

10/27/99

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 10/27/99 .

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

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September 20, 1999

Board of Directors
The LSU in Shreveport Foundation, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of The LSU in Shreveport Foundation, Inc. at June 30, 1999, 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 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 LSU in Shreveport Foundation, Inc. at June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Heard, McElroy, Vestal, L.L.P.

Bossier City, Louisiana

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1999

A S S E T S

Cash and cash equivalents	149,606
Certificates of deposit-Note 3	469,000
Miscellaneous receivables	518
Accrued interest receivable	2,281
Investments-Note 3	<u>3,433,358</u>
Total assets	<u>4,054,763</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	6,997
Due to LSU in Shreveport-Note 6	<u>606,209</u>
Total liabilities	613,206

Net assets:

Unrestricted	80,586
Temporarily restricted-Note 4	503,341
Permanently restricted-Note 5	<u>2,857,630</u>
Total net assets	<u>3,441,557</u>

Total liabilities and net assets	<u>4,054,763</u>
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The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>				
Memberships	33,875	-	-	33,875
Unrestricted contributions	50,000	-	-	50,000
<u>Temporarily restricted contributions:</u>				
College of Business	-	1,502	-	1,502
Center for Business Research	-	10,000	-	10,000
Financial Security Study	-	3,000	-	3,000
CBA Fundraising	-	1,107	-	1,107
Education discretionary-restricted	-	500	-	500
Nabors Trailer Scholarship	-	1,500	-	1,500
Hibernia National Bank Scholarship	-	10,000	-	10,000
Public Radio	-	16,263	-	16,263
Pioneer Heritage Authors in April	-	7,260	-	7,260
Continuing education-discretionary restricted	-	2,291	-	2,291
Biological Science Museum	-	2,750	-	2,750
CLA Fundraising Program	-	1,306	-	1,306
Magale Foundation Scholarship	-	15,000	-	15,000
Richard Davis Scholarship	-	2,000	-	2,000
Larry Thompson Scholarship	-	2,000	-	2,000
Japan Studies Program-Freeman Foundation	-	25,000	-	25,000
American Humanities Alumni Chapter	-	25	-	25
S/B Women's Council-Realtors Scholarship	-	1,000	-	1,000
Chancellor's discretionary restricted	-	1,042	-	1,042
American Humanities Fund Raising Event	-	1,000	-	1,000
International Telecomm Scholarship	-	4,460	-	4,460
Alpha Guard administration	-	1,560	-	1,560
College of Science Fundraising Program	-	27	-	27
C. Donald Smith Scholarship	-	40	-	40
Thrifty Nickel Scholarship	-	3,000	-	3,000
Dallas Lucas Scholarship	-	25	-	25
LSU-S Memorial Scholarship	-	160	-	160
Athletics-discretionary	-	8,896	-	8,896
<u>Permanently restricted contributions:</u>				
B. E. Taberlet Scholarship	-	-	500	500
McBride Scholarship	-	-	12,349	12,349
Samuel E. Smith Scholarship	-	-	23,775	23,775
Elmer Simon, Jr. Scholarship	-	-	50,000	50,000

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Permanently restricted contributions: (Con't)				
KPMG endowed scholarship in accounting	-	-	26,450	26,450
LSU-S Alumni Association Scholarship	-	-	747	747
LSU-S Scholars Endowment	-	-	23,870	23,870
William and Marie Lyle Scholarship	-	-	121,475	121,475
Re/Max Executive Realty Scholarship	-	-	7,500	7,500
Financial Security Foundation	-	-	65,136	65,136
Campus beautification	-	-	1,000	1,000
Net increase in the fair value of investments	-	5,607	149,817	155,424
Miscellaneous income	22	-	-	22
Investment income	<u>6,148</u>	<u>17,632</u>	<u>84,996</u>	<u>108,776</u>
Total support and revenue	90,045	145,953	567,615	803,613
<u>Net assets released from restrictions</u>	410,213	(213,918)	(196,295)	-
<u>Expenses:</u>				
Faculty and staff support programs:				
Staff incentive award	1,200	-	-	1,200
Faculty performance awards	5,000	-	-	5,000
Chancellor's discretionary fund	29,800	-	-	29,800
University support programs:				
College of Business-discretionary	700	-	-	700
College of Liberal Arts-discretionary	405	-	-	405
College of Education-discretionary	402	-	-	402
Division of Continuing Education-discretionary	500	-	-	500
College of Science-discretionary	500	-	-	500
Student Affairs-discretionary	484	-	-	484
Business Affairs-discretionary	500	-	-	500
Library-discretionary	500	-	-	500
Provost-discretionary	1,000	-	-	1,000
Debate sponsorship	4,500	-	-	4,500
Program administration:				
Development Office	14,456	-	-	14,456
Professional	10,500	-	-	10,500

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Direct program expenses:				
CBA College account	1,500	-	-	1,500
Center for Business Research	84,405	-	-	84,405
Insurance	15,878	-	-	15,878
Faculty development-Hunt Fund	2	-	-	2
Education-discretionary restricted	662	-	-	662
Continuing education-discretionary restricted	2,462	-	-	2,462
Religious studies	4,313	-	-	4,313
Biological science museum	2,862	-	-	2,862
Science-discretionary restricted	664	-	-	664
Biological science-faculty travel	25	-	-	25
Thrifty Nickel Scholarship	1,000	-	-	1,000
Library Noel collection	20,000	-	-	20,000
Public radio network	16,359	-	-	16,359
Pioneer Heritage Authors in April	19,298	-	-	19,298
Campus signature piece	500	-	-	500
Alpha Guard administration	1,297	-	-	1,297
Alpha Guard tribute	394	-	-	394
Chancellor's academic program	108	-	-	108
Hibernia National Bank Scholarship	10,000	-	-	10,000
Richard Davis Scholarship	2,000	-	-	2,000
Japan Studies program	15,204	-	-	15,204
John Troy Bain Scholarship	750	-	-	750
International Telecomm Scholarship	4,460	-	-	4,460
Larry Thompson Scholarship	2,000	-	-	2,000
Athletics-discretionary	7,775	-	-	7,775
Grants and other expenditures:				
Accounting department	2,546	-	-	2,546
India studies	3,459	-	-	3,459
Real estate	37,237	-	-	37,237
LSU-S Scholars Endowment	73,028	-	-	73,028
Archives and oral history	239	-	-	239
American studies	37,519	-	-	37,519
Archives	112	-	-	112
Campus Beautification	309	-	-	309
Walter O. Bigby Scholarship	124	-	-	124

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Grants and other expenditures: (Continued)				
B. E. Taberlet Scholarship Endowment	549	-	-	549
Goldman Foundation Scholarship	1,045	-	-	1,045
Better Business Bureau Scholarship	26	-	-	26
McBride Scholarship	2,409	-	-	2,409
Rc/Max Executive Realty Scholarship	79	-	-	79
Berton Heard Scholarship	6,065	-	-	6,065
Gary Brashier Memorial Fund	655	-	-	655
LSU-S Alumni Association Scholarship	3,687	-	-	3,687
Neal Dlin Scholarship	166	-	-	166
F. Katzenstein Memorial Scholarship	101	-	-	101
Community Foundation American Studies Scholarship	95	-	-	95
Elmer Simon, Jr. Scholarship	1,106	-	-	1,106
Matel and Bessie Dawson Scholarship Fund	11,942	-	-	11,942
Financial Security Foundation	2,490	-	-	2,490
KPMG Endowed Scholarship	4,329	-	-	4,329
William and Marie Lyle Scholarship	154	-	-	154
Samuel Smith Scholarship	17	-	-	17
Traffic and Transportation Scholarship	98	-	-	98
Lillene Herring Pre-Nursing Scholarship	2,338	-	-	2,338
Matel Dawson, Jr. Scholarship	4,371	-	-	4,371
Total expenses	<u>480,660</u>	<u>-</u>	<u>-</u>	<u>480,660</u>
<u>Change in net assets</u>	19,598	(67,965)	371,320	322,953
<u>Net assets at beginning of year</u>	<u>60,988</u>	<u>571,306</u>	<u>2,486,310</u>	<u>3,118,604</u>
<u>Net assets at end of year</u>	<u>80,586</u>	<u>503,341</u>	<u>2,857,630</u>	<u>3,441,557</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1999

Cash flows from operating activities:

Change in net assets	322,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donation of investments	(54,000)
Net increase in the fair value of investments	(190,835)
(Increase) in accrued interest receivable	(347)
Decrease in due from LSU in Shreveport	12,967
(Increase) in miscellaneous receivables	(216)
Increase in due to LSU in Shreveport	70,014
Increase in accounts payable	4,265
Total adjustments	<u>(158,152)</u>
Net cash provided by operating activities	164,801

Cash flows from investing activities:

Purchase of certificates of deposit	(180,000)
Purchase of investments	(299,699)
Redemption of investments	<u>182,932</u>
Net cash (used) by investing activities	<u>(296,767)</u>

Net (decrease) in cash and cash equivalents (131,966)

Cash and cash equivalents-beginning of year 281,572

Cash and cash equivalents-end of year 149,606

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

1. Nature of Business.

The LSU in Shreveport Foundation, Inc. is a private, nonprofit corporation governed by a board of directors. The organization's goal is to promote the education and cultural welfare of Louisiana State University in Shreveport (LSU-S). The organization's activities include management of gifts, grants and endowments for the purpose of providing scholarships, research activities and any other such benefit for the University and its faculty and students as may be prescribed by donors to the corporation.

2. Summary of Significant Accounting Policies.

- a. 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 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 faculty and staff support programs, University support programs, program administration, direct program expenses, and grants.

- b. 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.
- c. 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.

2. Summary of Significant Accounting Policies. (Continued)

- d. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. 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.
- f. The LSU in 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.
- g. Investments in the Merrill Lynch equities 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 recorded at carrying amount which reasonably estimates fair value. For the investment in the Common Fund, equity securities listed on a national securities exchange and equity securities traded on NASDAQ are valued at the closing price on the security's primary exchange or, in the absence of a recorded trade, at the mean of the current bid and asked prices. Unlisted securities are valued at the mean between the current bid and asked prices obtained from reputable brokers. Fixed income securities are generally valued by reference to outside pricing services, generally using a matrix system incorporating security quality, maturity, and coupon as the valuation model parameters, research, and a review of broker-dealer market price quotations. Short-term investments are valued at amortized cost which approximates market value.

3. Investments.

As of June 30, 1999, the investments of all funds consisted of certificates of deposit, trust assets, and investment in the Common Fund, which are recorded at market value, as detailed below:

	<u>Interest Rate</u>	<u>Amount</u>
<u>Certificates of deposit:</u>		
Deposit Guaranty National Bank	4.82%	150,000
Deposit Guaranty National Bank	4.50%	40,000
Deposit Guaranty National Bank	4.50%	75,000
Deposit Guaranty National Bank	4.50%	50,000
Hibernia National Bank	4.60%	50,000
Bank United of Texas, FSB-Texas	4.75%	52,000
Conseco Bank, Inc.	4.75%	52,000
		<u>469,000</u>
	<u>Market Value</u>	<u>Cost</u>
<u>Investments:</u>		
The Common Fund:		
Multi-Strategy Equity Fund	2,120,665	1,337,269
Multi-Strategy Bond Fund	1,229,118	1,245,682
Stocks held by Merrill Lynch	61,575	22,869
Corporate bonds held by Merrill Lynch	22,000	22,000
	<u>3,433,358</u>	<u>2,627,820</u>

3. Investments. (Continued)

The Common Fund is not SEC-registered, and there is no regulatory oversight for the pool. The fair value of the position in the pool is the same as the value of the pool shares.

Unrealized gains during the year were \$190,835, which included \$155,424 included as income to the Foundation and \$35,411 shown as an increase in funds due to LSU in Shreveport.

The investment in the Common Fund and the stocks and bonds held by Merrill Lynch were uninsured and were not collateralized, making a total of \$3,433,358 in off-balance sheet risk. The possibility of loss exists if the investment fund holding uninsured deposits were to fail.

4. Temporarily Restricted Net Assets.

Temporarily restricted net assets consisted of the following as of June 30, 1999:

College of Liberal Arts-Fundraising	1,306
Financial Security Study	3,000
American Humanics Alumni Chapter	75
Insurance	53,186
Center for Business Research	147,782
Admissions and records-discretionary restricted	100
Japan Studies Program-Freeman Foundation	34,376
Continuing education-discretionary restricted	10
Biological science museum	2,745
Biological science-faculty travel	17,549
Biological science-environmental	1,731
Observatory	1,731
Faculty performance awards	716
Education-discretionary restricted	668
Science-discretionary restricted	232
Library books-private	5,449
Athletics-baseball scholarship	250
Athletics-discretionary	1,121
International programs	200
Library-Noel Collection-Tourist	19,057
Public Radio Network	100
C. Donald Smith Memorial Scholarship	3,832
Library books-Hunt Fund	4,749
Faculty Development-Hunt Fund	28,745
Library Fund	8,023
Pioneer Heritage Authors in April	20,337
MLA Program	1,143
Chancellor's discretionary restricted	4,323
Campus signature piece	56
Religious studies	13,530
S.B. Women's Council Natl. Assoc. Realtors	1,775
Commercial National Bank Scholarship	785
LAPREP Foundation	1,000
Zina Schiff Scholarship	645
Richard Davis Scholarship	2,105
Dallas F. Lucas Memorial Scholarship	1,936
John Troy Bain Scholarship	3,365

4. Temporarily Restricted Net Assets. (Continued)

McBride-Gorton Scholarship	793
LSU-S Memorial Scholarship	3,766
India Studies Scholarship	1,025
Chancellor's Academic Program	88,094
Improving Quality Instruction	598
Alpha Guard administration	697
American Humanities Fundraising	1,000
College of Science Fundraising	28
Nabors Trailer Scholarship	1,500
Magale Foundation Scholarship	15,000
Thrifty Nickel Scholarship	2,000
CBA Fundraising	1,107
Total temporarily restricted net assets	<u>503,341</u>

5. Permanently Restricted Net Assets.

Permanently restricted net assets consisted of the following at June 30, 1999:

	<u>Principal</u>	<u>Operating</u>	<u>Total</u>
<u>Endowment fund:</u>			
Accounting department	6,629	12,619	19,248
Real estate	232,680	92,509	325,189
Financial Security Foundation-private	65,136	2,168	67,304
Archives and oral history	36,460	34,159	70,619
American studies-endowed chair-private	643,886	178,431	822,317
India studies-endowed chair-private	63,923	9,033	72,956
KPMG Endowed Scholarship	25,034	1,878	26,912
Re/Max Executive Realty Scholarship	24,400	2,324	26,724
Lillene Herring Pre-Nursing Scholarship	27,391	3,448	30,839
Archives	13,205	20,084	33,289
F. Katzenstein Memorial Scholarship	11,048	18,753	29,801
W. O. Bigby Scholarship	13,204	23,611	36,815
Goldman Foundation Scholarship	10,857	2,238	13,095
LSU-S Alumni Scholarship	46,562	19,461	66,023
Traffic and Transportation Scholarship	15,198	13,633	28,831
CFS-B American Studies Scholarship	12,395	15,856	28,251
John T. & Elizabeth McBride Scholarship	37,398	27,826	65,224
Berton Heard Scholarship	86,107	41,455	127,562
Better Business Bureau Scholarship	2,865	4,938	7,803
Rita G. Kemp campus beautification	8,207	2,462	10,669
B. E. Taberlet Scholarship	10,794	3,582	14,376
Elmer M. Simon, Jr. Scholarship	65,617	6,879	72,496
LSU-S Scholars Endowment	226,776	65,311	292,087
Gary Brasher Memorial Scholarship	10,608	5,465	16,073
Neal Dlin Scholarship	13,284	6,071	19,355
Matel and Bessie Hall Dawson Endowed Scholarship	213,588	59,711	273,299
Matel Dawson, Jr. Scholarship	101,700	6,454	108,154
Wm. N. & Marie Lyle Scholarship	121,475	6,106	127,581
Samuel E. Smith Scholarship	23,775	963	24,738
	<u>2,170,202</u>	<u>687,428</u>	<u>2,857,630</u>

5. Permanently Restricted Net Assets. (Continued)

The principal portion of the endowment fund of \$2,170,202 must be used exclusively to earn funds for the operating portion. The operating portion is available for use in the restrictive manner for which the endowment was made.

6. Due to LSU in Shreveport.

The amount due to LSU in Shreveport represents the state match for the American Studies-endowed chair, the India Studies-endowed chair, and the Financial Security Foundation-endowed chair, which is being held and invested for the University by the LSU in Shreveport Foundation. The fund consists of the following:

	<u>Principal</u>	<u>Operating</u>	<u>Total</u>
Financial Security Foundation-Endowed Chair	43,261	1,475	44,736
American Studies-Endowed Chair	425,390	90,433	515,823
India Studies-Endowed Chair	<u>41,734</u>	<u>3,916</u>	<u>45,650</u>
	<u>510,385</u>	<u>95,824</u>	<u>606,209</u>