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**UNIVERSITY OF NEW ORLEANS RESEARCH  
AND TECHNOLOGY FOUNDATION**

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Under provisions of state law, this report is a public document. A copy of this report is hereby made available to the entity and other interested parties. 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 7/19/00

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

**Bruno  
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**University of New Orleans Research  
and Technology Foundation**  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **University of New Orleans Research and Technology Foundation** (a non-profit organization) as of December 31, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the **University of New Orleans Research and Technology Foundation**. 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 and 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 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 **University of New Orleans Research and Technology Foundation** as of December 31, 1999, and the changes in its net assets, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors  
**University of New Orleans Research and  
Technology Foundation, Inc.**  
New Orleans, Louisiana  
Page 2

In accordance with Government Auditing Standards, we have also issued a report dated May 30, 2000 on our consideration of **The University of New Orleans Research and Technology Foundation's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the report (shown on page 23) is presented for the purpose of additional analysis and is not a required part of the financial statements of the University of New Orleans Research and Technology Foundation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

May 30, 2000

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 1999**

<u><b>ASSETS</b></u>	
Cash and cash equivalents	\$ 869,689
Investments (NOTE 7)	13,386,851
Deposits with trustees	6,933,707
Equipment reimbursement receivable	812,126
Data processing equipment acquired under capital leases, net of accumulated depreciation of \$4,800,743 (NOTES 2, 6 and 7)	5,736,515
Office furniture and equipment, net of accumulated depreciation of \$705,816 (NOTES 2 and 6)	3,000,861
Construction in progress (NOTES 6 and 13)	3,021,666
Land improvements	130,305
Buildings, net accumulated depreciation of \$759,661 (NOTES 2 and 6)	35,000,713
Other assets	26,500
Bond issuance costs, net of accumulated amortization of \$176,023 (NOTE 2)	422,217
Deferred charges, net of accumulated amortization of \$7,093,844 (NOTE 2)	<u>15,995,127</u>
Total assets	<u>\$ 85,336,277</u>
<u><b>LIABILITIES AND NET ASSETS</b></u>	
<u>Liabilities</u>	
Accounts payable and accrued expenses	\$ 1,996,477
Interest payable (NOTE 11)	1,615,459
Prepaid rent	66,667
Deferred equipment reimbursement (NOTE 2)	7,944,120
Capital leases payable (NOTE 7)	2,173,988
Notes payable (NOTE 10)	1,588,634
Bonds payable (NOTE 11)	36,441,583
Retainage payable	<u>855,748</u>
Total liabilities	<u>52,682,676</u>
Commitments and contingencies (NOTES 14 and 15)	
<u>Net Assets (NOTE 2)</u>	
Unrestricted	<u>32,653,601</u>
Total net assets	<u>32,653,601</u>
Total liabilities and net assets	<u>\$ 85,336,277</u>

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

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 1999**

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	<u>Unrestricted</u>
<u>Operating Revenues</u>	
Cooperative Endeavor Agreements- State of Louisiana (NOTE 3)	\$ 25,554,081
Investment income	536,039
Rental income (NOTES 12 and 13)	858,114
Other income	<u>46,016</u>
Total operating revenues	<u>26,994,250</u>
<u>Operating expenses</u>	
UNO/Avondale Maritime Technology Center of Excellence	7,810,730
Navy Information Technology Center	905,190
Research and Technology Park	555,762
Advanced Technology Center	923
Technology Transfer	54,113
Management and general	<u>142,678</u>
Total operating expenses	<u>9,469,396</u>
Change in net assets	17,524,854
Net assets at beginning of period	<u>15,128,747</u>
Net assets at end of period	\$ <u>32,653,601</u>

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

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 1999**

Cash Flows from Operating Activities

Change in net assets	\$17,524,854
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,201,028
Amortized premium on bond	181,583
Amortized discount on investments	(125,911)
Increase in equipment reimbursement	(812,126)
Decrease in accounts, interest and retainage payable	<u>(7,140,606)</u>
Net cash provided by operating activities	<u>15,828,822</u>

Cash Flows Used in Investing Activities

Purchase of fixed assets	(5,903,389)
Construction in progress	(3,021,666)
Deferred charges	(5,085,542)
Deferred equipment reimbursement	8,487,886
Purchase of investments	<u>(13,260,941)</u>
Net cash used in investing activities	<u>(18,783,652)</u>

Cash Flows from Financing Activities

Proceeds from notes payable	6,061,972
Payments on notes payable	(25,794,683)
Payments on capital lease payable	(3,406,212)
Proceeds from bonds payable	24,950,000
Payments on bonds payable	(5,385,000)
Bond issuance costs	(353,123)
Deposits with trustees	<u>1,541,775</u>
Net cash used in investing activities	<u>(2,385,271)</u>

Net increase in cash	(5,340,101)
Cash at beginning of year	<u>6,209,790</u>
Cash at end of year	<u>869,689</u>

Supplemental disclosure:

Interest paid in cash	<u>\$ 2,819,308</u>
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The accompanying notes are an integral part of these financial statements.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - Organization:

The University of New Orleans Research and Technology Foundation (the Foundation) was organized on March 3, 1997 as a non-profit organization to accomplish the following purposes:

- A. As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the "University") and the Louisiana State University System ("the LSU System");
- B. To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world;
- C. To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- D. To promote the development of high technology industries and research in Louisiana;
- E. To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;



**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - Organization:  
Continued

- F. To increase employment opportunities in Louisiana;
- G. To promote research and development in Louisiana;
- H. To promote cooperation between the public and private sector with respect to research and development;
- I. To attract nationally prominent scientists and researchers to the University;
- J. To maximize research capabilities in Louisiana;
- K. To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- L. To exercise all such powers and authority as may be necessary for the accomplishment of the objects and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - Summary of Significant Accounting Policies

Principles of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. 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.

Basis of Reporting

SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

Unrestricted net assets include the following:

- o Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted. Also, the Foundation considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receive and sacrifice something of approximately equal value.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - Summary of Significant Accounting Policies  
Continued

Basis of Reporting, Continued

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At December 31, 1999, the Foundation did not have any temporarily or permanently restricted net assets.

Fixed Assets

Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Depreciation of the building and office furniture and equipment is provided using the straight-line method over the estimated useful life of the fixed assets which is 40 and 5 years, respectively. Equipment acquired under capital leases are depreciated over the life of the equipment which is five years.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all investments purchased with a maturity of three months or less to be cash equivalents.

Deferred Charges

Deferred charges represent software and labor costs incurred for the installation of the data processing equipment. Such costs are being amortized over five years. Amortization expense totaled \$4,285,196 at December 31, 1999. Also, the Foundation has received reimbursement of \$8,528,268 from Avondale with the reimbursement being amortized over the same period as the costs.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - Summary of Significant Accounting Policies  
Continued

Bond Issuance Costs

Bond issuance costs incurred in relationship to the \$16,695,000 and \$24,950,000 bond indebtedness has been capitalized and amortized over the life of the bond liability which is three years and seven years, respectively. Amortization expense for the year ended December 31, 1999 totaled \$94,317.

Amortization of Premium/Discount

Investments

Investments were purchased during the year at a discount. The amortization of the discount (\$125,911) has been recorded to investment income.

Bonds Payable

The bond premium paid on the Series 1999 Revenue Refunding bonds (\$181,583) is amortized over the related life of the bond issue.

Note Payable

During the year ended December 31, 1999, the Foundation received a non-interest bearing loan in the amount of \$1,500,000. The present value concept was utilized to determine the amount of the discount (\$1,011,313) which is amortized over the life of the loan utilizing the interest method.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 3 - Cooperative Endeavor Agreements

University of New Orleans/  
Avondale Maritime Technology Center of Excellence

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (the University), the University of New Orleans Research and Technology Foundation (the Foundation), and Avondale Industries, Inc. entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of fifteen years, and from one-to-seven additional five year periods.

The Agreement provided for the use of annually appropriated State funds and the corporate guarantee by Avondale of certain financial obligations incurred by the Foundation for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U. S. Department of Navy vessels which will provide a substantial economic benefit to the State. The Foundation and Avondale represented that the economic benefit occurring as a result of the payment or performance of the State's obligation will equal or exceed the value of the State's obligations.

Obligations

Avondale donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by the Foundation and is sub-leased to Avondale. Also, the Foundation will equip the facility and lease such equipment to Avondale.

The State of Louisiana has paid \$17,055,682 and will pay to the Foundation no more than the remaining present value of \$40,000,000, which amount may be paid in one or more installments on or before September 1 of each year as follows:

... (the Facility) for the UNO School

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 3 - Cooperative Endeavor Agreements  
Continued

University of New Orleans/  
Avondale Maritime Technology Center of Excellence, Continued

On or before September 1, 2000	\$7,164,265
On or before September 1, 2001	\$5,974,193
On or before September 1, 2002	\$5,254,636
On or before September 1, 2003	\$4,958,580
On or before September 1, 2004	\$4,662,525
On or before September 1, 2005	\$4,366,469
On or before September 1, 2006	\$ 796,598

The Foundation shall submit to the State of Louisiana on or before November 1 documentation supporting the amount to be appropriated for the immediately following year in satisfaction of the State's obligation. On August 27, 1999, the Foundation submitted a request totaling \$7,194,789 to the State of Louisiana's Department of Economic Development for the 2000 funding.

Additionally, Avondale agreed that:

- o In the event that the State fails to fulfill its obligations to make payments to the Foundation, Avondale will make such payments but will recover these payments only when and if the Foundation receives the appropriation for which Avondale made payment to the Foundation; and
- o In the event the costs of the project required to be expended by the Foundation in constructing the facility and acquiring the equipment exceed the amounts paid by the State, Avondale will pay to the Foundation the amounts required for the Foundation to fulfill the obligations to construct and equip the facility.

Navy Information Technology Center

On November 14, 1997 and May 1, 1999, the State of Louisiana and the Louisiana Department of Economic Development (the State), the University and the Foundation entered into two separate Cooperative Endeavor Agreements (the Cooperative Agreements) with each agreement having a term of three years.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 3 - Cooperative Endeavor Agreements  
Continued

Navy Information Technology Center  
Continued

The Cooperative Agreements provide for the use of State funds to pay for project costs associated with the planning, financing and construction of buildings, professional fees and other project costs for the Navy Information Technology Center located in Orleans Parish. Such facilities will accommodate the consolidation of the Navy and Department of Defense Military personnel systems research and development and Navy information systems. As a material inducement to the State to enter into the Cooperative Agreements, the Foundation represented that certain economic benefits would be derived from the Naval Consolidation which will equal or exceed the value of the State's obligation under the terms of the Cooperative Agreements.

Obligations

The University has leased the Research Park Lakefront Property to the Foundation pursuant to the terms of a Ground Lease. The Foundation will construct buildings and a parking garage on the leased property and will sub-lease the facilities to the Navy.

The State of Louisiana has paid \$18,000,000 and \$12,500,000 under the terms of the Cooperative Agreements and will pay to the Foundation no more than the lessor of \$18,500,000 or total project costs as follows:

	<u>Amount</u>
On or before September 1, 2000	\$12,250,000
On or before September 1, 2001	<u>6,250,000</u>
Total	<u>\$18,500,000</u>

All payment obligations of the State shall be subject to appropriation by the Legislature of sufficient funds and the availability of funds following Legislative appropriation.

At December 31, 1999, approximately 95% of the Foundation revenues were provided by the Cooperative Endeavor agreements. This trend is expected for the next few years.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Income Taxes

The Foundation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 5 - Credit Risk

The Foundation maintains checking accounts at a financial institution. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The credit risk is calculated as follows:

<u>Description</u>	<u>Amount</u>
Cash balances	\$248,037
Federal insurance	<u>100,000</u>
Credit risk	<u>\$148,037</u>

NOTE 6 - Fixed Assets

Fixed assets consist of the following at December 31, 1999:

<u>Description</u>	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
Land improvements	\$ 130,305	\$ -0-	\$ -0-	\$ 130,305
Building-Avondale	12,506,239	132,702	-0-	12,638,941
Building-Navy Facilities	-0-	23,121,433	-0-	23,121,433
Construction-in-Progress	19,605,702	3,860,417	19,605,702	3,860,417
Office furniture and equipment	1,451,720	2,254,956	-0-	3,706,676
Equipment acquired under capital leases	10,537,258	-0-	-0-	10,537,258
Accumulated depreciation	<u>(3,136,641)</u>	<u>(3,129,581)</u>	<u>-0-</u>	<u>(6,266,222)</u>
Net fixed assets	<u>\$41,094,583</u>	<u>\$26,239,927</u>	<u>\$19,605,702</u>	<u>\$47,728,808</u>



UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 7 - Investments

Investments in Federal Mortgage notes totaling \$13,260,940 are recorded at cost with the related discount of \$125,911 being amortized over the life of the mortgage note.

NOTE 8 - Lease Commitments

The Foundation is the lessee of computer equipment acquired under capital leases expiring in various years through 2001. The lessee provides at expiration, an option to purchase the equipment at a price equal to \$1.00. The assets and liabilities under capital leases are recorded at the fair value of the assets with the assets being depreciated over their estimated productive lives of five years. Depreciation of assets under capital leases totaling \$2,107,451 is included in depreciation expense.

Minimum future lease payments under capital leases as of December 31, 1999 are as follows:

2000	\$ 1,902,722
2001	<u>450,352</u>
Total minimum lease payments	2,353,074
Less: amount representing interest	<u>(179,086)</u>
Present value of net minimum lease payments	<u>\$ 2,173,988</u>

Interest rates on capitalized leases vary from 6.66% to 7.34% and are imputed based upon the lessor's implicit rate of return. Interest expense incurred on capital leases totaled \$340,446 at December 31, 1999.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 9 - Fair Value of Financial Instruments**

The estimated fair value of all significant instrument amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents and Deposits with trustees - The Foundation considers the carrying amounts of these financial instruments to be fair value.
- Equipment reimbursement receivable - The Foundation considers the carrying amount of the financial instrument to be fair value.
- Investments - The fair value for federal mortgage notes equals the related cost plus amortized discount.
- Bonds Payable, Notes Payable and Capital Lease Payable - The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

The carrying value and estimated fair values of the Foundation's financial instruments at December 31, 1999 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 869,689	\$ 869,689
Deposits with trustees	6,933,707	6,933,707
Accounts receivable	812,126	812,126
Investments	13,386,851	13,386,851
Bonds payable	36,441,583	36,441,583
Capital lease payable	2,173,988	2,173,988
Notes payable	1,588,634	1,588,634
Interest payable	1,615,459	1,615,459

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 10 - Notes Payable

On August 14, 1997, the Foundation entered into Construction and Equipment Loan Agreements (Agreements) totaling \$26,000,000 with local banks. Prior to October 20, 1999, the Foundation had received loan advances totaling \$29,462,025. On October 20, 1999 the balance of the loan was repaid in full by utilizing the proceeds of the Series 1999 revenue refunding bonds.

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest with the first annual payment due October 1, 2000 and continuing through October 1, 2014. Each annual payment shall be equal to 87.35% of the cash flow relative to the Advanced Technology Center for the immediately preceding fiscal year. The unamortized discount relative to the note totaled \$1,011,313 at December 31, 1999, which is recorded as a reduction of the note payable and an increase in interest payable.

On July 23, 1999, the Foundation obtained a line-of-credit from a local bank totaling \$1,500,000. At December 31, 1999, the Foundation had received advances on the line-of-credit totaling \$1,099,947. The agreement provides for interest on the outstanding principal amount at a rate of 7.50% per annum and requires the repayment of principal on demand. On January 27, 2000, the advances on the line-of-credit were repaid in full.

*The following is a summary of notes payable at December 31, 1999:*

Louisiana Public Facilities Authority	
Principal amount	\$1,500,000
Unamortized discount	<u>(1,011,313)</u>
Sub-total	488,687
Local bank	<u>1,099,947</u>
Total	<u>\$ 1,588,634</u>

NOTE 11 - Bonds Payable

On January 1, 1998, the Louisiana Public Facilities Authority (the Authority) issued \$16,695,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 1998) to the Foundation. The proceeds of the Bonds were utilized for the purpose of acquiring, constructing and equipping two buildings, including equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith to be located in Orleans Parish at the University of New

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 11 - Bonds Payable, Continued

Orleans Research and Technology Park. The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.80% to 4.05% per annum and requires the repayment of the outstanding bonds as follows:

<u>Date</u>	<u>Amount</u>
January 1, 2000	\$ 5,545,000
January 1, 2001	<u>5,765,000</u>
Total	<u>\$11,310,000</u>

Proceeds from the Cooperative Endeavor Agreement for the Navy Information Technology Center will be utilized to repay the bonds debt service. Also, under the terms of the bond agreement, certain bond funds have been established with \$6,797,390 in funds being deposited in such accounts at December 31, 1999.

On October 20, 1999, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$24,950,000 of Revenue Refunding Bonds (Series 1999) to the Foundation. The proceeds of the Bonds were used to refund existing indebtedness incurred with respect to financing the construction and equipping of the UNO/Avondale Maritime Technology Center and paying the costs of issuance of the Series 1999 bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 4.50% to 5.00% per annum. The outstanding bonds, some of which were purchased at a premium and accrued interest, are required to be repaid as follows:

<u>Date</u>	<u>Amount</u>
October 1, 2000	\$ 3,565,000
October 1, 2001	4,270,000
October 1, 2002	4,215,000
October 1, 2003	4,125,000
October 1, 2004	4,040,000
Thereafter	<u>4,916,583</u>
Total	<u>\$25,131,583</u>

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 12 - Ground Leases

On May 20, 1997, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the University of New Orleans Research and Technology Foundation, Inc. (the Foundation). The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation who will in turn develop construct, maintain, operate, manage and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years with annual rent totaling \$100. At the expiration of the lease, the facilities and all furniture, fixtures, equipment and furnishings permanently affixed to the facilities shall become the property of the University.

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation. The terms of the lease agreement provides that the University will lease a tract of approximately 30 acres of certain lakefront property that is located in Orleans Parish to the Foundation who will develop, construct, maintain, operate, manage and/or lease improvements on such land. Prior to entering into the ground lease agreement with the Foundation, the University, the State of Louisiana and the U. S. Department of Commerce invested \$3,923,191 in the infrastructure of the site, which improved the Foundation's ability to sub-lease the property to tenants. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by the Foundation.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 13 - Property, Facility and Equipment Lease Agreements

UNO/Avondale Maritime Technology Center of Excellence

On May 16, 1997, the Foundation and Avondale Industries, Inc. entered into a sub-lease agreement which provides for Avondale Industries, Inc. to lease from the Foundation, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first twelve years (1997-2008) provides for Avondale Industries, Inc. to pay as rental the sum of \$100,000 per year by September 1 of each year provided that the State has made the annual appropriation provided for in the Cooperative Endeavor Agreement. Beginning September 1, 2009 and for each year thereafter during the term of the sub-lease, rent in the amount of \$100,000 is due and payable by September 1 of each year without regard to the State Appropriation.

The sub-lease agreement also stipulates that rent payments are not initially due and payable, if either Avondale makes a payment for the Foundation on the loan financing the facilities and/or the facility equipment as a result of non-payment by the State of Louisiana, or the facility is not ready for occupancy.

Naval Reserve Information System Office

On January 15, 1998 **the Foundation** entered into a sub-lease agreement with the United States of America (the Government) to lease from **the Foundation**, approximately 200,000 square feet of administrative space, 700 hard surface parking spaces, and 9.22 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms with the annual rent for the premises and maintenance services of \$1.00 and \$827,033, respectively.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 14 - Commitments

On October 16, 1998, the Foundation entered into a \$10,112,450 development and construction management agreement with a developer to construct the third 100,000 square foot building for the Navy Information Technology Center (NITC) complex located in Orleans Parish. At December 31, 1999, the construction contract totaled \$10,478,317, including build-out change orders totaling \$365,867. The construction of the third building of the NITC complex is scheduled for completion in October 2000.

Managing Agent - Maintenance of Property

On May 15, 1998 and December 15, 1998, the Foundation entered into separate agreements with Property One, Inc. to manage the UNO Research and Technology Park and Navy Information Technology Center, respectively. The terms of the agreements provide for the following:

- For the Navy Information Center, a monthly management fees of \$2,170, a 5% construction management fee, payment of a pro-rata share of certain personnel expenses with administrative expenses being included in the monthly management fee.
- For the UNO Research and Technology Park, a monthly management fee of \$1,800 per month, the payment of a pro-rata share of personnel expenses, and all administrative expenses associated with the building.

NOTE 15 - Year 2000

During 1999, the Foundation conducted a study of its own systems and operations. Based on this study, the Foundation initiated a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project included confirming the Y2K preparedness of significant third parties including the University of New Orleans Foundation. The total costs of the Y2K efforts was not material and was funded with cash flow from operations. Management has not experienced any Y2K computer problems through the completion of audit fieldwork.

UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 15 - Year 2000, Continued

The timetable for the planned completion of the internal Y2K modifications are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

Note 16 - Subsequent Events

Issuance of Bonds

On January 27, 2000, the Louisiana Public Facilities Authority (LPFA) and the Foundation entered into a Loan Agreement that provided for LPFA to issue \$11,708,040 of Louisiana Public Facilities Authority Revenue Bonds (Series 2000-A in the amount of \$6,504,466 and Series 2000-B in the amount of \$5,203,574). The proceeds of the bonds will be utilized for the purpose of acquiring, constructing and equipping a five story, 100,000 square foot building, including equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith and a multi-level parking garage to be located in Orleans Parish at the University of New Orleans Research & Technology Park.



**SUPPLEMENTARY INFORMATION**

UNO RESEARCH AND TECHNOLOGY FOUNDATION  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1999

Account Name	\$	UNO/ Avondale					Technology Transfers	Total
		Management and General	Research and Technology Park	Advanced Technology Center	Maritime Technology Center of Excellence	Navy Information Technology Center		
Accounting and Auditing	\$ 60,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,900	\$ 67,450	
Advertising	1,134	0	0	6,228	0	0	7,362	
Amortization	0	0	0	2,989,742	81,706	0	3,071,448	
Contract Services	51,536	0	750	0	9,758	0	62,044	
Depreciation	0	0	0	2,840,562	289,018	0	3,129,580	
Fees & Registration	944	0	100	250	700	0	1,994	
Insurance	11,951	0	0	102,830	0	0	114,781	
Interest Expense	0	0	0	1,866,593	449,328	0	2,315,921	
Legal	0	0	0	3,673	0	17,046	20,719	
Maintenance of Property (NOTE 14)	0	555,762	0	852	0	0	556,614	
Miscellaneous	157	0	0	0	0	0	157	
Office Supplies	5,823	0	0	0	18	0	5,841	
Official Functions	4,009	0	0	0	31	469	4,509	
Postage	22	0	0	0	0	23	45	
Printing & Duplication	239	0	0	0	0	0	239	
Rentals and Lease	100	0	0	0	0	0	100	
Salaries	0	0	0	0	52,593	36,296	88,889	
Subscriptions	1,145	0	0	0	0	0	1,145	
Telephone	1,091	0	73	0	0	0	1,164	
Travel	3,977	0	0	0	584	279	4,840	
Utilities	0	0	0	0	14,554	0	14,554	
<b>Total</b>	<b>\$ 142,678</b>	<b>\$ 555,762</b>	<b>\$ 923</b>	<b>\$ 7,810,730</b>	<b>\$ 905,190</b>	<b>\$ 54,113</b>	<b>\$ 9,469,396</b>	

See the Independent Auditors' Report on Supplementary Information.

**& Tervalon**

MICHAEL B. BRUNO, CPA  
ALCIDE J. TERVALON, JR., CPA  
WALDO J. MORET, JR., CPA

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

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To the Board of Directors of  
University of New Orleans Research and  
Technology Foundation

We have audited the financial statements of the University of New Orleans Research and Technology Foundation (the Foundation) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

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To the Board of Directors of  
University of New Orleans Research and  
Technology Foundation

Internal Control Over Financial Reporting

In planning and performing our audit, except for the functions performed at Avondale Industries, Inc. in connection with reviewing and approving invoices for payment of computer programming labor costs billings and travel costs, 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 assurance on the internal control over financial reporting. For the internal control categories at Avondale Industries, Inc., internal auditors obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation, and assessed control risk. Furthermore, the scope of our work did not extend to these internal control policies and procedures established and maintained at Avondale Industries, Inc.

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 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 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.

We noted that internal auditors for Avondale Industries, Inc. indicated that they noted no matters involving internal control and its operations that they consider to be material weaknesses.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

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To the Board of Directors of  
University of New Orleans Research and  
Technology Foundation

This report is intended solely for the information and use of the Board of Directors, management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Bruno & Tervalon*  
**BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS**

May 30, 2000

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION  
EXIT CONFERENCE  
December 31, 1999**

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An exit conference was held with the following individuals:

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION**

Ms. Elizabeth Williams	--	Executive Director
Ms. Eileen Byrne	--	Assistant Vice Chancellor of Property and Facilities Development- University of New Orleans
Mr. Robert Gremillion	--	Business Manager

**BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Edward J. Phillips, Jr.	--	Senior Manager
Mrs. Yavonka Archaga, CPA	--	Audit Supervisor

The audit report was discussed. This report is intended solely for the information and use of the Board of Directors, management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Bruno & Tervalon*  
**BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS**

May 30, 2000