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**LSU FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 1999 AND 1998**

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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 DEC 29 1999





**LSU FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 1999 AND 1998**



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**Postlethwaite & Netterville**  
*A Professional Accounting Corporation*

8550 United Plaza Blvd., Suite 1001 • Baton Rouge, Louisiana 70809  
Telephone (225) 922-4600 • FAX (225) 922-4611  
www.pncpa.com

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
LSU Foundation  
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying consolidated statements of financial position of the LSU Foundation and the LSU Property Foundation, as of June 30, 1999 and 1998, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the LSU Foundation as of June 30, 1999 and 1998, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 27, 1999

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**LSU FOUNDATION  
BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 1999 AND 1998**

**ASSETS**

	1999	1998
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 4,160,377	\$ 9,404,839
Accrued interest receivable	1,116,732	921,299
Unconditional promises to give	10,242,444	9,244,510
Investments	94,542,777	73,815,035
Investments - permanently restricted	102,692,174	85,469,053
Pooled income investment trust	670,688	68,918
Property and equipment, net	1,125,763	518,357
Artwork and other non-depreciable assets	2,317,197	1,859,503
	\$ 216,868,152	\$ 181,301,514

**LIABILITIES AND NET ASSETS**

<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 1,121,149	\$ 854,099
Funds held in custody	30,548,526	28,386,463
Total Liabilities	31,669,675	29,240,562
<b><u>NET ASSETS</u></b>		
Unrestricted	3,379,296	3,413,729
Temporarily restricted	79,127,007	63,178,170
Permanently restricted	102,692,174	85,469,053
Total Net Assets	185,198,477	152,060,952
Total Liabilities and Net Assets	\$ 216,868,152	\$ 181,301,514

The accompanying notes are an integral part of these statements.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	1999			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>REVENUE AND SUPPORT</u></b>				
Contributions	\$ 354,001	\$ 8,364,848	\$ 16,792,149	\$ 25,510,998
Investment earnings	67,504	16,222,549	430,972	16,721,025
Service fees	1,035,443	-	-	1,035,443
Net assets released from restrictions:				
Satisfaction of program expenses	8,638,560	(8,638,560)	-	-
Total revenue and support	10,095,508	15,948,837	17,223,121	43,267,466
<b><u>EXPENSES</u></b>				
Grants paid to benefit Louisiana State University for:				
Projects specified by donors	8,392,890	-	-	8,392,890
Projects specified by the Board of Directors	403,652	-	-	403,652
Total program expenses	8,796,542	-	-	8,796,542
Supporting services:				
Salaries and benefits	844,525	-	-	844,525
Occupancy	50,645	-	-	50,645
Office operations	127,355	-	-	127,355
Travel	34,651	-	-	34,651
Professional services	61,362	-	-	61,362
Dues and subscriptions	4,003	-	-	4,003
Meetings and development	36,875	-	-	36,875
Depreciation	173,983	-	-	173,983
Total supporting services	1,333,399	-	-	1,333,399
Total expenses	10,129,941	-	-	10,129,941

The accompanying notes are an integral part of these statements.



1998			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 373,805	\$ 5,811,627	\$ 11,064,730	\$ 17,250,162
241,723	16,426,405	421,510	17,089,638
897,087	-	-	897,087
7,118,038	(7,118,038)	-	-
8,630,653	15,119,994	11,486,240	35,236,887
7,146,314	-	-	7,146,314
379,918	-	-	379,918
7,526,232	-	-	7,526,232
728,862	-	-	728,862
39,947	-	-	39,947
102,690	-	-	102,690
31,985	-	-	31,985
47,113	-	-	47,113
5,288	-	-	5,288
31,626	-	-	31,626
152,871	-	-	152,871
1,140,382	-	-	1,140,382
8,666,614	-	-	8,666,614





**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	1999			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>CHANGE IN NET ASSETS</u></b>	\$ (34,433)	\$ 15,948,837	\$ 17,223,121	\$ 33,137,525
<b><u>TRANSFER OF FUNDS TO LSU MEDICAL CENTER FOUNDATION</u></b>	-	-	-	-
<b><u>NET ASSETS, beginning of year</u></b>	<u>3,413,729</u>	<u>63,178,170</u>	<u>85,469,053</u>	<u>152,060,952</u>
<b><u>NET ASSETS, end of year</u></b>	<u>\$ 3,379,296</u>	<u>\$ 79,127,007</u>	<u>\$ 102,692,174</u>	<u>\$ 185,198,477</u>

The accompanying notes are an integral part of these statements.



1998			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ (35,961)	\$ 15,119,994	\$ 11,486,240	\$ 26,570,273
-	-	(600,000)	(600,000)
<u>3,449,690</u>	<u>48,058,176</u>	<u>74,582,813</u>	<u>126,090,679</u>
<u>\$ 3,413,729</u>	<u>\$ 63,178,170</u>	<u>\$ 85,469,053</u>	<u>\$ 152,060,952</u>



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Contributions received	\$ 8,225,242	\$ 8,480,055
Interest and dividends received	9,114,779	7,632,356
Grants paid to benefit Louisiana State University	(8,562,042)	(7,537,818)
Cash paid for supporting services	(1,159,496)	(987,511)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	7,618,483	7,587,082
	<hr/>	<hr/>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of equipment	(392,606)	(109,961)
Proceeds from sales of art	78,446	-
Purchases of investments	(65,942,044)	(51,114,390)
Proceeds from sales and maturities of investments	34,369,252	27,761,811
Increase in funds held in custody (net)	2,162,063	6,790,280
	<hr/>	<hr/>
Net Cash Used by Investing Activities	(29,724,889)	(16,672,260)
	<hr/>	<hr/>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from contributions restricted for:		
Investment in endowment	16,430,972	9,615,230
Other financing activities:		
Transfer of funds to LSU Medical Center Foundation	-	(600,000)
Investment earnings restricted for reinvestment	430,972	421,510
	<hr/>	<hr/>
Net Cash Provided by Financing Activities	16,861,944	9,436,740
	<hr/>	<hr/>
<b><u>NET INCREASE (DECREASE) IN CASH</u></b>	(5,244,462)	351,562
<b><u>AND CASH EQUIVALENTS</u></b>		
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u></b>	9,404,839	9,053,277
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	\$ 4,160,377	\$ 9,404,839
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these statements.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
<b><u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 33,137,525	\$ 26,570,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(7,017,766)	(8,450,066)
Depreciation	173,983	152,871
Write-off of promises to give	-	70,000
Discount on pledges receivable	648,210	-
Amortization of bond premiums and discounts	162,247	(442,995)
Gain on sale of investments	(124,322)	(1,075,650)
Contributions restricted for long-term use	(16,430,972)	(9,615,230)
Investment earnings restricted for long-term use	(430,972)	(421,510)
Non-cash donations	(892,373)	(4,580,795)
Distributions from pooled income investment trust	-	33,907
Changes in:		
Accounts receivable	-	58,685
Accrued interest	(195,433)	(142,711)
Unconditional promises to give	(1,646,144)	5,441,889
Accounts payable	234,500	(11,586)
	\$ 7,618,483	\$ 7,587,082
Net Cash Provided by Operating Activities		

The accompanying notes are an integral part of these statements.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. **Significant Accounting Policies and Presentations**

a. **Organization and Purpose**

The LSU Foundation (the Foundation) is a non-profit corporation organized to promote the educational and cultural welfare of Louisiana State University by accepting contributions for the purpose of providing scholarships and aiding research or such other designated projects for the benefit of the University.

b. **Consolidation**

The Foundation elects all of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. As such, the Foundation's consolidated financial statements include the accounts of the LSU Property Foundation. All significant intercompany accounts and transactions have been eliminated.

c. **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

d. **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

e. **Promises to Give**

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

f. **Property and Equipment**

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis. Inexhaustible assets, such as art and book collections, are not depreciated.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies and Presentations (continued)**

**g. Investments**

Investments are stated at fair value. Investment income and gains are reported as either unrestricted or restricted depending on donor stipulations.

**h. Non-monetary Transactions**

Louisiana State University (the University) provides accounting and data processing services to the Foundation. In exchange for these services, the Foundation provides property and equipment to the University for its use at no explicit charge. Both the University and the Foundation consider the values received to be commensurate with the values provided by each party.

**i. Income Taxes**

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

**j. Grant Commitments**

The Foundation considers all state matching funds and unexpended income from these funds as funds held in custody. (See Note 5)

**k. Use of Estimates**

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

**l. Fair Values of Financial Instruments**

The Foundation's financial instruments, excluding investments which are described in Note 3, include cash and cash equivalents and unconditional promises to give. The Foundation estimates that the fair value of all financial instruments at June 30, 1999 and 1998, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

The estimated fair value amounts of all financial instruments have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents and the short-term portion of unconditional promises to give approximate fair values because of the short maturities of those instruments.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2. Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Occasionally the Foundation has deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.

**3. Investments**

Investments in debt securities and equity securities are stated at fair value. Investments received as gifts are initially recorded at fair value at the date of donation. Realized gains and losses on sales of investments are determined using the specific identification method.

Investments at June 30, 1999 and 1998, are comprised of the following:

	<u>1999</u>	<u>1998</u>
	Estimated Fair Value	Estimated Fair Value
Certificates of deposit	\$ 13,000	\$ 1,030,869
U. S. Government obligations	17,965,571	13,226,169
Corporate obligations	-	76,005
Corporate stocks and common stock index mutual funds	96,145,670	66,872,132
Mortgage-backed securities and CMOs	81,888,295	76,856,498
Land	1,057,652	1,057,652
Notes receivable	18,195	18,195
Royalty interest	146,568	146,568
	<u>\$ 197,234,951</u>	<u>\$ 159,284,088</u>

Investment earnings are comprised of the following for the years ended June 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Interest income	\$ 9,578,937	\$ 7,563,922
Realized gain on sale of investments - net	124,322	1,075,650
Unrealized gain on investments - net	<u>7,017,766</u>	<u>8,450,066</u>
	<u>\$ 16,721,025</u>	<u>\$ 17,089,638</u>



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. Property and Equipment**

A summary of plant and equipment at June 30 follows:

	1999	1998
Computers	\$ 424,693	\$ 418,500
Furniture and equipment	1,164,367	859,375
Buildings	249,286	61,381
Land improvements	118,214	44,114
Land	74,080	68,844
Livestock	177,600	-
	2,208,240	1,452,214
Less: Accumulated depreciation	( 1,082,477)	( 933,857)
	<b>\$ 1,125,763</b>	<b>\$ 518,357</b>

The assets shown are owned by the Foundation, but the majority of these assets are used by Louisiana State University in support of its educational activities.

**5. Funds Held In Custody**

Under agreements with Louisiana State University and certain other charitable organizations which support Louisiana State University, the Foundation manages and holds for deposit, designated funds for these entities. The funds being held at June 30 were as follows:

	1999	1998
LSU Alumni Association	\$ 163,753	\$ 135,312
LSU - Alexandria Foundation	5,775,114	5,748,370
LSU - Eunice Foundation	782,628	802,585
State Matching Funds Managed for Louisiana State University	23,745,136	21,627,144
Charitable Remainder Trust	81,895	73,052
	<b>\$ 30,548,526</b>	<b>\$ 28,386,463</b>

**6. Pooled Income Investment Trust**

The pooled income investment trust consists of the principal amounts of life income gifts, in which the donor has reserved the right to the income generated from the gift for their life or a designated beneficiary's life. These assets are held in a separate pooled income investment trust administered by a local bank's trust department.





**LSU FOUNDATION  
BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Operating Lease**

The Foundation leases office space from the Louisiana State Alumni Association on a month-to-month basis. Rent expense incurred under this agreement totaled \$25,000 for each of the years ended June 30, 1999 and 1998.

**8. Net Assets Released From Donor Restrictions**

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the years ended June 30, 1999 and 1998:

	1999	1998
Chairs and professorships	\$ 2,160,019	\$ 1,655,981
Scholarships and fellowships	985,777	879,925
Academic support	4,752,390	3,812,851
Research support	407,093	454,036
Capital projects	333,281	315,245
	\$ 8,638,560	\$ 7,118,038

**9. Net Assets**

Temporarily restricted net assets at June 30, 1999 and 1998, are available for grants to support Louisiana State University in the following general areas:

	1999	1998
Chairs and professorships	\$ 33,197,071	\$ 19,365,951
Scholarships and fellowships	11,941,405	8,223,517
Specific academic and research projects	17,347,071	12,454,780
Academic support	5,734,526	15,758,260
Capital outlay and improvements	8,548,649	5,803,006
Research support	2,358,285	1,572,656
	\$ 79,127,007	\$ 63,178,170

Permanently restricted net assets at June 30, 1999 and 1998, are restricted to investment in perpetuity, the income from which is expendable to support the activities below:

	1999	1998
Chairs and professorships	\$ 60,313,487	\$ 49,081,190
Scholarships and fellowships	17,744,896	15,117,868
Specific academic and research projects	13,813,825	10,743,011
Academic support	3,913,402	3,560,918
Capital outlay and improvements	1,493,512	2,083,539
Research support	1,310,116	216,950
Institutional support	4,102,936	4,665,577
	\$ 102,692,174	\$ 85,469,053



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Board-Designated Endowment**

According to policy, the Foundation's Board of Directors has earmarked a portion of unrestricted and temporarily restricted net assets as board-designated endowed (quasi-endowed) funds to be invested to provide income for a long, but unspecified period. The principal of these board-designated funds, which result from internal designation, is not donor restricted and therefore is not classified as permanently restricted. Below is a recap of these funds.

	1999		1998	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Board-designated endowed funds	<u>\$ 903,290</u>	<u>\$ 13,197,067</u>	<u>\$ 870,379</u>	<u>\$ 11,239,817</u>

**11. Unconditional Promises to Give**

Unconditional promises to give at June 30, 1999 and 1998, are as follows:

	1999	1998
Promises to give expected to be collected in:		
Less than one year	\$ 1,215,057	\$ 1,937,596
One to five years	4,832,108	280,000
More than five years	7,526,757	9,710,183
	13,573,922	11,927,779
Less discount on promises to give	( 3,331,478)	( 2,683,269)
Net unconditional promises to give	<u>\$ 10,242,444</u>	<u>\$ 9,244,510</u>

During fiscal years 1999 and 1998 the Foundation determined that promises to give were uncollectible in the amounts of \$ -0- and \$70,000, respectively, and reduced endowed contributions for that amount. The discount rate used in discounting pledges receivable was approximately 7.5%.

