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**LOUISIANA TECH UNIVERSITY
FOUNDATION, INC.**

Financial Statements and Schedule

June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

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 NOV 24 1999



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

Independent Auditors' Report

Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana:

We have audited the accompanying statements of financial position of the Louisiana Tech University Foundation, Inc. (the Foundation) as of June 30, 1999 and 1998, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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. 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 audits provide 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, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 1999, 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 and contracts.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the *Foundation taken as a whole*. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

KPMG LLP

October 8, 1999



LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 217,081	1,325,897
Contributions receivable, net	987,545	1,421,103
Accrued interest receivable	60,294	77,402
Investments	32,079,910	28,623,323
Fixed assets	673,201	706,461
Other assets	32,145	29,920
	<hr/>	<hr/>
Total assets	\$ <u>34,050,176</u>	<u>32,184,106</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 273,838	296,889
Deferred revenue	-	40,000
Deferred compensation	363,475	266,301
Due to Louisiana Tech University	16,534,262	15,616,500
Total liabilities	<u>17,171,575</u>	<u>16,219,690</u>
Net assets:		
Unrestricted:		
For current operations	2,275,248	1,474,450
Designated for fixed assets	463,845	497,105
Designated for funds functioning as endowments	1,438,932	1,455,700
	<hr/>	<hr/>
	4,178,025	3,427,255
Temporarily restricted - designated for specific purposes	3,166,744	4,369,364
Permanently restricted - endowment	9,533,832	8,167,797
Total net assets	<u>16,878,601</u>	<u>15,964,416</u>
	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>34,050,176</u>	<u>32,184,106</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY 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>
Revenues, gains and other support:				
Contributions	\$ 149,886	753,903	1,531,799	2,435,588
Contributed services	451,847	-	-	451,847
Interest and dividends	61,465	445,874	1,841	509,180
Service charges	328,615	-	-	328,615
Realized and unrealized gains on investments, net	682,118	-	-	682,118
Other	265,301	2,240	-	267,541
	<u>1,939,232</u>	<u>1,202,017</u>	<u>1,533,640</u>	<u>4,674,889</u>
Net assets released from restrictions	<u>2,392,242</u>	<u>(2,392,242)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>4,331,474</u>	<u>(1,190,225)</u>	<u>1,533,640</u>	<u>4,674,889</u>
Expenses:				
Instructional support	575,020	-	-	575,020
Academic support	37,339	-	-	37,339
Research	1,102	-	-	1,102
Institutional support	173,980	-	-	173,980
Student financial aid	691,745	-	-	691,745
Student services	21,410	-	-	21,410
Auxiliary	852,671	-	-	852,671
General administrative services	550,230	-	-	550,230
Fundraising	677,207	-	-	677,207
Total expenses	<u>3,580,704</u>	<u>-</u>	<u>-</u>	<u>3,580,704</u>
Assets dedicated to Louisiana Tech University, net	-	-	(180,000)	(180,000)
Reclassification of net assets due to change in donor restrictions	<u>-</u>	<u>(12,395)</u>	<u>12,395</u>	<u>-</u>
Change in net assets	<u>750,770</u>	<u>(1,202,620)</u>	<u>1,366,035</u>	<u>914,185</u>
Net assets at beginning of year	<u>3,427,255</u>	<u>4,369,364</u>	<u>8,167,797</u>	<u>15,964,416</u>
Net assets at end of year	<u>\$ 4,178,025</u>	<u>3,166,744</u>	<u>9,533,832</u>	<u>16,878,601</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 186,351	2,646,476	1,030,768	3,863,595
Contributed services	412,763	-	-	412,763
Interest and dividends	44,782	466,974	7,546	519,302
Service charges	344,026	-	-	344,026
Realized and unrealized gains on investments, net	1,056,149	-	-	1,056,149
Other	263,201	-	-	263,201
	2,307,272	3,113,450	1,038,314	6,459,036
Net assets released from restrictions	1,554,266	(1,554,266)	-	-
Total revenues, gains and other support	3,861,538	1,559,184	1,038,314	6,459,036
Expenses:				
Instructional support	735,455	-	-	735,455
Academic support	13,739	-	-	13,739
Research	54,258	-	-	54,258
Institutional support	198,491	-	-	198,491
Student financial aid	436,058	-	-	436,058
Student services	32,753	-	-	32,753
Auxiliary	645,598	-	-	645,598
General administrative services	574,335	-	-	574,335
Fundraising	608,445	-	-	608,445
Total expenses	3,299,132	-	-	3,299,132
Assets dedicated to Louisiana Tech University, net	(1,556)	(5,792)	(275,651)	(282,999)
Reclassification of net assets due to change in donor restrictions	-	(121,456)	121,456	-
Change in net assets	560,850	1,431,936	884,119	2,876,905
Net assets at beginning of year	2,866,405	2,937,428	7,283,678	13,087,511
Net assets at end of year	\$ 3,427,255	4,369,364	8,167,797	15,964,416

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 1999 and 1998

	1999	1998
Cash flow from operating activities:		
Change in net assets	\$ 914,185	2,876,905
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Donated fixed assets	(500)	(19,244)
Depreciation expense	116,606	175,292
Net unrealized gain on long-term investments	(90,878)	(391,708)
Gain on sale of investments	(1,200,072)	(1,624,513)
Gain on sale of fixed assets	(9,500)	(11,679)
(Increase) decrease in assets:		
Contributions receivable	433,558	(814,585)
Accrued interest receivable	17,108	(21,892)
Other assets	(2,225)	59,689
Increase (decrease) in liabilities:		
Accounts payable	(23,051)	180,635
Deferred revenue	(40,000)	(40,000)
Deferred compensation	97,174	96,436
Contributions restricted for long-term investment	(1,531,799)	(1,022,069)
Income restricted for long-term investment	(1,841)	(7,546)
Net cash used by operating activities	(1,321,235)	(564,279)
Cash flow from investing activities:		
Proceeds on sale of fixed assets	9,500	13,700
Purchases of fixed assets	(82,846)	(64,192)
Purchases of investments	(5,687,843)	(2,848,033)
Proceeds on sale of investments	3,522,206	1,694,156
Increase in due to Louisiana Tech University	917,762	1,903,743
Net cash provided (used) by investing activities	(1,321,221)	699,374
Cash flow from financing activities:		
Contributions restricted for investment in endowment	1,531,799	1,022,069
Income restricted for long-term investment	1,841	7,546
Payments of notes payable	-	(51,787)
Net cash provided by financing activities	1,533,640	977,828
Increase (decrease) in cash and cash equivalents	(1,108,816)	1,112,923
Cash and cash equivalents at beginning of year	1,325,897	212,974
Cash and cash equivalents at end of year	\$ 217,081	1,325,897

See accompanying notes to financial statements.

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

(1) Organization and Summary of Significant Accounting Policies

Organization

The Louisiana Tech University Foundation, Inc. (the "Foundation") was organized to solicit, receive, hold, invest, and transfer funds for the benefit of Louisiana Tech University ("LA TECH"). Additionally, the Foundation assists LA TECH in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. LA TECH and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of LA TECH.

Basis of Financial Statements

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and income and expenses for the reporting period. Actual results could differ from those estimates.

Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets — Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

Temporarily restricted net assets — Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. This classification includes gifts, annuities, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

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

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Net Assets Released from Restrictions

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. A policy footnote follows on the Foundation's method of reporting temporarily restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Investment Income

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- increases in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets

With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment – Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents principally include cash and money market investments. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

In-kind Gifts

Gifts of investments and real estate contributed to the Foundation are recorded at estimated fair value at date of contribution.

Investments

Investments are stated at fair value. Gains or losses on sales of investment securities are based upon the adjusted value of the specific security sold.

Depreciation

Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from three to ten years.

Tax Status

The Foundation is exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in IRC section 501(c)(3). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no material unrelated business income for the fiscal years ended June 30, 1999 and June 30, 1998.

Funds Functioning as Endowment

The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment. Similarly, some funds which could be spent on donor designated purposes are being held in endowment funds. These funds are classified as temporarily restricted net assets as earnings designated for specific operating purposes.

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

Reclassifications

Certain amounts previously reported in 1998 have been reclassified to conform with the 1999 presentation.

(2) Investments

A summary of the investments fair value held at June 30, 1999 and 1998, follows:

	1999	1998
Held by investment custodians:		
Cash and cash equivalents	\$ 1,806,517	2,244,014
Certificates of deposit	285,000	275,000
Government obligations and corporate bonds	5,950,014	5,315,386
Common stock	6,336,845	5,917,629
Mutual funds	17,701,534	14,871,294
Total	\$ 32,079,910	28,623,323

(3) Fixed Assets

A summary of the fixed assets at June 30, 1999 and 1998, follows:

	Depreciable Lives	1999	1998
Automobiles	2-3	\$ 129,924	112,495
Furniture, fixtures, and equipment	3-10	715,743	675,063
Engineering equipment	3-10	666,682	666,682
Real estate and other	-	129,438	129,438
		1,641,787	1,583,678
Less accumulated depreciation		(968,586)	(877,217)
		\$ 673,201	706,461

Depreciation of \$116,606 and \$175,292 was recorded for years ending June 30, 1999 and 1998, respectively.

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

(4) Contributions Receivable

Contributions receivable, net, are summarized as follows as of June 30, 1999 and 1998:

	1999	1998
Unconditional pledges expected to be collected in:		
Less than one year	\$ 107,072	118,220
One year to five years	985,521	1,387,617
More than five years	100	200
	1,092,693	1,506,037
Less allowance for uncollectible contributions receivable	(105,148)	(84,934)
Contributions receivable, net	\$ 987,545	1,421,103

(5) Deferred Compensation

The Foundation provides additional compensation to the President of LA TECH. Pursuant to an agreement between the Foundation and President, such compensation is being deferred. The deferred compensation is deposited by the Foundation in a trust for the President's benefit. Total deferred compensation at June 30, 1999 and 1998 was \$363,475 and \$266,301, respectively.

(6) Transactions with LA TECH

LA TECH provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, LA TECH provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to LA TECH. For the year ended June 30, 1999, contributed personnel costs and operating services were determined to be \$436,685 and \$15,162 respectively. For the year ended June 30, 1998, contributed personnel costs and operating services were determined to be \$405,080 and \$7,683 respectively. These services and amounts have been reflected as contributed services and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

For the years ended June 30, 1999 and 1998, expenses totaling approximately \$3,030,000 and \$2,725,000, respectively, were paid directly to or for the benefit of LA TECH.

Funds administered by the Foundation on behalf of LA TECH are not commingled with funds belonging to the Foundation. Classified as amounts due to LA TECH at June 30, 1999 and 1998 is \$16,534,262 and \$15,616,500, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions of the Foundation. Once the state matching is received, the donor portion is deducted

LOUISIANA TECH FOUNDATION, INC.

Notes to Financial Statements

June 30, 1999

from the permanently restricted, temporarily restricted and unrestricted net assets of the Foundation and reflected as due to Louisiana Tech University. A total of \$180,000 and \$282,999 of net assets of the Foundation were dedicated to LA TECH during 1999 and 1998, respectively.

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

(7) Commitments

At June 30, 1999, there were approximately \$134,249 in awarded but unpaid scholarships to be funded over the next year.

(8) Year 2000

The Foundation has substantially completed its efforts to identify, assess and remediate "Year 2000" issues within its significant computer programs. The total cost of remediation was funded with current operations.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Foundation's operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Foundation is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Foundation's operations, liquidity or financial condition.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	Shares or Units	Fair Value
Cash and cash equivalents		
One Group U.S. Treasury Securities Money Market Fund	1,033,591	\$ 1,033,591
Regions Treasury Money Mkt Trust Shares #460	61,509	61,509
Trust Company of LA First Treasury	707,329	707,329
Centennial Money Market Trust	4,088	4,088
		<u>1,806,517</u>
Certificates of deposit		
Gibsland Bank, 4.500%, 12/01/99	10,000	10,000
Gibsland Bank, 4.630%, 07/05/99	10,000	10,000
Gibsland Bank, 4.900%, 10/08/99	100,000	100,000
Gibsland Bank, 4.540%, 06/15/00	25,000	25,000
Gibsland Bank, 4.630%, 07/05/99	10,000	10,000
Gibsland Bank, 4.500%, 09/17/99	10,000	10,000
Gibsland Bank, 4.760%, 10/13/00	15,000	15,000
Gibsland Bank, 4.600%, 08/14/99	10,000	10,000
Gibsland Bank, 4.070%, 08/06/99	10,000	10,000
Gibsland Bank, 4.540%, 06/15/00	25,000	25,000
Gibsland Bank, 4.120%, 09/01/99	20,000	20,000
Gibsland Bank, 4.040%, 09/02/99	20,000	20,000
Gibsland Bank, 4.120%, 09/07/99	20,000	20,000
		<u>285,000</u>
Mutual funds		
Goldman Sach International Equity	3,787	83,576
Manager Special Equity Fund	4,390	300,491
Templeton Inst Fds Inc.	8,766	172,687
One Group Intermediate Bond Fd	178,291	1,832,826
One Group Ultra Short Term Income	59,193	578,311
One Group Government Bond Fd	343,042	3,337,793
One Group Short Term Bond Fd	100,197	1,042,053
One Group Income Bond Fd	364,267	2,797,570
One Group Large Company Growth Fd	64,766	1,693,614
One Group Intl Equity Index Fd	32,436	604,298
One Group Mid Cap Growth	26,613	673,853
One Group Mid Cap Value	70,371	1,047,117
One Group Large Company Value	122,277	2,211,992
One Group Income Equity	24,877	609,479
One Group Diversified Equity	43,010	653,325
One Group Small Capitalization Fd	5,890	62,549
		<u>17,701,534</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	Shares or Units	Fair Value
Government obligations and corporate bonds		
Delta Airlines Debenture 9.000%, 05/15/16	25,000	\$ 26,676
Federal Farm Credit Banks 5.670%, 03/25/02	100,000	99,320
Federal Farm Credit Banks 5.830%, 01/20/04	100,000	98,290
Federal Farm Credit Banks 6.050%, 04/21/03	100,000	99,510
Federal Home Loan Banks 5.085%, 10/07/08	100,000	90,687
Federal Home Loan Banks 5.370%, 01/16/03	50,000	48,953
Federal Home Loan Banks 5.425%, 09/24/08	100,000	93,032
Federal Home Loan Banks 5.460%, 01/19/01	50,000	49,780
Federal Home Loan Banks 5.500%, 07/14/00	100,000	100,000
Federal Home Loan Banks 5.700%, 2003	50,000	49,391
Federal Home Loan Banks 6.230%, 06/17/04	50,000	50,156
Federal Home Loan Banks 6.580%, 06/06/01	100,000	101,453
Federal Home Loan Banks 6.630%, 07/02/07	100,000	100,547
Federal Home Loan Banks 8.600%, 01/25/00	30,000	30,525
Federal Home Loan Mortgage 6.645%, 03/10/04	100,000	101,656
Federal Home Loan Mortgage 7.000%, 03/19/14	200,000	193,938
Federal Home Loan Mortgage 7.000%, 06/01/02	59,765	60,071
Federal National Mortgage Assoc. 5.080%, 02/01/01	100,000	99,438
Federal National Mortgage Assoc. 5.555%, 01/17/01	100,000	99,660
Federal National Mortgage Assoc. 5.730%, 01/06/03	100,000	99,030
Federal National Mortgage Assoc. 5.875%, 02/14/06	100,000	95,964
Federal National Mortgage Assoc. 5.900%, 10/10/02	50,000	49,905
Federal National Mortgage Assoc. 6.350%, 06/10/05	200,000	200,375
Federal National Mortgage Assoc. 6.650%, 03/03/08	100,000	96,592
Federal National Mortgage Assoc. 6.850%, 08/22/05	100,000	102,531
Federal National Mortgage Assoc. 7.000%, 01/01/04	43,256	43,536
Federal National Mortgage Assoc. 7.000%, 07/01/12	76,442	76,704
Ford Motor Corporation Sr. Note 6.250%, 11/08/00	100,000	100,095
GNMA 11.000%, 03/15/10	672	733
GNMA 6.500%, 11/15/12	117,358	116,184
GNMA 7.000%, 07/15/12	46,400	46,776
Nationsbank Corp Sub. Note 7.000%, 09/15/01	100,000	101,844
U.S. Treasury Notes 5.125%, 08/31/00	50,000	49,844
U.S. Treasury Notes 5.625%, 05/15/08	400,000	391,752
U.S. Treasury Notes 5.750%, 08/15/03	200,000	199,563
U.S. Treasury Notes 5.875%, 02/15/04	300,000	301,593
U.S. Treasury Notes 5.875%, 11/15/05	100,000	99,938

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	Shares or Units	Fair Value
Government obligations and corporate bonds, continued		
U.S. Treasury Notes 6.125%, 12/31/01	100,000	\$ 101,188
U.S. Treasury Notes 6.250%, 02/15/03	100,000	101,688
U.S. Treasury Notes 6.250%, 06/30/02	100,000	101,594
U.S. Treasury Notes 6.375%, 07/15/99	100,000	100,094
U.S. Treasury Notes 6.500%, 05/15/05	200,000	205,688
U.S. Treasury Notes 6.500%, 05/31/02	300,000	306,750
U.S. Treasury Notes 6.500%, 08/15/05	100,000	103,094
U.S. Treasury Notes 6.625%, 05/15/07	100,000	104,156
U.S. Treasury Notes 6.875%, 05/15/06	300,000	315,843
U.S. Treasury Notes 7.250%, 05/15/04	200,000	211,750
U.S. Treasury Notes 7.500%, 05/15/02	200,000	209,688
U.S. Treasury Notes 7.500%, 11/15/01	100,000	104,063
U.S. Treasury Notes 7.875%, 11/15/04	200,000	218,376
		<u>5,950,014</u>
Common stocks		
AMR Corp.	300	20,475
AT&T Corp.	450	25,116
Accessor Fds Inc-Small Mid Cap Fund	8,099	204,166
Accessor Fds Unc Intl Eq Fd	10,468	195,646
Airborne Freight	1,090	30,180
Air Products & Chemicals, Inc.	750	30,188
Albertsons, Inc.	680	35,063
Allegheny Energy Inc.	1,280	41,040
Allstate Corp.	720	25,830
America Online, Inc.	100	11,000
America Online, Inc.	50	5,141
America Online, Inc.	1,960	215,600
American General Corp.	600	45,225
American Home Products Corp.	500	28,687
American Home Products Corp.	420	24,098
American Home Products Corp.	920	52,785
American International Group, Inc.	100	11,725
American International Group, Inc.	846	99,194
American Power Conversion Corp.	1,880	37,835
Amgen, Inc.	480	29,220
Automatic Data Processing Inc.	790	34,760
Bank America Corp.	300	21,994
Bank One Corp	1,000	59,563
Bear Stearns Cos Inc.	525	24,543

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	<u>Shares or Units</u>	<u>Fair Value</u>
Common stocks, continued		
Bear Stearns Cos. Inc.	787	\$ 36,792
Bell Atlantic Corp.	250	16,344
Bell Atlantic Corp.	440	28,765
Bestfoods	530	26,235
Biomet Inc.	1,185	47,104
Bristol Myers Squibb Co.	620	43,672
Bristol Myers Squibb Co.	50	3,369
Bristol Myers Squibb Co.	900	63,394
Callaway Golf	1,080	15,795
Canadian National Ry Co.	6	402
Cardinal Health, Inc.	360	23,085
Carnival Corp.	1,190	57,715
Chase Manhattan Corp.	400	34,600
Chase Manhattan Corp.	640	55,360
Chevron Corp.	250	23,766
Cisco Systems, Inc.	800	51,550
Cisco Systems, Inc	900	58,050
Citigroup, Inc.	450	21,375
Citigroup, Inc.	1,100	52,250
Citigroup, Inc.	3,309	157,178
Coastal Corp.	720	28,980
Coca Cola Company	450	27,900
Colgate Palmolive Co.	475	46,788
Compaq Computer Corp.	1,100	26,056
Community Trust Bank Financial Corp.	221	9,393
Conagra Inc.	3,500	93,188
Conseco Inc.	500	15,219
Constellation Energy Group, Inc.	1,300	38,513
Cooper Tire & Rubber Co.	1,400	33,075
Cordant Technologies Inc.	1,040	46,995
Costco Companies, Inc.	340	27,221
Dana Corp.	660	30,401
Dean Foods Co.	655	27,223
Dell Computer Corp.	600	22,200
Dell Computer Corp.	2,260	83,620
Delphi Automotive Systems Corp.	279	5,162
Dial Corp.	1,000	37,188
Dow Chemical Co.	305	38,697
EMC Corp.	400	22,000

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	<u>Shares or Units</u>	<u>Fair Value</u>
Common stocks, continued		
Eaton Corp.	435	\$ 40,020
Electronic Data Sys Corp.	470	26,614
Ethan Allen Interior	1,185	44,734
Exxon Corp.	375	28,922
Exxon Corp.	530	40,876
Federal National Mortgage Assoc.	690	47,093
First Union Corporation	300	14,138
First Union Corporation	680	32,045
Fleet Financial Group, Inc.	1,000	44,375
Fleet Financial Group Inc.	690	30,619
Ford Motor Company	420	23,704
FPL Group Inc.	730	39,876
G P U Inc Com	940	39,656
General Electric Co.	600	67,800
General Electric Company	470	53,110
General Motors Corp.	400	26,400
Gillette Company	250	10,250
Grainger W W Inc.	480	25,830
GTE Corp.	660	49,830
Halliburton Co.	500	22,625
Helmerich & Payne Inc.	870	20,554
Hibernia Corp. Cl A	1,400	21,963
Ingersoll Rand Co.	400	25,850
Intel Corp.	600	35,700
International Business Machines Corp.	500	64,625
Interstate Bakeries Corp.	780	17,501
Jefferson Pilot Corp.	200	13,238
Johnson Controls	690	47,826
Johnson & Johnson	300	29,400
Kerr McGee Corp.	36	1,764
Kimberly Clark Corp.	500	28,500
Liz Claiborne Inc.	720	26,280
Lowes Cos Inc	440	24,943
Lowes Cos Inc.	1,800	102,038
Lubrizol Corp.	1,000	27,250
Lucent Technologies, Inc.	680	45,858
Lucent Technologies Corp.	1,000	67,438
MCI Worldcom, Inc.	800	68,850
MCI Worldcom, Inc.	500	43,032

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	<u>Shares or Units</u>	<u>Fair Value</u>
Common stocks, continued		
Masco Corp.	1,100	\$ 29,699
McGraw-Hill Cos Inc.	630	33,981
McKesson HBOC, Inc.	362	11,652
Medtronic, Inc.	420	32,708
Merck & Co., Inc.	10	689
Merck & Co. Inc.	600	44,175
Microsoft Corp.	800	72,150
Microsoft Corp.	1,620	146,104
Microsoft Corp.	575	51,858
Mobil Corp.	560	55,300
Monsanto Co.	400	15,825
Morgan Stanley Dean Witter Discover	620	63,628
Morgan Stanley Dean Witter & Co.	768	78,816
Motorola Inc.	695	65,851
OfficeMax Inc.	2,050	24,600
Parker-Hannifin Corp.	795	36,371
Pepsico Inc.	600	23,213
Pfizer Inc.	300	32,700
Pfizer, Inc.	420	45,780
Philip Morris Cos Inc.	700	28,132
Philip Morris Cos Inc.	1,160	46,618
Phillips Petroleum Co.	790	39,747
Phycor Inc.	50	370
Procter & Gamble Company	300	26,775
Procter & Gamble Company	100	8,925
Pulte Corporation	1,520	35,055
Quaker Oats Co.	415	27,546
Qwest Communications Inc.	1,000	33,063
Reliaster Financial Corp.	900	39,375
Rite Aid Corp.	300	7,388
Ross Stores, Inc.	860	43,323
Schering Plough Corp.	840	44,100
Schering Plough Corp.	640	33,600
Schlumberger Ltd.	507	32,290
Schlumberger Ltd.	300	19,106
Sci System Inc.	1,110	52,586
Servicemaster Co.	1,200	22,500
Snap-On Inc.	860	31,121
Solutia, Inc.	976	20,801

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1999

Description	<u>Shares or Units</u>	<u>Fair Value</u>
Common stocks, continued		
Southwest Airlines	900	\$ 28,013
Sprint Company	1,350	71,550
Sprint Corporation PCS Com	337	19,209
Storage Technology Corporation	960	21,840
Sun Microsystems, Inc.	500	34,438
Sysco Corp.	800	23,850
Tenet Healthcare Corp.	655	12,158
Texaco, Inc.	400	24,950
Texaco, Inc.	710	44,286
TJX Companies Incorporated	2,000	66,625
Tribune Co.	555	48,354
Union Carbide Corporation	720	35,100
United Technologies	800	57,600
Varco International Inc.	300	3,244
Wal Mart Stores Inc.	1,200	57,900
Walt Disney Company	900	27,732
Warner Lambert Company	540	37,328
Waste Management, Inc.	610	32,788
Williams Companies, Inc.	600	25,538
		<u>6,336,845</u>
Grand total		<u>\$ 32,079,910</u>

See accompanying independent auditors' report.

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



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana:

We have audited the financial statements of the Louisiana Tech Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. 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*.

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 assurance 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Foundation in a separate letter dated October 8, 1999.

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

KPMG LLP

October 8, 1999



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG, International, a Swiss association.



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

10/8/99
10:00 AM
10/8/99

October 8, 1999

The Board of Directors
Louisiana Tech University Foundation, Inc.:

We have audited the financial statements of Louisiana Tech University Foundation, Inc. (the "Foundation") for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. Under generally accepted auditing standards, we are providing you with the following information related to the conduct of our audit:

Our Responsibilities Under Generally Accepted Auditing Standards

We have a responsibility to conduct our audit in accordance with generally accepted auditing standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

Furthermore, our audit was not designed to, and does not, provide any assurance that a Year 2000 issue which may exist will be identified, on the adequacy of the Foundation's remediation plans related to Year 2000 financial or operational issues, or on whether the Foundation is or will become Year 2000 compliant on a timely basis. Year 2000 compliance is the responsibility of management.

Significant Accounting Policies

The significant accounting policies used by the Foundation are described in the Note 1 to the financial statements. We noted no transactions entered into by the Foundation that were both significant and unusual and that, under professional standards, we are required to inform you of, or transactions for which there is a lack of authoritative guidance or consensus.



The Board of Directors
Louisiana Tech University Foundation, Inc.
October 8, 1999
Page 2

Significant Audit Adjustments

We proposed no corrections of the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Foundation's financial reporting process.

Relationship With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Foundation's June 30, 1999, financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement of Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Major Issues Discussed With Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

* * * * *

This information is intended solely for the use of the Board of Directors, management, and others within the organization.

Very truly yours,

KPMG LLP



1900 Deposit Guaranty Tower
 333 Texas Street
 Shreveport, LA 71101-3692

CONFIDENTIAL
 10/13/99 11:00

October 8, 1999

CONFIDENTIAL

The Board of Directors
 Louisiana Tech University Foundation, Inc.

Gentlemen:

We have audited the financial statements of Louisiana Tech University Foundation, Inc. (the "Foundation") for the years ended June 30, 1999 and 1998, and have issued our report thereon dated October 8, 1999. In planning and performing our audits of the financial statements of the Foundation, we considered its internal control structure 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 structure. We have not considered the internal control structure since the date of our report.

During our audits, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate member of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

NEGATIVE NET ASSETS

During prior year audit testwork on the restricted fund, we noted certain projects had negative balances. The Foundation attempted to resolve this problem by sending letters and meeting with the applicable person/group for each project with a negative balance, urging them to pay back monies overspent. Also, the Foundation declined requests of projects whose balance was negative.

Despite these measures and the efforts of the person/group responsible for the projects to reduce the negative balances, some projects continued to have negative balances and some projects that previously had positive balances became negative. However, the majority of the following projects that had negative balances at June 30, 1999 are due to the Foundation's fee structure and reinvestment policy.

Negative Balances due to Overspending

Chemical Engineering Sch.	\$	177.50
Nursing General Use	\$	972.13
Sports Promotion/Information	\$	34.12
Women's Basketball	\$	2,424.01
Track General Use	\$	117.96



Negative Balances due to Fee Structure/Reinvestment

Martin Foundation Sch. Fund	\$	600.00
General Sch. Admissions	\$	10,359.98
Pipes Land Donation – CED	\$	3,545.70
T L James Scholarship – CE	\$	4,250.00
Whetstone Scholarship – Engr.	\$	110.69
Hale Hall Renovation	\$	15.63
Mary Lucille P. Sanders Sch.	\$	742.14
To Be Named Scholarship	\$	509.34
Dorothy & Frank Therrell Sch.	\$	3,460.10
Danti Scholarship/Architecture	\$	88.68
Virginia Thompson Scholarship	\$	717.35
T J Folk, Jr. Civil Engr. Sch. Fund	\$	480.17
Dr. Harvy Lewis Sch. Endow/HE	\$	2,128.98
Rev/Mrs. W. R. Gage Sch/HE	\$	427.75
Radford Allen Med Tech Sch.	\$	374.93
Athletics Endowment	\$	6,479.72
Dr. Thomas H. Goodgame Endow	\$	1,000.00

We noted that steps have been taken by the Foundation to address the administrative burden on the endowments. We encourage the Foundation to continue such analysis of its fee structure. Also, periodic reviews of projects should continue to be conducted to ensure that earnings or receipts from these projects will offset the negative balance in the account.

YEAR 2000 ISSUE

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Foundation's computer programs and certain hardware that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing a disruption of operations. In addition, some computerized systems do not properly perform calculations with dates beginning in 1999, because these systems use the digits "99" in date fields to represent something other than the year 1999. Such problems are known as the Year 2000 Issue. The Year 2000 Issue may manifest itself before, on or after January 1, 2000, and its effects on operations and financial reporting may range from minor errors to catastrophic systems failure. We have been informed that the Foundation's computer programs use four digits, instead of two, to define the applicable year.

The Board of Directors
Louisiana Tech University Foundation, Inc.
October 8, 1999
Page 3

The Year 2000 is a significant concern that should be addressed as soon as possible. Failure to adequately address the year 2000 could result in costly and significant application program failures that prevent the Foundation from performing its normal processing activities. Planning now is critical because business processes that depend on dates in the future may experience difficulties or failures well in advance of the year 2000. The Foundation should expect to incur internal staff costs as well as external consulting and hardware costs to prepare the systems for the year 2000. However, there can be no assurance that the systems of other companies, on which the Foundation's systems rely, will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Foundation's systems.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the Foundation during the course of our audit. If we can be of further assistance with any of the above matters, please call on us.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

Very truly yours,

KPMG LLP