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LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

Financial Statements for the Years Ended June 30, 1997 and 1996 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Louisiana Partnership for Technology and Innovation (the Partnership) as of June 30, 1997 and 1996 and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Partnership'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 *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, such financial statements present fairly, in all material respects, the financial position of the Partnership at June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 1 to the financial statements, the Partnership has long-term investments in several emerging enterprises which are recorded at the lesser of cost or estimated realizable value. Due to the nature of these investments, it is not possible to determine the amount of the individual investments that will ultimately be recovered. Over the last few years, the Partnership has incurred operating deficiencies. As discussed in Note 2 to the financial statements, the Partnership's viability as a going concern is also dependent upon its ability to generate adequate revenue to overcome the operating deficiencies. These matters raise substantial doubt about the Partnership's ability to continue as a going concern. Management's plans concerning these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As discussed in Note 5 to the financial statements, the Partnership applied the newly established financial reporting standards for not-for-profit organizations.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 1997 on our consideration of Louisiana Partnership for Technology and Innovation's internal control structure and a report dated August 15, 1997 on its compliance with laws and regulations.

Deloitte & Touche LLP

August 15, 1997

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1997 AND 1996

ASSETS	1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 82,118	$ 112,608
Other	1,715	1,414
Total current assets	83,833	114,022
LONG-TERM INVESTMENTS	174,483	250,678
FIXED ASSETS - Net	4,145	4,579
TOTAL ASSETS	$ 262,461	$ 369,279
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued vacation	$ 35,697	$ 36,455
Other	4,390	3,286
Total current liabilities	40,087	39,741
NET ASSETS - UNRESTRICTED	222,374	329,538
TOTAL LIABILITIES AND NET ASSETS	$ 262,461	$ 369,279

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS YEARS ENDED JUNE 30, 1997 AND 1996

	1997	1996
UNRESTRICTED REVENUES:		
Contributions and grants	$ 351,281	$ 500
Interest	3,216	11,897
Other	4,000	1,950
Total unrestricted revenues	358,497	14,347
EXPENSES:		
Salaries and benefits	244,318	243,607
Writedown of investments	139,158	157,830
Consulting and professional services	12,141	16,963
Rent	20,925	20,925
Depreciation and amortization	2,613	2,072
Insurance	7,360	7,060
Other	39,146	39,473
Total expenses	465,661	487,930
CHANGE IN NET ASSETS	(107,164)	(473,583)
NET ASSETS, BEGINNING OF YEAR	329,538	803,121
NET ASSETS, END OF YEAR	$ 222,374	$ 329,538

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1997 AND 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (107,164)	$ (473,583)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,613	2,072
Writedown of investments	139,158	157,830
(Increase) decrease in other current assets	(301)	4,053
Increase in accrued vacation and other current liabilities	346	3,179
Net cash used in operating activities	34,652	(306,449)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of long-term investments	(62,963)	(63,858)
Purchase of fixed assets	(2,179)	(2,401)
Net cash used in investing activities	(65,142)	(66,259)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,490)	(372,708)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,608	485,316
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 82,118	$ 112,608

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Gulf South Research Foundation, doing business as Louisiana Partnership for Technology and Innovation (the Partnership), is a private non-profit organization chartered in 1978 under Louisiana non-profit corporation law. The Partnership pursues the goal of assisting in the economic diversification of Louisiana by fostering the creation and growth of small emerging enterprises.

Use of Estimates - 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.

Cash Equivalents -The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Long-term Investments - The Partnership records investments in emerging enterprises at cost and adjusts the carrying value for impairment that is deemed to be other than temporary. When an investment is determined to be impaired, the carrying value of the investment is adjusted through a charge to "Writedown of Investments." Management's judgment as to the impairment of individual investments involves the analysis of financial information and ratios; consideration of current and anticipated economic conditions and their potential effects on the emerging enterprises; and management's internal review of its investment portfolio. The Partnership capitalizes salaries and benefits directly related to services performed for the respective enterprises.

Fixed Assets - Fixed assets purchased or capitalized under leases are depreciated on the straight-line method over estimated useful lives of three to ten years.

Contributions - The Partnership records contributions at their realizable value when such contributions are made.

Income Taxes - The Partnership, in general, is exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. GOING CONCERN

The Partnership's viability as a going concern is dependent upon its ability to generate revenues from contributions, grants, service agreements or contracts. Longer term prospects are still uncertain; however, management intends to continue its aggressive efforts to secure additional funding from governmental and private sources.

3. FIXED ASSETS

Fixed assets consists of the following at June 30, 1997 and 1996:

	1997	1996
Furniture and equipment	$ 68,622	$ 67,610
Less accumulated depreciation	(64,477)	(63,031)
Fixed assets, net	$ 4,145	$ 4,579

4. RETIREMENT PLAN

Employees of the Partnership who have completed the required service period are eligible to participate in the Partnership's retirement plan. The contributions of the Partnership and its employees are applied to the purchase of retirement annuities on an individual basis. The Partnership's contributions to the plan were $15,945 during each of the years ended June 30, 1997 and 1996, and are included in salaries and benefits.

5. NEW ACCOUNTING PRONOUNCEMENTS

Effective July 1, 1996, the Partnership implemented SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 established standards for general-purpose financial statements provided by a not-for-profit organization and requires that resources be classified for accounting and reporting purposes into three categories of net assets according to externally imposed restrictions. The adoption of SFAS No. 117 had no material effect on the Partnership's financial statements.

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Partnership for Technology and Innovation (the Partnership) as of and for the year ended June 30, 1997, and have issued our report thereon dated August 15, 1997.

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.

The management of the Partnership is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Partnership for the year ended June 30, 1997 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Board of Trustees of the Partnership and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

August 15, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Partnership for Technology and Innovation (the Partnership) as of June 30, 1997 and for the year then ended, and have issued our report thereon dated August 15, 1997.

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.

Compliance with laws, regulations, contracts and grants applicable to the Partnership is the responsibility of the Partnership. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Partnership's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Trustees of the Partnership and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

August 15, 1997