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LSU MEDICAL CENTER SHREVEPORT FOUNDATION

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 1998

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Release Date..... MAR 0 8 2000

LSU MEDICAL CENTER SHREVEPORT FOUNDATION

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 1998

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LAMAR F. BAKER, JR.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LSU Medical Center Shreveport Foundation
Shreveport, Louisiana

I have audited the accompanying statement of financial position of the LSU Medical Center Shreveport Foundation (a nonprofit organization) as of December 31, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LSU Medical Center Shreveport Foundation as of December 31, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the LSU Medical Center Shreveport Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As more fully discussed in Note 6, subsequent to the issuance of the Foundation's financial statements and my report thereon dated June 15, 1999, I became aware that those financial statements did not reflect a contribution of real estate. In my original report, I expressed an unqualified opinion on the 1998 financial statements and my opinion on the revised statements, as expressed herein, remains unqualified.

Lamar F. Baker, Jr.

December 13, 1999

LSU MEDICAL CENTER SHREVEPORT FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 1998

ASSETS	
Cash and time deposits	\$ 81,060
Accounts receivable	8,035
Pledges receivable	248,617
Investments-marketable securities (Note 3)	3,025
Investments-bank pools (Note 3)	3,459,719
Investment-real estate	926,113
Fixed assets, less accumulated depreciation of \$3,358	<u>20,982</u>
TOTAL ASSETS	<u>\$ 4,747,551</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Payroll taxes payable	<u>\$ 1,849</u>
TOTAL LIABILITIES	1,849
 NET ASSETS	
Unrestricted	197,493
Temporarily restricted (Note 4)	3,000,526
Permanently restricted (Note 5)	<u>1,547,683</u>
TOTAL NET ASSETS	<u>4,745,702</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,747,551</u>

See accompanying notes to the financial statements.

LSU MEDICAL CENTER SHREVEPORT FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGES IN NET ASSETS				
REVENUES AND GAINS				
Contributions	\$ 113,029	\$ 3,280,015	\$ 1,345,852	\$ 4,738,896
Income on long-term investments	5,721	65,655	40,740	112,116
Net realized and unrealized gains on long-term investments	8,614	39,656	16,923	65,193
Other income	<u>17,367</u>	<u>-</u>	<u>-</u>	<u>17,367</u>
TOTAL REVENUES AND GAINS	144,731	3,385,326	1,403,515	4,933,572
NET ASSETS RELEASED FROM RESTRICTIONS	<u>266,882</u>	<u>(411,050)</u>	<u>144,168</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	411,613	2,974,276	1,547,683	4,933,572
EXPENSES				
Management and general	217,230	-	-	217,230
Feist-Weiller Cancer Center	86,676	-	-	86,676
Grants and honorariums	<u>20,800</u>	<u>-</u>	<u>-</u>	<u>20,800</u>
TOTAL EXPENSES	<u>324,706</u>	<u>-</u>	<u>-</u>	<u>324,706</u>
CHANGES IN NET ASSETS	86,907	2,974,276	1,547,683	4,608,866
NET ASSETS AT BEGINNING OF YEAR	<u>110,586</u>	<u>26,250</u>	<u>-</u>	<u>136,836</u>
NET ASSETS AT END OF YEAR	<u>\$ 197,493</u>	<u>\$ 3,000,526</u>	<u>\$ 1,547,683</u>	<u>\$ 4,745,702</u>

See accompanying notes to the financial statements.

LSU MEDICAL CENTER SHREVEPORT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 4,608,866
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	3,358
Donation of real estate	(926,113)
Donation of appreciated stock	(85,945)
(Increase) in accounts receivable	(8,035)
(Increase) in pledges receivable	(248,617)
Net realized and unrealized gains on long-term investments	(65,193)
Increase in payroll taxes payable	<u>1,849</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,280,170
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	1,623,525
(Purchase) of fixed assets	(24,341)
(Purchase) of investments	<u>(4,935,130)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(3,335,946)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,776)
CASH AND TIME DEPOSITS AT BEGINNING OF YEAR	<u>136,836</u>
CASH AND TIME DEPOSITS AT END OF YEAR	<u>\$ 81,060</u>

See accompanying notes to the financial statements.

LSU MEDICAL CENTER SHREVEPORT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

NOTE 1 - NATURE OF BUSINESS

The LSU Medical Center Shreveport Foundation is a public, nonprofit corporation formed in 1997 and governed by a board of directors. The organization's goal is to support, enhance, and assist the LSU Medical Center Shreveport in its many endeavors by expanding the public's awareness of the Medical Center's many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Medical Center, and provide the means through which financial support is received and administered.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Foundation's operations functionally between management and general expenses, Feist-Weiller Cancer Center expenses, and grants and honorariums.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

LSU MEDICAL CENTER SHREVEPORT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 1998

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Income Taxes

The LSU Medical Center Shreveport Foundation, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore no provision for income taxes has been made in the financial statements.

Investments

Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment is depreciated over an estimated useful life of five to seven years.

LSU MEDICAL CENTER SHREVEPORT FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE 3 - INVESTMENTS

As of December 31, 1998, the investments of all funds consisted of marketable securities and trust assets held in bank pools, which are recorded at market value, as detailed below:

	<u>Market Value</u>	<u>Cost</u>
<u>Marketable securities:</u>		
Johnson and Johnson, four shares	\$ 320	\$ 320
Alltel, forty-five shares	2,705	2,014
	\$ 3,025	\$ 2,334
<u>Investments-bank pools:</u>		
Bank One:		
Cash and cash equivalents	\$ 1,895,735	\$ 1,895,735
Fixed income-mutual fund	1,088,112	1,101,017
Equities-mutual funds	461,877	395,487
Accrued income	13,995	13,995
	\$ 3,459,719	\$ 3,406,234

Unrealized gains during the year were \$54,176.

The investment in the bank pools and the stocks were uninsured and were not collateralized, making a total of \$3,462,744 in off-balance sheet risk. The possibility of loss exists if the investment fund holding uninsured deposits were to fail.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 1998:

John C. McDonald-spending account	\$ (1,466)
Feist-Weiller Cancer Center	1,082,804
Jack Pou-spending account	(4,025)
LSUMC/Alumni Association	8,130
LSUMC/Alumni Affairs	(38)
Physiology/Granger Flex Residual	82,306
Pulmonary/Campbell Flex Residual	(5)
Pulmonary/Meneely Award	2,475
Pulmonary/Campbell Faculty Retreat	395

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LSU MEDICAL CENTER SHREVEPORT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 1998

Pulmonary/Campbell Flex Residual	6,932
Pharmacology/Dunn Boots Lectureship	279
Pharmacology/Dunn Flex Residual	2,067
Hematology/Burton Flex Residual	73,104
Hematology/Burton Kids Against Tobacco	4,386
Urology/Venable Womack Award	3,992
Urology/Venable SW Inc.	17,393
Urology/Venable Flex Residual	6,603
Urology/Venable Merck	2,517
Urology/Venable Burdette Trickel 1994	38
Urology/Venable Shafto Memorial	3,206
Psychiatry/Freeman Frost 1	20,835
Psychiatry/Freeman Flex Residual	1,478
OBGYN/London Crawford Award	140
OBGYN/London Improvement Fund	4,686
OBGYN/London/Cravens Award	50,083
Pediatrics/Neonatology Pramanik Flex Residual	55,085
Pediatrics/Pramanik Flex Residual	83,643
Pediatrics/Pramanik ONY	48,682
LSUMC/Henderson Gottlieb Award	979
Pulmonary/George Boehringer 2	3,604
Pulmonary/George Flex Residual	23,225
Pulmonary/Payne Flex Residual	45
Cardiology/Hanley Flex Residual	374
Cardiology/Hanley Genetech Cardiology Meeting	282
Physiology/Biophysics/Grisham Flex Residual	171,934
Physiology/Biophysics/Grisham Gordon Conference	11,783
Physiology/Biophysics/Grisham Free Radical Bio. & Med. Journal	1,690
Rheumatology/Wolf Flex Residual	91,067
Microbiology/Berg Flex Residual	70,702
Microbiology/Berg Biocodex 2	1,671
Otolaryngology/Stucker Sound Dec F/R	(3,265)
LSUMC/Vice Chancellor/Muslow Flex Residual	15,496
LSUMC/Vice Chancellor/Muslow Feist 3	359,115
CME/Chesson Continuing Medical Education	109,895
Radiology/Lecky Flex Residual	723
Sklar Visiting Professorship-spending account	(521)
Anesthesiology/Davis Flex Residual	570
Anesthesiology/Cork Flexible	(49)
Neurosurgery/Nanda Flex Residual	1,368
Neurosurgery/Nanda Visiting Professor	394
Neurosurgery/Nanda Stroke Symposium	209

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LSU MEDICAL CENTER SHREVEPORT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 1998

Neurosurgery/Nanda Brain Tumor Research	20,382
Neurosurgery/Nanda Hahnemann Reception	147
Nephrology/Work Flex Residual	112,883
Nephrology/Work Merck Ed 1	(8)
Gastroenterology/Shiau Glaxo AGA 1	350
Gastroenterology/Shiau Flex Residual	(18)
Surgery/Gelder Flex Residual	75
Hematology/Glass Flex Residual	6,344
Gastroenterology/Wilder Flex Residual	5,727
Pulmonary/Conrad Flex Residual	5,696
Biochemistry/Rhoads Feist 2	52,901
Urology/Eastham Flex Residual	1,130
Biochemistry/Good Feist 2 Partial	2,762
Cardiology/Reddy Flex Residual	1,142
Rheumatology/Fuseler Flex Residual	1,857
Hematology/Glass Cancer Center Flexible	10,325
Rheumatology/Hearth Holmes Ed1	5
LSUMC/Dean/Muslow Dean's Discretionary	6,483
Neurology/Chesson Sleep Disorders Clinic	100
Family Medicine/LaRavia Alexandria	1,779
Psychiatry/Stone Flex Residual	275
Pediatrics/Hilman Cystic Fibrosis Fund	77,781
Pediatrics/Bocchini Reach Out & Read Program	7,034
Pediatrics/Bocchini Child Life Program	1,931
OrthoSurgery/Albright/Professorship	231
OrthoSurgery/Albright/Discretionary	45,216
OrthoSurgery/Albright/Board of Regents	4,199
Neurology/Nanda/Professorship	239
Neurology/Kelley/Discretionary	61
Neurology/Nanda/Board of Regents	4,199
Mutual Fund Gain Spending Acct	43
NeuroSurgery/Nanda/Flexible	192,569
Nephrology/White/Flexible	3,543
LSUMC/Gala	9,793
Psychiatry/Bradley/Employee Assistance	(466)
LSUMC/Dean/Muslow/Mardi Gras	95
Anesthesiology/Cork/Resident Assistance	3,800
Pediatrics/Bocchini/Childrens Hospital	92
Medicine/Discretionary	1,883
Surgery/Sittig/Chad Johnson Burn Program	930
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 3,000,526</u>

LSU MEDICAL CENTER SHREVEPORT FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 1998

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following as of December 31, 1998:

John McDonald Endowed Fund	\$ 245,657
Jack Pou Endowed Fund	186,415
Sklar Visiting Professorship Endowment	61,184
LSUMC-S Alumni Association	1,632
Pulmonary-Meneely Awd - 1	16,971
Urology - Womack Awd - 1	124,773
Psychiatry - Frost - 1	641,889
OB/GYN - Crawford Awd - 1	4,399
Medicine - Gottlieb Awd - 1	30,708
Ortho Surgery/Professorship Endowment	6,965
Ortho Surgery/Board of Regents Program Assets	109,294
Neurology/Nanda/Professorship Endowment	7,217
Neurology/Nanda/Board of Regents Program Assets	109,294
Mutual Fund Gain/Endowed Accts	<u>1,285</u>
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$ 1,547,683</u>

NOTE 6 - CONTRIBUTION OF REAL ESTATE

Subsequent to the issuance of the Foundation's 1998 financial statements, it was discovered that a contribution of real estate in the amount of \$926,113 was not included. The inclusion of this contribution at fair market value in the revised financial statements has the effect of increasing assets and net assets by \$926,113 at December 31, 1998, and increasing revenues and the change in net assets by \$926,113.

OTHER FINANCIAL INFORMATION

LSU MEDICAL CENTER SHREVEPORT FOUNDATION
 SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES

Year Ended December 31, 1998

UNRESTRICTED	\$	1,850
Accounting		236
Legal		61,274
Salary expense		5,435
Taxes and licenses		299
Advertising and promotional expenses		534
Bank charges		3,358
Depreciation		2,117
Insurance expense		6,862
Office supplies		781
Repairs and maintenance		832
Postage		5,822
Office expense		317
Telephone expense		24,612
Printing		713
Meetings		2,070
Travel		222
Meals and entertainment		<u>222</u>
TOTAL UNRESTRICTED EXPENSES		117,334
TEMPORARILY RESTRICTED		
Oral surgery		4,887
Physiology		4,446
Hematology		1,091
Phys-Biophy		945
Rheumatology		972
Microbiology		838
CME/Chesson		29,298
Anesthesiology		1,102
Neurosurgery/Nanda/Flex residual		684
Nephrology		4,380
LSUMC Muslow/Dean's Fund		722
Biochemistry		32
Hematology		755
LSUMC Muslow/Dean's discretionary		2,532
Family medicine		696
Pediatrics		621
LSUMC Alumni		4,204
Neurosurgery/Nanda/Flexible		6,181
Anesthesiology		4,845

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LSU MEDICAL CENTER SHREVEPORT FOUNDATION
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES (Continued)

Year Ended December 31, 1998

Bank One management fees	169
Foundation management fees	<u>2,548</u>
TOTAL TEMPORARILY RESTRICTED EXPENSES	71,948
PERMANENTLY RESTRICTED	
Pulmonary	976
Urology	529
Psychiatry	19,358
OB/GYN	1,705
Neurology	221
Foundation management fees	5,004
Bank One management fees	<u>155</u>
TOTAL PERMANENTLY RESTRICTED EXPENSES	<u>27,948</u>
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>\$ 217,230</u>