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Financial Report

*The Foundation for the
L. S. U. Health Sciences Center*

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the notified, or interested, entity and other appropriate public officials. The report is available for public inspection at the Texas State office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AS 8 8 99

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The Foundation for the L. S. U. Health Sciences Center New Orleans, Louisiana

June 30, 1999

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New Orleans, Louisiana**

June 30, 1999

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FINANCIAL SECTION

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 1999 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bourgeois Bennett, LLC.

Certified Public Accountants

New Orleans, La.,
September 29, 1999.

STATEMENTS OF FINANCIAL POSITION

The Foundation for the L.S.U. Health Sciences Center
New Orleans, LouisianaJune 30, 1999
(with comparative totals for 1998)

ASSETS

	1999	1998
Assets		
Cash and cash equivalents	\$ 1,583,208	\$ 1,891,606
Interest receivable	367,093	290,624
Prepaid expenses and other receivables	10,952	7,899
Investments	37,724,129	32,649,199
Unconditional promises to give, net	1,244,349	1,823,438
Receivable from the Succession of Carl and Beulah Baldrige	-	1,488,254
Total assets	\$40,929,731	\$37,288,200

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 312,977	\$ 653,515
Net Assets		
Unrestricted		
Designated for endowment purposes	3,325,361	1,825,378
Undesignated	388,446	733,852
Total unrestricted net assets	3,713,807	2,559,230
Temporarily restricted		
Designated for endowment purposes	681,014	681,004
Undesignated	9,306,245	9,718,713
Total temporarily restricted net assets	9,987,259	10,399,717
Permanently restricted	37,209,668	23,675,928
Total net assets	40,616,754	36,624,685
Total liabilities and net assets	\$40,929,731	\$37,288,200

See notes to financial statements.

STATEMENTS OF ACTIVITIES

The Foundation for the LSU Health Sciences Center
New Orleans, LouisianaFor the year ended June 30, 1998
(with comparative totals for 1997)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 1997	Total 1998
Revenue and Other Support					
Contributions	\$ 397,654	\$ 4,414,988	\$ 1,328,120	\$ 6,140,762	\$ 5,478,973
Program service fees		1,639,654		1,639,654	2,048,269
Interest income		1,619,190		1,619,191	1,328,333
Net realized and unrealized gains on investments	61,318	1,113,988		1,175,306	1,188,263
Request from the Succession of Carl and Dorothy Redbridge					1,418,254
Net assets released from restrictions:					
Investment income	317,214	(317,214)			
Program restrictions satisfied by payments	6,832,839	(6,832,839)			
Service fees and new deposit fees	393,127	(393,127)	849,266		
Required transfers, Designated for endowment programs	472,318	(472,318)			
Total revenue and other support	8,479,222	142,988	4,346,791	12,798,609	16,652,084
Expenses					
Program services	6,473,541			6,473,541	6,338,596
Capital and administrative	836,812			836,812	834,021
Development	889,890			889,891	773,493
Transfer to Shreveport Foundation		367,863	218,021	585,184	
Total expenses	8,210,443	367,863	228,021	8,816,527	8,146,113
Increase (Decrease) in Net Assets	277,779	(829,478)	4,118,770	3,982,068	8,505,971
Net Assets					
Beginning of year	3,039,836	16,999,217	21,475,938	36,614,691	38,118,903
End of year	\$3,317,615	\$ 16,169,739	\$ 21,869,698	\$ 36,614,691	\$ 46,624,874

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

The Foundation for the L.S.U. Health Sciences Center
New Orleans, LouisianaFor the year ended June 30, 1999
(with comparative totals for 1998)

	Program Services - Scientific, Research and Educational Enhancements of L. S. U. Health Sciences Center	Supporting Services		Total	
		General and Administrative	Development	1999	1998
Salaries and benefits	\$ 466,888	\$ 254,287	\$ 338,545	\$1,250,720	\$2,185,278
Salary supplemental payments	1,296,704	41,471		1,298,235	468,381
Community support	419,988	26,789		433,668	75,287
Conferences, meetings, and other travel	563,191	24,229		588,410	534,088
Books and subscriptions	219,466	33,185		233,651	278,490
Equipment purchases	514,907	12,787		551,704	332,827
Honoria	138,017	1,150		121,367	108,885
Materials	85,782			85,782	93,140
Occupancy	13,983	32,873		36,278	62,447
Postage and shipping	114,360	33,346		157,676	98,896
Printing and publications	416,127	48,334		483,471	491,409
Professional fees and contract service payments	955,734	99,545		1,051,279	798,817
Promotional expenses and official functions	219,348	67,120	159,348	715,816	668,995
Scholarships	61,926	7,800		68,826	112,166
Site costs for educational programs	258,721			258,721	662,420
Subcontract services for educational programs	147,413			147,413	972,596
Supplies	415,234	88,825		324,189	315,090
Totals	\$6,473,541	\$ 858,012	\$ 689,893	\$8,221,446	\$8,546,313

See notes to financial statements.

STATEMENTS OF CASH FLOWS

The Foundation for the L.S.U. Health Sciences Center
New Orleans, Louisiana

For the year ended June 30, 1999
(with comparative totals for 1998)

	1999	1998
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,982,069	\$ 8,505,382
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Realized and unrealized gains on investments	(1,175,306)	(1,280,285)
Changes in operating assets and liabilities:		
Increase in interest receivable	(76,468)	(88,572)
Increase in prepaid expenses	(3,894)	
Increase (decrease) in accounts payable and accrued expenses	(340,538)	208,835
Contributions permanently restricted by donors	(3,530,525)	(6,180,107)
Net cash provided by (used in) operating activities	(1,134,662)	1,165,675
Cash Flows From Investing Activities		
Purchases of investments	(25,005,493)	(27,764,018)
Proceeds from sales and maturities of investments	25,105,869	21,969,448
Net cash used in investing activities	(3,899,624)	(6,166,570)
Cash Flows From Financing Activities		
Collections of permanent endowment support	4,217,888	4,483,348
Net Increase in Cash And Cash Equivalents	(316,398)	(517,540)
Cash And Cash Equivalents		
Beginning of year	1,899,698	2,417,155
End of year	\$ 1,583,298	\$ 1,899,615

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**The Foundation For The
L. S. U. Health Sciences Center
New Orleans, Louisiana**

June 30, 1999

Note 1 - NATURE OF ACTIVITIES

The Foundation for the L. S. U. Health Sciences Center (the Foundation) formerly named L.S.U. Medical Center Foundation supports the activities of the L. S. U. Health Science 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 L.S.U. Health Sciences 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 Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Non-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 described in Note 4.

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 will be met either by actions of the Foundation and/or the passage of time. The Board of Directors has designated a portion of its 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.

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.

Note 1. 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's estimate for the allowance of uncollectible promises to give at June 30, 1999 and 1998 were \$99,500 and \$268,733, respectively.

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 the L. S. U. Health Sciences Center.

h) Program Service Fees Revenue

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Expense Allocation

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

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 509(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 Ernest Scholtes 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 L.S.U. Health Sciences 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.

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.

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 at June 30, 1999 and 1998 consists of the following:

	1999	1998
Permanently restricted purposes	\$1,669,000	\$1,547,762
Less unamortized discount	(323,151)	(255,571)
Less allowance for uncollectible balances	(88,500)	(268,733)
Net unconditional promises to give	<u>\$1,257,349</u>	<u>\$1,023,458</u>

Note 5 - UNCONDITIONAL PROMISES TO GIVE (Continued)

	<u>1999</u>	<u>1998</u>
Amount due in:		
Less than one year	\$ 379,164	\$ 492,612
One to five years	754,806	583,150
Over five years	<u>533,000</u>	<u>472,000</u>
Total	<u>\$1,666,970</u>	<u>\$1,547,762</u>

Note 6 - INVESTMENTS

Investments at June 30, 1999 consist of the following:

	<u>Estimated Market Value</u>	<u>Cost</u>
U.S. Government Agency mortgage-backed securities	\$ 2,635,445	\$ 2,473,082
U.S. Government Agency bonds and notes	8,466,175	6,873,372
Corporate bonds and notes	4,649,165	4,724,409
Mutual funds	16,584,024	15,051,168
Municipal bonds	7,273,269	7,528,675
Certificate of deposit	<u>117,051</u>	<u>117,051</u>
Totals	<u>\$32,724,129</u>	<u>\$26,767,757</u>

Investments at June 30, 1998 consist of the following:

	<u>Estimated Market Value</u>	<u>Cost</u>
U.S. Government Agency mortgage-backed securities	\$ 5,408,064	\$ 5,356,367
U.S. Government Agency bonds and notes	8,632,732	8,548,831
Corporate bonds and notes	3,143,273	3,076,824
Mutual funds	10,464,213	10,324,317
Municipal bonds	<u>5,036,017</u>	<u>4,985,848</u>
Totals	<u>\$32,684,299</u>	<u>\$32,292,187</u>

Note 6 - INVESTMENTS (Continued)

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 appreciations in value may be expended for the purposes designated by the donor if it is prudent in the judgement of the Board of Directors after considering the long and short term needs of the L. S. U. Health Sciences 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, 1999.

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.

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 revenues, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenues, because it could be expended on the restricted purposes of the endowments in subsequent periods.

Note 7 - LEASE

The Foundation leases office space under agreements accounted for as operating leases on a month-to-month basis.

Total rent expense for the year ended June 30, 1999 was \$36,776.

Note E - 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 and by the Securities Investor Protection Association up to \$100,000 per investment brokerage firm. At June 30, 1998, The Foundation had \$1,395,424 in excess of the insured limits, comprised of balances maintained at the following institutions:

	<u>Reconciled Balances</u>	<u>Total Account Balances Per Bank</u>	<u>Insured Limit</u>	<u>Excess</u>
Hibernia National Bank:				
Operating Account and overnight Repurchase Agreement	\$ 793,267	\$1,411,374	\$100,000	\$1,311,374
Charles Schwab	891	891	100,000	-
SEI Investments:				
Cash and cash equivalents	<u>784,050</u>	<u>784,050</u>	100,000	<u>684,050</u>
	<u>\$1,582,208</u>	<u>\$2,196,315</u>		<u>\$1,395,424</u>

Note F - TRANSFER TO SHREVEPORT FOUNDATION

On October 28, 1998, the Foundation transferred \$595,104 to LSUMC Shreveport Foundation. This transfer was used for the initial funding of this separate entity, and included two endowed accounts and various restricted accounts.

SUPPLEMENTAL INFORMATION



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors,
The Foundation for the L. S. U. Health Sciences Center,
New Orleans, Louisiana.

Our report on our audit of the basic financial statements of The Foundation for the L. S. U. Health Sciences Center for the year ended June 30, 1999, 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, Revenue and Expenses - PME program, Expenses (not including PME program), and Net Assets (not including PME Program) as of and for the year ended June 1999 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.

We also have previously audited, in accordance with generally accepted auditing standards, the statements of financial position of the Foundation for the L. S. U. Health Sciences Center as of June 30, 1995, 1996, 1997 and 1998, and the related statements of activities for the six months ended June 30, 1995 and the years ended June 30, 1996, 1997 and 1998 (none of which is presented herein), and we expressed unqualified opinions on these financial statements. In our opinion, the information contained in the graphs presenting Contributions and Investment Income, Revenues and Expenses - PHLI program, Expenses (not including PHLI program), and Net Assets (not including PHLI 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.

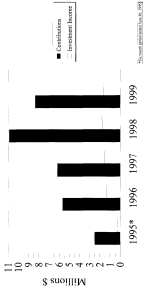
Bougie & Bennett, L.L.C.

Certified Public Accountants

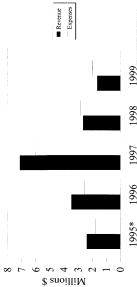
New Orleans, La.,
September 29, 1998.

The Foundation for the L. S. U. Health Sciences Center

Contributions and Investment Income



The Foundation for the L. S. U. Health Sciences Center Revenue and Expenses - PME Program



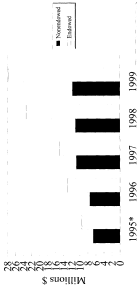
*This month period ended June 30, 1995

The Foundation for the L. S. U. Health Sciences Center Expenses (Not Including PME Program)



*1995 amount partial fiscal year (10/1/94)

The Foundation for the L. S. U. Health Sciences Center Net Assets (Not Including PME Program)



*This month period ended June 30, 1995

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



GOVERNMENT ACCOUNTABILITY OFFICE

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

To the Board of Directors,
The Foundation for the L. S. U. Health Sciences Center,
New Orleans, Louisiana.

We have audited the general purpose financial statements of the Foundation for the L. S. U. Health Sciences Center (the Foundation), as of and for the year ended June 30, 1999, and have issued our report thereon, dated September 28, 1999. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 audits, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal

control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Bourgeois Bennett, LLC

Certified Public Accountants

New Orleans, La.,
September 29, 1999.

SCHEDULE OF FINDINGS

The Foundation for the L. S. U. Health Sciences Center

For the year ended June 30, 1999

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

The Foundation for the L. S. U. Health Sciences Center did not receive federal awards during the year ended June 30, 1999.

Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended June 30, 1999.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

The Foundation for the L. S. U. Health Services Center

For the year ended June 30, 1999

Section I - Internal Control and Compliance Material to the General Purpose Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1998. No reportable conditions were reported during the audit for the year ended June 30, 1998.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

The Foundation for the L. S. U. Health Sciences Center did not receive federal awards during the year ended June 30, 1998.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

The Foundation for the L. S. U. Health Sciences Center

For the year ended June 30, 1999

Section I - Internal Control and Compliance Material to the General Purpose Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 1999. No reportable conditions were reported during the audit for the year ended June 30, 1999.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

The Foundation for the L. S. U. Health Sciences Center did not receive federal awards during the year ended June 30, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1999.