$ 458,395	\$ 37,155,318	\$ 1,919,564	\$ 879,064	\$ 247,941	\$ 40,660,282
2022	269,950	29,028,019	1,373,795	780,188	233,520	31,685,472
2023	85,299	28,394,797	1,209,569	763,224	207,044	30,659,933
2024	50,213	24,164,381	-	763,224	113,754	25,091,572
2024	-	3,382,805	-	784,974	57,200	4,224,979
2026-2030	-	7,267,610	-	3,599,161	-	10,866,771
2031-2035	-	7,316,150	-	2,346,223	-	9,662,373
2036-2040	-	7,329,900	-	4,234,233	-	11,564,133
2041-2045	-	7,384,900	-	12,172,386	-	19,557,286
2046-2050	-	7,400,025	-	8,842,306	-	16,242,331
2051-2055	-	7,213,540	-	800,351	-	8,013,891
2056-2060	-	848,513	-	495,225	-	1,343,738
2061-2065	-	915,063	-	32,350	-	947,413
2066-2070	-	933,364	-	32,350	-	965,714
2071-2075	-	1,006,569	-	32,300	-	1,038,869
2076-2080	-	1,026,700	-	32,300	-	1,059,000
2081-2085	-	1,107,226	-	32,300	-	1,139,526
2086-2090	-	1,129,370	-	28,100	-	1,157,470
2091-2095	-	1,217,948	-	300	-	1,218,248
2096-2100	-	1,242,307	-	40	-	1,242,347
Total	<u>\$ 863,857</u>	<u>\$175,464,505</u>	<u>\$ 4,502,928</u>	<u>\$ 36,650,599</u>	<u>\$ 859,459</u>	<u>\$ 218,341,348</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume, customer usage of services provided, or the drilling operations on mineral leases. Contingent rentals amounted to \$1,607,110 for the year ended June 30, 2020.

#### Direct Financing Type Lease

A lease is classified as a direct financing type lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectability of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

The System has entered into a lease agreement with the Academic Medical Center in New Orleans (AMCNO) for its hospital building and its Ambulatory Care Building & Garage. The term of the hospital lease agreement is from April 24, 2015, to April 23, 2055. The System has also entered into a lease agreement with the AMCNO for its equipment. The term of the equipment lease agreement is from July 1, 2015, to June 30, 2020. As direct-financing type leases, the System records the lease payments as receivables and that portion of capital lease payments attributable to interest income as unearned revenue. Lease payments for the ACMNO

Ambulatory Care Building & Garage have been prepaid and, therefore are not recorded as a receivable.

	<u>Date of Lease</u>	<u>Minimum Lease Payments Receivables</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Minimum Lease payments - building	4/24/2015	\$ 2,321,817,010	\$1,463,711,145	\$ 858,105,865
Minimum Lease payments - equipment	7/1/2015	\$ 5,173,071	\$ -	\$ 5,173,071
Less - amounts representing executor costs		-		
Minimum lease payments receivables		2,326,990,081		
Less - allowance for uncollectibles		-		
Net Minimum lease payments receivables		2,326,990,081		
Estimated residual value of leased property		-		
Subtotal		2,326,990,081		
Less - unearned revenue		(1,463,711,145)		
Net investment in direct financing-type leases		<u>\$ 863,278,936</u>		

For fiscal year 2020, the increase in the CPI resulted in total contingent rentals related to the UCMC Hospital Building capital lease totaling \$5,013,403, all of which is reported in other nonoperating revenues.

The following is a schedule by year of minimum lease receivables as of June 30, 2020:

<u>Year</u>	
2021	\$ 74,272,069
2022	62,584,470
2023	62,584,470
2024	62,584,470
2025	62,584,470
2026-2030	312,922,352
2031-2035	314,193,911
2036-2040	347,048,750
2041-2045	347,048,750
2046-2050	347,048,750
2051-2055	334,117,619
Total	<u>\$ 2,326,990,081</u>

Unearned Revenue

In connection with the lease mentioned above, other amounts are also accounted for as unearned revenue in relation to this lease transaction as further described herein. Unearned Revenues included within Statement of Net Position in the current and noncurrent portions of long-term liabilities total \$1,489,513,817 and are related to the public/private partnerships as discussed in the Introduction and note 25 of the Notes to the Financial Statements: (1) \$25,802,672 for advance operating lease payments for the final periods of the leases and (2) \$1,463,711,145 for the Academic Medical Center in New Orleans (AMCNO) Hospital building capital lease. The AMCNO is under the management of Louisiana Children's Medical Center (LCMC). The 40-year Cooperative Endeavor Agreement between LSU and LCMC, effective April 24, 2015, resulted in a capital lease for the new hospital, as well as advance payment on the new ACB and Garage. Per Act 601 of the 2016 Regular Session, the hospital and equipment lease payments are deposited with the State Treasury into the State General Fund.

**13. LONG-TERM LIABILITIES**

The following is a summary of bonds and other long-term liability transactions of the System for the year ended June 30, 2020:

**System**

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
	(Restated)				
Debt payable:					
Bonds payable	\$ 403,097,477	\$ 72,355,000	\$ (89,736,901)	\$ 385,715,576	\$ 20,224,108
Direct borrowings or placements:		-	-		-
Capital lease obligations	241,453,248	87,705,000	(109,486)	329,048,762	117,192
Notes payable	1,571,287	2,034,152	-	3,605,439	797,367
Subtotal	<u>646,122,012</u>	<u>162,094,152</u>	<u>(89,846,387)</u>	<u>718,369,777</u>	<u>21,138,667</u>
Other liabilities:					
Capital lease obligations	13,424,860	65,447	(3,261,675)	10,228,632	3,236,816
Compensated absences payable	88,063,398	7,771,516	(2,942,193)	92,892,721	7,016,738
Unearned revenues *	1,605,489,796	-	(115,975,979)	1,489,513,817	80,521,921
Other liabilities	746,482	475,328	(646,547)	575,263	-
Subtotal	<u>1,707,724,536</u>	<u>8,312,291</u>	<u>(122,826,394)</u>	<u>1,593,210,433</u>	<u>90,775,475</u>
Total long-term liabilities	<u>\$ 2,353,846,548</u>	<u>\$ 170,406,443</u>	<u>\$ (212,672,781)</u>	<u>\$ 2,311,580,210</u>	<u>\$ 111,914,142</u>

Changes in long-term liabilities for Pensions and Other Post-Employment Benefits Plan can be found in notes 7 and 8.

\*Not all current unearned revenues are related to the long-term balances. Only those related are presented in this note.

\*\* Prior period adjustment for LSU Research Foundation Blending

**Notes Payable – Direct Borrowings and Placements**

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Redeemed/ Issued</u>	<u>Outstanding June 30, 2020</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2020</u>
<b>LSU</b>								
TUFF LSU Management	August 1, 2016	\$ 1,669,275	\$ 1,571,287	\$ 54,355	\$ 1,625,642	2047	6%	\$ 1,746,262
<b>LSU Health Sciences Center in New Orleans</b>								
PPP Note Payable	May 5, 2020	1,979,797	-	1,979,797	1,979,797	2022	1%	1,871
Total		<u>\$ 3,649,072</u>	<u>\$ 1,571,287</u>	<u>\$ 2,034,152</u>	<u>\$ 3,605,439</u>			<u>\$ 1,748,133</u>

Subject to the terms of the TUFF LSU Management Credit Agreement, TUFF LSU Management, LLC (TUFF), a related party, established a credit facility in favor of the LSU Research Foundation at any one time outstanding not to exceed in an aggregate principal amount of \$2,500,000. Within the limits of the credit facility, RTF may borrow, repay, and reborrow under the terms of this agreement during the term. TUFF's notes payable contain provisions for events of default that include the following events:

1. RTF shall fail to make any payment of principal or interest payable under the Promissory Note or under this Agreement within five (5) days after the due date thereof; or
2. Any representation or warranty of RTF shall be untrue in any material respect.

On May 5, 2020, LSUHN obtained a loan totaling \$1,979,797 from a financial institution pursuant to the terms of the Payroll Protection Program (PPP) authorized by the CARES Act. The loan has a fixed interest rate of 1% and matures on May 15, 2022. No payments are due for the first six months and, after taking into account any loan forgiveness applicable to the loan pursuant to the Program, any remaining principal and accrued interest will be payable in equal monthly installments on the first day of each month for the remaining 18-month term of the loan. The current portion of this note payable and not yet forgiven at June 30, 2020 is \$770,582.

## Bonds Payable - LSU System

All of the System's outstanding bonds were issued through public sale and are secured by revenue pledges that are further described in Note 22. Detailed summaries, by issues, of all bond and reimbursement contract debt outstanding at June 30, 2020, including future interest payments, follow:

Issue	Date of Issue	Original Issue	Outstanding July 1, 2019	Redeemed/ Issued	Outstanding June 30, 2020	Maturities	Issued Interest Rates	Future Interest Payments June 30, 2020
<b>LSU</b>								
2010B Auxiliary Revenue Bonds	June 24, 2010	\$ 31,250,000	\$ 25,795,000	\$ (25,795,000)	\$ -			\$ -
2012 Auxiliary Revenue Bonds	August 7, 2012	41,615,000	33,195,000	(1,860,000)	31,335,000	2034	2% to 5%	8,775,531
2013 Auxiliary Revenue Bonds	April 25, 2013	101,180,000	92,990,000	(44,150,000)	48,840,000	2043	3% to 5%	29,959,850
2014 Auxiliary Revenue Bonds	October 16, 2014	81,880,000	73,500,000	(2,725,000)	70,775,000	2036	3% to 5%	29,637,275
2016A Auxiliary Revenue Bonds	November 15, 2016	137,000,000	120,870,000	(5,470,000)	115,400,000	2040	3.5% to 5%	50,909,500
2016B Auxiliary Revenue Bonds	November 15, 2016	16,320,000	12,325,000	(1,345,000)	10,980,000	2030	1.15% to 3.45%	1,629,388
2019 Auxiliary Revenue Refunding Bonds	December 18, 2019	72,355,000	-	71,370,000	71,370,000	2040	1.904% to 3.28%	25,319,121
<b>LSU Health Sciences Center in New Orleans</b>								
2013 Building Revenue Bonds	September 4, 2013	12,830,000	10,730,000	(720,000)	10,010,000	2031	2% to 4.75%	2,857,919
<b>Health Care Services Division</b>								
2017 Bogalusa Community Medical Center Project	April 26, 2017	13,275,000	11,925,000	(480,000)	11,445,000	2038	2% to 4%	4,225,394
<b>LSU of Alexandria</b>								
2008 Auxiliary Revenue Bonds	March 18, 2008	4,200,000	3,115,000	(140,000)	2,975,000	2034	4% - 5.5%	1,285,647
Total		511,905,000	384,445,000	(11,315,000)	373,130,000			\$ 154,599,625
Premium/discounts, net		38,279,266	18,927,848	(6,081,394)	12,846,454			
Bonds issuance cost		(318,327)	(275,371)	14,493	(260,878)			
Total Bonds Payable		\$ 549,865,939	\$ 403,097,477	\$ (17,381,901)	\$ 385,715,576			

The System's bonds payable contain provisions for events of default that are included in the bond resolutions approved by the System's Board. These events of default could require the acceleration of payment of the amounts outstanding. Following is a summary of the events of default that are generally contained in the resolutions:

- 1 Failure to timely pay the required principal or interest when due.
- 2 Failure to perform or comply with debt covenant requirements outlined in debt agreement or remedy the failure within 30 days. Following is a listing of some of these covenants:
  - a. Failure to continue the pledge of revenue associated with each debt issue.
  - b. Failure of the Board to maintain its existence.
  - c. Granting of a security or lien that is superior to the lien on the outstanding bonds.
  - d. New debt is issued secured by the revenue pledged that is not in parity with or not subordinated by the outstanding debt.
- 3 A material false or misleading statement, warranty or representation made by the Board that is contained in the resolution.

- 4 A petition filed against the board under any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction that is not dismissed within 60 days of filing.
- 5 The Board files a petition in voluntary bankruptcy or admits insolvency or bankruptcy or its inability or pay its debts.
- 6 The State of Louisiana alters the rights or duties of the Board.
- 7 Findings or covenants in any No-Arbitrage Certificate are false or not adhered to and causes the interest on the bonds to become taxable.

### Bonds Payable - Component Units

Issue	Date of Issue	Original Issue	Outstanding July 1, 2019	Issued (Redeemed)	Outstanding June 30, 2020	Maturities	Interest Rates
<b>Tiger Athletic Foundation*</b>							
Series 2012 Bonds	October 23, 2012	\$ 70,000,000	\$ 67,238,000	\$(2,829,000)	\$ 64,409,000	2037	Variable
Series 2015 Bonds	July 1, 2015	52,000,000	42,520,000	(3,450,000)	39,070,000	2028	2.49%
Series 2015A Bonds	November 1, 2015	53,045,000	40,550,000	(1,690,000)	38,860,000	2039	2.25%
Deferred financing costs		(1,008,426)	(635,251)	(112,366)	(747,617)		
Total Bonds Payable		<u>\$ 174,036,574</u>	<u>\$149,672,749</u>	<u>\$(8,081,366)</u>	<u>\$ 141,591,383</u>		

\*As of December 31, 2019

### Defeased Bonds

In December, 2019, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued \$72,355,000 of taxable Bonds – Series 2019. The purpose of the issues was to provide monies to refund all of Series 2010B and portions of 2013 bonds. In order to refund the bonds, portions of the proceeds of the new issue \$72,355,000, plus an additional \$2,199,710 of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated December 18, 2019, between the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$12,846,624 and gave the University an economic gain of \$6,635,024. Of the debt considered defeased in substance, \$67,720,000 is outstanding as of June 30, 2020.

In November, 2016, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College issued \$137,000,000 of nontaxable Bonds - Series 2016A and \$16,320,000 of taxable Bonds – Series 2016 B. The purpose of the issues was to provide monies to refund portions of Series 2007, 2008, and 2010A bonds. In order to refund the bonds, portions of the proceeds of the new issue \$153,320,000, plus an additional \$34,805,350 million of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated November 1, 2016, between the Board of Supervisors of Louisiana State University and Agriculture and Mechanical College and

the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$40,789,458 and gave the University an economic gain of \$11,938,902. Of the debt considered defeased in substance, \$73,235,000 is outstanding as of June 30, 2020.

### Debt Service Requirements

The annual requirements to amortize all System bonds outstanding at June 30, 2020, are presented in the following schedule. The schedule uses rates as of June 30, 2020, for debt service requirements of the variable-rate bonds, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments will vary.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,945,000	\$ 15,150,469	\$ 32,095,469
2022	17,590,000	14,479,265	32,069,265
2023	18,300,000	13,722,450	32,022,450
2024	19,050,000	12,904,782	31,954,782
2025	19,495,000	12,046,146	31,541,146
2026-2030	102,375,000	47,512,225	149,887,225
2031-2035	99,450,000	26,812,491	126,262,491
2036-2040	62,195,000	10,534,797	72,729,797
2041-2045	17,730,000	1,437,000	19,167,000
Subtotal	<u>373,130,000</u>	<u>154,599,625</u>	<u>527,729,625</u>
Unamortized premium/discount	12,846,454	-	12,846,454
Bond issuance cost	(260,878)	-	(260,878)
Total	<u><u>\$ 385,715,576</u></u>	<u><u>\$ 154,599,625</u></u>	<u><u>\$ 540,315,201</u></u>



The annual principal and interest requirements for notes payable outstanding at June 30, 2020, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 796,706	\$ 98,962	\$ 895,668
2022	1,234,677	97,786	1,332,463
2023	26,352	95,024	121,376
2024	28,001	93,376	121,377
2025	29,488	91,888	121,376
2026-2030	177,225	429,655	606,880
2031-2035	239,798	367,083	606,881
2036-2040	325,302	281,578	606,880
2041-2045	441,328	165,552	606,880
2046-2050	306,562	27,229	333,791
	<u>\$ 3,605,439</u>	<u>\$1,748,133</u>	<u>\$ 5,353,572</u>

The annual principal requirements for all component unit bonds outstanding at June 30, 2020, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 7,807,000
2022	7,647,000
2023	7,459,000
2024	7,483,000
2025	7,753,000
2026-2030	50,284,000
2031-2035	37,408,000
2036-2040	16,498,000
2041-2045	-
Deferred financing costs	<u>(747,617)</u>
Total	<u>\$ 141,591,383</u>

The following is a summary of the System debt service reserve requirements of the various bond issues at June 30, 2020:

<u>Bond Issue</u>	Cash/ Investment		
	<u>Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess/ (Deficiency)</u>
Auxiliary Plant:			
LSU A&M	\$ 1,107	\$ -	\$ 1,107
LSU of Alexandria	314,526	313,050	1,476
LSU Health Sciences Center - New Orleans	<u>1,195,248</u>	<u>1,174,025</u>	<u>21,223</u>
Total	<u>\$ 1,510,881</u>	<u>\$ 1,487,075</u>	<u>\$ 23,806</u>
Educational Plant:			
Health Care Services Division	<u>\$ 888,008</u>	<u>\$ 888,008</u>	<u>\$ -</u>
Total	<u>\$ 888,008</u>	<u>\$ 888,008</u>	<u>\$ -</u>

As permitted by the Bond Resolutions for the auxiliary revenue Bonds, Series 2019, Series 2016 A&B, Series 2014, Series 2013, and Series 2012, LSU established no debt service reserve accounts. Neither surety bonds from an insurance company or an irrevocable letter of credit were required as a substitute for the reserve accounts.

As permitted by the Bond Resolution for the Revenue Bonds, Series 2013, the LSU Health Sciences Center New Orleans obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The Surety Bond meets the definition as a “Reserve Fund Investment” and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

### **Capital Leases**

The System records items under capital leases as assets and obligations in the accompanying financial statements. The System’s capital leases at June 30, 2020 consist of various leases as follows:

<u>Nature of Lease</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Gross amount of leased assets (historical cost)	\$ 329,205,000	\$29,645,447	\$ 358,850,447
Remaining interest to end of lease	457,835,326	410,553	458,245,879
Remaining principal to end of lease	329,048,762	10,228,632	339,277,394

The buildings under lease consist of the residential and retail facilities developed as part of the Nicholson Gateway Project and the Greenhouse District Project, two Public Private Partnerships (PPP) with Provident Group Flagship Properties and the LSU Foundation. Payments due under the lease agreement are equal to the semi-annual debt service payments on the Louisiana Public Facilities Authority Series 2016A and B, and Series 2017 lease revenue bonds issued for \$235,295,000 and \$87,705,000, respectively as conduit debt. The bond payments of principal and interest are payable over a term of 40 years, ending 2056 and 2057, respectively.

The building capital leases are considered a financed purchase that meets the criteria of a direct borrowing and contains provisions for events of default that include failure to make timely payment of the agreed upon rental amounts. Failure to make these timely payments could result in System’s inability to continue using the building facilities. The lessor does not have the ability to accelerate the base rental amounts due under the lease agreement in the event of default.

Assets under capital lease are included as capital assets in note 5, which includes the depreciation expense. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2020:

Fiscal Year Ending June 30:

2021	\$ 18,855,529
2022	18,966,872
2023	19,067,934
2024	15,417,050
2025	15,417,050
2026-2030	77,085,250
2031-2035	77,085,250
2036-2040	81,133,250
2041-2045	126,027,513
2046-2050	145,194,700
2051-2055	145,195,300
2056-2060	<u>58,077,575</u>
Total minimum lease payments	797,523,273
Less - amount representing interest	<u>(458,245,879)</u>
Present value of net minimum lease payments	<u>\$ 339,277,394</u>

#### 14. AMOUNTS DUE FROM STATE TREASURY

As shown on Statement A, the System has a total of \$33,881,330 due from the Primary Government at June 30, 2020. This amount consists of the following:

Account Type	Intercompany (Fund)	Amount
Amounts due from Primary Government		
	G10 - Support Education in Louisiana First Fund	\$ 2,810,679
	E32 - Tobacco Tax Health Care Fund	1,012,201
	Coronavirus Relief Funding	<u>30,058,450</u>
	Total	<u>\$ 33,881,330</u>

**15. RESTRICTED NET POSITION**

The System's restricted nonexpendable net position of \$188,640,535 as of June 30, 2020, is comprised of endowment funds and prepaid assets.

The System had the following restricted expendable net position as of June 30, 2020:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$ 18,071,961
Grants and contracts	6,581,668
Gifts	77,534,589
Endowment earnings	62,777,226
Auxiliary enterprises	35,571,260
Student loan funds	27,300,008
Capital construction	70,652,294
Debt service	316,064
Sponsored projects	2,399,130
LSU System Health Plan	<u>40,117,752</u>
Total	<u>\$ 341,321,952</u>

Of the total restricted net position reported on Statement A for the year ended June 30, 2020, a total of \$8,134,477 is restricted by enabling legislation.

LSU Health Sciences Center in Shreveport has donor-restricted endowments. If a donor has not provided specific instructions, State law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2020, net appreciation of \$3,718,701 for LSU Health Sciences Center in Shreveport is available to be spent and is restricted to specific purposes.

LSU A&M has donor-restricted endowments. The university's policy for managing the endowment fund provides, for allocation for expenditure, the actual amount earned on the endowment fund investments. Although investments are marked to market as per the requirements of the GASB codification Section I50, there is no "total-return" policy. Unrealized gains are not made available for expenditure by the beneficiary departments.

However, in March 2010, the university obtained a \$1 million endowment from the Bernard Osher Foundation. Subsequently, in April 2013, the university obtained a second installment from the Osher Foundation of \$950,000. As per the terms of the agreement, earnings are to be calculated on a total return basis. The distribution for expenditure in each year, commencing with the university's fiscal year beginning July 1, 2010, shall not be less than the defined Minimum Amount. This endowment is not part of the university's endowment pool and is invested separately. At June 30, 2020, the net appreciation available to be spent was \$230,932, of which \$113,952 is restricted to specific purposes.

**16. RESTATEMENT OF BEGINNING NET POSITION**

The beginning net position as reflected on Statement C has been restated to reflect the following changes:

<b>Net position at June 30, 2019</b>	\$ 67,348,825
Capital asset adjustments (other than LSU Research Foundation)	660,057
Lab School accounting correction	746
Blend LSU Research Foundation	11,954,682
Correction of deposits to State Facility Planning	(3,121,265)
Nongovernmental Grants and Contracts	(12,956,130)
<b>Net position at June 30, 2019, as restated</b>	<u>\$ 63,886,915</u>

The restatements decreased the System's beginning net position by \$3,461,910. Of this amount, \$660,057 was attributable to capital asset adjustments while a net (\$16,076,649) was attributable to other accounting corrections and eliminations. Additionally, a net increase of \$11,954,682 to net position was attributable to the addition of a blended component unit, LSU Research Foundation which is considered to be a change in the accounting entity. The corrections of errors, if retroactively applied, would have decreased the change in net position by \$1,719,345.

**17. BLENDED COMPONENT UNITS**

GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, requires governments engaging only in business-type activities that use a single column for fiscal statement presentation to present condensed combining information for its blended component units in the notes to the financial statements.

Condensed financial information for each of the institutions' blended component units, with amounts receivable and payable to LSU identified on the statement of net position, follows:

**Condensed Statement of Net Position**

	LSU Research Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
<b>Assets:</b>					
Current assets	\$ 885,029	\$ 2,570,489	\$ 23,418,736	\$ 521,070	\$ 2,879,217
Capital assets	13,266,399	-	2,345,793	2,293,285	310,700
Other assets	-	-	57,563,579	-	12,091,386
Assets due from primary government	-	-	-	-	-
<b>Total Assets</b>	<b>14,151,428</b>	<b>2,570,489</b>	<b>83,328,108</b>	<b>2,814,355</b>	<b>15,281,303</b>
<b>Liabilities:</b>					
Current liabilities	883,079	552,176	15,413,091	8,338	507,367
Long-term liabilities	1,623,681	-	1,209,215	-	10,644,388
Liabilities due to primary government	872,644	-	10,344,780	1,531	4,022
<b>Total liabilities</b>	<b>3,379,404</b>	<b>552,176</b>	<b>26,967,086</b>	<b>9,869</b>	<b>11,155,777</b>
<b>Net Position:</b>					
Net investment in capital assets	13,266,399	-	2,345,793	2,293,285	310,700
Restricted net position - nonexpendable	-	-	-	-	-
Restricted net position - expendable	-	-	-	-	-
Unrestricted net position	(2,494,375)	2,018,313	54,015,229	511,201	3,814,826
<b>Total Net Position</b>	<b>\$ 10,772,024</b>	<b>\$ 2,018,313</b>	<b>\$ 56,361,022</b>	<b>\$ 2,804,486</b>	<b>\$ 4,125,526</b>

\* As of December 31, 2019

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Position**

	LSU Research Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
Operating revenues	\$ 1,289,833	\$ 5,863,244	\$ 132,860,745	\$ 253,504	\$ 334,293
Operating expenses	(2,515,914)	(5,664,611)	(137,083,366)	(260,036)	(294,180)
Depreciation expense	-	-	(449,977)	(101,439)	-
<b>Net operating income (loss)</b>	<b>(1,226,081)</b>	<b>198,633</b>	<b>(4,672,598)</b>	<b>(107,971)</b>	<b>40,113</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	-	-	1,773,650	9,201	442,139
Interest expense	-	-	-	-	(411,107)
Other nonoperating revenues (expenses)	43,423	16,562	(6,821,810)	-	-
<b>Changes in net position</b>	<b>(1,182,658)</b>	<b>215,195</b>	<b>(9,720,758)</b>	<b>(98,770)</b>	<b>71,145</b>
<b>Net Position, beginning of the year</b>	<b>11,954,682</b>	<b>1,803,118</b>	<b>66,081,780</b>	<b>2,903,256</b>	<b>4,054,381</b>
<b>Net Position, end of the year</b>	<b>\$ 10,772,024</b>	<b>\$ 2,018,313</b>	<b>\$ 56,361,022</b>	<b>\$ 2,804,486</b>	<b>\$ 4,125,526</b>

\* As of December 31, 2019

<b>Condensed Statement of Cash Flows</b>					
	LSU Research Foundation*	Stephenson Technologies Corporation	LSU Healthcare Network	Health Care Services Foundation	Bogalusa Community Medical Center
Net cash flows provided (used) by:					
Operating activities	\$ (20,662)	\$ 204,955	\$ 4,967,814	\$ (57,081)	\$ 565,637
Capital and related financing	54,355	-	2,685,765	-	(480,000)
Noncapital financing	-	-	225,834	-	-
Investing activities	(38,800)	-	153,709	-	(5,931)
Net increase (decrease) in cash	(5,107)	204,955	8,033,122	(57,081)	79,706
<b>Cash, beginning of the year</b>	<b>77,248</b>	<b>1,693,825</b>	<b>6,912,126</b>	<b>564,819</b>	<b>3,166,103</b>
<b>Cash, end of the year</b>	<b>\$ 72,141</b>	<b>\$ 1,898,780</b>	<b>\$ 14,945,248</b>	<b>\$ 507,738</b>	<b>\$ 3,245,809</b>

\* As of December 31, 2019

## 18. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Compensated Absences	Total
Instruction	\$ 422,910,020	\$ 127,546,839	\$ 147,078	\$ 117,250,510	\$ 134,772	\$ 13,839,516	\$ 459,831	\$ 682,288,566
Research	155,802,378	62,030,764	1,462,595	85,630,549	138,659	14,505,603	849,322	320,419,870
Public service	276,402,217	50,418,075	1,235,319	261,937,358	255,447	5,084,019	1,071,352	596,403,787
Academic support	76,692,709	32,145,601	295,979	28,449,010	-	3,968,682	591,413	142,143,394
Student services	23,332,853	8,931,199	515,100	17,267,966	-	385,146	106,347	50,538,611
Institutional support	76,523,461	34,684,291	115,735	86,408,338	317,382	2,879,613	980,353	201,909,173
O & M of plant	39,829,211	17,644,533	29,929,137	45,579,202	-	65,438,170	192,532	198,612,785
Scholarships and fellowships	586,169	28,824	-	177,023	77,542,434	-	-	78,334,450
Auxiliary enterprises	68,628,936	25,172,590	8,091,857	92,814,682	-	1,245,399	513,529	196,466,993
Hospital	24,980,854	22,239,126	612,977	18,786,500	-	17,252,822	302,900	84,175,179
Total operating expenses	<b>\$ 1,165,688,808</b>	<b>\$ 380,841,842</b>	<b>\$ 42,405,777</b>	<b>\$ 754,301,138</b>	<b>\$ 78,388,694</b>	<b>\$ 124,598,970</b>	<b>\$ 5,067,579</b>	<b>\$ 2,551,292,808</b>



**19. FOUNDATIONS**

The accompanying financial statements do not include the accounts of the following foundations, which do not meet the criteria for discretely presented component units as described in note 1-B:

- LSU Alumni Association
- Pennington Biomedical Research Foundation
- Pennington Medical Foundation
- LSU Medical Alumni Association
- LSU Health Sciences Center Foundation in New Orleans
- LSU in Shreveport Foundation
- LSU in Shreveport Alumni Association
- Louisiana State University of Alexandria Foundation
- Louisiana State University at Eunice Foundation
- Louisiana 4-H Foundation
- LSU Oral & Maxillofacial Surgery Alumni Association
- LSU Orthodontic Alumni Association
- LAK Foundation
- Biomedical Research Foundation Shreveport

These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

**20. DEFERRED COMPENSATION PLAN**

Certain employees of the LSU System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor's website at [www.lla.la.gov](http://www.lla.la.gov).

**21. ON-BEHALF PAYMENTS**

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. There were no on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2020.

**22. REVENUE USED AS SECURITY FOR REVENUE BONDS**

The revenues of certain auxiliary enterprises at LSU, LSU of Alexandria (LSUA), and the LSU Health Sciences Center are restricted by terms in the covenants of certain debt instruments.

LSU and LSUA have pledged future auxiliary revenues of approximately \$499,191,312 to secure original issued debt of \$412,625,000 in Auxiliary Revenue Bonds. Proceeds from the bonds provided for the financing of construction and renovation of various auxiliary facilities or bond refundings. All auxiliary revenues of LSU have been pledged to secure the debt, which is payable through 2043. Pledged auxiliary revenues recognized during the period were \$246,699,500. All LSUA Union, Bookstore, and athletic revenues, totaling \$1,651,544 for the current period, are pledged to secure the debt of the 2008 bond, which matures in 2034. Required principal and interest payments for the current year on the bonds were \$30,396,543.

LSUHSC - New Orleans has pledged future auxiliary revenues, dedicated student fee revenues, and University Enterprise Revenues of approximately \$12,867,919 to secure original issued debt of \$12,830,000 for its 2013 Series Bond. Proceeds from the bonds were used to refund the 2000 series bonds. Proceeds from the bonds provided for the planning, financing, design, construction, operation, maintenance, equipping, and renewal and replacement for the Wellness Center, Day Care Center, Campus Health Services, and Student Housing in the Old Charity Nursing School Building. The bonds are payable through 2031. Principal and interest paid for the current year were \$1,165,006. Pledged auxiliary revenues recognized during the period were \$8,146,097.

### 23. UNCONDITIONAL PROMISES TO GIVE - COMPONENT UNITS

The discretely presented component units reported unconditional promises to give as follows:

	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Foundation in Shreveport	Total
Promises to give expected to be collected in:				
Less than one year	\$ 5,379,403	\$6,130,807	\$2,527,120	\$14,037,330
One to five years	12,305,763	9,694,048	4,707,022	26,706,833
More than five years	3,474,204	726,000	1,012,667	5,212,871
Subtotal	<u>21,159,370</u>	<u>16,550,855</u>	<u>8,246,809</u>	<u>45,957,034</u>
Less discount on promises to give	(1,883,552)	(2,031,855)	(362,765)	(4,278,172)
Less allowance for uncollectible accounts	(513,231)	(2,146,500)	-	(2,659,731)
Subtotal	<u>(2,396,783)</u>	<u>(4,178,355)</u>	<u>(362,765)</u>	<u>(6,937,903)</u>
Net unconditional promises to give	<u>\$ 18,762,587</u>	<u>\$12,372,500</u>	<u>\$7,884,044</u>	<u>\$39,019,131</u>

\*as of December 31, 2019

Total unconditional promises to give (current and noncurrent) of \$39,019,131 are reported on Statement B.

### 24. EMPLOYEE TERMINATION BENEFITS

Substantially all employees are eligible for termination benefits upon separation from the State. The LSU System recognizes the cost of providing these benefits as expenditures when paid during the year. For the fiscal year ending June 30, 2020, the cost of providing these benefits for five involuntary terminations totaled \$365,411.

### 25. PRIVATIZATION OF PUBLIC HOSPITALS

The System implemented public/private partnerships for the management and/or the services of nine of the 10 hospitals previously under the management of the Louisiana State University Health Care Services Division and the Louisiana State University Health Sciences Center in Shreveport. In consideration for these partnerships, the System will receive periodic lease payments ranging from a minimum of \$2,502,847 to \$76,493,790 (adjusted for inflation) per year over lease terms ranging from five to 40 years associated with the Health Care Services Division hospitals. Additionally, the System will receive monthly lease payments at a minimum of \$3,725,000 (adjusted for inflation) over lease terms ranging from five to 99 years associated with the Louisiana State University Health Sciences Center in Shreveport hospitals. Per Act 601 of the 2016 Regular Session, these periodic lease payments are to be deposited to State General Fund with the State Treasurer.

On September 18, 2018 and in accordance with R.S. 39:366.11, the Joint Legislative Committee on Budget held a public hearing on the Cooperative Endeavor Agreement (CEA) by and among the State of Louisiana (State), acting by and through the Louisiana Division of Administration (DOA), Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), and Ochsner LSU Health System of North Louisiana (OLHS-NL), a private Louisiana nonprofit corporation. The CEA and service agreements cover the hospital and clinic facilities in Shreveport and Monroe. The Joint Venture CEA, effective October 1, 2018 is for an initial term of ten (10) years. The annual base rent for the leased premises is \$41,827,876.35 in two (2) equal installments paid directly by Ochsner LSU Hospitals, L.L.C (Lessee), a subsidiary of OLHS-NL, to The State of Louisiana, through the Division of Administration (Lessor).

In addition, effective October 1, 2018, Ochsner LSU Health System of North Louisiana (OLHS-NL) became the sole member of LSU Health Sciences Center-Shreveport Faculty Group Practice (FPG) doing business as Ochsner LSU Physician Group (OLPG) which provides physician and non-physician practitioner services and medical administrative services at the hospitals by and through LSUHSC-S faculty.

## 26. LINE OF CREDIT

On May 1, 2019, LSUHN executed an agreement allowing LSUHN to borrow up to \$20,500,000 collateralized by investments held by LSUHN. Any borrowings under this agreement bear interest at a variable rate unless LSUHN specifically requests a fixed rate. As of June 30, 2020, the outstanding balance was \$8,547,644, and \$11,952,356 remains available and unused. Separate draws of \$1,500,000 and \$7,047,644 bear variable rates of 1.23% and 1.05%, respectively. This agreement expires April 30, 2021 but may be terminated by either party at any time.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
J.P. Morgan Chase line of credit	\$ -	8,547,644	-	\$ 8,547,644

## 27. SUBSEQUENT EVENTS

### Natural Disaster – Hurricane Laura

The LSU Health Care Services Division (HCS) hospital and properties in Lake Charles Louisiana (formerly W.O. Moss Regional Medical Center) incurred damages from Hurricane Laura in August 2020. The Lake Charles hospital and properties are leased through a cooperative endeavor agreement and are managed by Lake Charles Memorial Health System (LCMHS). The financial impact of hurricane damages on the hospital properties is unknown at this time. In accordance with the insurance terms of the cooperative endeavor agreement, the lessor (LCMHS) is responsible for the damages incurred to the hospital and properties.

At June 30, 2020, the Capital Assets of the Lake Charles hospital are reported within the Statement of Net Position and note 5, net of accumulated depreciation, as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Balance</u>
Land	\$ 313,776	\$ -	\$ 313,776
Depreciable land improvements	411,051	187,436	223,615
Buildings	6,517,766	5,101,810	1,415,956
Equipment	<u>7,663,633</u>	<u>7,385,854</u>	<u>277,779</u>
	<u>\$ 14,906,226</u>	<u>\$ 12,675,100</u>	<u>\$ 2,231,126</u>

At June 30, 2020, the Operating Leases – Minimum Future Rentals reported within Note 12 for the Lake Charles hospital and properties was as follows:

	<u>Building</u>	<u>Land</u>
2021	\$ 2,487,000	\$ 15,847
2022	2,487,000	16,146
2023	2,439,304	16,146
2024		16,146
2025		16,146
2026 – 2030		86,867
2031 – 2035		93,816
2036 – 2040		101,322
2041 – 2045		109,427
2046 – 2050		5,492

### **COVID-19**

Beginning in the Spring 2020 academic semester, the LSU System's delivery of educational, medical, agricultural, athletics and other services was impacted because of the stay-at-home and social distancing measures orders associated with the COVID-19 public health emergency. COVID 19 is a respiratory illness caused by a novel strain of the coronavirus which began infecting the United States citizens in the beginning of 2020. The continued spread of COVID-19 and the stay-at-home and social distancing orders of Federal, State and Local government authorities continued to impact the System after year end. These impacts include increased costs for sanitation and personal protective equipment for student, faculty, and staff, a decrease in student on-campus housing occupancy, a decline in athletic revenue due to attendance restrictions imposed on sporting events, and significant disruptions to basic and applied research. In addition, the COVID-19 public health emergency has affected the revenues of the foundations that support the System's programs. The full extent of the financial impact is not estimable by management as it is contingent upon the evolving nature of the spread of COVID-19 and the responses of governments, citizens and development and distribution of a vaccine. The System will continue to monitor the revenue losses caused by COVID 19 and pursue additional federal and state assistance available to offset these impacts along with other steps to reduce expenses as deemed necessary.

## 28. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

### Governmental Accounting Standards Board - University

Following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the Systems financial report:

GASB Statement 84, *Fiduciary Activities*. This standard defines and establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria is on (1) whether the System controls the assets in a fiduciary activity and (2) there are separate identifiable beneficiaries with whom a fiduciary relationship exists. The standard also clarifies the reporting of fiduciary activities in the financial statement of a business-type activity. The standard, whose original effective date was postponed by GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is effective for annual reporting periods beginning after December 15, 2019. The System will include the requirements of this standard, as applicable, in its June 30, 2021 financial statement. The effect of this standard or its applicability to the System are unknown at this time.

GASB Statement 87, *Leases*. This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard, whose original effective date was postponed by GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is effective for annual reporting periods beginning after June 15, 2021. The System will include the requirements of this standard, as applicable, in its June 30, 2022 financial statement. All of the System's lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the System are unknown at this time.

GASB 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This standard requires that interest cost incurred before the end of a construction period be recognized as an expense as incurred. The requirements of this statement will be effective for years beginning after December 15, 2020. The System will include the requirements of this standard, as applicable in its June 30, 2022 financial statements.

GASB Statement 91, *Conduit Debt Obligations*. This statement clarifies accounting for certain debt obligations issued by governmental entities and the associated assets. The System will include the requirements of this standard, whose original effective date was postponed by GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective for annual reporting periods beginning after December 15, 2021. The System will include the requirements of this standard in its June 30, 2023 financial statement.

GASB Statement 94, *Public-Private Partnership and Availability Payment Arrangements* establishes the accounting and financial reporting requirements for certain arrangements used by

government to construct, improve or operate public assets in exchange or exchange-like transactions. The requirements of this statement will be effective for years beginning after June 15, 2022. The System will include the requirements of this standard, as applicable in its June 30, 2023 financial statements.

GASB Statement 96, *Subscription Based Information Technology Arrangements* provides guidance for accounting for subscription based technology arrangements including recordation of right-to-use assets and subscription liabilities. The requirements of this statement will be effective for years beginning after June 15, 2022. The System will include the requirements of this standard, as applicable in its June 30, 2023 financial statements.

GASB Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This standard clarifies accounting guidance for fiduciary activities for certain employee benefit plans. The requirements of this statements will be effective in staggered dates for its varied provisions, including the date of implementation of GASB 84 for defined contribution plans without a governing board, and reporting periods beginning after June 15, 2021 for Section 457 plans.

Following is a summary of accounting standards adopted by the Financial Accounting Standards Board (FASB) that are scheduled to be implemented in the future that may affect the discretely presented component units' financial information included in the System's financial report:

#### Financial Accounting Standards Board (Component Units)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principals 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, initially effective for periods beginning after December 15, 2018, was delayed by FASB upon issuance of ASU 2020-05 in June 2020. While the Tiger Athletic Foundation and the LSU Health Sciences Foundation in Shreveport implemented this accounting standard during the fiscal year ended June 30, 2020, the LSU Foundation did not. The LSU Foundation will be required to implement this standard effective for fiscal year ending June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated statement of financial position as well as additional disclosures. This standard, initially effective for periods beginning after December 15, 2020 was delayed by FASB upon issuance of ASU 2020-05 in June 2020. This standard will now be effective for the System's component units for fiscal year ending June 30, 2023.





# SCHEDULES

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## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of Proportionate Share of the Total OPEB Liability**

The Schedule of Proportionate Share of the Total OPEB Liability presents the System's share of the overall plans' Total OPEB Liability along with the associated covered employee payroll and the percentage of the proportionate share of the Total OPEB Liability to the covered employee payroll.

### **Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans**

The Schedule of the Proportionate Share of the Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans presents the System's share of the overall net pension liability of each of the cost sharing defined benefit pension plans in which it participates -- the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System -- along with other information regarding plan funding

### **Schedule of Contributions to Cost Sharing Defined Benefit Pension Plans**

The Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plans presents the contributions to the defined benefit pension plans in which it participates in relation to the required contributions and the covered payroll.



**Louisiana State University System  
State of Louisiana**

**Schedule of Proportionate Share of the  
Total OPEB Liability**

OPEB Plan	Fiscal Year Ended June 30,	Proportion of total OPEB liability	Proportionate share of total OPEB liability	Covered-employee payroll	Proportionate share of the total OPEB liability as a percentage of its covered employee payroll
<b>LSU Health Plan</b>	2020	90.16%	\$ 1,264,221,610	\$ 468,947,536	269.59%
	2019	89.84%	982,122,350	461,412,734	212.85%
	2018	89.90%	877,157,084	447,946,926	195.82%
	2017	89.92%	907,554,665	428,324,048	211.89%
<b>State OGB Plan <sup>1</sup></b>	2020	9.39%	\$ 725,140,977	\$ 163,349,378	443.92%
	2019	9.70%	827,765,465	149,671,018	553.06%
	2018	9.88%	858,539,059	145,277,416	590.97%
	2017	9.88%	896,294,959	160,792,458	557.42%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<sup>1</sup> The amounts presented for each fiscal year were determined as of the beginning of the fiscal year (on the measurement date).

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.



**Louisiana State University System**  
**State of Louisiana**  
**Schedule of the Proportionate Share of the Net Pension Liabilities**  
**Cost Sharing Defined Benefit Pension Plans**  
**For the Year Ended June 30, 2020 <sup>2</sup>**

<u>Pension Plan</u>	<u>Year</u>	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Teachers Retirement System of Louisiana</b>						
	2020	12.45%	\$ 1,235,607,201	\$ 617,923,864	199.9611%	68.57%
	2019	11.78%	1,158,178,095	591,440,763	195.8232%	68.17%
	2018	11.80%	1,210,182,119	567,166,958	213.3732%	65.55%
	2017	11.61%	1,362,912,524	569,301,671	239.4008%	59.90%
	2016	11.89%	1,278,748,342	574,715,036	222.5013%	62.50%
	2015	11.90%	1,215,849,099	565,794,440	214.8924%	63.70%
<b>Louisiana State Employees Retirement System</b>						
	2020	5.18%	375,266,368	104,905,474	357.7186%	62.90%
	2019	5.45%	371,417,796	104,075,528	356.8733%	64.30%
	2018	5.59%	393,236,188	107,409,839	366.1082%	62.54%
	2017	5.89%	462,433,321	114,364,013	404.3521%	57.70%
	2016	6.42%	436,447,698	124,105,292	351.6753%	62.70%
	2015	6.82%	426,523,299	168,650,353	252.9039%	65.00%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

<sup>2</sup> The amounts presented have a measurement date of the previous fiscal year end



**Louisiana State University System  
State of Louisiana  
Schedule of Contributions to  
Cost Sharing Defined Benefit Pension Plans  
For the Year Ended June 30, 2020**

Pension Plan:	Year	Contractually Required Contribution <sup>3</sup>	Contributions in Relation to Contractually Required Contribution <sup>4</sup>	Contribution Deficiency (Excess)	Employer's Covered Payroll <sup>5</sup>	Contributions as a % of Covered Payroll
<b>Teachers Retirement System of Louisiana</b>						
	2020	\$ 156,171,853	\$ 156,171,853	-	\$ 641,028,624	24.3627%
	2019	148,714,239	148,714,239	-	617,923,864	24.0668%
	2018	139,754,458	139,754,458	-	591,440,763	23.6295%
	2017	128,460,068	128,460,068	-	567,166,958	22.6494%
	2016	133,240,275	133,240,275	-	569,301,671	23.4042%
	2015	140,955,881	140,955,881	-	574,715,036	24.5262%
<b>Louisiana State Employees Retirement System</b>						
	2020	41,930,308	41,930,308	-	102,995,748	40.7107%
	2019	39,250,864	39,250,864	-	104,905,474	37.4155%
	2018	39,427,786	39,427,786	-	104,075,528	37.8838%
	2017	38,462,302	38,462,302	-	107,409,839	35.8089%
	2016	42,573,481	42,573,481	-	114,364,013	37.2263%
	2015	45,776,471	45,776,471	-	124,105,292	36.8852%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**For reference only:**

<sup>3</sup> Employer contribution rate multiplied by employer's covered payroll

<sup>4</sup> Actual employer contributions remitted to Retirement Systems

<sup>5</sup> Employer's covered payroll amount for each of the fiscal year ended June 30

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2020**

**A. Changes in Benefit Terms and Assumptions related to Total OPEB Liability  
Schedule 1**

*Benefit Changes.*

**LSU Health Plan**

**June 30, 2018 Measurement**

1. Plan design changes were updated as of January 1, 2018
2. Claims cost were updated for the expected retiree health costs

*Changes of Assumptions.*

**State OGB Plan**

Measurement Date	Discount Rate	Change
July 01, 2019	2.790%	-0.19%
July 01, 2018	2.980%	-0.15%
July 01, 2017	3.130%	0.42%
July 01, 2016	2.710%	0.00%

**Mortality Assumption**

See changes in mortality reported for TRSL and LASERS in note b below

Other Changes in Assumptions for measurement date July 1, 2018:

- The baseline per capita costs were adjusted to reflect 2018 claims and enrollment, retiree contributions were updated based on 2019 premiums, and the impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums.
- The percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

Other Changes in Assumptions for measurement date July 01, 2019

- The estimate of future EGWP savings was increased, based on an analysis of recent EGWP experience
- Baseline per capita costs (PCCs) were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums.
- Life insurance contributions were updated based on updated schedules for 2020 monthly premium rates.
- The impact of the High Cost Excise Tax was removed. The High Cost Excise Tax was repealed in December 2019.
- Demographic assumptions were revised for the LASERS Retirement System to reflect the recent experience study.

**LSU Health Plan**

Discount Rate

Healthcare Costs Trend Rates

Measurement

Date	Rate	Change	Pre-65 Rates	Post 65 Rates
June 30, 2020	2.210%	-1.29%	6.0% to 4.5%	5.0% to 4.5%
June 30, 2019	3.500%	-0.40%	6.0% to 4.5%	5.0% to 4.5%
June 30, 2018	3.900%	0.32%	6.5% to 4.5%	5.5% to 4.5%
June 30, 2017	3.580%	0.00%		

**Mortality Assumption**

- 2020 • Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.
- 2017 - 2019 • RP-2014 mortality table with generational scale MP-2018

- 2020 • The retirement rates were updated to the most recent rates from the LASERS and TRSL Actuarial Valuations.

**b. Changes in Benefit Terms and Assumptions related to Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans  
Schedules 2 and 3**

*Changes in benefit terms:*

TRSL:

2015 - A 1.5% COLA, effective July 1, 2014, provided by Act 204 of the 2014 Louisiana Regular Legislative Session

2016 - Members employed on or after July 1, 2015 – can retire at age 62 with a 2.5% benefit factor with at least 5 years of service credit or at any age after 20 years or service credit (actuarially reduced)

2017 - A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session



**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2020**  
**(Continued)**

**b. Changes in Benefit Terms and Assumptions related to Net Pension Liabilities of Cost Sharing Defined Benefit Pension Plans Schedules 2 and 3**

*Changes in benefit terms: (continued)*

LASERS:

2015 - A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session

2015 - Improved benefits for certain members employed by the Office of Adult and Parole within the Department of Public Safety and Corrections per Act 852 of 2014

2017 - A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session

2017 - Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015

2019 – In the 2018 Louisiana Regular Legislative Session, Act 224 and 595 changed benefits to members killed in active duty in an intentional act of violence and to provide for survivors of these members; and, also changed the benefits of members permanently injured in the line of duty.

*Changes in assumptions:*

The following discount rate changes were made to the pension plans identified in the following table:

Discount Rate:

<u>Fiscal Year<sup>2</sup></u>	<u>Rate</u>	<u>Change</u>			
TRSL			LASERS		
2020	7.550%	-0.10%	2020	7.600%	-0.05%
2019	7.650%	-0.05%	2019	7.650%	-0.05%
2018	7.700%	-0.05%	2018	7.700%	-0.05%
2015-2017	7.750%	0.000%	2015-2017	7.750%	0.000%

The following inflation rate changes were made to the pension plans identified in the following table:

Inflation Rate:

<u>Fiscal Year<sup>2</sup></u>	<u>Rate</u>	<u>Change</u>
LASERS		
2020	2.500%	-0.250%
2018-2019	2.750%	-0.250%
2015-2017	3.000%	0.000%

The following changes to projected salary increases were made to the pension plans identified in the following table:

Salary Increases:

<u>Fiscal Year<sup>2</sup></u>	<u>Range</u>			
TRSL			LASERS	
2019 -2020	3.3% to 4.8% varies depending on duration of service		2020	2.80% to 14.00% for various member types
2015-2018	3.5% to 10% varies depending on duration of service		2018-2019	2.80% to 14.30% for various member types
			2017-2015	3.00% to 14.50% for various member types

Mortality table:

<u>Fiscal Year<sup>2</sup></u>	
TRSL	
2020 -2019	Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females. Non-Disabled retiree/inactive members – RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females. Disability retiree mortality – RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females. These base tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.
2015-2018	Mortality rates were projected based on the RP-2000 Mortality Table with projection to 2025 using Scale AA.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2020  
(Continued)**

Continued  
Mortality table:  
Fiscal Year<sup>2</sup>

LASERS

2020	General active member – RP-2014 Blue Collar Employee tables adjusted by 0.978 for males and 1.144 for females General retiree/inactive members (males) – RP-2014 Blue Collar Healthy Annuitant table, adjusted by 1.280. General retiree/inactive members (females) – RP-2014 White Collar Healthy Annuitant table, adjusted by 1.417 Mortality assumptions for non-disabled members include improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. Disabled Member – RP-2000 Disabled Retiree Mortality Table, adjusted by 1.009 for males and 1.043 for females, with no projection for improvement.
2015 -2019	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

Termination  
and  
Disability  
table:

Fiscal Year<sup>2</sup>

TRSL	
2019-2020	Termination, disability, and retirement assumptions were projected based on a five year (2013–2017) experience study of the System’s members.
2015-2018	Termination, disability, and retirement assumptions were projected based on a five year (2008-2012) experience study of the System’s members.
LASERS	
2020	Termination, disability, and retirement assumptions were projected based on a five year (2014-2018) experience study of the System’s members.
2015-2019	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of the System’s members.

<sup>2</sup> The amounts presented have a measurement date of the previous fiscal year end.

## SUPPLEMENTAL INFORMATION SCHEDULES

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The material presented in this section is designed to provide the reader with additional information supporting the financial statements.

### **Combining Schedule of Net Position, by University, June 30, 2020**

Schedule 4 presents the current and long-term portions of assets and liabilities and net position for each university within the System. Included in Schedule 4 are amounts due to and due from the other campuses. While these due to and due from amounts have been eliminated in the consolidated statements, they are shown when presenting individual campus financial information.

### **Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Fiscal Year Ended June 30, 2020**

Schedule 5 presents information showing how the net position of each university changed as a result of current year operations.

### **Combining Schedule of Cash Flows, by University, for the Fiscal Year Ended June 30, 2020**

Schedule 6 presents information showing how each university's cash changed as a result of current year operations.

### **Combining Schedule of Net Position, by University, June 30, 2019**

Schedule 7 presents the current and long-term portions of assets and liabilities and net position for each university within the System.

### **Combining Schedule of Revenues, Expenses, and Changes in Net Position, by University, for the Fiscal Year Ended June 30, 2019**

Schedule 8 presents information showing how the net position of each university changed as a result of current year operations.

### **Combining Schedule of Cash Flows, by University, for the Fiscal Year Ended June 30, 2019**

Schedule 9 presents information showing how each university's cash changed as a result of current-year operations.

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Net Position, by University  
June 30, 2020

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ (2,516,475)	\$ 18,345,965	\$ 787,434	\$ (111,235)	\$ 16,648,515
Investments	-	358,088,079	680,025	89,394	642,134
Receivables (net)	2,730,574	46,706,408	12,382,481	7,275,626	5,306,422
Leases receivable	-	-	-	-	-
Due from other campuses	-	1,234,778	-	(1,073,096)	-
Due from State Treasury	2,930,723	6,602,334	2,614,711	1,793,916	4,682,515
Due from Federal Government	2,537,888	14,888,035	1,371,461	382,840	3,943,725
Inventories	181,105	1,191,152	173	339,244	2,139,913
Prepaid expenses and advances	-	13,049,729	2,700	-	1,421
Notes receivable	-	2,016,112	-	-	-
Other current assets	-	445,202	-	-	-
Total current assets	<u>5,863,815</u>	<u>462,567,794</u>	<u>17,838,985</u>	<u>8,696,689</u>	<u>33,364,645</u>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,353,216	125,218,990	1,558,426	111,235	4,599,524
Investments	6,856,988	114,029,431	3,714,251	474,677	3,736,972
Receivables (net)	-	22,861	-	100,318	93,618
Notes receivable	-	9,456,732	-	11,041	-
Other restricted assets	-	10,726,523	-	-	-
Investments	-	-	-	-	-
Lease receivable	-	-	-	-	-
Capital assets (net)	88,595,918	1,395,732,914	24,490,122	16,670,143	41,588,612
Other noncurrent assets	-	-	-	-	-
Total noncurrent assets	<u>100,806,122</u>	<u>1,655,187,451</u>	<u>29,762,799</u>	<u>17,367,414</u>	<u>50,018,726</u>
Total assets	<u>106,669,937</u>	<u>2,117,755,245</u>	<u>47,601,784</u>	<u>26,064,103</u>	<u>83,383,371</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred amounts on debt refunding	-	23,726,613	-	-	-
Asset retirement obligations	-	-	-	-	-
OPEB-related deferred outflows of resources	10,031,383	153,919,462	3,810,199	5,675,849	39,242,751
Pension-related deferred outflows of resources	13,181,535	180,930,852	7,666,591	5,824,109	27,636,920
Total deferred outflows of resources	<u>23,212,918</u>	<u>358,576,927</u>	<u>11,476,790</u>	<u>11,499,958</u>	<u>66,879,671</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 129,882,855</u>	<u>\$ 2,476,332,172</u>	<u>\$ 59,078,574</u>	<u>\$ 37,564,061</u>	<u>\$ 150,263,042</u>

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 16,981,832	\$ 41,017,495	\$ 87,350,882	\$ 64,271,857	\$ -	\$ 242,776,270
Investments	100,413	1,195,248	-	77,599,622	-	438,394,915
Receivables (net)	4,472,175	143,872,441	7,700,278	72,106,004	-	302,552,409
Leases receivable	-	-	74,272,069	-	-	74,272,069
Due from other campuses	-	106,926,711	155,522	288,086	(107,532,001)	-
Due from State Treasury	871,507	5,941,281	-	8,444,343	-	33,881,330
Due from Federal Government	3,711,554	14,131,402	132,333	6,121,647	-	47,220,885
Inventories	4,552	1,780,384	1,058,765	297,237	-	6,992,525
Prepaid expenses and advances	3,167,007	15,982,268	45,923	207,310	-	32,456,358
Notes receivable	-	1,019,460	-	2,534	-	3,038,106
Other current assets	-	-	9,915	-	-	455,117
Total current assets	<u>29,309,040</u>	<u>331,866,690</u>	<u>170,725,687</u>	<u>229,338,640</u>	<u>(107,532,001)</u>	<u>1,182,039,984</u>
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	912,091	-	4,662,511	1,450,367	-	143,866,360
Investments	7,221,999	31,710,027	9,499,545	81,389,511	-	258,633,401
Receivables (net)	-	-	-	-	-	216,797
Notes receivable	-	6,176,271	-	15,817	-	15,659,861
Other restricted assets	-	-	-	-	-	10,726,523
Investments	-	54,266,440	-	-	-	54,266,440
Lease receivable	-	-	2,252,718,012	-	-	2,252,718,012
Capital assets (net)	18,588,605	290,163,440	100,623,009	64,709,793	-	2,041,162,556
Other noncurrent assets	-	765,926	-	-	-	765,926
Total noncurrent assets	<u>26,722,695</u>	<u>383,082,104</u>	<u>2,367,503,077</u>	<u>147,565,488</u>	<u>-</u>	<u>4,778,015,876</u>
Total assets	<u>56,031,735</u>	<u>714,948,794</u>	<u>2,538,228,764</u>	<u>376,904,128</u>	<u>(107,532,001)</u>	<u>5,960,055,860</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred amounts on debt refunding	-	-	-	-	-	23,726,613
Asset retirement obligations	-	-	-	-	-	-
OPEB-related deferred outflows of resources	9,237,857	49,824,145	74,947,980	61,717,805	-	408,407,431
Pension-related deferred outflows of resources	19,836,036	76,588,582	11,616,661	39,472,726	-	382,754,012
Total deferred outflows of resources	<u>29,073,893</u>	<u>126,412,727</u>	<u>86,564,641</u>	<u>101,190,531</u>	<u>-</u>	<u>814,888,056</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 85,105,628</u>	<u>\$ 841,361,521</u>	<u>\$ 2,624,793,405</u>	<u>\$ 478,094,659</u>	<u>\$ (107,532,001)</u>	<u>\$ 6,774,943,916</u>

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Net Position, by University  
June 30, 2020

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	\$ 313,983	\$ 44,971,340	\$ 399,433	\$ 120,187	\$ 510,459
Due to other campuses	-	106,835,029	-	-	-
Due to Federal Government	-	-	-	-	-
Amounts held in custody for others	-	7,654,484	487,676	419,954	149,434
Unearned revenues	916,510	74,501,676	6,912,874	5,358,559	4,462,070
Other liabilities	-	445,202	-	-	-
Compensated absences payable	180,048	2,858,218	81,123	45,031	697,845
Capital lease obligations	-	3,332,192	-	-	-
Notes payable	-	26,785	-	-	-
Bonds payable	-	18,852,020	145,000	-	-
Total OPEB liability	313,149	16,711,520	606,053	678,920	6,840,713
Total current liabilities	1,723,690	276,188,466	8,632,159	6,622,651	12,660,521
Noncurrent liabilities:					
Compensated absences payable	3,773,007	36,743,132	921,471	627,013	7,998,101
Capital lease obligations	-	335,901,570	-	-	-
Notes payable	-	1,598,857	-	-	-
Bonds payable	-	342,776,199	2,830,000	-	-
Total OPEB liability	32,243,379	706,028,452	20,867,815	22,881,510	165,457,044
Net pension liability	53,921,838	764,924,815	26,175,489	18,888,868	121,510,927
Unearned revenues (advance lease payments)	-	-	-	-	-
Other noncurrent liabilities	1,880	509,244	-	-	17,426
Total noncurrent liabilities	89,940,104	2,188,482,269	50,794,775	42,397,391	294,983,498
Total liabilities	91,663,794	2,464,670,735	59,426,934	49,020,042	307,644,019
<b>DEFERRED INFLOW OF RESOURCES</b>					
OPEB-related deferred inflows of resources	3,763,731	64,153,020	5,376,997	2,845,658	26,635,605
Pension-related deferred inflows of resources	4,863,862	52,960,036	1,704,100	1,214,994	7,756,991
Total deferred inflows of resources	8,627,593	117,113,056	7,081,097	4,060,652	34,392,596
<b>NET POSITION</b>					
Net investment in capital assets	88,595,918	718,602,274	21,515,122	16,670,143	41,588,612
Restricted for:					
Nonexpendable	5,666,522	104,230,865	3,710,447	504,552	3,889,868
Expendable	9,520,407	212,878,383	5,086,005	312,314	10,394,485
Unrestricted	(74,191,379)	(1,141,163,141)	(37,741,031)	(33,003,642)	(247,646,538)
<b>Total net position</b>	29,591,468	(105,451,619)	(7,429,457)	(15,516,633)	(191,773,573)
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 129,882,855	\$ 2,476,332,172	\$ 59,078,574	\$ 37,564,061	\$ 150,263,042

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accruals	\$ 1,680,386	\$ 40,238,355	\$ 15,896,093	\$ 19,932,787	\$ -	\$ 124,063,023
Due to other campuses	73,608	183,169	230,656	209,539	(107,532,001)	-
Due to Federal Government	54,155	5,238,506	-	-	-	5,292,661
Amounts held in custody for others	230,118	195,336	10,394	2,175	-	9,149,571
Unearned revenues	9,162,212	28,650,603	85,000,651	692,132	-	215,657,287
Other liabilities	-	8,547,644	1,743	-	-	8,994,589
Compensated absences payable	117,613	1,637,810	286,700	1,112,350	-	7,016,738
Capital lease obligations	-	-	-	21,816	-	3,354,008
Notes payable	-	770,582	-	-	-	797,367
Bonds payable	-	737,088	490,000	-	-	20,224,108
Total OPEB liability	1,344,445	6,033,803	18,989,324	14,166,820	-	65,684,747
Total current liabilities	12,662,537	92,232,896	120,905,561	36,137,619	(107,532,001)	460,234,099
Noncurrent liabilities:						
Compensated absences payable	1,684,629	20,307,243	2,532,694	11,288,693	-	85,875,983
Capital lease obligations	-	-	-	21,816	-	335,923,386
Notes payable	-	1,209,215	-	-	-	2,808,072
Bonds payable	-	9,240,881	10,644,388	-	-	365,491,468
Total OPEB liability	35,006,919	258,108,489	366,278,129	316,806,103	-	1,923,677,840
Net pension liability	41,841,514	335,212,088	62,097,156	186,300,874	-	1,610,873,569
Unearned revenues (advance lease payments)	-	-	1,408,991,896	-	-	1,408,991,896
Other noncurrent liabilities	46,713	-	-	-	-	575,263
Total noncurrent liabilities	78,579,775	624,077,916	1,850,544,263	514,417,486	-	5,734,217,477
Total liabilities	91,242,312	716,310,812	1,971,449,824	550,555,105	(107,532,001)	6,194,451,576
<b>DEFERRED INFLOW OF RESOURCES</b>						
OPEB-related deferred inflows of resources	8,048,983	37,219,224	68,542,127	57,149,744	-	273,735,089
Pension-related deferred inflows of resources	5,378,246	27,583,990	7,610,696	17,155,284	-	126,228,199
Total deferred inflows of resources	13,427,229	64,803,214	76,152,823	74,305,028	-	399,963,288
<b>NET POSITION</b>						
Net investment in capital assets	18,588,605	281,380,719	90,376,629	64,666,161	-	1,341,984,183
Restricted:						
Nonexpendable	6,891,843	32,601,192	13,025,669	18,119,577	-	188,640,535
Expendable	3,841,802	16,069,120	11,900,527	71,318,909	-	341,321,952
Unrestricted	(48,886,163)	(269,803,536)	461,887,933	(300,870,121)	-	(1,691,417,618)
<b>Total net position</b>	<b>(19,563,913)</b>	<b>60,247,495</b>	<b>577,190,758</b>	<b>(146,765,474)</b>	<b>-</b>	<b>180,529,052</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 85,105,628</b>	<b>\$ 841,361,521</b>	<b>\$ 2,624,793,405</b>	<b>\$ 478,094,659</b>	<b>\$ (107,532,001)</b>	<b>\$ 6,774,943,916</b>

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2020

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>OPERATING REVENUES</b>					
Student tuition and fees	\$ -	\$ 455,548,633	\$ 20,468,528	\$ 9,557,993	\$ -
Less scholarship allowances	-	(101,668,659)	(4,043,821)	(3,370,550)	-
Net student tuition and fees	-	353,879,974	16,424,707	6,187,443	-
Federal appropriations	-	-	-	-	12,147,289
Federal grants and contracts	20,192,127	80,304,245	194,393	174,120	6,213,116
State and local grants and contracts	2,945,328	34,140,615	(81,764)	291,056	14,944,583
Nongovernmental grants and contracts	7,077,595	19,439,837	49,370	4,000	5,282,029
Sales and services of educational departments	472,714	22,862,956	56,210	38,817	5,013,973
Hospital income	-	-	-	-	-
Auxiliary enterprise revenues (including revenues pledged to secure debt)	60,036	231,273,553	2,427,167	3,422,153	-
Less scholarship allowances	-	(21,994,888)	(306,216)	(1,024,234)	-
Net auxiliary revenues	60,036	209,278,665	2,120,951	2,397,919	-
Other operating revenues	60,581	11,771,250	36,800	27,775	10,532,522
Total operating revenues	30,808,381	731,677,542	18,800,667	9,121,130	54,133,512
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction	-	321,303,144	12,977,494	9,082,703	-
Research	33,951,415	143,239,587	9,792	29,959	65,341,721
Public service	1,859,528	32,125,989	9,352	-	43,944,992
Academic support	7,627,822	89,973,699	1,632,855	784,540	4,729,055
Student services	-	29,187,192	2,312,303	1,679,337	-
Institutional support	7,276,448	44,363,696	3,556,307	3,262,583	16,782,970
Operations and maintenance of plant	9,333,598	117,140,842	4,234,069	3,175,573	6,557,141
Scholarships and fellowships	-	61,050,069	5,421,249	4,310,450	65,194
Auxiliary enterprises	161,839	177,984,208	1,426,073	2,288,674	-
Hospital	-	-	-	-	-
Total operating expenses	60,210,650	1,016,368,426	31,579,494	24,613,819	137,421,073
<b>OPERATING INCOME (LOSS)</b>	<b>(29,402,269)</b>	<b>(284,690,884)</b>	<b>(12,778,827)</b>	<b>(15,492,689)</b>	<b>(83,287,561)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	20,311,877	140,548,469	7,901,532	6,782,136	79,705,374
Gifts	1,379,846	54,741,613	651,326	625,739	2,675,740
Federal nonoperating revenues (expenses)	-	43,166,577	7,681,498	6,226,486	539,690
Net investment income (loss)	378,100	33,609,861	526,003	70,319	926,205
Interest expense	-	(27,728,634)	(165,995)	-	-
Other nonoperating revenues (expenses)	182,482	703,491	79,816	56,779	375,867
Net nonoperating revenues (expenses)	22,252,305	245,041,377	16,674,180	13,761,459	84,222,876

(Continued)



	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>OPERATING REVENUES</b>						
Student tuition and fees	\$ 60,540,386	\$ 63,797,336	\$ -	\$ 22,684,016	\$ (4,990)	\$ 632,591,902
Less scholarship allowances	(6,038,552)	(4,371,308)	-	(1,720,627)	-	(121,213,517)
Net student tuition and fees	54,501,834	59,426,028	-	20,963,389	(4,990)	511,378,385
Federal appropriations	-	-	-	-	-	12,147,289
Federal grants and contracts	261,922	39,752,446	-	15,370,421	(2,256,698)	160,206,092
State and local grants and contracts	740,889	17,830,764	-	3,895,565	(5,203,537)	69,503,499
Nongovernmental grants and contracts	32,410	442,066,180	-	205,422,100	(48,674)	679,324,847
Sales and services of educational departments	195,662	140,071,100	-	35,101,190	(81,558)	203,731,064
Hospital income	-	-	50,921,405	(41,176)	(1,401,008)	49,479,221
Auxiliary enterprise revenues (including revenues pledged to secure debt)	3,194,851	8,145,269	-	1,371,812	(861)	249,893,980
Less scholarship allowances	(205,048)	-	-	-	-	(23,530,386)
Net auxiliary revenues	2,989,803	8,145,269	-	1,371,812	(861)	226,363,594
Other operating revenues	877,260	4,223,446	-	840,105	(45,684)	28,324,055
Total operating revenues	59,599,780	711,515,233	50,921,405	282,923,406	(9,043,010)	1,940,458,046
<b>OPERATING EXPENSES</b>						
Educational and general:						
Instruction	39,434,331	203,549,279	-	96,133,277	(191,662)	682,288,566
Research	434,420	40,517,678	-	40,173,289	(3,277,991)	320,419,870
Public service	950,166	399,593,546	-	119,124,568	(1,204,354)	596,403,787
Academic support	4,901,186	22,798,737	-	9,717,470	(21,970)	142,143,394
Student services	4,024,154	9,244,848	-	4,090,777	-	50,538,611
Institutional support	9,843,511	86,281,529	-	32,393,048	(1,850,919)	201,909,173
Operations and maintenance of plant	7,415,341	36,838,315	-	13,917,906	-	198,612,785
Scholarships and fellowships	2,593,681	3,404,100	-	1,489,707	-	78,334,450
Auxiliary enterprises	3,240,442	9,773,318	-	1,592,439	-	196,466,993
Hospital	-	-	77,468,170	9,203,123	(2,496,114)	84,175,179
Total operating expenses	72,837,232	812,001,350	77,468,170	327,835,604	(9,043,010)	2,551,292,808
<b>OPERATING INCOME (LOSS)</b>	<b>(13,237,452)</b>	<b>(100,486,117)</b>	<b>(26,546,765)</b>	<b>(44,912,198)</b>	<b>-</b>	<b>(610,834,762)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	10,341,868	87,829,338	23,981,083	72,254,423	-	449,656,100
Gifts	1,270,172	2,279,782	-	64,377	-	63,688,595
Federal nonoperating revenues (expenses)	6,287,518	31,216,716	69,793	336,266	-	95,524,544
Net investment income (loss)	47,480	5,057,134	1,382,831	10,173,463	-	52,171,396
Interest expense	-	(441,406)	(411,107)	(6,795)	-	(28,753,937)
Other nonoperating revenues (expenses)	143,808	2,244,312	15,418,755	574,197	-	19,779,507
Net nonoperating revenues (expenses)	18,090,846	128,185,876	40,441,355	83,395,931	-	652,066,205

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
June 30, 2020

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	\$ (7,149,964)	\$ (39,649,507)	\$ 3,895,353	\$ (1,731,230)	\$ 935,315
Capital appropriations	377,763	4,531,550	-	-	-
Capital gifts and grants	15,000	46,622,937	71,760	-	(9,900)
Additions to permanent endowment	-	1,120,000	40,000	40,000	-
Other additions (deductions)	(251,102)	(1,037,224)	(124,621)	(15,242)	(130,781)
Transfer (to)/from other system institution	400,000	(34,182)	-	-	34,182
<b>CHANGE IN NET POSITION</b>	(6,608,303)	11,553,574	3,882,492	(1,706,472)	828,816
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	36,199,771	(117,005,193)	(11,311,949)	(13,810,161)	(192,602,389)
<b>NET POSITION - END OF YEAR</b>	<u>\$ 29,591,468</u>	<u>\$ (105,451,619)</u>	<u>\$ (7,429,457)</u>	<u>\$ (15,516,633)</u>	<u>\$ (191,773,573)</u>

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	\$ 4,853,394	\$ 27,699,759	\$ 13,894,590	\$ 38,483,733	\$ -	\$ 41,231,443
Capital appropriations	-	8,222,162	12,326,229	1,505,457	-	26,963,161
Capital gifts and grants	-	1,038,919	31,359	6,414	-	47,776,489
Additions to permanent endowment	-	800,000	-	725,000	-	2,725,000
Other additions (deductions)	-	-	-	(494,986)	-	(2,053,956)
Transfer (to)/from other system institution	(400,000)	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	4,453,394	37,760,840	26,252,178	40,225,618	-	116,642,137
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	(24,017,307)	22,486,655	550,938,580	(186,991,092)	-	63,886,915
<b>NET POSITION- END OF YEAR</b>	<u>\$ (19,563,913)</u>	<u>\$ 60,247,495</u>	<u>\$ 577,190,758</u>	<u>\$ (146,765,474)</u>	<u>\$ -</u>	<u>\$ 180,529,052</u>

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2020**

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Tuition and fees	\$ -	\$ 361,915,558	\$ 14,947,624	\$ 6,616,783	\$ -
Federal appropriations	-	-	-	-	12,276,779
Grants and contracts	30,329,029	142,710,877	(645,428)	205,469	28,531,496
Sales and services of educational departments	472,711	23,125,579	27,576	38,815	5,150,659
Hospital income	-	-	-	-	-
Auxiliary enterprise receipts	59,558	215,216,445	2,224,971	2,473,580	-
Payments for employee compensation	(28,531,986)	(443,875,016)	(12,813,613)	(8,752,065)	(66,103,140)
Payments for benefits	(10,939,225)	(164,228,917)	(5,727,915)	(4,314,654)	(33,170,846)
Payments for utilities	(1,656,464)	(16,290,170)	(802,196)	(475,591)	(2,558,917)
Payments for supplies and services	(13,267,430)	(258,363,489)	(4,966,574)	(4,005,501)	(26,409,016)
Payments for scholarships and fellowships	-	(61,589,945)	(5,421,249)	(4,310,450)	(65,194)
Loans to students	-	(94,476)	(86,874)	-	-
Collection of loans to students	-	1,791,744	-	-	-
Other receipts (payments)	59,430	21,790,648	(7,026)	(78,352)	10,472,011
Net cash provided (used) by operating activities	(23,474,377)	(177,891,162)	(13,270,704)	(12,601,966)	(71,876,168)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	17,389,573	134,720,746	5,310,806	5,010,544	75,487,761
Gifts and grants for other than capital purposes	1,337,253	54,975,501	745,503	672,535	2,695,045
Private gifts for endowment purposes	251,102	-	-	-	-
TOPS receipts	-	103,808,052	2,798,270	1,757,142	-
TOPS disbursements	-	(103,808,052)	(2,798,270)	(1,757,142)	-
FEMA receipts	-	328,876	-	-	-
FEMA disbursements	-	(1,344,047)	-	-	(169,180)
Direct lending receipts	-	168,678,879	11,483,150	5,881,071	-
Direct lending disbursements	-	(168,678,879)	(11,483,150)	(5,881,071)	-
CARES receipts	-	12,969,016	887,685	902,402	-
CARES disbursements	-	(12,969,016)	(887,685)	(902,402)	-
Implicit loan to/from other campuses	-	(724,778)	-	1,073,096	-
Other receipts (disbursements)	400,000	42,549,345	7,681,498	6,226,486	65,732
Net cash provided (used) by noncapital financing activities	19,377,928	230,505,643	13,737,807	12,982,661	78,079,358
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from issuance of debt	-	71,978,276	-	-	-
Capital gifts and grants received	-	4,421,697	143,520	-	(62,605)
Purchase of capital assets	(51,491)	(21,145,242)	(27,902)	(412,657)	(3,198,834)
Principal paid on capital debt and leases	-	(17,714,485)	(140,000)	-	-
Interest paid on capital debt and leases	-	(30,216,377)	(165,995)	-	-
Refunding of bonds	-	(74,554,710)	-	-	-
Bond issuance cost	-	(829,542)	-	-	-
Deposit with trustees	-	-	-	-	-
Other sources (uses)	(251,102)	169,043	(124,621)	(15,242)	(130,781)
Net cash provided (used) by capital financing activities	(302,593)	(67,891,340)	(314,998)	(427,899)	(3,392,220)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments	-	527,779,387	-	-	-
Interest received on investments	157,408	18,704,950	244,331	45,799	745,607
Purchase of investments	-	(453,640,170)	-	-	-
Net cash provided (used) by investing activities	157,408	92,844,167	244,331	45,799	745,607

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Tuition and fees	\$ 54,345,393	\$ 60,005,960	\$ -	\$ 21,506,237	\$ (4,990)	\$ 519,332,565
Federal appropriations	-	-	-	-	-	12,276,779
Grants and contracts	1,232,246	477,231,631	-	204,598,833	(7,508,909)	876,685,244
Sales and services of educational departments	195,856	162,953,831	-	33,809,869	(81,558)	225,693,338
Hospital income	-	-	53,877,012	(1,654,213)	(1,401,008)	50,821,791
Auxiliary enterprise receipts	1,561,298	8,284,780	-	1,372,765	(861)	231,192,536
Payments for employee compensation	(25,525,039)	(344,817,213)	(25,074,192)	(205,490,879)	-	(1,160,983,143)
Payments for benefits	(10,429,793)	(71,948,168)	(28,503,504)	(52,078,902)	-	(381,341,924)
Payments for utilities	(911,837)	(11,740,387)	(608,382)	(7,925,187)	-	(42,969,131)
Payments for supplies and services	(33,123,054)	(379,854,275)	(19,601,577)	(68,271,285)	9,043,010	(798,819,191)
Payments for scholarships and fellowships	(2,593,681)	(3,458,344)	-	(1,170,606)	-	(78,609,469)
Loans to students	157,796	(105,951)	-	-	-	(129,505)
Collection of loans to students	-	(709,947)	-	4,149	-	1,085,946
Other receipts (payments)	2,100,470	4,273,392	-	178,318	(45,684)	38,743,207
Net cash provided (used) by operating activities	(12,990,345)	(99,884,691)	(19,910,643)	(75,120,901)	-	(507,020,957)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
State appropriations	9,526,813	82,257,263	23,981,083	64,718,631	-	418,403,220
Gifts and grants for other than capital purposes	1,447,305	33,270,664	-	64,377	-	95,208,183
Private gifts for endowment purposes	-	800,000	-	725,000	-	1,776,102
TOPS receipts	3,393,853	2,450,413	-	136,580	-	114,344,310
TOPS disbursements	(3,393,853)	(2,295,436)	-	(147,589)	-	(114,200,342)
FEMA receipts	-	-	869,405	-	-	1,198,281
FEMA disbursements	-	-	(850,551)	-	-	(2,363,778)
Direct lending receipts	49,454,131	67,099,600	-	24,097,972	-	326,694,803
Direct lending disbursements	(49,399,976)	(66,856,170)	-	(24,098,837)	-	(326,398,083)
CARES receipts	1,182,000	4,540,123	50,940	269,871	-	20,802,037
CARES disbursements	(1,182,000)	(4,314,289)	-	(269,871)	-	(20,525,263)
Implicit loan to/from other campuses	(348,318)	-	-	-	-	-
Other receipts (disbursements)	5,887,518	1,149,970	2,863,109	336,266	-	67,159,924
Net cash provided (used) by noncapital financing activities	16,567,473	118,102,138	26,913,986	65,832,400	-	582,099,394
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from issuance of debt	-	10,527,441	-	-	-	82,505,717
Capital gifts and grants received	(10,142)	-	-	-	-	4,492,470
Purchase of capital assets	(2,261,715)	(34,752,721)	(2,855,615)	(7,461,235)	-	(72,167,412)
Principal paid on capital debt and leases	-	(717,088)	(480,000)	(266,676)	-	(19,318,249)
Interest paid on capital debt and leases	-	(445,006)	(392,018)	(6,795)	-	(31,226,191)
Refunding of bonds	-	-	-	-	-	(74,554,710)
Bond issuance cost	-	-	-	-	-	(829,542)
Deposit with trustees	-	(2,300)	-	-	-	(2,300)
Other sources (uses)	-	(19,630)	-	-	-	(372,333)
Net cash provided (used) by capital financing activities	(2,271,857)	(25,409,304)	(3,727,633)	(7,734,706)	-	(111,472,550)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from sales and maturities of investments	-	50,514,689	-	23,080,332	-	601,374,408
Interest received on investments	339,390	5,729,285	1,382,831	5,389,540	-	32,739,141
Purchase of investments	-	(50,836,226)	(5,931)	(36,829,457)	-	(541,311,784)
Net cash provided (used) by investing activities	339,390	5,407,748	1,376,900	(8,359,585)	-	92,801,765

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2020

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (4,241,634)	\$ 77,567,308	\$ 396,436	\$ (1,405)	\$ 3,556,577
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED</b>	7,078,375	65,997,647	1,949,424	1,405	17,691,462
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 2,836,741</u>	<u>\$ 143,564,955</u>	<u>\$ 2,345,860</u>	<u>\$ -</u>	<u>\$ 21,248,039</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (29,402,269)	\$ (284,690,884)	\$ (12,778,827)	\$ (15,492,689)	\$ (83,287,561)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	4,508,907	65,065,282	1,290,589	1,050,066	4,104,261
Non-Employer contributing entity revenue	182,482	2,534,852	79,816	56,779	344,317
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	(341,234)	12,177,983	(1,822,496)	(603,932)	3,911,897
(Increase) decrease in inventories	(38,961)	(82,815)	376	(59,594)	349,327
(Increase) decrease in prepaid expenses and other	-	(8,146,328)	(2,700)	-	28,250
(Increase) decrease in notes receivable	-	1,924,371	-	-	-
(Increase) decrease in deferred outflows related to OPEB	(8,910,812)	(120,859,214)	(2,671,662)	(4,282,502)	(30,124,434)
(Increase) decrease in deferred outflows related to pensions	(1,580,625)	(40,316,041)	(618,354)	206,829	(2,524,543)
(Increase) decrease in other assets	-	1,833,702	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(455,695)	(9,404,620)	(9,656)	(21,745)	(670,735)
Increase (decrease) in unearned revenue	476,544	10,749,811	(649,093)	706,783	(1,567,107)
Increase (decrease) in amounts held in custody for others	-	1,618,381	205,330	12,154	96,390
Increase (decrease) in compensated absences	296,130	2,113,484	47,317	1,445	32,785
Increase (decrease) in OPEB liability	9,384,903	121,329,615	(1,261,525)	3,569,218	18,129,715
Increase (decrease) in net pension liability	2,638,098	46,103,715	1,256,773	701,903	5,046,116
Increase (decrease) in deferred inflows related to OPEB	2,175,122	27,364,414	3,883,759	1,958,631	17,612,563
Increase (decrease) in deferred inflows related to pensions	(2,390,052)	(13,963,355)	(220,351)	(400,363)	(3,322,400)
Increase (decrease) in other liabilities	(16,915)	6,756,485	-	(4,949)	(35,009)
Net cash provided (used) by operating activities	<u>\$ (23,474,377)</u>	<u>\$ (177,891,162)</u>	<u>\$ (13,270,704)</u>	<u>\$ (12,601,966)</u>	<u>\$ (71,876,168)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents classified as current assets	\$ (2,516,475)	\$ 18,345,965	\$ 787,434	\$ (111,235)	\$ 16,648,515
Cash and cash equivalents classified as noncurrent assets	5,353,216	125,218,990	1,558,426	111,235	4,599,524
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 2,836,741</u>	<u>\$ 143,564,955</u>	<u>\$ 2,345,860</u>	<u>\$ -</u>	<u>\$ 21,248,039</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Capital appropriations	\$ 377,763	\$ 4,531,550	\$ -	\$ -	\$ -
Property acquired through capital lease	-	87,705,000	-	-	-
Amortized borrowing expense	-	-	-	-	-
Increase (Decrease) in fair market value of assets	220,692	14,796,559	106,170	14,149	107,249
Non-Employer contributing entity revenue	182,482	2,534,852	79,816	56,779	344,317
Capital gifts and grants	15,000	41,937,155	-	-	-
Transfers/disposal of capital assets	-	(77,335)	-	-	-
	<u>\$ 795,937</u>	<u>\$ 151,427,781</u>	<u>\$ 185,986</u>	<u>\$ 70,928</u>	<u>\$ 451,566</u>

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ 1,644,661	\$ (1,784,109)	\$ 4,652,610	\$ (25,382,792)	\$ -	\$ 56,407,652
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED</b>	16,249,262	42,801,604	87,360,783	91,105,016	-	330,234,978
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 17,893,923</u>	<u>\$ 41,017,495</u>	<u>\$ 92,013,393</u>	<u>\$ 65,722,224</u>	<u>\$ -</u>	<u>\$ 386,642,630</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (13,237,452)	\$ (100,486,117)	\$ (26,546,765)	\$ (44,912,198)	\$ -	\$ (610,834,762)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,528,820	24,227,546	9,686,394	13,137,105	-	124,598,970
Non-Employer contributing entity revenue	143,808	1,113,971	55,564	574,197	-	5,085,786
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	915,228	(35,878,470)	2,856,012	(19,018,958)	-	(37,803,970)
(Increase) decrease in inventories	991	(11,157)	46,291	25,231	-	229,689
(Increase) decrease in prepaid expenses and other	(3,166,448)	(14,235,163)	1,552	(24,308)	-	(25,545,145)
(Increase) decrease in notes receivable	-	(815,898)	-	1,133,853	-	2,242,326
(Increase) decrease in deferred outflows related to OPEB	(5,724,120)	(36,756,725)	(46,581,947)	(40,547,542)	-	(296,458,958)
(Increase) decrease in deferred outflows related to pensions	(1,034,566)	(14,980,497)	(1,815,020)	(8,289,609)	-	(70,952,426)
(Increase) decrease in other assets	-	(17,593)	(8)	-	-	1,816,101
Increase (decrease) in accounts payable and accrued liabilities	580,876	7,494,546	2,599,011	(13,505,361)	-	(13,393,379)
Increase (decrease) in unearned revenue	(1,002,627)	27,154,298	-	(660,375)	-	35,208,234
Increase (decrease) in amounts held in custody for others	23,261	49,946	117	(685,118)	-	1,320,461
Increase (decrease) in compensated absences	98,468	1,616,907	64,644	558,143	-	4,829,323
Increase (decrease) in OPEB liability	711,622	20,602,783	2,332,220	4,676,221	-	179,474,772
Increase (decrease) in net pension liability	4,808,891	8,256,256	3,539,163	8,926,763	-	81,277,678
Increase (decrease) in deferred inflows related to OPEB	6,192,498	23,690,388	40,877,707	36,087,055	-	159,842,137
Increase (decrease) in deferred inflows related to pensions	(3,873,928)	(7,788,450)	(7,025,578)	(12,596,000)	-	(51,580,477)
Increase (decrease) in other liabilities	44,333	(3,121,262)	-	-	-	3,622,683
Net cash provided (used) by operating activities	<u>\$ (12,990,345)</u>	<u>\$ (99,884,691)</u>	<u>\$ (19,910,643)</u>	<u>\$ (75,120,901)</u>	<u>\$ -</u>	<u>\$ (507,020,957)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>						
Cash and cash equivalents classified as current assets	\$ 16,981,832	\$ 41,017,495	\$ 87,350,882	\$ 64,271,857	\$ -	\$ 242,776,270
Cash and cash equivalents classified as noncurrent assets	912,091	-	4,662,511	1,450,367	-	143,866,360
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 17,893,923</u>	<u>\$ 41,017,495</u>	<u>\$ 92,013,393</u>	<u>\$ 65,722,224</u>	<u>\$ -</u>	<u>\$ 386,642,630</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Capital appropriations	\$ -	\$ 8,222,162	\$ 12,326,229	\$ 1,505,457	\$ -	26,963,161
Property acquired through capital lease	-	-	-	-	-	87,705,000
Amortized borrowing expense	-	-	(19,089)	-	-	(19,089)
Increase (Decrease) in fair market value of assets	(291,959)	662,876	(158,274)	4,781,557	-	20,239,019
Non-Employer contributing entity revenue	143,808	1,113,971	55,564	574,197	-	5,085,786
Capital gifts and grants	-	1,038,919	31,359	6,414	-	43,028,847
Transfers/disposal of capital assets	-	78,858	(265,318)	494,987	-	231,192
	<u>\$ (148,151)</u>	<u>\$ 11,116,786</u>	<u>\$ 11,970,471</u>	<u>\$ 7,362,612</u>	<u>\$ -</u>	<u>\$ 183,233,916</u>

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Net Position, by University  
June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,787,870	\$ (65,707,934)	\$ 1,109,858	\$ (212,699)	\$ 12,717,293
Investments		411,302,938	373,268	63,346	435,118
Receivables (net)	2,180,588	58,843,738	11,630,342	7,040,198	8,503,008
Leases receivable					
Due from other campuses		478,778			
Due from State Treasury	8,419	774,611	23,985	22,324	464,902
Due from federal government	2,704,047	14,872,149	395,281	161,450	4,070,427
Inventories	142,144	1,108,337	549	279,650	2,489,240
Prepaid expenses and advances		4,883,675			29,671
Notes receivable		2,160,505			
Other current assets		2,310,126			
Total current assets	6,823,068	431,026,923	13,533,283	7,354,269	28,709,659
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	5,290,505	131,628,333	839,566	214,104	4,974,169
Investments	6,887,398	118,239,218	3,699,336	436,205	3,763,390
Receivables (net)		54,216			
Notes receivable		11,236,710		11,041	
Other restricted assets		10,333,555			
Investments					
Leases receivable					
Capital assets (net)	92,660,571	1,294,098,694	25,752,809	17,258,064	42,496,044
Other noncurrent assets					
Total noncurrent assets	104,838,474	1,565,590,726	30,291,711	17,919,414	51,233,603
Total assets	111,661,542	1,996,617,649	43,824,994	25,273,683	79,943,262
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred amounts on debt refunding		20,493,064			
Asset retirement obligations					
OPEB-related deferred outflows of resources	1,120,571	33,060,248	1,138,537	1,393,347	9,118,317
Pension-related deferred outflows of resources	11,600,910	140,614,811	7,048,237	6,030,938	25,112,377
Total Deferred outflows of resources	12,721,481	194,168,123	8,186,774	7,424,285	34,230,694
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 124,383,023</b>	<b>\$ 2,190,785,772</b>	<b>\$ 52,011,768</b>	<b>\$ 32,697,968</b>	<b>\$ 114,173,956</b>

(Continued)



	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 16,005,850	\$ 42,801,604	\$ 82,695,499	\$ 88,679,671		\$ 179,877,012
Investments	100,364	2,226,579		62,765,045		477,266,658
Receivables (net)	3,684,923	118,719,398	10,655,885	68,952,942		290,211,022
Leases receivable			84,028,325			84,028,325
Due from other campuses		97,816,002	64,439	121,072	(98,480,291)	
Due from State Treasury	56,452	369,206		908,551		2,628,450
Due from federal government	5,591,166	15,605,834	123,822	3,367,886		46,892,062
Inventories	5,543	1,769,227	1,105,057	322,468		7,222,215
Prepaid expenses and advances	559	1,747,105	47,475	183,001		6,891,486
Notes receivable		1,019,128		278,560		3,458,193
Other current assets			9,907			2,320,033
Total current assets	25,444,857	282,074,083	178,730,409	225,579,196	(98,480,291)	1,100,795,456
Noncurrent assets:						
Restricted:						
Cash and cash equivalents	243,412		4,665,284	2,425,345		150,280,718
Investments	7,513,958	32,649,251	9,651,888	77,691,040		260,531,684
Receivables (net)						54,216
Notes receivable		5,360,705		873,644		17,482,100
Other restricted assets						10,333,555
Investments		52,719,626				52,719,626
Leases receivable			2,332,720,029			2,332,720,029
Capital assets (net)	17,701,853	270,395,247	106,724,672	69,303,331		1,936,391,285
Other noncurrent assets		672,436				672,436
Total noncurrent assets	25,459,223	361,797,265	2,453,761,873	150,293,360		4,761,185,649
Total assets	50,904,080	643,871,348	2,632,492,282	375,872,556	(98,480,291)	5,861,981,105
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred amounts on debt refunding						20,493,064
Asset retirement obligations						-
OPEB-related deferred outflows of resources	3,513,737	13,067,420	28,366,033	21,170,263		111,948,473
Pension-related deferred outflows of resources	18,801,470	61,608,085	9,801,641	31,183,117		311,801,586
Total Deferred outflows of resources	22,315,207	74,675,505	38,167,674	52,353,380		444,243,123
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 73,219,287</b>	<b>\$ 718,546,853</b>	<b>\$ 2,670,659,956</b>	<b>\$ 428,225,936</b>	<b>\$ (98,480,291)</b>	<b>\$ 6,306,224,228</b>

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Net Position, by University  
June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	\$ 769,678	\$ 53,168,918	\$ 409,089	\$ 141,932	\$ 1,192,044
Due to other campuses		97,223,145			
Due to federal government		4,475			
Amounts held in custody for others		6,036,849	282,346	407,800	53,044
Unearned revenues	439,966	64,096,677	7,490,207	4,651,776	6,089,220
Other liabilities		2,310,126			
Compensated absences payable	154,493	2,856,410	74,761	38,666	626,172
Capital lease obligations		3,091,758			
Bonds payable		18,563,843	140,000		
Total OPEB liability	278,730	15,904,121	576,191	629,310	6,522,096
Total current liabilities	1,642,867	263,256,322	8,972,594	5,869,484	14,482,576
Noncurrent liabilities:					
Compensated absences payable	3,502,432	34,631,456	880,516	631,933	8,036,989
Capital lease obligations		251,541,490			
Bonds payable		359,128,278	2,975,000		
Total OPEB liability	22,892,895	585,506,236	22,159,202	19,361,902	147,645,946
Net pension liability	51,283,740	718,821,100	24,918,716	18,186,965	116,464,811
Unearned revenues (advance lease payments)					
Other noncurrent liabilities	18,795	594,315		4,949	52,435
Total noncurrent liabilities	77,697,862	1,950,222,875	50,933,434	38,185,749	272,200,181
Total liabilities	79,340,729	2,213,479,197	59,906,028	44,055,233	286,682,757
<b>DEFERRED INFLOW OF RESOURCES</b>					
OPEB-related deferred inflows of resources	1,588,609	36,788,606	1,493,238	887,027	9,023,042
Pension-related deferred inflows of resources	7,253,914	66,923,391	1,924,451	1,615,357	11,079,391
Total deferred inflows of resources	8,842,523	103,711,997	3,417,689	2,502,384	20,102,433
<b>NET POSITION</b>					
Net investment in capital assets	92,660,571	682,111,305	22,637,809	17,258,064	42,496,044
Restricted for:					
Nonexpendable	5,445,830	100,785,189	3,566,268	450,838	3,785,504
Expendable	10,143,076	224,896,639	4,389,102	977,674	10,371,076
Unrestricted	(72,049,706)	(1,134,198,555)	(41,905,128)	(32,546,225)	(249,263,858)
<b>Total net position</b>	<b>\$ 36,199,771</b>	<b>\$ (126,405,422)</b>	<b>\$ (11,311,949)</b>	<b>\$ (13,859,649)</b>	<b>\$ (192,611,234)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 124,383,023</b>	<b>\$ 2,190,785,772</b>	<b>\$ 52,011,768</b>	<b>\$ 32,697,968</b>	<b>\$ 114,173,956</b>

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Service Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accruals	\$ 981,310	\$ 38,568,259	\$ 13,278,004	\$ 33,144,467		\$ 141,653,701
Due to other campuses	348,318	154,131	251,477	503,220	\$(98,480,291)	
Due to federal government		5,276,293				5,280,768
Amounts held in custody for others	206,857	145,390	10,277	687,293		7,829,856
Unearned revenues	10,174,981	1,496,305	87,364,271	1,353,372		183,156,775
Other liabilities						2,310,126
Compensated absences payable	133,916	1,723,374	451,030	1,071,123		7,129,945
Capital lease obligations				244,860		3,336,618
Bonds payable		717,088	480,000			19,900,931
Total OPEB liability	1,256,203	6,265,435	19,004,077	13,867,365		64,303,528
Total current liabilities	13,101,585	54,346,275	120,839,136	50,871,700	(98,480,291)	434,902,248
Noncurrent liabilities:						
Compensated absences payable	1,569,858	18,604,772	2,303,720	10,771,777		80,933,453
Capital lease obligations						251,541,490
Bonds payable		9,977,969	11,115,299			383,196,546
Total OPEB liability	34,383,539	237,274,074	363,931,156	312,429,337		1,745,584,287
Net pension liability	37,032,623	326,955,832	58,557,993	177,374,111		1,529,595,891
Unearned revenues (advance lease payments)			1,520,673,378			1,520,673,378
Other noncurrent liabilities	75,988					746,482
Total noncurrent liabilities	73,062,008	592,812,647	1,956,581,546	500,575,225		5,512,271,527
Total liabilities	86,163,593	647,158,922	2,077,420,682	551,446,925	(98,480,291)	5,947,173,775
<b>DEFERRED INFLOW OF RESOURCES</b>						
OPEB-related deferred inflows of resources	1,856,485	13,528,836	27,664,420	21,062,689		113,892,952
Pension-related deferred inflows of resources	9,252,174	35,372,440	14,636,274	29,751,284		177,808,676
Total deferred inflows of resources	11,108,659	48,901,276	42,300,694	50,813,973		291,701,628
<b>NET POSITION</b>						
Net investment in capital assets	17,701,853	260,902,434	96,020,154	69,058,471		1,300,846,705
Restricted:						
Nonexpendable	7,183,802	34,178,592	13,183,943	72,926,213		241,506,179
Expendable	11,439,369	19,306,708	10,924,300	110,781,430		403,229,374
Unrestricted	(60,377,989)	(291,901,079)	430,810,183	(426,801,076)		(1,878,233,433)
<b>Total net position</b>	<b>\$ (24,052,965)</b>	<b>\$ 22,486,655</b>	<b>\$ 550,938,580</b>	<b>\$ (174,034,962)</b>		<b>\$ 67,348,825</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 73,219,287</b>	<b>\$ 718,546,853</b>	<b>\$ 2,670,659,956</b>	<b>\$ 428,225,936</b>	<b>\$ (98,480,291)</b>	<b>\$ 6,306,224,228</b>

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
For the Fiscal Year Ended June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>OPERATING REVENUES</b>					
Student tuition and fees		\$ 446,352,613	\$ 18,745,503	\$ 11,001,350	
Less scholarship allowances		(94,389,614)	(4,107,237)	(3,406,604)	
Net student tuition and fees		351,962,999	14,638,266	7,594,746	
Federal appropriations					\$ 13,001,295
Federal grants and contracts	\$ 19,267,329	85,181,413	222,716	161,450	6,412,552
State and local grants and contracts	2,426,252	33,940,570	131,852	397,899	17,116,096
Nongovernmental grants and contracts	9,178,523	21,599,687	78,589	5,000	5,067,937
Sales and services of educational departments	516,641	22,794,479	74,182	24,591	5,686,499
Hospital income					
Auxiliary enterprise revenues (including revenues pledged to secure debt)	83,516	225,825,137	2,307,232	3,446,869	
Less scholarship allowances		(21,075,853)	(333,012)	(951,785)	
Net auxiliary revenues	83,516	204,749,284	1,974,220	2,495,084	
Other operating revenues	77,390	12,167,926	55,041	29,987	9,591,858
Total operating revenues	31,549,651	732,396,358	17,174,866	10,708,757	56,876,237
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction		380,091,054	13,419,308	8,785,472	
Research	32,072,889	141,106,266	30,378	10,481	61,404,166
Public service	1,102,277	30,734,431	16,112	999	44,008,145
Academic support	6,222,300	90,972,487	1,996,914	703,097	4,291,301
Student services		31,205,853	2,169,523	1,791,398	
Institutional support	6,460,873	37,614,376	3,004,274	2,779,015	15,866,912
Operations and maintenance of plant	8,843,889	124,291,365	4,286,740	3,440,956	6,058,156
Scholarships and fellowships		46,324,163	4,142,478	3,708,009	105,361
Auxiliary enterprises	65,815	166,560,769	2,096,654	1,741,520	
Hospital					
Total operating expenses	54,768,043	1,048,900,764	31,162,381	22,960,947	131,734,041
<b>OPERATING INCOME (LOSS)</b>	<b>(23,218,392)</b>	<b>(316,504,406)</b>	<b>(13,987,515)</b>	<b>(12,252,190)</b>	<b>(74,857,804)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	17,274,069	136,213,866	5,223,028	4,965,189	71,831,537
Gifts	1,853,341	125,909,366	489,485	588,923	2,593,416
Federal nonoperating revenues (expenses)		28,141,908	6,526,482	5,720,954	36,482
Net investment income (loss)	(321,105)	32,055,600	198,690	27,010	661,387
Interest expense		(19,174,848)	(173,008)		
Other nonoperating revenues (expenses)	168,926	2,355,628	71,847	52,323	330,930
Net nonoperating revenues (expenses)	\$ 18,975,231	\$ 305,501,520	\$ 12,336,524	\$ 11,354,399	\$ 75,453,752

(Continued)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>OPERATING REVENUES</b>						
Student tuition and fees	\$ 45,835,994	\$ 61,563,458		\$ 21,472,173	\$ 79,829	\$ 605,050,920
Less scholarship allowances	(5,245,216)	(3,962,177)		(1,603,407)		(112,714,255)
Net student tuition and fees	40,590,778	57,601,281		19,868,766	79,829	492,336,665
Federal appropriations		-				13,001,295
Federal grants and contracts	579,105	42,390,800		15,561,856	(379,725)	169,397,496
State and local grants and contracts	493,660	13,428,965		4,238,236	(4,425,730)	67,747,800
Nongovernmental grants and contracts	41,044	282,383,103		212,651,936	(1,829)	531,003,990
Sales and services of educational departments	282,691	164,228,901		31,365,711	(121,027)	224,852,668
Hospital income			\$ 62,297,984	10,238,227	(192,459)	72,343,752
Auxiliary enterprise revenues (including revenues pledged to secure debt)	2,296,384	7,590,154		648,231	(1,272)	242,196,251
Less scholarship allowances	(215,711)	-				(22,576,361)
Net auxiliary revenues	2,080,673	7,590,154		648,231	(1,272)	219,619,890
Other operating revenues	961,565	1,570,374		1,035,215	(84,372)	25,404,984
Total operating revenues	45,029,516	569,193,578	62,297,984	295,608,178	(5,126,585)	1,815,708,540
<b>OPERATING EXPENSES</b>						
Educational and general:						
Instruction	32,021,131	219,800,281		71,340,774	(26,458)	725,431,562
Research	521,228	38,569,479		37,220,634	(2,263,189)	308,672,332
Public service	915,047	263,846,701		93,699,295	(161,074)	434,161,933
Academic support	4,854,899	22,131,835		37,319,630	(11,308)	168,481,155
Student services	3,539,288	6,519,714		1,557,197	(4,956)	46,778,017
Institutional support	6,860,579	35,587,758		32,703,939	(84,562)	140,793,164
Operations and maintenance of plant	5,519,283	40,264,482		11,466,848		204,171,719
Scholarships and fellowships	1,652,350	2,811,085		1,099,654		59,843,100
Auxiliary enterprises	2,252,743	6,772,004		379,532		179,869,037
Hospital			82,941,021	21,777,058	(2,579,994)	102,138,085
Total operating expenses	58,136,548	636,303,339	82,941,021	308,564,561	(5,131,541)	2,370,340,104
<b>OPERATING INCOME (LOSS)</b>	<b>(13,107,032)</b>	<b>(67,109,761)</b>	<b>(20,643,037)</b>	<b>(12,956,383)</b>	<b>4,956</b>	<b>(554,631,564)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	8,673,053	82,043,839	30,478,413	66,259,198		422,962,192
Gifts	1,241,277	1,868,881	5,350	57,851		134,607,890
Federal nonoperating revenues (expenses)	4,873,003	2,057,386	795,302	42,089		48,193,606
Net investment income (loss)	(13,777)	40,299,783	2,146,141	9,586,774		84,640,503
Interest expense		(487,048)	(420,728)	(43,209)		(20,298,841)
Other nonoperating revenues (expenses)	122,851	972,572	64,887,627	(9,722,230)	(4,956)	59,235,518
Net nonoperating revenues (expenses)	\$ 14,896,407	\$ 126,755,413	\$ 97,892,105	\$ 66,180,473	\$ (4,956)	\$ 729,340,868

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Revenues, Expenses,  
and Changes in Net Position, by University  
June 30, 2019**

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	\$ (4,243,161)	\$ (11,002,886)	\$ (1,650,991)	\$ (897,791)	\$ 595,948
Capital appropriations	257,449	226,463			
Capital gifts and grants		12,276,387	84,071	(3,874)	213,297
Additions to permanent endowment		480,000	40,000	10,000	20,000
Other additions (deductions)	554,116	1,835,865	195,304	(7,060)	126,382
Transfer (to)/from other system institution		63,265			(63,265)
<b>CHANGE IN NET POSITION</b>	(3,431,596)	3,879,094	(1,331,616)	(898,725)	892,362
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	39,631,367	(130,284,516)	(9,980,333)	(12,960,924)	(193,503,596)
<b>NET POSITION - END OF YEAR</b>	<u>\$ 36,199,771</u>	<u>\$ (126,405,422)</u>	<u>\$ (11,311,949)</u>	<u>\$ (13,859,649)</u>	<u>\$ (192,611,234)</u>

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	\$ 1,789,375	\$ 59,645,652	\$ 77,249,068	\$ 53,224,090		\$ 174,709,304
Capital appropriations		454,354	17,441,252	2,250,933		20,630,451
Capital gifts and grants	11,985	116,184	68,413			12,766,463
Additions to permanent endowment		840,000		2,595,000		3,985,000
Other additions (deductions)		8,335		(222,935)		2,490,007
Transfer (to)/from other system institution						-
<b>CHANGE IN NET POSITION</b>	1,801,360	61,064,525	94,758,733	57,847,088		214,581,225
<b>NET POSITION - BEGINNING OF YEAR (Restated)</b>	(25,854,325)	(38,577,870)	456,179,847	(231,882,050)		(147,232,400)
<b>NET POSITION- END OF YEAR</b>	\$ (24,052,965)	\$ 22,486,655	\$ 550,938,580	\$ (174,034,962)		\$ 67,348,825

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA

Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Tuition and fees		\$ 351,049,073	\$ 14,644,407	\$ 7,636,711	\$ 12,532,552
Federal appropriations					
Grants and contracts	\$ 29,030,599	147,634,246	134,237	346,203	28,000,417
Sales and services of educational departments	516,644	21,160,980	71,545	24,593	5,697,951
Hospital income					
Auxiliary enterprise receipts	83,265	198,058,441	1,976,761	1,905,128	
Payments for employee compensation	(26,880,669)	(438,400,832)	(13,001,722)	(8,948,353)	(66,620,042)
Payments for benefits	(10,240,391)	(154,089,648)	(5,613,882)	(4,287,460)	(32,712,410)
Payments for utilities	(1,779,690)	(18,388,116)	(795,189)	(517,530)	(2,381,317)
Payments for supplies and services	(13,115,399)	(334,691,040)	(5,763,385)	(3,960,746)	(29,642,798)
Payments for scholarships and fellowships		(46,066,101)	(4,142,478)	(3,708,009)	(105,361)
Loans to students		(11,436)	718,725		
Collection of loans to students		2,013,516			
Other receipts (payments)	77,143	14,584,114	57,366	28,470	9,632,177
Net cash provided (used) by operating activities	(22,308,498)	(257,146,803)	(11,713,615)	(11,480,993)	(75,598,831)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	17,274,068	136,213,773	5,223,025	4,965,186	71,818,179
Gifts and grants for other than capital purposes	1,901,715	127,715,085	335,709	578,038	2,622,216
Private gifts for endowment purposes	(554,116)				
TOPS receipts		101,905,124	2,713,025	1,436,654	
TOPS disbursements		(101,905,124)	(2,713,025)	(1,436,654)	
FEMA receipts					138,998
FEMA disbursements		(121,656)			36,482
Direct lending receipts		155,065,645	11,517,143	6,625,118	
Direct lending disbursements		(155,065,645)	(11,517,143)	(6,625,118)	
Implicit loan to/from other campuses		(348,318)			
Other receipts (disbursements)		28,210,964	6,526,482	5,720,954	(51,265)
Net cash provided (used) by noncapital financing activities	18,621,667	291,669,848	12,085,216	11,264,178	74,564,610
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Capital gifts and grants received		3,978,687	(34,552)	(3,887)	(329,763)
Purchase of capital assets	(565,706)	(21,485,974)	(93,629)	(170,700)	(4,440,770)
Principal paid on capital debt and leases		(21,143,604)	(135,000)		
Interest paid on capital debt and leases		(18,049,475)	(173,008)		
Deposit with trustees					
Other sources (uses)	554,116	1,835,865	195,304	(7,060)	126,382
Net cash provided (used) by capital financing activities	(11,590)	(54,864,501)	(240,885)	(181,647)	(4,644,151)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments		212,976,222			
Interest received on investments	197,243	12,664,402	21,415	24,176	518,609
Purchase of investments		(235,349,626)			
Net cash provided (used) by investing activities	197,243	(9,709,002)	21,415	24,176	518,609

(Continued)



	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Tuition and fees	\$ 42,905,597	\$ 51,381,560		\$ 19,886,808	\$ 79,829	\$ 487,583,985
Federal appropriations		-				12,532,552
Grants and contracts	1,373,650	318,956,547		249,416,017	(4,807,284)	770,084,632
Sales and services of educational departments	282,497	166,372,569		26,045,425	(121,027)	220,051,177
Hospital income			\$ 59,206,184	14,225,621	(192,459)	73,239,346
Auxiliary enterprise receipts	1,347,494	8,237,426		648,704	(1,272)	212,255,947
Payments for employee compensation	(22,893,186)	(331,966,696)	(24,318,312)	(193,121,834)		(1,126,151,646)
Payments for benefits	(9,242,661)	(69,835,446)	(28,480,324)	(55,418,819)		(369,921,041)
Payments for utilities	(866,519)	(12,818,534)	(751,015)	(8,206,944)		(46,504,854)
Payments for supplies and services	(21,465,866)	(204,136,849)	(41,248,406)	(49,853,842)	5,131,541	(698,746,790)
Payments for scholarships and fellowships	(1,652,350)	(2,506,296)		(1,099,654)		(59,280,249)
Loans to students	408,632	(105,951)				1,009,970
Collection of loans to students		1,516,648		254,222		3,784,386
Other receipts (payments)	1,519,151	1,357,207		1,672,278	(84,372)	28,843,534
Net cash provided (used) by operating activities	(8,283,561)	(73,547,815)	(35,591,873)	4,447,982	4,956	(491,219,051)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
State appropriations	8,673,046	82,043,795	30,478,413	66,240,347		422,929,832
Gifts and grants for other than capital purposes	1,187,635	3,926,267	5,350	57,851		138,329,866
Private gifts for endowment purposes		840,000		2,595,000		2,880,884
TOPS receipts	3,091,434	2,096,295		176,421		111,418,953
TOPS disbursements	(3,091,434)	(2,082,181)		(176,421)		(111,404,839)
FEMA receipts			795,302			934,300
FEMA disbursements						(85,174)
Direct lending receipts	42,048,390	65,100,398		23,962,363		304,319,057
Direct lending disbursements	(42,048,390)	(64,893,048)		(23,962,363)		(304,111,707)
Implicit loan to/from other campuses	348,318					
Other receipts (disbursements)	4,873,003	(72,848)	1,347,012	(10,213,478)	(4,956)	36,335,868
Net cash provided (used) by noncapital financing activities	15,082,002	86,958,678	32,626,077	58,679,720	(4,956)	601,547,040
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>						
Capital gifts and grants received	11,985					3,622,470
Purchase of capital assets	(995,414)	(11,661,513)	(263,354)	(4,234,813)		(43,911,873)
Principal paid on capital debt and leases		(702,089)	(475,000)	(708,333)		(23,164,026)
Interest paid on capital debt and leases		(466,157)	(401,528)	(43,209)		(19,133,377)
Deposit with trustees		5,435				5,435
Other sources (uses)		(91,082)		131,314		2,744,839
Net cash provided (used) by capital financing activities	(983,429)	(12,915,406)	(1,139,882)	(4,855,041)		(79,836,532)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from sales and maturities of investments		55,594,024		8,521,094		277,091,340
Interest received on investments	121,232	38,520,729	2,146,141	5,135,343		59,349,290
Purchase of investments		(88,750,134)	(242,447)	(62,387,858)		(386,730,065)
Net cash provided (used) by investing activities	121,232	5,364,619	1,903,694	(48,731,421)		(50,289,435)

LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by University  
For the Fiscal Year Ended June 30, 2019

	Pennington Biomedical Research Center	LSU	LSU of Alexandria	LSU Eunice	Agricultural Center
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (3,501,178)	\$ (30,050,458)	\$ 152,131	\$ (374,286)	\$ (5,159,763)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED</b>	10,579,553	95,970,857	1,797,293	375,691	22,851,225
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 7,078,375</u>	<u>\$ 65,920,399</u>	<u>\$ 1,949,424</u>	<u>\$ 1,405</u>	<u>\$ 17,691,462</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (23,218,392)	\$ (316,504,406)	\$ (13,987,515)	\$ (12,252,190)	\$ (74,857,804)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	4,767,787	61,966,319	1,309,532	1,044,296	4,203,594
Non-Employer contributing entity revenue	168,926	2,295,105	71,847	52,323	318,930
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
(Increase) decrease in accounts receivable, net	(1,422,724)	(6,711,945)	496,432	(709,773)	(1,650,169)
(Increase) decrease in inventories	(6,719)	(34,906)	(211)	(23,596)	(89,570)
(Increase) decrease in prepaid expenses and other		1,083,718			(24,500)
(Increase) decrease in notes receivable		2,144,066			
(Increase) decrease in deferred outflows related to OPEB	(1,014,709)	(23,213,743)	(560,506)	(1,195,759)	(5,763,453)
(Increase) decrease in deferred outflows related to pensions	(2,372,333)	(15,062,867)	(2,094,409)	(1,906,984)	(5,590,261)
(Increase) decrease in other assets		(182,077)			
Increase (decrease) in accounts payable and accrued liabilities	235,862	6,143,033	90,743	75,391	26,416
Increase (decrease) in unearned revenue	(458,963)	799,312	(61,316)	53,793	478,415
Increase (decrease) in amounts held in custody for others		(555,798)	172,003	(124,997)	2,236
Increase (decrease) in compensated absences	255,606	2,669,805	(64,718)	(25,409)	(143,304)
Increase (decrease) in OPEB liability	2,001,560	31,147,992	1,038,120	2,113,178	8,234,441
Increase (decrease) in net pension liability	(1,762,249)	(30,881,047)	970,829	1,418,902	(1,649,846)
Increase (decrease) in deferred inflows related to OPEB	290,700	6,988,432	294,012	(37,200)	1,162,098
Increase (decrease) in deferred inflows related to pensions	218,191	13,840,967	611,542	37,048	(268,153)
Increase (decrease) in other liabilities	8,959	6,921,237		(16)	12,099
Net cash provided (used) by operating activities	<u>\$ (22,308,498)</u>	<u>\$ (257,146,803)</u>	<u>\$ (11,713,615)</u>	<u>\$ (11,480,993)</u>	<u>\$ (75,598,831)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents classified as current assets	\$ 1,787,870	\$ (65,707,934)	\$ 1,109,858	\$ (212,699)	\$ 12,717,293
Cash and cash equivalents classified as noncurrent assets	5,290,505	131,628,333	839,566	214,104	4,974,169
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 7,078,375</u>	<u>\$ 65,920,399</u>	<u>\$ 1,949,424</u>	<u>\$ 1,405</u>	<u>\$ 17,691,462</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Capital appropriations	\$ 257,449	\$ 226,463			
Property acquired through capital lease		241,500,000			
Amortized borrowing expense					
Increase (Decrease) in fair market value of assets	(518,348)	21,827,486	\$ 217,738	\$ 26,251	\$ 223,147
Non-Employer contributing entity revenue	168,926	2,295,105	71,847	52,323	318,930
Capital gifts and grants		12,276,387	84,071	(3,874)	213,297
Transfers/disposal of capital assets		(105,419)	65,129	(20,898)	-
	<u>\$ (91,973)</u>	<u>\$ 278,020,022</u>	<u>\$ 438,785</u>	<u>\$ 53,802</u>	<u>\$ 755,374</u>

(Concluded)

	LSU Shreveport	LSU Health Sciences Center in New Orleans	LSU Health Care Services Division	LSU Health Sciences Center in Shreveport	Eliminations	Total
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ 5,936,244	\$ 5,860,076	\$ (2,201,984)	\$ 9,541,240		\$ (19,797,978)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR - RESTATED</b>	10,313,018	36,941,528	89,562,767	81,563,776		349,955,708
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 16,249,262</u>	<u>\$ 42,801,604</u>	<u>\$ 87,360,783</u>	<u>\$ 91,105,016</u>		<u>\$ 330,157,730</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (13,107,032)	\$ (67,109,761)	\$ (20,643,037)	\$ (12,956,383)	\$ 4,956	\$ (554,631,564)
Adjustments to reconcile operating loss to net cash used by operating activities:						
Depreciation expense	1,447,837	24,654,699	10,136,120	13,623,914		123,154,098
Non-Employer contributing entity revenue	122,851	1,045,420	52,049	533,337		4,660,788
Changes in assets, deferred outflows, liabilities, and deferred inflows:						
(Increase) decrease in accounts receivable, net	(3,310,992)	(23,582,718)	(3,143,807)	18,287,850		(21,747,846)
(Increase) decrease in inventories	(1,103)	(348,494)	(50,529)	11,924		(543,204)
(Increase) decrease in prepaid expenses and other	333,956	328,494	1,897	32,682		1,756,247
(Increase) decrease in notes receivable		1,592,788		206,946		3,943,800
(Increase) decrease in deferred outflows related to OPEB	(2,932,666)	(8,906,678)	(12,999,298)	(10,526,673)		(67,113,485)
(Increase) decrease in deferred outflows related to pensions	(85,902)	(11,378,004)	3,093,444	(6,765,697)		(42,163,013)
(Increase) decrease in other assets		(537)	(7,473)			(190,087)
Increase (decrease) in accounts payable and accrued liabilities	571,723	9,234,515	(3,424,058)	13,782,095		26,735,720
Increase (decrease) in unearned revenue	6,603,141	(6,375,660)		15,730		1,054,452
Increase (decrease) in amounts held in custody for others	(456,839)	(213,167)	(202)	637,063		(539,701)
Increase (decrease) in compensated absences	68,571	215,147	79,484	(39,857)		3,015,325
Increase (decrease) in OPEB liability	4,296,758	13,673,791	3,818,409	7,867,423		74,191,672
Increase (decrease) in net pension liability	346,456	(21,729,678)	(7,535,965)	(12,999,818)		(73,822,416)
Increase (decrease) in deferred inflows related to OPEB	182,435	1,438,669	8,586,178	4,803,971		23,709,295
Increase (decrease) in deferred inflows related to pensions	(2,407,728)	11,723,828	(13,555,085)	(12,066,525)		(1,865,915)
Increase (decrease) in other liabilities	44,973	2,189,531				9,176,783
Net cash provided (used) by operating activities	<u>\$ (8,283,561)</u>	<u>\$ (73,547,815)</u>	<u>\$ (35,591,873)</u>	<u>\$ 4,447,982</u>	<u>\$ 4,956</u>	<u>\$ (491,219,051)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>						
Cash and cash equivalents classified as current assets	\$ 16,005,850	\$ 42,801,604	\$ 82,695,499	\$ 88,679,671		\$ 179,877,012
Cash and cash equivalents classified as noncurrent assets	243,412		4,665,284	2,425,345		150,280,718
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 16,249,262</u>	<u>\$ 42,801,604</u>	<u>\$ 87,360,783</u>	<u>\$ 91,105,016</u>		<u>\$ 330,157,730</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Capital appropriations		\$ 454,354	\$ 17,441,252	\$ 2,250,933		\$ 20,630,451
Property acquired through capital lease						241,500,000
Amortized borrowing expense			(19,200)			(19,200)
Increase (Decrease) in fair market value of assets	\$ (135,134)	2,022,421	(30,256)	4,195,561		27,828,866
Non-Employer contributing entity revenue	122,851	1,045,420	52,049	533,337		4,660,788
Capital gifts and grants	11,985	116,184	68,413			12,766,463
Transfers/disposal of capital assets		8,335	(301,943)	(899,049)		(1,253,845)
	<u>\$ (298)</u>	<u>\$ 3,646,714</u>	<u>\$ 17,210,315</u>	<u>\$ 6,080,782</u>		<u>\$ 306,113,523</u>



OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.





TEMPORARY LEGISLATIVE AUDITOR  
THOMAS H. COLE, CPA, CGMA

March 23, 2021

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*

Independent Auditor's Report

**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited, in accordance with the 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 business-type activities and discretely presented component units of the Louisiana State University System (System), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated March 23, 2021. Our report was modified to include an emphasis of matter paragraph regarding actuarial assumptions.

Our report includes a reference to other auditors who audited the financial statements of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Health Care Services Foundation and its subsidiary; the Stephenson Technologies Corporation; and the LSU Research Foundation, which are nonprofit corporations included as blended component units in the basic financial statements of the System. Other auditors also audited the financial statements of the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units in the basic financial statements of the System as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Stephenson Technologies Corporation, the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which were audited by other auditors, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 entity'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 System'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 financial statements. 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*.

## **Other Reports**

Other external auditors audited the Louisiana State University School of Medicine in New Orleans Faculty Group Practice doing business as LSU Healthcare Network and Subsidiaries; the Health Care Services Foundation and its subsidiary; the Stephenson Technologies Corporation; and the LSU Research Foundation, which are blended component units included in the System's basic financial statements for the year ended June 30, 2020. In addition, other external auditors audited the LSU Foundation, the Tiger Athletic Foundation, and the LSU Health Sciences Foundation in Shreveport, which are discretely presented component units included in the basic financial statements of the System. To obtain copies of those reports, refer to note 1-B of the basic financial statements for mailing addresses.



**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 entity'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas H. Cole". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas H. Cole, CPA, CGMA  
Temporary Legislative Auditor

REW:JPT:BH:EFS:ch

LSU 2020