Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in performing the audit. Management was very cooperative and gave us responsive assistance on all matters we brought to their attention.

Please call if you'd like to discuss any of these matters further, or if anything else comes to your attention. We hope that L.S.U. Medical Center Foundation has another successful year for fiscal June 1998 and look forward to working with you in the future.

This information is intended solely for the use of the Finance Committee of the Board of Directors, management of L.S.U. Medical Center Foundation and the Legislative Auditor of the State of Louisiana. This report is a matter of public record and its distribution is not limited.

Sincerely,

Laurence Holmes

For the Firm.

LH/df

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	Increase in Net Assets for the Year Ended June 30, 1997
Adjustments:	
1) Cumulative effect adjustment of the change in the method of accounting for investments (at July 1, 1996)	$ (234,882)
2) Correction of error in unconditional promises to give	255,471
3) Recording unrealized appreciation on investments at June 30, 1997	245,311
4) Reduction in accounts payable	120,241
5) Recording additional deposits in transit (accounts receivable)	33,590
6 Reduction in prepaid insurance	(3,895)
Total adjustments	415,836
Increase in net assets:	
Unadjusted per internal financial statements	5,680,196
Audited financial statements	$6,096,032

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Effective July 1, 1996, the Foundation adopted Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held By Not-For-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Foundation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

Management's estimate of the collectibility of accounts receivable and the allowance for doubtful accounts is based on past history and aging of the receivables. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Various anticipated general ledger corrections and year end adjustments were made, and the effect of these adjustments is not deemed material to the financial statements taken as a whole.

We proposed, and the Foundation recorded, several audit adjustments. The details are as follows:

Bourgeois Bennett

December 17, 1997

To the Finance Committee of the Board of Directors
L.S.U. Medical Center Foundation
New Orleans, Louisiana

Ladies and Gentlemen:

We have audited the financial statements of L.S.U. Medical Center Foundation for the year ended June 30, 1997 and have issued our report thereon dated October 9, 1997. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Audit Standards

Our audit was conducted 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 which requires that we plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As required, a separate letter has been issued on compliance and the internal controls over financial reporting.

As part of our audit, we considered the internal controls over financial reporting of L.S.U. Medical Center Foundation (the Foundation). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by L.S.U. Medical Center Foundation are described in notes to the financial statements.

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ACCOUNTS PAYABLE

Expenses of approximately $200,000 for a Professional Medical Education program related to a program held in fiscal June 1998 were recorded as accounts payable at June 30, 1997 in error. We recommend that items of this nature not be recorded as accounts payable because it should be set up as an asset (prepaid expense) and not an expense.

CASH

We noted that some of the outstanding checks on the June 30, 1997 bank reconciliation for the Hibernia National Bank account were over one year old at that date. We recommend that the Foundation develop a policy regarding old outstanding checks to either investigate the items and reissue replacement checks or to write the checks off when they are older than a prescribed limit, such as one year old.

This report is intended solely for the use of the Board of Directors and the management of L.S.U. Medical Center Foundation and should not be used for any other purpose.

Yours very truly,

Laurence LeCae

For the Firm.

LH/df

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Bourgeois Bennett

December 17, 1997

The Board of Directors
L.S.U. Medical Center Foundation
1600 Canal St., 10th Floor
New Orleans, LA 70112

We are pleased to compliment the Foundation on its continued growth and success. We have completed our audit of the financial statements of L.S.U. Medical Center Foundation for the year ended June 30, 1997, and have issued our report dated October 9, 1997. In planning and performing our audit, we considered the 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 were very pleased to note the significant improvements made in the accounting system subsequent to last year's audit. We noted that the accounts payable recording procedures were improved with no significant unrecorded liabilities and that adequate documentation was available for all transfers between fund accounts examined during the audit.

During the audit, several matters came to our attention that we feel are deserving of your attention:

ACCOUNTING FOR INVESTMENTS

We understand that the Foundation intends to segregate its investments into separate investment accounts with one holding investments related to the endowed accounts maintained under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, partially funded by State matching funds provided by the Board of Regents for Higher Education. As specific investments must be reported on the annual financial reports submitted to the Board of Regents, we recommend that each endowed chair and endowed professorship be designated with specific investments held in this investment account by indicating the account's title in each investment's description. Such designations were not made in all cases at June 30, 1997.

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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.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
October 9, 1997.

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

To the Board of Directors,
L. S. U. Medical Center Foundation,
New Orleans, Louisiana.

We have audited the financial statements of L. S. U. Medical Center Foundation as of and for the year ended June 30, 1997, and have issued our report thereon dated October 9, 1997. 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 L. S. U. Medical Center Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 L. S. U. Medical Center 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

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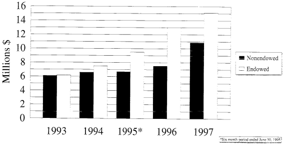
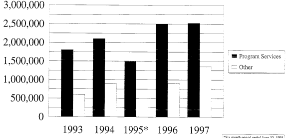
L. S. U. Medical Center Foundation

Net Assets (Not Including PME Program)



L. S. U. Medical Center Foundation

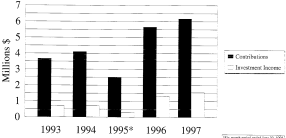
Expenses (Not Including PME Program)



*Six month period ended June 30, 1995

L. S. U. Medical Center Foundation

Contributions and Investment Income



*Six month period ended June 30, 1995

We also have previously audited, in accordance with generally accepted auditing standards, the balance sheets (statements of financial position) of L. S. U. Medical Center Foundation as of December 31, 1993 and 1994 and as of June 30, 1995 and 1996, and the related statements of support, revenues and expenses, and changes in fund balances (statements of activities) for each of the two years ended December 31, 1993 and 1994, six months ended June 30, 1995 and year ended June 30, 1996, (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information contained in the graphs presenting Contributions and Investment Income, Revenues and Expenses - PME program, Expenses (not including PME program), and Net Assets (not including PME program) as of and for the periods described above is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
October 9, 1997.

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors,
L. S. U. Medical Center Foundation,
New Orleans, Louisiana.

Our report on our audit of the basic financial statements of L. S. U. Medical Center Foundation for the year ended June 30, 1997, appears on page 1. That audit was made for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the graphs presenting Contributions and Investment Income, Revenues and Expenses - PME program, Expenses (not including PME program), and Net Assets (not including PME Program) as of and for the year ended June 1997 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.

The information contained in the graph of Contributions and Investment Income does not include program service fees revenue of the Professional Medical Education (PME) program, investment income relative to this program or realized and unrealized gains and losses on investments. The graph of Revenue and Expenses - PME Program contains information regarding program service fees revenue of the PME Program and program service expenses (excluding transfers to other accounts within the Foundation). The graph of Expenses does not include the program service expenses of the PME Program. The graph of Net Assets includes all nonendowed net assets, except the PME Program.

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Note 10 - RESTATEMENT OF NET ASSETS (Continued)

	Unrestricted Net Assets	Temporarily Restricted Net Assets
Balances at June 30, 1996, as previously reported	$1,467,527	$8,160,652
Correction of error	(330,946)	330,946
Balances at June 30, 1996, as restated	$1,136,581	$8,491,598

Note 9 - CONCENTRATION OF CREDIT RISK (Continued)

	Reconciled Balances	Total Account Balances Per Bank	Insured Limit	Excess
Hibernia National Bank: Operating Account and overnight Repurchase Agreement	$1,695,439	$2,367,061	$100,000	$2,267,061
First National Bank of Commerce	466,895	466,895	100,000	366,895
Marquis Investments, Inc. Treasury Money Fund	254,821	254,821	100,000	154,821
	$2,417,155	$3,088,777		$2,788,777

Note 10 - RESTATEMENT OF NET ASSETS

Net assets at June 30, 1996 have been restated for the effect of a misinterpretation of Louisiana state law relative to the restrictions on investment gains as described in Note 7. At that date, realized and unrealized gains were considered to be unrestricted and the Board of Directors designated $558,173 of the total gain of $837,254 for endowment purposes. Upon recalculation of the gain, $330,946 of the gain is allocable to endowment funds (permanently restricted net assets) and would have been reported as temporarily restricted net assets, designated for endowment purposes at June 30, 1996. There is no effect on the change in net assets for the year ended June 30, 1997, for this restatement. The effect on net assets at June 30, 1996 is as follows:

Note 7 - INVESTMENTS (Continued)

The Foundation holds its investments in one combined investment pool to maximize management efficiency, diversification, and earnings potential. None of the investments in the pool are specifically identified to specific purposes or activities, except for the Eminent Scholars Endowed Chairs and Endowed Professorships programs which benefit specific departments of the Medical Center. These programs were partially funded through the Louisiana Board of Regents for Higher Education.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The temporarily restricted revenue which is unexpended at June 30, 1997 is included in temporarily restricted net assets, which are designated for endowment purposes (Note 4).

Note 8 - LEASE

The Foundation leases office space under agreements accounted for as operating leases. Future lease payments due for the year ending June 30, 1998 total $37,230.

Total rent expense for the year ended June 30, 1997 was $60,019.

Note 9 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash accounts in three financial institutions where the balances are insured by Federal Deposit Insurance Corporation up to $100,000 per bank or up to $500,000 for balances at investment brokerage firms (with a limit of $100,000 for cash) by the Securities Investor Protection Corporation. At June 30, 1997, The Foundation had $2,788,777 in excess of the insured limits, comprised of balances maintained at the following institutions:

Note 7 - INVESTMENTS (Continued)

The following tabulation summarizes the relationship between market value and cost of investments:

	Estimated Market Value	Cost	Excess (Deficiency) of Market Value over Cost
Balances at June 30, 1997	$25,202,364	$23,903,866	$1,298,498
Balances at June 30, 1996	$20,105,809	$20,340,691	(234,882)
Change in unrealized appreciation			1,533,380
Net realized loss on sales of investments during the year ended June 30, 1997			(200,256)
Total net gain for the year			$1,333,124

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are treated as principal and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgement of the Board of Directors after considering the long and short term needs of the Medical Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulated that realized and unrealized investment gains could not be spent on the restricted purpose for which a fund was originated, then such gain would be added to investment principal and not be expendable in the future. No such stipulations are present at June 30, 1997.

Note 6 - CHANGE IN METHOD OF ACCOUNTING FOR INVESTMENTS

In prior years, the Foundation recorded investments in marketable securities at cost. Effective July 1, 1996, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. As permitted by SFAS No. 124, the Foundation has applied the provisions of this new statement by reflecting the cumulative effect of the change, amounting to a loss of $234,882, in the statement of activities. The adjustment represents unrealized losses on investments as of July 1, 1996 that had not previously been recognized in the financial statements. Assuming this new statement had been applied retroactively, the Foundation's increase in net assets for the year ended June 30, 1997 would have been $6,330,914.

Note 7 - INVESTMENTS

Investments at June 30, 1997 consist of the following:

	Estimated Market Value	Cost
U.S. Government Agency mortgage-backed securities	$ 7,768,086	$ 7,816,369
U.S. Government Agency discount notes	2,057,565	2,040,551
U.S. Government Agency bonds	7,377,295	7,348,741
Corporate bonds and notes	1,408,615	1,397,526
Mutual funds	6,488,317	5,200,248
Municipal bonds	102,487	100,431
Totals	$25,202,364	$23,903,866

Note 3 - RESTRICTIONS ON ASSETS (Continued)

Permanently restricted net assets consist of endowment fund investments to be held indefinitely and unconditional promises to give. The income from endowment investments is expendable for specific program services as temporarily restricted net assets.

During the year ended June 30, 1997, various transfers were made from unrestricted and temporarily restricted net assets to permanently restricted net assets by department heads and fund account managers to fund permanent endowments within the Foundation.

Note 4 - DESIGNATED NET ASSETS

Portions of unrestricted net assets and temporarily restricted net assets have been designated by the Foundation's Board of Directors for endowment purposes. These portions of net assets which are expendable for unrestricted or donor-imposed restricted purposes will be treated as if they are permanent endowment funds which create a permanent source of income for the Foundation.

Note 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of the following:

Permanently restricted purposes	$ 849,328
Less unamortized discount	(107,375)
Net unconditional promises to give	$ 741,953
Amount due in:	
Less than one year	$439,978
One to five years	293,350
Over five years	116,000
Total	$849,328

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

k) Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

l) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the Medical Center. The Foundation conducts numerous program services including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, less an allowance for uncollectible amounts. The allowance is based on experience and management's analysis of specific promises made. Management estimates that all promises at June 30, 1997 are collectible.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

g) Office Furnishings

Costs of office furnishings and equipment are consistently charged to expense because the Foundation does not consider such amounts to be sufficiently material to warrant capitalization and depreciation. The cost of equipment which is classified as program services expense is not capitalized by the Foundation because this equipment is owned and used by departments of L. S. U. Medical Center.

h) Program Service Fees Revenue

The Foundation operated a Professional Medical Education program (PME). Various educational seminars, correspondence courses, etc. were conducted for the benefit of the teaching physicians of L. S. U. Medical Center and other physicians interested in the programs. Registration fees were received from physicians participating in the program in some instances, and in others, corporations helped underwrite the costs of the programs through sponsorships. Registration fees and corporate sponsorships are reported as program service fees revenue.

i) Expense Allocation

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

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b) Basis of Presentation (Continued)

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. The Board of Directors has designated a portion of the temporarily restricted net assets for specific purposes described in Note 4.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Foundation's programs.

c) 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 disclosures. Accordingly, actual results could differ from those estimates.

d) Investments

Investments are carried at approximate current market value and realized and unrealized gains and losses are reflected in the statement of activities. See Note 6 for an explanation of the change in the method of accounting for investments.

e) Contributions

Contributions 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 a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

NOTES TO FINANCIAL STATEMENTS

L. S. U. Medical Center Foundation
New Orleans, Louisiana

June 30, 1997

Note 1 - NATURE OF ACTIVITIES

L. S. U. Medical Center Foundation (the Foundation) supports the activities of L. S. U. Medical Center (the Medical Center). The Foundation's activities and purpose include scientific and research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the Medical Center. The organization is supported primarily through donor contributions, including corporate and government grants.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues, and expenses are classified based on 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. The Board of Directors has designated a portion of unrestricted net assets for specific purposes as described in Note 4.

STATEMENT OF CASH FLOWS

L. S. U. Medical Center Foundation
New Orleans, Louisiana

For the year ended June 30, 1997

Cash Flows From Operating Activities	
Increase in net assets	$ 6,096,032
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Cumulative effect on prior years of a change in the method of accounting for investments	234,882
Unrealized gain on investments	(1,533,380)
Loss on sale of investments	200,256
Changes in operating assets and liabilities:	
Increase in interest receivable	(60,370)
Decrease in prepaid expenses and other receivables	12,997
Increase in accounts payable and accrued expenses	97,960
Contributions permanently restricted by donors	(2,669,899)
Net cash provided by operating activities	2,378,478
Cash Flows From Investing Activities	
Purchases of investments	(17,702,066)
Proceeds from maturities of investments	13,938,634
Net cash used in investing activities	(3,763,432)
Cash Flows From Financing Activities	
Collections of permanent endowment support	2,414,087
Net Increase In Cash And Cash Equivalents	1,029,133
Cash And Cash Equivalents	
Beginning of year	1,388,022
End of year	$ 2,417,155

See notes to financial statements.

Exhibit C

STATEMENT OF FUNCTIONAL EXPENSES

L. S. U. Medical Center Foundation
New Orleans, Louisiana

For the year ended June 30, 1997

	Program Services - Scientific, Research and Educational Enhancement of L. S. U. Medical Center	Supporting Services		
		General and Administrative	Development	Total
Salaries and benefits	$ 957,557	$ 257,682	$ 267,027	$ 1,482,266
Salary supplemental payments	88,971	25,068		114,039
Community support	131,145	8,100		139,245
Conferences, meetings, and other travel	475,766	23,598		499,364
Dues and subscriptions	136,452	35,139		171,591
Equipment purchases	94,781	12,276		107,057
Honoraria	162,926			162,926
Miscellaneous	92,282	8,935		101,217
Occupancy	23,440	36,579		60,019
Postage and shipping	90,434	139	18,769	109,342
Printing and publications	304,110	53,063	15,725	372,898
Professional fees and contract service payments	486,657	121,143	67,227	675,027
Promotional expenses and official functions	307,240	17,701	329,593	654,534
Scholarships	62,025	7,100		69,125
Site costs for educational programs	2,821,078			2,821,078
Subcontract services for educational programs	2,065,159			2,065,159
Supplies	240,754	10,918	37,025	288,697
Totals	$ 8,540,777	$ 617,441	$ 735,366	$ 9,893,584

See notes to financial statements.

STATEMENT OF ACTIVITIES

L. S. U. Medical Center Foundation
New Orleans, Louisiana

For the year ended June 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Contributions	$ 382,088	$ 3,116,857	$ 2,669,899	$ 6,168,844
Program service fees		7,133,785		7,133,785
Investment income		1,588,745		1,588,745
Net realized and unrealized gains on investments	609,595	723,529		1,333,124
Net assets released from restrictions:				
Investment income	333,888	(333,888)		
Program restrictions satisfied by payments	8,848,037	(8,848,037)		
Service fees and new deposit fees	268,974	(268,974)		
Required transfers		(22,948)	22,948	
Designated for endowment purposes	434,972	(434,972)		
Total revenues and other support	10,877,554	2,654,097	2,692,847	16,224,498
Expenses				
Program services	8,540,777			8,540,777
General and administrative	617,441			617,441
Development	735,366			735,366
Total expenses	9,893,584			9,893,584
Increase in net assets before cumulative effect of a change in accounting principle	983,970	2,654,097	2,692,847	6,330,914
Cumulative effect on prior years of a change in the method of accounting for investments	(142,172)	(92,710)		(234,882)
Increase in Net Assets	841,798	2,561,387	2,692,847	6,096,032
Net Assets				
Beginning of year, as restated	1,136,581	8,491,598	12,404,692	22,032,871
End of year	$ 1,978,379	$ 11,052,985	$ 15,097,539	$ 28,128,903

See notes to financial statements.

STATEMENT OF FINANCIAL POSITION

L. S. U. Medical Center Foundation

New Orleans, Louisiana

June 30, 1997

Assets	
Cash and cash equivalents	$ 2,417,155
Interest receivable	204,052
Prepaid expenses and other receivables	7,059
Investments	25,202,364
Unconditional promises to give, net	741,953
Total assets	$ 28,572,583
Liabilities	
Accounts payable and accrued expenses	$ 443,680
Net Assets	
Unrestricted	
Designated for endowment purposes	1,474,549
Undesignated	503,830
Total unrestricted net assets	1,978,379
Temporarily restricted	
Designated for endowment purposes	961,767
Undesignated	10,091,218
Total temporarily restricted net assets	11,052,985
Permanently restricted	15,097,539
Total net assets	28,128,903
Total liabilities and net assets	$ 28,572,583

See notes to financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated October 9, 1997 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, contracts and grants.

As discussed in Note 6 to the financial statements, on July 1, 1996, L. S. U. Medical Center Foundation changed its method of accounting for investments.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
October 9, 1997.

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
L. S. U. Medical Center Foundation,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of L. S. U. Medical Center Foundation (the Foundation) as of June 30, 1997, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 L. S. U. Medical Center Foundation as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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TABLE OF CONTENTS

L. S. U. Medical Center Foundation
New Orleans, Louisiana

June 30, 1997

5497

Financial Report

L. S. U. Medical Center Foundation

June 30, 1997