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L.S.U. FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 1967 AND 1966

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 2-25-98

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Postlethwaite & Natterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

8800 STATE PLAZA, SUITE 300 • BAYTOWN, LOUISIANA 70017 • TELEPHONE (504) 863-6600 • FAX (504) 863-6601

INDEPENDENT AUDITORS' REPORT

The Board of Directors
L.S.U. Foundation
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of the L.S.U. Foundation, as of June 30, 1997 and 1996, 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the L.S.U. Foundation as of June 30, 1997 and 1996, and the changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As explained in Note 12 to the financial statements, the Foundation changed its method of accounting for investments for the fiscal year ended June 30, 1997, as prescribed in SFAS 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations".

Postlethwaite & Natterville

Baton Rouge, Louisiana
October 26, 1997

**L. S. J. FOUNDATION
NATION SCHOOL, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1987 AND 1986**

ASSETS

	<u>1987</u>	<u>1986</u>
ASSETS		
Cash and equivalents	\$ 9,003,217	\$ 6,500,134
Accounts receivable	28,605	88,511
Accrued interest receivable	776,588	658,585
Unconditional promises to give	14,796,398	3,258,134
Investments	47,604,496	22,004,817
Pooled income investment trust	182,829	182,815
Investments - long term	74,941,389	71,260,879
Property and equipment, net	517,583	506,814
Arnsack and other non-depreciables	<u>1,418,183</u>	<u>1,333,861</u>
Total Assets	\$ 148,552,547	\$ 184,798,730

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 862,680	\$ 576,477
Funds held in custody	23,596,183	18,748,264
Capital lease payable	-	8,689
Total Liabilities	<u>24,458,863</u>	<u>24,333,430</u>
NET ASSETS		
Unrestricted	3,448,690	1,288,174
Temporarily restricted	48,858,176	56,142,156
Permanently restricted	<u>74,582,813</u>	<u>54,889,180</u>
Total Net Assets	<u>126,889,679</u>	<u>112,319,510</u>
Total Liabilities and Net Assets	\$ 148,552,547	\$ 184,798,730

The accompanying notes are an integral part of these statements.

**L. B. J. FOUNDATION
BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1997 AND 1996**

	1997			Total ...
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 382,189	\$ 4,521,851	\$ 28,182,953	\$ 33,087,013
Investment earnings	261,881	14,731,434	399,672	15,393,009
Service fees	721,873	-	-	721,873
Net assets released from restrictions:				
Satisfaction of program expenses	(1,762,131)	(1,762,131)	-	-
Total Revenue and Support	6,114,188	11,491,154	28,482,625	46,118,177
EXPENSES				
Grants paid to benefit Louisiana State University for:				
Projects specified by donors	3,643,591	-	-	3,643,591
Projects specified by the Board of Directors	153,585	-	-	327,497
Total program expenses	3,801,095	-	-	4,128,588
Supporting services:				
Salaries and benefits	179,387	-	-	375,187
Compassy	48,190	-	-	49,798
Office operations	96,761	-	-	96,761
Travel	26,897	-	-	26,897
Professional services	33,266	-	-	33,266
Dues and subscriptions	3,313	-	-	3,313
Meetings and development	26,322	-	-	26,322
Depreciation	182,118	-	-	182,118
Total supporting services	980,724	-	-	980,724
Total Expenses	4,781,819	-	-	4,781,819

The accompanying notes are an integral part of these statements.

1995			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 317,000	\$ 4,899,535	\$ 1,118,188	\$ 11,534,751
245,558	4,814,562	72,028	4,952,148
858,903	-	-	858,903
<u>1,421,461</u>	<u>1,421,461</u>	<u>-</u>	<u>-</u>
<u>6,866,081</u>	<u>3,880,485</u>	<u>1,059,226</u>	<u>11,122,812</u>
5,492,172	-	-	5,492,172
<u>399,632</u>	<u>-</u>	<u>-</u>	<u>399,632</u>
<u>5,891,824</u>	<u>-</u>	<u>-</u>	<u>5,891,824</u>
562,688	-	-	562,688
27,282	-	-	27,282
53,691	-	-	53,691
11,681	-	-	11,681
33,179	-	-	33,179
3,185	-	-	3,185
23,479	-	-	23,479
<u>167,865</u>	<u>-</u>	<u>-</u>	<u>167,865</u>
<u>888,788</u>	<u>-</u>	<u>-</u>	<u>888,788</u>
<u>6,780,112</u>	<u>-</u>	<u>-</u>	<u>6,780,112</u>

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1991 AND 1992

	1991			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ 2,148,808	\$ 11,491,154	\$ 20,493,623	\$ 34,133,585
CUMULATIVE EFFECT ON PRIOR YEARS OF A CHANGE IN METHOD OF ACCOUNTING FOR INVESTMENTS	5,883	8,688,299	-	8,694,182
CHANGE IN NET ASSETS	2,154,691	11,500,453	20,493,623	44,148,767
NET ASSETS, BEGINNING OF YEAR	1,208,279	20,362,730	51,889,188	\$ 73,460,197
NET ASSETS, END OF YEAR	\$ 3,362,970	\$ 48,862,983	\$ 72,382,811	\$ 124,608,764

The accompanying notes are an integral part of these statements.

Unrestricted	1996		Total
	Temporarily Restricted	Permanently Restricted	
\$ 100,979	\$ 1,081,485	\$ 7,199,236	\$ 10,375,700
100,979	1,081,485	7,199,236	10,375,700
<u>1,184,808</u>	<u>22,081,243</u>	<u>46,898,912</u>	<u>70,064,963</u>
<u>\$ 1,285,787</u>	<u>\$ 23,162,728</u>	<u>\$ 54,098,148</u>	<u>\$ 85,466,663</u>

L.S.U. FOUNDATION
BATON, ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
YEARS ENDED 8/31/13, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 4,818,065	\$ 4,288,194
Interest and dividends received	5,261,088	4,962,079
Grants paid to benefit Louisiana State University	(5,743,781)	(5,812,028)
Cash paid for supporting services	(788,528)	(712,825)
Net Cash Provided by Operating Activities	<u>3,681,322</u>	<u>3,825,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(221,127)	(167,125)
Purchases of investments	(24,923,479)	(13,788,834)
Proceeds from sales and maturities of investments	12,346,268	6,171,562
Proceeds from sales of property and equipment	-	1,263
Net Cash Used by Investing Activities	<u>(12,798,366)</u>	<u>(7,783,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in endowment	9,425,841	5,238,832
Other financing activities:		
Principal payments on capital lease	(8,889)	(25,184)
Investment earnings restricted for reinvestment	798,176	72,028
Income in funds held in custody (net)	1,838,922	2,908,795
Net Cash Provided by Financing Activities	<u>11,668,050</u>	<u>7,982,511</u>
NET INCREASE IN CASH	<u>2,548,146</u>	<u>3,221,646</u>
CASH AT BEGINNING OF YEAR	<u>6,203,124</u>	<u>2,981,478</u>
CASH AT END OF YEAR	<u>\$ 8,751,270</u>	<u>\$ 6,203,124</u>

The accompanying notes are an integral part of these statements.

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

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

	<u>1997</u>	<u>1996</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 48,629,982	\$ 18,375,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	£ 8,096,179	-
Unrealized gain on investments	£ 8,999,723	-
Depreciation	183,118	187,461
Write-off of premium to gift	788,080	-
Amortization of bond premiums and discounts	£ 86,586	£ 13,794
Gain on sale of investments	£ 211,974	-
Contributions restricted for long-term use	£ 9,425,941	£ 3,298,872
Investment earnings restricted for long-term use	£ 398,156	£ 72,024
Non-cash donations	£ 268,790	£ 617,889
Distributions from pooled income investment trust	-	306,941
Changes in:		
Accounts receivable	59,836	£ 37,601
Accrued interest	£ 128,887	£ 34,785
Unconditional promises to give	£ 11,817,288	£ 1,887,756
Accounts payable	<u>389,812</u>	<u>68,799</u>
Net Cash Provided by Operating Activities	<u>\$ 69,137,372</u>	<u>\$ 28,225,397</u>

The accompanying notes are an integral part of these statements.

**L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies and Provisions

a. Organization and Purpose

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

b. 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.

c. 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 restricted 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.

d. Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, deferred liabilities, or expenses depending on the form of the benefits received. Promises to give are reported 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.

e. 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 depreciable assets on a straight line basis. Indestructible assets, such as art and book collections, are not depreciated.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Significant Accounting Policies and Presentation (continued)

f. Investments

Investments are stated at market value. Investment income is reported as either unrestricted or restricted depending on donor stipulations. All investment gains are reported in the same manner.

g. Non-monetary Transactions

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

h. 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.

i. Grant Commitments

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

j. 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 these estimates.

k. Fair Values of Financial Instruments

The Foundation's financial instruments, including 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, 1997 and 1996, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement 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 portion of unconditional promises to give represent approximate fair values because of the short maturities of these instruments.

**L. S. J. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO 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 market value. Investments received as gifts are initially recorded at market value at the date of donation. Realized gains and losses on sales of investments are determined using specific identification.

Investments at June 30, 1997, are comprised of the following:

	<u>1997</u> Estimated Market Value
Certificates of deposit	\$ 1,030,849
U. S. Government obligations	16,575,344
Corporate obligations	75,068
Corporate stocks and common stock index mutual funds	47,433,747
Mortgage-backed securities and CMOs	55,618,199
Land	1,869,177
Notes receivable	<u>18,175</u>
	<u>\$121,810,579</u>

Investment earnings are comprised of the following for fiscal 1997:

Interest income	\$ 5,872,293
Realized gain on sale of investments	210,978
Unrealized gain on investments	<u>9,499,212</u>
	<u>\$15,582,483</u>

**L. S. U. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

3. Investments (continued)

The book values, estimated market values and unrealized gains and losses on investments were as follows at June 30, 1996:

	1996			
	Amortized Cost/Carrying Value	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Market Value
Certificates of deposit	\$ 1,043,868	-	-	1,043,868
U. S. Government obligations	19,188,000	404,790	(148,405)	19,444,185
Corporate obligations	75,983	-	(1,620)	74,363
Corporate stocks and common stock index mutual funds	26,832,696	8,294,218	(8,888)	34,998,026
Mortgage-backed securities and CDOs	63,834,024	237,753	(2,782,536)	61,289,141
Land	1,865,137	-	-	1,865,137
Notes receivable	18,135	-	-	18,135
	<u>\$ 83,794,833</u>	<u>\$ 8,946,761</u>	<u>(3,450,578)</u>	<u>\$ 89,291,016</u>

4. Property and Equipment

A summary of plant and equipment at June 30 follows:

	1997	1996
Computers	\$ 488,313	\$ 382,879
Furniture and equipment	777,884	682,564
Buildings	61,381	81,381
Land improvements	48,114	37,287
Land	<u>68,864</u>	<u>65,184</u>
	1,368,654	1,209,291
Less: Accumulated depreciation	<u>(800,180)</u>	<u>(678,082)</u>
	<u>\$ 568,474</u>	<u>\$ 531,209</u>

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

**L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

3. 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:

	1997	1996
L.S.U. Alumni Association	\$ 100,799	\$ 100,799
L.S.U. - Alexandria Foundation	5,047,005	4,960,079
L.S.U. - Hunter Foundation	710,402	675,677
State Matching Funds Managed for Louisiana State University	15,717,657	14,546,779
	\$ 21,586,163	\$ 18,783,265

4. Pooled Income Investment Trust

The pooled income investment trust consists of the principal amounts of 10% income gifts, in which the donor has reserved the right in 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.

5. 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 \$20,808 and \$11,828 for the years ended June 30, 1997 and 1996, respectively.

6. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring the following expenses satisfying the restricted purposes or by occurrence of other events specified by the donors for the years ended June 30, 1997 and 1996:

	1997	1996
Chairs and professorships	\$ 1,200,293	\$ 1,200,219
Scholarships and fellowships	995,128	1,057,424
Academic support	3,099,798	1,643,672
Research support	441,461	352,514
Capital projects	2,873,451	2,348,469
	\$ 7,762,131	\$ 6,602,298



**L. S. U. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

9. Net Assets

Temporarily restricted net assets at June 30, 1997, are available for grants to support Louisiana State University in the following general areas:

Chairs and professorships	\$ 18,395,262
Scholarships and fellowships	8,016,141
Specific academic and research projects	18,793,658
Academic support	6,189,483
Capital outlay and improvements	2,718,482
Research support	<u>1,512,148</u>
	\$ 49,435,174

Permanently restricted net assets at June 30, 1997, are restricted to investment in perpetuity, the income from which is expendable to support the activities below:

Chairs and professorships	\$ 42,753,271
Scholarships and fellowships	15,123,023
Specific academic and research projects	7,896,218
Academic support	4,671,840
Capital outlay and improvements	1,070,407
Research support	216,121
Institutional support	<u>2,891,792</u>
	\$ 74,593,672

10. Board-Designated Endowments

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

	1997		1996	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Board-designated endowed funds	\$ 718,282	\$ 7,812,679	\$ 115,841	\$ 6,402,091

**L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

11. Unconditional Promises to Give

Unconditional promises to give as June 30, 1997 and 1996, are as follows:

	1997	1996
Promises to give expected to be collected in:		
Less than one year	\$ 5,304,593	\$ 1,793,179
One to five years	1,236,000	1,448,000
More than five years	12,006,764	12,006,764
	18,547,357	15,247,943
Less discount on promises to give	(3,830,748)	-----
Net unconditional promises to give	\$ 14,716,609	\$ 15,247,943

During fiscal 1997 the Foundation determined that a promise to give was uncollectible in the amount of \$780,000 and reduced endowed contributions for that amount. Additionally, promises to give with carrying value of \$18,708,764 were received from three individuals during the year ended June 30, 1997.

12. Cumulative Effect of Change in Accounting Principle

Effective July 1, 1996, the Foundation adopted SFAS No. 124 "Accounting for Certain Investments Held by Non-Fo-Profit Organizations". As a result of this change, the Foundation was required to record debt and equity securities at their respective fair values. The cumulative effect of this change in accounting was \$6,496,175 increase in investments at the beginning of the year.