

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

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-14-05

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**FINANCIAL SECTION**

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

A PROFESSIONAL CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying Statement of Financial Position of the Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization) as of June 30, 2005, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Foundation's 2004 financial statements and, in our report dated August 13, 2004, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, on August 29, 2005, Hurricane Katrina caused catastrophic property damage to New Orleans. New Orleans was evacuated and as a result, the Foundation has temporarily relocated its operations. The impact of the hurricane on the Foundation's future revenues and its operations is indeterminable at this time. In addition, any uninsured losses to the Foundation's property and equipment are not estimable as of the date of our report.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The other supplemental information on pages 18 through 29 is not a required part of the basic financial statements but is supplementary information required by the State of Louisiana. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Reboue & Company*

August 12, 2005, except as to Note 16,  
which is dated August 29, 2005

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2005**  
**(with comparative totals for 2004)**

ASSETS	<u>2005</u>	<u>2004</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,749,518	\$ 630,714
Investments	10,972,488	9,966,523
Interest receivable	164,112	169,955
Unconditional promises to give, net	95,496	186,250
Note receivable, net	91,163	91,163
Cash restricted for debt service	87,221	82,545
Other receivables	271,506	570,339
Total current assets	<u>14,431,504</u>	<u>11,697,489</u>
<b>Noncurrent Assets</b>		
Investments	59,404,730	54,351,367
Unconditional promises to give, net	2,391,561	2,299,325
Note receivable, net	234,197	298,323
Deposits	5,028	5,028
Property and equipment, net	1,893,336	1,931,136
Land	315,467	215,027
Total noncurrent assets	<u>64,244,319</u>	<u>59,100,206</u>
Total assets	<u>\$ 78,675,823</u>	<u>\$ 70,797,695</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 774,701	\$ 626,370
Bonds payable	70,000	65,000
Split-interest agreement	1,650	1,650
Total current liabilities	<u>846,351</u>	<u>693,020</u>
<b>Noncurrent Liabilities</b>		
Amounts held in custody for others	14,759,024	13,117,119
Bonds payable, net	1,869,773	1,938,182
Split-interest agreement	12,926	13,562
Total noncurrent liabilities	<u>16,641,723</u>	<u>15,068,863</u>
Total liabilities	<u>17,488,074</u>	<u>15,761,883</u>
<b>Net Assets</b>		
Unrestricted	744,973	451,742
Temporarily restricted	13,118,083	14,028,948
Permanently restricted	47,324,693	40,555,122
Total net assets	<u>61,187,749</u>	<u>55,035,812</u>
Total liabilities and net assets	<u>\$ 78,675,823</u>	<u>\$ 70,797,695</u>

See accompanying notes to the financial statements.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**  
**(with comparative totals for 2004)**

	<u>2005</u>	<u>2004</u>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted revenues and other support		
Contributions	\$ 94,682	\$ 82,379
Program service fees	-	1,193,732
Investment income - net	1,061,691	88,905
Rental income	130,695	63,927
Other income	61,857	83,036
	<u>1,348,925</u>	<u>1,511,979</u>
Net assets released from restrictions	<u>7,663,269</u>	<u>7,765,970</u>
Total unrestricted revenues and other support	<u>9,012,194</u>	<u>9,277,949</u>
Expenses		
Program services	6,423,266	5,869,853
General and administrative	1,444,129	2,250,811
Development	851,568	900,026
Transfer to Dean's Fund	-	165,000
	<u>8,718,963</u>	<u>9,185,690</u>
Increase in unrestricted net assets	<u>293,231</u>	<u>92,259</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Temporarily restricted revenues and other support		
Contributions	4,851,906	7,079,363
Investment income - net	901,331	7,057,982
Other income	999,167	-
	<u>6,752,404</u>	<u>14,137,345</u>
Net assets released from restrictions	<u>(7,663,269)</u>	<u>(8,235,282)</u>
Increase (Decrease) in temporarily restricted net assets	<u>(910,865)</u>	<u>5,902,063</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Permanently restricted revenues and other support		
Contributions	2,827,926	1,547,221
Investment income - net	3,941,645	-
Recovery of uncollectible promises to give	-	206,934
	<u>6,769,571</u>	<u>1,754,155</u>
Net assets released from restrictions	<u>-</u>	<u>469,312</u>
Increase in permanently restricted net assets	<u>6,769,571</u>	<u>2,223,467</u>
Increase in net assets from continued operations	6,151,937	8,217,789
Discontinued operations-		
Loss from disposal of subsidiary	-	(490,841)
Increase in net assets	6,151,937	7,726,948
Net assets at beginning of year	<u>55,035,812</u>	<u>47,308,864</u>
Net assets at end of year	<u>\$ 61,187,749</u>	<u>\$ 55,035,812</u>

See accompanying notes to the financial statements.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2005**  
**(with comparative totals for 2004)**

	Program Services Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Totals	
		General and Administrative	Development	2005	2004
Advertising	\$ 19,544	\$ -	\$ -	\$ 19,544	\$ 32,290
Clinical trials, professional education and seminars	129,683	4,539	-	134,222	82,568
Community support	74,510	4,940	-	79,450	113,383
Conferences, meetings, and other travel	574,014	10,974	-	584,988	481,456
Depreciation and amortization	-	135,771	-	135,771	84,776
Dues and subscriptions	109,415	17,779	-	127,194	184,156
Equipment purchases	404,493	7,419	-	411,912	326,082
Fundraising expenses	337,202	-	1,427	338,629	71,919
Honoraria	53,196	-	-	53,196	27,330
Interest expense	-	24,556	-	24,556	23,008
IPE	-	-	-	-	1,579,562
Life insurance - officer	-	-	-	-	3,070
Meeting expenses	11,854	587	-	12,441	20,063
Miscellaneous	263,255	37,345	-	300,600	291,309
Occupancy	66,591	35,062	-	101,653	154,149
Other	28,573	28,318	-	56,891	62,403
Patents and programs	-	-	-	-	8,077
Postage and shipping	37,204	23,825	-	61,029	62,769
Printing and publications	110,675	114,186	-	224,861	263,347
Professional fees and contract service payments	436,832	214,851	-	651,683	1,374,528
Promotional expenses and official functions	714,223	-	31,744	745,967	666,916
Provisions for uncollectible accounts	1,302,123	-	-	1,302,123	-
Repairs and maintenance	4,244	78,616	-	82,860	32,609
Salaries and benefits	1,231,665	470,813	818,397	2,520,875	2,421,433
Salary supplemental payments	-	180,000	-	180,000	180,877
Scholarships	148,468	25,000	-	173,468	153,461
Supplies	365,502	29,548	-	395,050	484,149
	<u>\$ 6,423,266</u>	<u>\$ 1,444,129</u>	<u>\$ 851,568</u>	<u>\$ 8,718,963</u>	<u>\$ 9,185,690</u>

See accompanying notes to the financial statements.



**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2005**  
**(with comparative totals for 2004)**

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 6,151,937	\$ 7,726,948
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	135,771	86,849
Discontinued operations - loss on subsidiary	-	490,841
Provision (Recovery) for (of) uncollectible promises to give and contribution receivable	1,302,123	(206,934)
Amortization of discount on unconditional promises to give	21,188	(972,841)
Realized and unrealized gains on investments	(3,999,251)	(5,700,411)
Write-off of building project	-	21,892
Donated materials and stocks	-	(53,984)
Changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	5,843	(26,307)
Decrease in prepaid expenses	-	8,048
Decrease in other receivables	298,833	101,695
Increase (decrease) in accounts payable and accrued expenses	148,331	(749,629)
Decrease in deferred revenues	-	(752,115)
Decrease in split-interest agreement	(636)	-
Increase in funds held in custody	1,641,905	453,090
Increase in deposits	-	(1,190)
Contributions permanently restricted by donors	(2,082,656)	(1,574,762)
Net cash provided (used) by operating activities	<u>3,623,388</u>	<u>(1,148,810)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(4,206,658)	(35,976,800)
Proceeds from sales and maturities of investments	2,146,581	31,021,306
Payments received on capital lease	64,126	59,506
Cost of construction financed with bond proceeds	(4,676)	532,821
Purchase of land and building	(196,820)	(845,493)
Net cash used by investing activities	<u>(2,197,447)</u>	<u>(5,208,660)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on bonds payable	(65,000)	-
Collections of permanent endowment support	757,863	2,164,923
Payments on note payable	-	(21,131)
Net cash provided by financing activities	<u>692,863</u>	<u>2,143,792</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	2,118,804	(4,213,678)
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>630,714</u>	<u>4,844,392</u>
End of year	<u>\$ 2,749,518</u>	<u>\$ 630,714</u>
Supplemental data:		
Cash paid for interest (including amounts capitalized of \$0 and \$6,427 in 2005 and 2004, respectively)	<u>\$ 24,556</u>	<u>\$ 29,435</u>

See accompanying notes to the financial statements.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**NOTE 1 - NATURE OF ACTIVITIES**

The Foundation for the LSU Health Sciences Center (the "Foundation") supports the activities of the LSU Health Sciences Center. The Foundation's activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The Foundation is supported primarily through donor contributions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Organization and Income Taxes**

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax by Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

**b) Basis of Accounting**

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

**c) Reporting Entity**

Using the criteria established in GASB Number 14, *The Financial Reporting Entity*, as amended by GASB Number 39, *Determining Whether Certain Organizations Are Component Units*, the Foundation is reported as a discretely presented component unit of the LSU Health Sciences Center since it is legally separate from and is financially accountable to the LSU Health Sciences Center.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the State of Louisiana.

**d) Basis of Presentation**

Financial statement presentation follows the reporting requirements of the Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

**Permanently Restricted Net Assets** - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Foundation's programs.

**e) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**f) Cash and Cash Equivalent**

For purposes of the statement of cash flows, the Foundation consider all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

**g) Investments**

Investments are carried at estimated current market value.

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of financial position.

**h) Noncurrent Liabilities**

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

**i) Contributions**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**j) Unconditional Promises to Give**

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Management's estimate for the allowance of uncollectible promises to give at June 30, 2005 and 2004 was \$1,526,642 and \$1,514,818, respectively. A provision for uncollectible promise to give was recorded for the year ended June 30, 2005 and 2004 as an expense in the amount of \$1,302,123 and \$0, respectively. A recovery of uncollectible promises to give was recorded for the year ended June 30, 2005 and 2004 as revenue in the amount of \$0 and \$206,934, respectively.

**k) Property and Equipment**

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to expense. The cost of these assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. As of June 30, 2005, all other furniture, equipment, and accounting software owned by the Foundation were purchased with restricted private donations and have not been capitalized. Accounting software is being depreciated over estimated useful lives of four to five years using a straight-line method. The building is being depreciated over an estimated useful life of forty years using the straight-line method.

**l) Expense Allocation**

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 For the Year Ended June 30, 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) Required Transfers**

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

**n) Cash Flows Statement**

The Foundation had non-cash financing and investing activities as follows:

	2005	2004
Proceeds from capital lease	\$ <u>      -</u>	\$ <u>81,175</u>

**o) Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

**NOTE 3 - RESTRICTIONS ON ASSETS**

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Permanently restricted purposes	\$ 4,362,544	\$ 4,328,050
Less unamortized discount	(348,845)	(327,657)
Less allowance for uncollectible amounts	<u>(1,526,642)</u>	<u>(1,514,818)</u>
Net unconditional promises to give	<u>\$ 2,487,057</u>	<u>\$ 2,485,575</u>
Amount due in:		
Less than one year	\$ 95,496	\$ 186,250
One to five years	2,938,719	2,738,420
Over five years	<u>1,328,329</u>	<u>1,403,380</u>
Total	<u>\$ 4,362,544</u>	<u>\$ 4,328,050</u>

**NOTE 5 - INVESTMENTS**

As of June 30, 2005, investments consist of the following:

	<u>Cost</u>	<u>Estimated Market Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 5,665,612	\$ 5,649,525	\$ (16,087)
U.S. Government Agency bonds and notes	3,085,552	3,695,251	609,699
Corporate bonds and notes	5,467,436	4,504,182	(963,254)
Mutual funds	46,399,259	55,980,329	9,581,070
Money Market/certificate of deposit	<u>547,931</u>	<u>547,931</u>	-
Total	<u>\$ 61,165,790</u>	<u>\$ 70,377,218</u>	<u>\$ 9,211,428</u>

Investment return for the year ending June 30, 2005 is summarized as follows:

Investment expense	\$ (8,319)
Interest and dividend income	1,913,735
Realized gains	282,227
Net unrealized gain	<u>3,717,024</u>
Total investment gain	<u>\$ 5,904,667</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 5 - INVESTMENTS (CONTINUED)**

As of June 30, 2004, investments consist of the following:

	<u>Cost</u>	<u>Estimated Market Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 5,253,023	\$ 5,090,753	\$ (162,270)
U.S. Government Agency bonds and notes	3,170,256	3,859,844	689,588
Corporate bonds and notes	5,186,555	4,423,184	(763,371)
Mutual funds	44,770,261	50,497,899	5,727,638
Municipal bonds	135,000	137,820	2,820
Money market/certificate of deposit	308,390	308,390	-
Total	<u>\$ 58,823,485</u>	<u>\$ 64,317,890</u>	<u>\$ 5,494,405</u>

Investment return for the year ending June 30, 2004 is summarized as follows:

Investment expense	\$ (69,673)
Interest and dividend income	1,516,149
Net unrealized gain	<u>5,700,411</u>
Total investment gain	<u>\$ 7,146,887</u>

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are treated as principal and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains are added to investment principal and are not expendable in the future. No such stipulations are present at June 30, 2005.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2005</u>	<u>2004</u>
Accounting software	\$ 49,646	\$ 49,646
Internet development software	12,380	12,380
Building	2,061,860	1,965,479
Less accumulated depreciation	<u>(230,550)</u>	<u>(96,369)</u>
Property and equipment, net	<u>\$1,893,336</u>	<u>\$1,931,136</u>
Land	<u>\$ 315,467</u>	<u>\$ 215,027</u>

Depreciation expense as of June 30, 2005 and 2004 was \$134,181 and \$83,184, respectively.

The Foundation purchased a certain lot of ground, including all buildings and improvements identified as lot number 21 of square 44 bounded by Tulane Avenue, South Prieur, South Roman and Palmyra Streets on April 20, 2005 for \$196,821 of which \$100,440 was for land and \$96,381 was for the building.

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation and insured for greater amounts by agreement with some accounts. At June 30, 2005, the Foundation had cash deposits in excess of federally insured limits in the amount of \$25,411.

**NOTE 8 – FUNDS HELD IN CUSTODY**

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and Endowed Professorship Programs. Funds held in custody were \$14,759,024 and \$13,117,119 on June 30, 2005 and 2004, respectively.

**NOTE 9 - ADVERTISING**

The Foundation advertises to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the fiscal years ending June 30, 2005 and 2004 were \$19,544 and \$32,290, respectively.



**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 10 - BONDS PAYABLE**

The Foundation financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003 with bond proceeds of \$2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. The Foundation's ability to service this debt will be based on its ability to raise funds and earn other revenue from lease payments from the occupants.

The Foundation issued bonds in January 2002 totaling \$2,035,000 with a variable interest rate. The interest rate for 2005 and 2004 was 3.19% and 1.62%, respectively. The bond issuance costs were \$35,000 to be amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for the fiscal years ending June 30, 2005 and 2004 were \$1,591 and \$1,591, respectively. Unamortized bond issuance costs at June 30, 2005 and June 30, 2004 were \$30,227 and \$31,818, respectively. Bonds payable, net at June 30, 2005 and June 30, 2004 were \$1,939,773 and \$2,003,182, respectively.

The bond proceeds were used to finance the renovation of the new building. Bond proceeds available at June 30, 2005 are held by the trustee in restricted cash accounts. Restricted cash at June 30, 2005 and 2004 totaled \$87,221 and \$82,545, respectively. A principal payment of \$65,000 was made on the bond in the year ended June 30, 2005. Interest was paid on the bonds in the amount of \$18,404 and \$27,915 for the years ended June 30, 2005 and 2004, respectively.

Interest in the amount of \$0 and \$6,427 was capitalized as building and building renovations for the years ended June 30, 2005 and 2004, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2006	\$ 70,000
2007	75,000
2008	75,000
2009	80,000
2010	80,000
2011-2015	465,000
2016-2020	575,000
2021-2024	<u>550,000</u>
Total	<u>\$1,970,000</u>

**NOTE 11 - NOTE RECEIVABLE, NET**

The Foundation purchased a building (1825 Tulane Avenue) for \$606,275 on September 4, 2002. On the same day, the Foundation entered into an agreement with the Louisiana State University Health Sciences Center to lease this building for a term of 3 years ending on September 4, 2005 with a monthly payment of \$18,500. On September 25, 2003, the Foundation entered into a supplemental agreement with the Louisiana State University Health Sciences Center to

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 11 – NOTE RECEIVABLE, NET (CONTINUED)**

renegotiate the terms of the lease of this building for a term of 6 years and 2 months ending on August 5, 2009 with a monthly payment of \$7,597. The terms of lease meet the criteria for a capital lease as defined by Statement of Financial Accounting Standards (“SFAS”) Number 13. As a result, a note receivable was recorded in fiscal 2004 in the amount of \$747,175. Unearned interest income of \$140,900 was recorded and netted against the note receivable.

The fixed interest rate on the note receivable is 7.50%. At June 30, 2005, the note receivable, net was \$325,360 consisting of a note receivable of \$379,849 with unearned interest of \$54,489.

Minimum future lease payments to be received under capital leases as of June 30, 2005 and in the aggregate are:

Years ending June 30:	
2006	\$ 91,163
2007	91,163
2008	91,163
2009	91,163
2010	<u>15,197</u>
Total	379,849
Less: Interest	<u>(54,489)</u>
Present Value of Net Minimum Lease	<u>\$ 325,360</u>

**NOTE 12 - RETIREMENT PLAN**

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation’s total contributions expense was \$45,196 and \$46,557 as of June 30, 2005 and 2004, respectively, which is included in salaries and benefits.

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 403(b) Plan, which is intended to be an ERISA Section 404(c) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts for The Variable Annuity Life Insurance Company (VALIC). Employees are eligible to participate upon the date of employment. Under the plan, the Foundation matches \$1 for \$1 amounts contributed up to 6% of the employee’s compensation only if the employee has completed 12 months of service and is at least 21 years of age.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2005**

**NOTE 13 - SPLIT-INTEREST AGREEMENT**

On June 15, 2004, the Foundation entered into a charitable gift annuity providing the Foundation a contribution of \$25,000 in cash. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$1,650 paid in quarterly installments to the donor so long as he is living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$14,576 at June 30, 2005) is calculated using a discount rate of 4.8% and the applicable mortality rates. As of June 30, 2005 and 2004, the Foundation made payments to the donor in the amount of \$1,650 and \$72, respectively, reported a net contribution of \$0 and \$9,716.

**NOTE 14 - RENTAL INCOME**

The Foundation entered into a lease agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College in November 2003. The lease terms include sixty (60) monthly payments of \$10,295 for office space leased on three floors of the Foundation's building. Partial payments on the lease were received for the months of November 2003 to February 2004 as all three floors were not occupied by the tenant until March 2004. Rental income for the year ended June 30, 2005 and 2004 was \$127,395 and \$63,927, respectively.

Minimum future lease payments to be received as of June 30, 2005 and in the aggregate are:

Years ending June 30:	
2006	\$ 123,540
2007	123,540
2008	123,540
2009	<u>59,613</u>
Total	<u>\$ 430,233</u>

As of April 20, 2005, the Foundation and a restaurant had entered into a lease agreement for the rental of 1933 Tulane Avenue for the purpose of a restaurant and catering business, expiring April 30, 2006. The Foundation's rental income for the year ended June 30, 2005 was \$3,300.

**NOTE 15 - RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**NOTE 16 – SUBSEQUENT EVENTS**

On August 29, 2005, Hurricane Katrina caused catastrophic property damage to New Orleans. New Orleans was evacuated and as a result, the Foundation has temporarily relocated its operations. The impact of the hurricane on the Foundation's future revenues and its operations is indeterminable at this time. In addition, any uninsured losses to the Foundation's property and equipment are not estimable as of the date of our report.

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

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2005**

	2005
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 2,749,518
Investments	10,972,488
Accounts receivable, net	-
Pledges receivable	95,496
Due from other campuses	-
Due from State Treasury	-
Inventories	-
Deferred charges and prepaid expenses	-
Notes receivable	91,163
Other current assets	522,839
Total current assets	14,431,504
<b>Noncurrent Assets</b>	
Restricted assets:	
Cash and cash equivalents	-
Investments	-
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	59,404,730
Pledges receivable	2,391,561
Notes receivable	234,197
Capital assets, net	2,208,803
Assets under capital leases, net	-
Other noncurrent assets	5,028
Total noncurrent assets	64,244,319
<b>Total assets</b>	<b>\$ 78,675,823</b>

(Continued)

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**For the Year Ended June 30, 2005**

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	\$	774,701
Due to other campuses		-
Due to State Treasury		-
Deferred revenues		-
Amounts held in custody for others		-
Compensated absences payable		-
Capital lease obligations		-
Notes payable		-
Contracts payable		-
Bonds payable		70,000
Other current liabilities		1,650
<b>Total current liabilities</b>		<b>846,351</b>

**Noncurrent Liabilities**

Amounts held in custody for others		14,759,024
Compensated absences payable		-
Capital lease obligations		-
Notes payable		-
Contracts payable		-
Bonds payable		1,869,773
Other noncurrent liabilities		12,926
<b>Total noncurrent liabilities</b>		<b>16,641,723</b>
<b>Total liabilities</b>		<b>17,488,074</b>

**NET ASSETS**

Invested in capital assets, net of related debt		269,030
Restricted for:		
Nonexpendable		47,324,693
Expendable		13,118,083
Unrestricted		475,943
<b>Total Net Assets</b>	\$	<b>61,187,749</b>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS**  
**For the Year Ended June 30, 2005**

	2005
<b>OPERATING REVENUES</b>	
Student tuition and fees	\$ -
Less scholarship allowances	-
Net student tuition and fees	-
Gifts received by the foundations	4,946,588
Earnings on foundation endowments	-
Federal appropriations	-
Federal grants and contracts	-
State and local grants and contracts	-
Nongovernmental grants and contracts	-
Sales and services of educational departments	-
Hospital income	-
Auxiliary enterprise revenues, including revenues pledged as security for bond issues	-
Less scholarship allowances	-
Net auxiliary revenues	-
Other operating revenues	192,552
<b>Total operating revenues</b>	<b>5,139,140</b>
<b>OPERATING EXPENSES</b>	
Educational and general	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Scholarships and fellowships	-
Auxiliary enterprises	-
Hospital	-
Other operating expenses	3,585,997
<b>Total operating expenses</b>	<b>3,585,997</b>
<b>Operating loss</b>	<b>\$ 1,553,143</b>

(Continued)



**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS (CONTINUED)**  
**For the Year Ended June 30, 2005**

<b>NONOPERATING REVENUES AND (EXPENSES)</b>	
State appropriations	\$ -
Gifts	-
Net investment income	1,963,022
Interest expense	-
Payments to or on behalf of the university	(5,132,966)
Other nonoperating revenues (expenses)	999,167
<b>Net nonoperating revenues (expenses)</b>	<u>(2,170,777)</u>
<b>Income before other revenues, expenses,</b>	
<b>gains, and losses</b>	<u>(617,634)</u>
Capital appropriations	
Capital gifts and grants	-
Additions to permanent endowments	6,769,571
Other additions, net	-
<b>Increase in net assets</b>	<u>6,151,937</u>
<b>Net assets at beginning of year</b>	55,035,812
<b>Net assets at end of year</b>	<u><u>\$ 61,187,749</u></u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**SCHEDULE OF CAPITAL ASSETS**  
**For the Year Ended June 30, 2005**

	Balance 6/30/2004	Additions	Transfers	Retirements	Balance 6/30/2005
Capital assets not being depreciated					
Land	\$ 215,027	\$ 100,440	\$ -	\$ -	\$ 315,467
Capitalized collections	-	-	-	-	-
Livestock	-	-	-	-	-
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>\$ 215,027</u>	<u>\$ 100,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,467</u>
Other capital assets					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation	-	-	-	-	-
Total infrastructure	-	-	-	-	-
Land improvements	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-
Total land improvements	-	-	-	-	-
Buildings	-	-	2,061,860	-	2,061,860
Less accumulated depreciation	-	(190,231)	-	-	(190,231)
Total buildings	-	(190,231)	2,061,860	-	1,871,629
Equipment	62,026	-	-	-	62,026
Less accumulated depreciation	(24,038)	(16,281)	-	-	(40,319)
Total equipment	37,988	(16,281)	-	-	21,707
Library books	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-
Total library books	-	-	-	-	-
Total other capital assets	<u>\$ 37,988</u>	<u>\$ (206,512)</u>	<u>\$ 2,061,860</u>	<u>\$ -</u>	<u>\$ 1,893,336</u>
Capital Asset Summary:					
Capital assets not being depreciated	215,027	100,440	-	-	315,467
Other capital assets, at cost	62,026	-	2,061,860	-	2,123,886
Total cost of capital assets	277,053	100,440	2,061,860	-	2,439,353
Less accumulated depreciation	(24,038)	(206,512)	-	-	(230,550)
Capital assets, net	<u>\$ 253,015</u>	<u>\$ (106,072)</u>	<u>\$ 2,061,860</u>	<u>\$ -</u>	<u>\$ 2,208,803</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER**  
**SCHEDULE OF BONDS PAYABLE**  
**For the Year Ended June 30, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/04	(Redeemed) Issued	Principal Outstanding 6/30/05	Interest Rates	Interest Outstanding 6/30/05
Equipment & Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	01/01/02	\$ 2,035,000	\$ 2,035,000	\$ (65,000)	\$ 1,970,000	3.19%	\$ -
<b>Total</b>		<u>\$ 2,035,000</u>	<u>\$ 2,035,000</u>	<u>\$ (65,000)</u>	<u>\$ 1,970,000</u>		<u>\$ -</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCE CENTER**  
**SCHEDULE OF BONDS PAYABLE AMORTIZATION**  
**For the Year Ended June 30, 2005**

Fiscal Year		Principal	Interest	Total
Ending				
2006	\$	70,000	Variable \$	70,000
2007		75,000	Variable	75,000
2008		75,000	Variable	75,000
2009		80,000	Variable	80,000
2010		80,000	Variable	80,000
2011		85,000	Variable	85,000
2012		90,000	Variable	90,000
2013		95,000	Variable	95,000
2014		95,000	Variable	95,000
2015		100,000	Variable	100,000
2016		105,000	Variable	105,000
2017		110,000	Variable	110,000
2018		115,000	Variable	115,000
2019		120,000	Variable	120,000
2020		125,000	Variable	125,000
2021		130,000	Variable	130,000
2022		135,000	Variable	135,000
2023		140,000	Variable	140,000
2024		145,000	Variable	145,000
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
<b>TOTAL</b>		<b>\$1,970,000 \$</b>	<b>-</b>	<b>\$1,970,000</b>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED  
BY THE STATE OF LOUISIANA  
For the Year Ended June 30, 2005**

**Note A. 15 Component Unit**

1. A brief description of the component unit.

The Foundation for the LSU Health Sciences Center is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: Louisiana State University Health Sciences Center - New Orleans Campus. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2005, the Foundation for the LSU Health Sciences Center made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of: \$5,132,966.

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

2000 Tulane Avenue, New Orleans, LA 70112  
(mailing address)

or from the foundation's website at: [www.foundation.lsuhscc.edu](http://www.foundation.lsuhscc.edu)

The Foundation for the LSU Health Sciences Center is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
 NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED  
 BY THE STATE OF LOUISIANA  
 For the Year Ended June 30, 2005**

System Note on Foundation Cash

	LSU Foundation	TAF	LSU HSC Foundation	Pennington Medical Fnd	UNO Foundation	UNO R & T	Total
Cash & cash equivalents, per the Statement of Financial Position			2,749,518				2,749,518
Total cash deposits in excess of Federally insured limits at year end			25,411				25,411
Did cash deposits exceed Federal insured limits anytime during the year ? (answer Yes or No)			Yes				
Number of active bank accounts			5				//////

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED  
BY THE STATE OF LOUISIANA (CONTINUED)  
For the Year Ended June 30, 2005**

**Note I. Bonds & Notes Payable & Capital Leases.**

	<b>Balance June 30, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2005</b>	<b>Amounts due within one year</b>
<b>Bonds &amp; notes payable &amp; capital leases:</b>					
Bonds payable	\$ 2,035,000	\$ -	\$ 65,000	\$ 1,970,000	\$ 70,000
Notes payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Total bonds, notes and capital leases	<u>2,035,000</u>	<u>-</u>	<u>65,000</u>	<u>1,970,000</u>	<u>70,000</u>
<b>Other liabilities:</b>					
Amounts held in custody for others	13,117,119	1,641,905	-	14,759,024	-
Compensated absences payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Total other liabilities	<u>13,117,119</u>	<u>1,641,905</u>	<u>-</u>	<u>14,759,024</u>	<u>-</u>
Total long-term liabilities	<u>\$ 15,152,119</u>	<u>\$ 1,641,905</u>	<u>\$ 65,000</u>	<u>\$ 16,729,024</u>	<u>\$ 70,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED  
BY THE STATE OF LOUISIANA (CONTINUED)  
For the Year Ended June 30, 2005**

**Note P. Lessor Direct Financing Leases**

<u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office Space		\$ -	\$ -	\$ -
b. Equipment		-	-	-
c. Land	9/4/2002	379,849	54,489	325,360
Less amounts representing executory costs		( - )	( - )	( - )
Minimum lease payment receivable		379,849	54,489	325,360
Less allowance for doubtful accounts		( - )	( - )	( - )
Net minimum lease payments receivable		379,849	54,489	325,360
Estimated residual values of leased property		-	-	-
		<u>379,849</u>	<u>54,489</u>	<u>325,360</u>
Less unearned income		( 54,489 )	( 54,489 )	( - )
Net investment in direct financing leases		<u>\$ 325,360</u>	<u>\$ -</u>	<u>\$ 325,360</u>



**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER  
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED  
BY THE STATE OF LOUISIANA (CONTINUED)  
For the Year Ended June 30, 2005**

**Note P. Future Minimum Lease Receivables**

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of June 30, 2005:

Year ending June 30, 2005:	<u>Future minimum lease receivables:</u>
2006	<u>\$ 123,540</u>
2007	<u>123,540</u>
2008	<u>123,540</u>
2009	<u>59,613</u>
2010-2014	<u>-</u>
2015-2019	<u>-</u>
2020-2024	<u>-</u>
Total	<u>\$ 430,233</u>

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

A PROFESSIONAL CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
The Foundation for the LSU Health Sciences Center

We have audited the financial statements of The Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance Committee, management of the Foundation, the Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Rebowe & Company*

August 12, 2005, except as to note 16,  
which is dated August 29, 2005

**THE FOUNDATION FOR  
THE LSU HEALTH SCIENCES CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

**A - Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Foundation for the LSU Health Sciences Center.
2. No reportable conditions relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Foundation for the LSU Health Sciences Center, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A Management Letter was not issued for the year ended June 30, 2005.

**B - Findings - Financial Statement Audit**

There were no findings related to financial statements for the year ended June 30, 2005.

**THE FOUNDATION FOR  
THE LSU HEALTH SCIENCES CENTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
*For the Year Ended June 30, 2005***

**FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no prior year findings related to financial statements for the year ended June 30, 2004.

**MANAGEMENT LETTER**

A Management Letter was not issued for the year ended June 30, 2004.

**THE FOUNDATION FOR  
THE LSU HEALTH SCIENCES CENTER  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2005**

There were no findings for the year ended June 30, 2005; therefore, a corrective action plan is not required.