Pennington Biomedical Research Foundation
Louisiana State University

Financial Statements
June 30, 2021

Postlethwaite & Netterville

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2021

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pennington Biomedical Research Foundation
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennington Biomedical Research Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Postlethwaite & Netterville

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Pennington Biomedical Research Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 28, 2021

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

A S S E T S

		2021		2020
ASSETS				
Cash and cash equivalents	$	403,689	$	377,545
Accounts receivable		3,881		152,722
Unconditional promises to give, net		492,467		1,423,675
Prepaid expenses		36,220		64,304
Office equipment (net of accumulated depreciation of $9,401 and $7,553, respectively)		10,508		4,665
Construction in progress		1,417,034		20,006
Investments		26,299,798		22,255,045
Annuity held by rabbi trust		619,495		632,030
Beneficial interest in split-interest agreements		449,841		415,133
Total assets	$	29,732,933	$	25,345,125

L I A B I L I T I E S   A N D   N E T   A S S E T S

		2021		2020
LIABILITIES				
Accounts payable	$	256,906	$	72,122
Accrued expenses and other liabilities		615,789		173,559
Note payable		-		128,902
Retirement obligation		619,495		632,030
Funds held-in-custody		7,234,146		6,883,213
Total liabilities		8,726,336		7,889,826
NET ASSETS				
Without donor restrictions		2,094,797		2,106,453
With donor restrictions		18,911,800		15,348,846
Total net assets		21,006,597		17,455,299
Total liabilities and net assets	$	29,732,933	$	25,345,125

The accompanying notes are an integral part of these statements.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	$ 596,862	$ 1,591,371	$ 2,188,233
Investment income allocation	11,692	3,641,046	3,652,738
Management fee income	336,649	-	336,649
Other revenues	418,659	1,843,112	2,261,771
Change in value of split interest agreements	-	73,900	73,900
	1,363,862	7,149,429	8,513,291
Net assets released by satisfaction of program restrictions	3,586,475	(3,586,475)	-
	4,950,337	3,562,954	8,513,291
EXPENSES			
Program services	3,754,752	-	3,754,752
Management and general	529,158	-	529,158
Development	678,083	-	678,083
	4,961,993	-	4,961,993
CHANGE IN NET ASSETS	(11,656)	3,562,954	3,551,298
Net assets, beginning of period	2,106,453	15,348,846	17,455,299
NET ASSETS, END OF PERIOD	$ 2,094,797	$ 18,911,800	$ 21,006,597

The accompanying notes are an integral part of these statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
$ 888,686	$ 2,179,750	$ 3,068,436
108,698	(31,593)	77,105
227,240	-	227,240
176,904	20,006	196,910
-	16,968	16,968
1,401,528	2,185,131	3,586,659
3,034,246	(3,034,246)	-
4,435,774	(849,115)	3,586,659
2,970,673	-	2,970,673
629,524	-	629,524
682,351	-	682,351
4,282,548	-	4,282,548
153,226	(849,115)	(695,889)
1,953,227	16,197,961	18,151,188
$ 2,106,453	$ 15,348,846	$ 17,455,299

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			
	Program Services	Management and General	Development	Total
Bank charges	$ -	$ 3,805	$ -	$ 3,805
Business development	125,339	-	22,761	153,356
Depreciation	-	1,848	-	1,848
Dues and subscriptions	38,736	700	6,522	45,958
Insurance	-	59,610	-	59,610
Management fees	222,678	-	-	222,678
Government relations	-	20,600	-	20,600
Meetings and symposiums	14,893	225	2,510	17,628
Miscellaneous	207,011	9,322	4,172	215,249
Payroll taxes and benefits	109,832	42,867	91,198	243,897
Postage	133	3,755	-	3,888
Printing	14,628	7,526	-	22,154
Professional fees	1,919,082	46,329	7,524	1,972,935
Operations and maintenance	164,069	20,009	23,485	207,563
Research supplies and equipment	154,987	-	-	154,987
Salaries	1,165,171	306,021	516,767	1,987,959
Supplies	8,757	5,708	177	14,642
Telephone	5,509	-	-	5,509
Training	160	437	606	1,203
Travel	3,348	396	2,361	6,105
Total disbursements	4,154,333	529,158	678,083	5,361,574
Less: disbursements related to state portion of chairs and professorships	(399,581)	-	-	(399,581)
Total expenses	$ 3,754,752	529,158	$ 678,083	$ 4,961,993

The accompanying notes are an integral part of these statements.

2020			
Program Services	Management and General	Development	Total
$ -	$ 6,322	$ -	$ 6,322
122,488	3,896	75,171	201,555
-	661	-	661
10,074	11,400	8,256	29,730
-	55,143	-	55,143
227,240	-	-	227,240
-	28,931	-	28,931
65,055	937	1,930	67,922
26,358	14,201	114	40,673
98,991	52,152	72,435	223,578
258	3,888	1,345	5,491
14,523	8,284	-	22,807
1,622,664	69,642	136,283	1,828,589
89,834	18,264	20,052	128,150
239,047	-	-	239,047
791,737	347,239	355,181	1,494,157
2,510	6,474	4,957	13,941
2,060	-	-	2,060
-	614	4,499	5,113
54,539	1,476	2,128	58,143
3,367,378	629,524	682,351	4,679,253
(396,705)	-	-	(396,705)
$ 2,970,673	$ 629,524	$ 682,351	$ 4,282,548

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,551,298	$ (695,889)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,848	661
Discount on unconditional promises to give	(1,341)	(1,160)
Forgiveness of PPP loan	(128,902)	-
Realized loss (gain) on sales of investment securities	(597,226)	100,521
Unrealized loss (gain) on investment securities	(2,706,408)	269,101
Unrealized gain on beneficial interest in split-interest agreements	(80,866)	(23,874)
Distributions received from beneficial interest in split-interest agreements	46,158	42,625
Changes in operating assets and liabilities:		
Accounts receivable	148,841	(144,767)
Unconditional promises to give	932,549	74,461
Prepaid expenses	28,084	323
Accounts payable	68,887	(2,642)
Accrued expenses and other liabilities	442,230	155,512
Net cash provided by (used in) operating activities	1,705,152	(225,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,288,822)	(22,167)
Proceeds from sales of investments	5,961,439	6,861,347
Purchases of investments	(6,702,558)	(6,478,914)
Net cash provided by (used in) investing activities	(2,029,941)	360,266
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in funds held-in-custody	350,933	(31,107)
Proceeds from issuance of note payable	-	128,902
Net cash provided by (used in) financing activities	350,933	(31,107)
Net increase in cash and cash equivalents	26,144	232,933
Cash and cash equivalents at beginning of period	377,545	144,612
Cash and cash equivalents at end of period	$ 403,689	$ 377,545

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1) Summary of significant accounting policies

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

Organization

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

Recent accounting pronouncements

The Foundation adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, during the year ended June 30, 2021. This guidance clarifies the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized.

The Foundation also adopted ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, for the year ended June 30, 2021. This guidance modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.

The adoption of these recent accounting pronouncements did not have a significant impact on the Foundation's financial statements.

Basis of accounting and presentation

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

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

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

1) Summary of significant accounting policies (continued)

Use of estimates

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

Promises to give

Unconditional promises to give are recognized as revenue in the period the promise is received. Promises to give are recorded at their realizable value if they are expected to be collected in one year or at fair value if they are expected to be collected in more than one year. Based on management's assessment of collectability, an allowance for doubtful accounts was not necessary at either June 30, 2021 or 2020.

Accounts receivable

The Foundation maintains an allowance for doubtful accounts based on management's assessment of collectability considering current economic conditions and prior experience.

The Foundation determines if receivables are past-due based on the contractual terms of the agreement and typically does not accrue interest on past-due accounts. The Foundation charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management considers all receivables to be collectible as of June 30, 2021 and 2020; therefore, no allowances for doubtful accounts were established.

Office equipment

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

Investments

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

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

1) Summary of significant accounting policies (continued)

Split-interest agreements

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

Refundable advances

The Foundation has received grant proceeds that are deemed revocable until spent. The Foundation has outstanding refundable advances of $577,445 and $131,972, at June 30, 2021 and 2020, respectively. These amounts are classified as accrued expenses and other liabilities in the statements of financial position.

Funds held in custody

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

Revenue recognition

Contributions and grants received are recorded as with or without donor restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributed services

The Foundation may receive services, equipment and material without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the year ended June 30, 2021, the Foundation recorded contribution revenues of $564,000 for advertising services donated to the Foundation.

Income taxes

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

1) Summary of significant accounting policies (continued)

Income taxes (continued)

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

The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions at June 30, 2021.

Cash and cash equivalents

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

Statements of functional expenses

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

Concentrations of credit risk

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

Accounting pronouncements issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This accounting standard requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. This standard will be effective for the year ending June 30, 2023.

The Foundation is currently assessing the impact of this pronouncement on its financial statements.

1) Summary of significant accounting policies (continued)

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

2) Liquidity and availability

The Foundation regularly monitors and manages liquidity required to meet its operating needs and commitments to the Pennington Biomedical Research Center. Nearly all of the Foundations non-endowed investments are invested in money market funds and marketable securities with immediate liquidity. With the exception of the hedge fund audit holdback, all of the Foundation's cash and investments can be liquidated within two business days if necessary. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission, as well as the conduct of services undertaken to support those activities, to be general expenditures. As of June 30, 2021 and 2020, the Foundation's financial assets available to meet cash needs for general expenditures within one year totaled $1,912,809 and $2,209,076, respectively. The Foundation's budgeted operating expenditures for fiscal year ending June 30, 2022 totals approximately $1.9 million.

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

As of June 30, 2021 and 2020, the following financial assets could readily be made available within one year of the statements of financial position to meet the general expenditures of the Foundation:

	2021	2020
Cash and cash equivalents	$ 403,689	$ 377,545
Pledges and accounts receivable	496,348	1,576,397
Investments	26,299,798	22,255,045
	27,199,835	24,208,987
Less assets unavailable for general expenditures:		
Assets restricted by donors with time or purpose restrictions	(4,463,112)	(4,609,234)
Assets subject to appropriation and satisfaction of donor restrictions	(20,594,546)	(17,161,285)
Board designated amounts	(229,368)	(229,392)
Financial assets available to meet needs for general expenditures within one year	$ 1,912,809	$ 2,209,076

3) Unconditional promises to give

Unconditional promises to give at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Promises to give expected to be collected in:		
Less than one year	$ 338,362	$ 1,115,912
One to five years	155,000	310,000
	493,362	1,425,912
Less: discount on promises to give	(895)	(2,237)
Net unconditional promises to give	$ 492,467	$ 1,423,675

The rates used in discounting unconditional promises to give were 0.87% and 0.29% as of June 30, 2021 and 2020, respectively.

4) Split-Interest agreements

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

For the charitable lead trust, the discount rate used in the present value calculation for future payments is the prevailing rate of interest for similar types of high quality, fixed income investments. The discount rates used for 2021 and 2020 were 1.76% and 1.57%, respectively and the remaining term of the agreement was approximately 8 years at June 30, 2021.

For the charitable remainder trust, the donor is the sole income beneficiary for life, with the Foundation receiving the principal amount of the trust upon the donor's death. The discount rates used in the present value calculations for the future payment were the ten-year treasury-bond rates at June 30, 2021 and 2020. The discount rates used for 2021 and 2020 were 1.45% and 0.66%, respectively, and the estimated remaining term of the agreement was approximately 6 years at June 30, 2021.

Income statement adjustments recognized for these split-interest agreements were positive adjustments of $73,900 and $16,968 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the fair value of the beneficial interests was $449,841 and $415,133, respectively. The Foundation received distributions from the charitable lead trust of $46,158 and $42,625 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, trust distributions are expected to be received as follows:

Less than one year	$ 48,289
Two to five years	190,732
Six to ten years	233,172
	472,193
Less: discount to net present value	(22,352)
Beneficial interest in split-interest agreements	$ 449,841

5) Investments

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for further discussion of fair value measurements.

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

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

Investments are stated at fair value and consisted of the following at June 30, 2021 and 2020:

	2021	2020
Equities	$ 12,946,198	$ 9,830,799
Domestic fixed income securities	9,248,535	9,245,564
Hedge fund of funds and private equity	1,987,012	1,465,212
Master limited partnerships	-	4,836
Hard assets	222,165	248,328
Money market funds	1,895,888	1,460,306
	$ 26,299,798	$ 22,255,045

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

Investment earnings, net were comprised of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Dividends and interest, net	$ 438,070	$ 521,544
Realized gains (losses) on sales of investments	597,226	(100,521)
Unrealized gains (losses) on investments	2,706,408	(269,101)
	3,741,704	151,922
Less: external investment fees	(88,965)	(74,817)
	$ 3,652,738	$ 77,105

6) Fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB ASC, disclosure of fair value information about financial instruments is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Foundation.

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

Fair Value Hierarchy

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

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

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

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement which is determined using model-based techniques such as option pricing models, discounted cash flow models, and similar techniques.

6) Fair value of financial instruments (continued)

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

The Foundation's investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data. The Foundation utilizes externally managed fund of funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. The Foundation relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through the Foundation's reporting period ended June 30, 2021.

Level 3 Valuation Techniques

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

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

6) Fair value of financial instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3
Hedge fund of funds and private equity	$ 622,278	$ -	$ 1,364,734
Money market	1,895,888	-	-
Mutual funds:			
Large cap equity - growth	1,521,168	-	-
Large cap equity - blend	5,376,271	-	-
Large cap equity - value	631,110	-	-
Mid cap equity - blend	935,644	-	-
Mid cap equity – value	46,600		
Small cap equity - growth	20,166	-	-
Small cap equity - blend	34,875	-	-
Emerging markets equity - growth	291,400	-	-
Emerging markets equity - blend	3,605,784	-	-
Emerging markets equity - value	483,180	-	-
Fixed income by credit quality rating:			
AAA	5,411,552	-	-
AA	528,431	-	-
A	1,605,816	-	-
BBB	998,161	-	-
BB	88,072	-	-
B	616,503	-	-
Hard assets	222,165	-	-
Total investments	24,935,064	-	1,364,734
Beneficial interest in split interest agreements	-	-	449,841
Total	$ 24,935,064	$ -	$ 1,814,575

6) Fair value of financial instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3
Hedge fund of funds and private equity	$ 602,107	$ -	$ 863,105
Money market	1,460,306	-	-
Mutual funds:			
Large cap equity - growth	532,572	-	-
Large cap equity - blend	4,172,007	-	-
Large cap equity - value	536,288	-	-
Mid cap equity - growth	3,896	-	-
Mid cap equity - blend	844,205	-	-
Small cap equity - growth	22,647	-	-
Small cap equity - blend	21,619	-	-
Emerging markets equity - growth	1,126,062	-	-
Emerging markets equity - blend	1,869,026	-	-
Emerging markets equity - value	702,477	-	-
Fixed income by credit quality rating:			
AAA	4,927,277	-	-
AA	546,804	-	-
A	1,748,310	-	-
BBB	1,404,781	-	-
BB	353,546	-	-
B	264,846	-	-
Hard assets	248,328	-	-
Master limited partnerships	4,836	-	-
Total investments	21,391,940	-	863,105
Beneficial interest in split interest agreements	-	-	415,133
Total	$ 21,391,940	$ -	$ 1,278,238

6) Fair value of financial instruments (continued)

The following table presents the changes in fair value of Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020:

	Hedge Funds of Funds and Private Equity	Split-interest Agreements	Total
Balance - June 30, 2019	$ 878,098	$ 433,884	$ 1,311,982
Purchases	-	-	-
Sales	(20,000)	(42,625)	(62,625)
Unrealized gains (losses)	13,507	23,874	37,381
Realized gains (losses)	(8,500)	-	(8,500)
Balance - June 30, 2020	863,105	415,133	1,278,238
Purchases	10,000	-	10,000
Sales	-	(46,158)	(46,158)
Unrealized gains (losses)	499,347	80,866	580,213
Realized gains (losses)	(7,718)	-	(7,718)
Balance - June 30, 2021	$ 1,364,734	$ 449,841	$ 1,814,575

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

7) Funds held in custody and permanently restricted net assets

Included in investments at June 30, 2021 and 2020, were funds held-in-custody with the Foundation's investment custodian, which represent the fair value of the matching funds received from the State of Louisiana and earnings allocations available for expenditure. Investments also include private donations which are permanently restricted by donors.

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

	2021	2020
State Matching Funds	$ 7,209,319	$ 6,856,989
Other	24,827	26,224
	$ 7,234,146	$ 6,883,213

8) Net assets

Temporarily restricted net assets were available for specific nutritional research programs and other nutritional research programs being conducted at the Pennington Biomedical Research Center. Net assets with purpose and / or time restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Endowed Chairs & Professorships	$ 4,803,877	$ 1,896,042
Specific Research Projects	4,267,936	3,492,072
Faculty Research Support	1,032,708	1,227,353
Total Temporarily Restricted Net Assets	$ 10,104,521	$ 6,615,467

Permanently restricted net assets were as follows at June 30, 2021 and 2020:

	2021	2020
Private donations	$ 7,729,820	$ 7,729,820
Beneficial interest in split interest agreements	1,077,459	1,003,559
	$ 8,807,279	$ 8,733,379

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes for the years ended June 30, 2021 and 2020, were as follows:

	2021	2020
Endowed Chairs & Professorships	$ 560,755	$ 590,495
Specific Research Projects	2,695,543	2,089,777
Faculty Research Support	330,177	353,974
Total Restrictions Released	$ 3,586,475	$ 3,034,246

The Foundation's net assets without donor restrictions included Board designated amounts of $229,368 and $229,392 as of June 30, 2021 and 2020, for use in future Center projects.

9) Endowed net assets

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

9) Endowed net assets (continued)

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

The net asset composition by type of fund as of June 30, 2021 and 2020, and the changes in endowment net assets for the years ended June 30, 2021 and 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Permanent	
Endowment net assets, June 30, 2019	$ 229,392	$ 2,618,700	$ 8,715,911	$ 11,564,003
Investment return: Investment income	-	310,970	-	310,970
Net appreciation (depreciation)	-	(342,585)	16,968	(325,617)
Contributions	187,000	-	500	187,500
Appropriation of endowment assets for expenditure	(187,000)	(623,324)	-	(810,324)
Endowment net assets, June 30, 2020	229,392	1,963,761	8,733,379	10,926,532
Investment return: Investment income	-	938,813	-	938,813
Net appreciation (depreciation)	-	2,701,596	73,900	2,775,496
Contributions	187,000	-	-	187,000
Appropriation of endowment assets for expenditure	(187,024)	(597,150)	-	(784,174)
Endowment net assets, June 30, 2021	$ 229,368	$ 5,007,020	$ 8,807,279	$ 14,043,667

9) Endowed net assets (continued)

A spending rate is determined by the Foundation's Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer foundations and the level of real return after spending measured over a rolling five-year time period. The spending rate approved by the Board is applied to the five-year average market value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for the years ended June 30, 2021 and 2020 was 4.50%. In accordance with the Board's policies, no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for program spending.

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

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donor or the Board of Regents policy requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2021 or 2020.

10) Notes payable

On April 7, 2020, the Foundation received an unsecured loan in the amount of $128,902 under the Paycheck Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at a fixed rate of 0.98%, but payments were not required to begin for ten months after the funding of the loan. The Foundation received forgiveness of 100% of the loan on March 25, 2021.

11) Cooperative endeavor agreement

The Foundation entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development and Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU) effective March 9, 2020. Under the terms of the agreement, the Foundation will renovate and partially equip the Imaging Center owned by LSU and located on Pennington Biomedical Research Center's Baton Rouge Campus. The Foundation recognized revenues of approximately $1,355,000 related to this grant during the year ended June 30, 2021.

12) Retirement contributions

The Foundation makes an annual contribution to a 403(b) retirement plan for eligible employees, and effective, January 1, 2010, the Plan adopted safe harbor provisions. Contributions for the years ended June 30, 2021 and 2020 totaled approximately $18,000 and $27,000, respectively.

13) Related party transactions

The Pennington Biomedical Research Foundation provides accounting services and administrative support to the Pennington Medical Foundation (PMF). For the years ended June 30, 2021 and 2020, PMF paid the Foundation $3,000 for these services. The amounts owed from PMF to the Foundation at June 30, 2021 and 2020 for these types of services and other miscellaneous reimbursements were $544 and $44, respectively.

As part of its mission, the Foundation also has certain transactions in the normal course of operations with the Pennington Biomedical Research Center. The transactions consist of research support for salaries, equipment, and supplies, which are processed by the Center. In addition, the Foundation reimburses the Center for certain costs pertaining to Foundation operations. For the years ended June 30, 2021 and 2020, these costs totaled $1,700,161 and $1,288,283, respectively. The amount owed to the Center at June 30, 2021 and 2020 for these types of expenses was $68,319 and $44,768, respectively.

14) Commitments

In 1999, the Foundation purchased an annuity to fund the retirement obligation of a former Executive Director of the Center. The annuity's value and corresponding retirement obligation were approximately $619,000 and $632,000 at June 30, 2021 and 2020, respectively.

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

In connection with the cooperative endeavor agreement discussed in note 11, the Foundation has entered into an agreement for building renovations for the Bariatric Metabolic Initiative on the campus of the Pennington Biomedical Research Foundation. As of June 30, 2021, the remaining commitments on signed contracts relating to this project totaled approximately $793,000.

15) Subsequent events

Management has evaluated events through the date that the financial statements were available to be issued, October 28, 2021, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.