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BIOLOGICAL RESEARCH FOUNDATION OF
NORTHEAST LOUISIANA

Financial Statements

December 31, 1967 and 1966

(With Independent Auditors' Report Thereon)

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally 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 APR 2 2 1968

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

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December 31, 1997 and 1996

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KPMG Peat Marwick LLP

3000 Corporate Center Drive
3000 Texas Street
Shreveport, LA 71201-0000

Independent Auditors' Report

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the accompanying statements of financial position of the Biomedical Research Foundation of Northwest Louisiana as of December 31, 1997 and 1998, and the related statements of financial 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 audits.

We conducted our audits 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. These standards require that we plan and perform the audits 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Biomedical Research Foundation of Northwest Louisiana as of December 31, 1997 and 1998, and its changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also based our report dated April 20, 1998, on our consideration of the Biomedical Research Foundation of Northwest Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

KPMG Peat Marwick LLP

April 20, 1998

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Statement of Financial Position

December 31, 1997 and 1996

Assets	1997	1996
Cash and cash equivalents	\$ 2,845,188	2,905,568
Receivables:		
Grants	225,897	321,675
Caddo Parish Commission	352,519	399,178
Employee Zone tax refunds	4,300	300,437
Fees/charges	100,790	3,580
Accrued interest	39,738	36,577
Other	84,200	52,648
Prepaid expenses and other	19,898	22,417
Plant assets, net	33,238,091	34,535,987
Investments	<u>4,581,372</u>	<u>4,481,882</u>
Total assets	\$ <u>41,445,036</u>	<u>42,937,586</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 491,399	535,527
Notes payable	972,936	790,080
Advanced payments - Position		
Emulation Typography (PEO)	<u>215,000</u>	<u>215,000</u>
Total liabilities	<u>1,679,335</u>	<u>1,540,607</u>
Net assets:		
Unrestricted	9,295,181	9,590,982
Temporarily restricted	28,158,650	29,682,720
Permanently restricted	<u>2,245,872</u>	<u>2,245,875</u>
Total net assets	<u>39,700,704</u>	<u>41,529,577</u>
Total liabilities and net assets	\$ <u>41,445,036</u>	<u>42,937,586</u>

See accompanying notes to financial statements.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Statement of Activities

Year ended December 31, 1997

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support - Philanthropic	\$ 304,805	14,948	88	319,841
Revenue:				
Rental income	3,804,334	--	--	3,804,334
Local government operating grants	1,378,496	--	--	1,378,496
Grants and contracts	2,034,365	487,789	--	2,522,154
Investment income	214,551	153,684	88	368,323
Penning Biomedical Technology (PBT)	174,689	--	--	174,689
Loan recovery, including interest	330,888	--	--	330,888
Other income	9,781	--	--	9,781
	<u>7,812,859</u>	<u>641,473</u>	<u>88</u>	<u>8,454,420</u>
Total support and revenue	8,119,699	656,421	136	8,776,256
Expansions:				
Net assets released from restrictions for operations	804,866	(804,866)	--	--
Net assets released from restrictions for depreciation	1,851,615	(1,851,615)	--	--
Total support, revenue and reallocations	<u>10,075,160</u>	<u>(1,001,900)</u>	<u>136</u>	<u>9,073,396</u>
Expenses:				
Program services:				
Scientific research initiatives:				
Sponsored research and support for scientific investigators	3,478,664	--	--	3,478,664
Leased research facilities	2,570,135	--	--	2,570,135
Economic development initiatives:				
Loans to BCRS	615,119	--	--	615,119
Research and technology park	680,483	--	--	680,483
Penning Biomedical Technology (PBT)	1,771,711	--	--	1,771,711
Support services:				
Management and general	1,159,368	--	--	1,159,368
Fund-raising	121,689	--	--	121,689
Total expenses	<u>10,817,289</u>	<u>--</u>	<u>--</u>	<u>10,817,289</u>
Change in net assets	(164,661)	11,388,970	136	11,224,445
Net assets, beginning of year	9,500,982	29,482,728	2,383,873	41,367,583
Net assets, end of year	<u>9,336,321</u>	<u>40,871,698</u>	<u>2,520,009</u>	<u>52,728,028</u>

See accompanying notes to financial statements.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Statement of Activities

Year ended December 31, 1996

Source and Expense	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support - Philanthropic	\$ 1,215,152	29,948	--	1,245,100
Revenues:				
Bond income	2,695,170	--	--	2,695,170
Government operating grants	1,144,796	--	--	1,144,796
Grants and contracts	1,657,835	475,718	--	2,133,553
Sales tax refund	237,635	--	--	237,635
Investment income	86,221	173,738	93	260,052
Position Emission Tomography (PET)	874,380	--	--	874,380
Other income	5,448	--	--	5,448
	<u>5,701,537</u>	<u>679,456</u>	<u>93</u>	<u>6,381,086</u>
Total support and revenues	7,916,689	709,404	93	8,626,186
Reclassifications				
Net assets reclassified from restrictions for operations	241,248	(241,248)	--	--
Net assets reclassified from restrictions for depreciation	<u>1,899,787</u>	<u>(1,899,787)</u>	<u>---</u>	<u>---</u>
Total support, revenues and reclassifications	<u>8,157,674</u>	<u>(1,131,631)</u>	<u>93</u>	<u>7,026,136</u>
Expenses				
Program services:				
Scientific research initiatives:				
Sponsored research and support for scientific investigations	1,381,898	--	--	1,381,898
Leased research facilities	2,726,593	--	--	2,726,593
Biomedical development initiatives:				
Loans to ECHO	1,458,438	--	--	1,458,438
Research and technology park	648,028	--	--	648,028
Position Emission Tomography (PET)	1,807,287	--	--	1,807,287
Support services:				
Management and general	1,685,973	--	--	1,685,973
Fund-raising	62,822	--	--	62,822
Total expenses	<u>8,780,037</u>	<u>---</u>	<u>---</u>	<u>8,780,037</u>
Change in net assets	738,244	677,811	93	1,416,148
Net assets, beginning of year	<u>4,481,738</u>	<u>30,146,151</u>	<u>2,345,758</u>	<u>41,973,647</u>
Net assets, end of year	\$ <u>5,219,982</u>	<u>30,823,962</u>	<u>2,345,851</u>	<u>41,489,795</u>

See accompanying notes to financial statements.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Statements of Cash Flows

Years ended December 31, 1987 and 1986

	1987	1986
Cash flows from operating activities:		
Change in net assets	\$ (1,600,318)	67,332
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	2,062,008	2,069,000
Unrealized loss (gain) on investments	(49,436)	22,807
Increase in receivables	168,327	81,507
(Increase) decrease in prepaid expenses and other	3,319	(3,416)
Increase in accounts payable and accrued expenses	(67,168)	(80,724)
Contributions restricted for long-term investments	138	—
Net cash provided by operating activities	<u>480,307</u>	<u>2,127,821</u>
Cash flows from investing activities:		
Purchases of investments	(410,091)	(793,824)
Maturities of investments	480,000	590,000
Purchases of plant assets	(783,300)	(2,266,828)
Disposal of plant assets	6,308	—
Net cash used by investing activities	<u>(707,173)</u>	<u>(2,000,152)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investments - investment in endowment	93	—
Issuance of notes payable	790,000	790,000
Payments on notes payable	(187,594)	—
Net cash provided by financing activities	<u>602,406</u>	<u>790,000</u>
Net (decrease) increase in cash and cash equivalents	(70,470)	917,189
Cash and cash equivalents, beginning of year	<u>2,915,568</u>	<u>1,998,182</u>
Cash and cash equivalents, end of year	\$ <u>2,845,108</u>	<u>2,915,568</u>

See accompanying notes to financial statements.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

December 31, 1991 and 1996

(i) Summary of Activities and Accounting Policies

The Biomedical Research Foundation of Northwest Louisiana (the "Foundation") is a publicly supported not-for-profit organization engaged in expanding the scientific capacity of Louisiana State University Medical Center in Shreveport, developing existing scientific resources through interaction with industry, increasing economic development of northwest Louisiana, and providing a neutral forum to enhance health care on a regional basis. It administers gifts and grants received from private and governmental sources. The significant accounting policies followed are described below:

Basis of Financial Statements — The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for not-for-profit organizations.

Net assets and revenues, expenses, gains and losses are classified based upon 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.

Temporarily restricted net assets — Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time.

Permanently restricted net assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or, as part of, the income earned on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets. A policy election follows on the Foundation's method of reporting temporarily restricted net assets.

(Continued)

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Income and realized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

Indirect Costs — Recovery of indirect costs relating to government-sponsored grants is recognized by the Foundation as revenue in grants and contracts. Indirect costs are recovered at authorized rates in effect.

Tax Status — The Foundation is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents — For purposes of financial presentation, the Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Long-Term Investments — Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities as a component of investment income. Long-term investments consist of investments in U.S. government securities and mutual funds.

Receivable from Cade Parish Commission (CPC) — On April 3, 1995, an election was held by the CPC to levy a special tax of two mills on all property subject to taxation for five years beginning with the year 1990 and ending with the year 1997 for the purpose of economic development through the Biomedical Research Foundation. In October 1997, the voters of Cade Parish renewed this millage for a ten year period. Receipt of funds by the Foundation is subject to the CPC's approval of budgets submitted by the Foundation. The accompanying financial statements reflect revenue of \$1,378,436 and \$1,744,296 for 1997 and 1996, respectively, for amounts the Foundation has applied for and the CPC has approved (see also note 10).

(Continued)

BIOMETRICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

Plant Assets — Land, building, furniture, and equipment are stated at cost. Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Advanced Patients Radiation Tomography Payments — The Foundation entered into an agreement with Willis-Knighton Medical Center and Schumpert Medical Center whereby the Foundation would receive funding from each hospital to be used for the Positron Emission Tomography Center (PET). The amounts will be recognized upon the incurrence of expense by the Foundation in serving patients referred by the hospitals. As of December 31, 1997 and 1996, all amounts received are deferred.

Temporarily Restricted Net Assets — Contributions received with donor-imposed restrictions that are met in the same year are reported as revenues of the temporarily restricted net assets class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Certain restrictions exist relating to the use of the building for a stated time period. These restrictions expire over a ten year period ending January 18, 2004. Amounts required for depreciation expense will be released from restrictions each year with the remaining amount being released at the end of the ten year period.

Reclassifications — Certain amounts relating to 1996 have been reclassified in the accompanying financial statements to conform with the 1997 presentation.

Use of Estimates — Management of the Foundation has made a number of estimates and assumptions relating to the assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

III Description of Organization

The Foundation carries out its mission through the following programs:

Scientific Research Initiatives:

Sponsored Research — represents revenues expended in support of research projects. These expenditures support research projects conducted by the Foundation's own personnel, other scientists, or in collaboration with other organizations/universities.

(Continued)

BIO MEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

Support for Scientific Investigations - represents donations and residual grant funds designated by the donor/grantor for the support of specific scientific research or educational programs and expended as directed by an individual scientific investigator or department.

Leased Research Facilities - relates to the ten story Biomedical Research Institute building containing eight laboratory floors which are leased to the Louisiana State University Medical School. Related operating expenses include utilities, equipment and maintenance.

Economic Development Initiatives - includes the development of lease projects planned to benefit the scientific and technological communities. These include the development of a technology and research park, an incubator facility, and the ECOP project which is detailed further in note 18.

Positron Emission Tomography Imaging Center - provides diagnostic imaging services with its own radiopharmaceutical production facility.

Management and General - includes those functions necessary to maintain an equitable employment program, ensure adequate working environment, provide coordination and articulation of the Foundation's program strategy, provide administrative support to the Board of Directors and program services, maintain legal services, and manage the financial and budgetary responsibilities of the Foundation and agency funds.

Fund-raising - activities are directed toward encouraging and securing philanthropic support, as opposed to program service revenues, from individuals, foundations and businesses.

(4) Pledges Receivable

Contributions receivable are summarized as follows at December 31, 1997 and 1996:

	1997	1996
Unconditional contributions expected to be collected in:		
Less than one year	\$ 180,750	2,000
One year to five years	<u> </u>	<u>500</u>
	\$ 180,750	\$ 2,500

Most contributions receivable are due within less than one year, for which their stated amount is a reasonable estimate of their fair value.

(Continued)

BIOCHEMICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

(4) Investments

Investments at December 31, 1997 and 1996, are as follows:

	1997	1996
U.S. Government securities	\$ 1,217,985	1,208,137
Mutual funds	3,233,319	3,283,745
	<u>\$ 4,451,304</u>	<u>4,491,882</u>

Following is the composition of investment income at December 31, 1997 and 1996:

	1997	1996
Dividends and interest	\$ 388,887	362,883
Unrealized gains (losses)	<u>48,438</u>	<u>(12,857)</u>
	<u>\$ 437,325</u>	<u>350,026</u>

(5) Plant Assets

The composition of plant assets is as follows at December 31, 1997 and 1996:

Asset	Depreciable Life	1997	1996
Land	—	\$ 388,250	215,000
Buildings and improvements	80 years	28,293,888	27,704,250
Furniture and equipment	5-20 years	11,488,258	11,803,743
		48,170,396	48,723,000
Less accumulated depreciation		<u>6,888,332</u>	<u>4,818,852</u>
Plant assets, net		<u>\$ 41,282,064</u>	<u>43,904,148</u>

BIOLOGICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

(6) Notes Payable

Notes payable consist of the following at December 31, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Notes payable to bank at 8.5%, secured by property, due August 1, 1998	\$ 696,150	750,000
Notes payable to an individual at 7.0%, secured by property, due June 3, 2007	<u>316,736</u>	<u> </u>
	<u>\$ 1,012,886</u>	<u>750,000</u>

Statistics of long-term debt, by year, at December 31, 1997 are as follows:

1995	\$ 680,744
1999	26,299
2000	28,157
2001	20,182
2002	22,076
Thereafter	<u>175,229</u>
Total	<u>\$ 972,687</u>

Interest paid for the year ended December 31, 1997 and 1996 was \$72,084 and \$26,630, respectively.

(7) Retirement Benefit Plan

Retirement benefits are provided for substantially all employees through a defined contribution plan which is sponsored by the American Chamber of Commerce Executives. The retirement benefits are based on the actual value of the employees' account balances at the time of retirement. Employees must be twenty-one years of age and must have completed one year of service before they become eligible to participate. Employees attain a 70% vested interest in the plan after two years of employment increasing to 40%, 60%, 80%, and 100% over the following four years of employment. Contributions to the plan are based on the participants' salaries. The employee's contribution was \$94,535 and \$27,646 for 1997 and 1996, respectively.

The Foundation also has a 401(k) annuity plan. No employer contributions are required for this plan.

(Continued)

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

(4) Federal and State Grants

In 1996, the Foundation was awarded a \$6,640,000 grant by the Department of Energy for the establishment of the Center for Biomedical Technology Innovation (CBTI). CBTI will serve as a focal point for the ongoing biomedical research and development at many of the national laboratories and for the clinical testing of products as a result of such research.

The federal government funds are received on a cost reimbursement basis. Revenue with respect to the awards is recognized to the extent of expenses incurred under the award terms.

At December 31, 1997, the Foundation had incurred expenses in the amount of \$2,380,671 in connection with the establishment of CBTI of which \$223,452 had not been reimbursed by the Department of Energy at December 31, 1997.

During 1996, the Foundation requested refunds of \$137,435 for sales taxes paid in connection with the construction of the facility under the Enterprise Zone program. As of December 31, 1997, \$103,545 had been collected and \$4,390 remained uncollected. The Enterprise Zone program allows for recovery of sales taxes paid by entities that have located within officially designated Enterprise Zones which are urban or rural areas of high unemployment, low income, and/or where a large number of residents are receiving some form of public assistance.

(5) Rental Income

In 1991, the Foundation entered into an cooperative industrial agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College. This agreement sets forth in part the terms of the lease of eight of the ten floors of the Foundation's building to the University. The agreement has five renewals of three years each and was renewed in 1997. The University paid the Foundation a sum of \$2,854,330 in 1997 and \$1,628,384 in 1998.

(10) Program Services - ICON Loan

The Foundation plans to develop, own, operate and manage a science, research, and technology park. To secure an anchor tenant for the Foundation's park, the Foundation provided \$180,000 to ICON Industrial Controls Corporation ("ICON") during April through July 1994. ICON had an agreement with the U.S. Department of Energy for the development of "an open architecture software-based PC monitor controller operating environment." The Foundation entered into an agreement with ICON on September 7, 1994, in which the Foundation agreed to lend to ICON an additional amount, not to exceed \$1,680,000, over a thirty-month period in equal monthly installments of \$86,667. Interest is

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

to be charged) on the amounts loaned at the local prime plus one-half percent. Beginning no later than March 8, 1995, ICON was to begin to repay the Foundation the initial \$180,000 plus any additional amounts loaned and related accrued interest. This was to be amortized over a seven and a half year period at an interest rate of local prime plus one-half percent.

The Foundation also agreed to loan to ICON additional funds, which totaled \$1,315,871 from 1995 through 1997, sufficient for the Foundation to: (a) acquire a facility with sufficient space to accommodate ICON's business headquarters, ICON's business operations, and the interim research facility; (b) renovate the interim facility to reasonably accommodate the needs of ICON; and (c) pay the reasonable operating expenses of the interim facility, defined as utilities, building property damage insurance, building supplies, maintenance, repairs, security, and other expenses as agreed to by the Foundation.

The loans to ICON were recorded as an expense in 1997 and prior years because ICON was a development stage company and collectibility was uncertain.

In 1997, ICON was awarded a contract for work on a large, federally funded project. This contract was ICON's only source of funding to repay the loans from the Foundation. During 1997, ICON repaid \$185,203 of principal and \$40,793 of interest on the above loans. The balance of the loans to ICON totaled \$3,748,868 and \$3,195,551 at December 31, 1997 and 1996, respectively, and the balance of accrued interest totaled \$791,849 and \$428,445 at December 31, 1997 and 1996, respectively.

On October 31, 1997, the federal government terminated the only task order loaned to ICON under the contract. Subsequent to December 31, 1997, ICON was placed into involuntary bankruptcy under Chapter 7. The Foundation is currently in litigation to assert and protect its rights.

(11) Contingencies

The Foundation receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlements reached, there exists a contingency to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Foundation has employment agreements with three key employees. Each of these agreements provide for the continuation of salaries for one year if the employees are terminated without cause.

At December 31, 1997, the Foundation had agreed to fund research and equipment purchases totaling \$3,000,000, contingent upon certain criteria being met.

(Continued)

BIO-MEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Financial Statements

112. Net Assets

Unrestricted net assets consist of the following at December 31, 1997 and 1996:

	1997	1996
For current operations	\$ 2,387,405	1,417,468
Investments in plant and equipment	<u>6,868,666</u>	<u>8,152,522</u>
	\$ <u>9,256,071</u>	\$ <u>9,570,990</u>

Temporarily restricted net assets at December 31, 1997 and 1996, consist of the following:

	1997	1996
Designated for specific operating purposes	\$ 712,207	2,079,804
Time restricted funds	<u>1,026,058</u>	<u>1,057,031</u>
Investments in plant and equipment	<u>26,363,382</u>	<u>26,363,382</u>
	\$ <u>28,101,647</u>	\$ <u>29,499,217</u>

In October 1996, the time restricted funds will be released and can be spent at the discretion of the Board.

Permanently restricted net assets at December 31, 1997 and 1996 consist of endowment funds comprised of the following:

	1997	1996
Designated purpose funds	\$ 646,835	646,835
Undesignated purpose funds	<u>1,699,128</u>	<u>1,699,089</u>
	\$ <u>2,345,963</u>	\$ <u>2,345,924</u>

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BIOMEDICAL RESEARCH FOUNDATION
 OF NORTHWEST LOUISIANA

Schedule of Expenditures of
 Federal Awards (Single Award)

December 31, 1967

(With Independent Auditor's Report Thereon)

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 _____

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Expenditures of Federal Awards
(Single Audit)

Year ended December 31, 1997

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Report on Compliance and on Internal Control Over Financial Reporting, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Biomedical Research Foundation
of Northeast Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northeast Louisiana (the "Foundation") as of and for the year ended December 31, 1997, and have issued our report thereon dated April 20, 1998. 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 the Foundation's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions 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 the 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 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. However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the Foundation in a separate letter dated April 20, 1998.

This report is intended for the information of the Board of Directors, management of the Foundation and the United States Department of Energy. However, this report is a matter of public record and its distribution is not limited.

K. P. McLean, President, Massachusetts Institute of Technology

April 20, 1998

**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

The Board of Directors
Biomedical Research Foundation
of Northwest Louisiana

Compliance

We have audited the compliance of the Foundation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1997. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Auditor of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 57-1.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

The consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Foundation as of and for the year ended December 31, 1997, and have issued our report thereon dated April 23, 1998. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Directors, management of the Foundation and the United States Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG Grant Monitor LLP

April 20, 1998

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Expenditures of Federal Awards

For the year ended December 31, 1997

Federal Grantor/Pass-Through Award Program or Cluster	Federal CFDA Number	Federal Expenditures
Department of Energy: Grant for Establishment of Center for Biomedical Technology Innovation	N/A	\$ <u>2,411,000</u>

See accompanying notes to schedule of expenditures of federal awards.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 1997

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Biomedical Research Foundation of Northwest Louisiana. The Biomedical Research Foundation of Northwest Louisiana's reporting entity is defined in note 2 to the Biomedical Research Foundation of Northwest Louisiana's financial statements. Federal financial assistance received directly from federal agencies is included on the schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is prepared using the accrual basis of accounting, which is described in note 3 to the Biomedical Research Foundation of Northwest Louisiana's financial statements.

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 1993

(1) Summary of Auditor's Results

- (a) The type of report issued on the financial statements: unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the Financial Statements: none reported Material weaknesses: no
- (c) Noncompliance which is material to the general-purpose financial statements: no
- (d) Reportable conditions in internal control over major programs: none reported
Material weaknesses: no
- (e) The type of report issued on compliance for major programs: unqualified opinion
- (f) Any such findings which are required to be reported under section 310(a) of OMB Circular A-133: no
- (g) Major program:
United States Department of Energy:
Grant for Establishment of Center for Biomedical Technology Innovation
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$200,000
- (i) Auditor qualified as a low-risk auditor under section 530 of OMB Circular A-133: no

(2) Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards: None

(3) Findings and Questioned Costs relating to Federal Awards: See attached

BIOLOGICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Findings and Questioned Costs, Continued

Year ended December 31, 1987

(B) Findings and Questioned Costs relating to Federal Awards:

Item	Cost	CFDA Number	Fiscal Year	Specific Requirement	Condition Found	Questioned Costs	Internal Control	Recommendation
24	Cost for Establishment of Center for Biomedical Technology Innovation	NSA	1987	Allowable Costs	The Federal Agency's (NSA) proposed activity reports were prepared on a single summary document when the activity had, in fact, been prepared by OMB Circular A-111.	Approximately \$1,000,000 in questioned activity costs charged from January 1, 1987 to May 1987.	An internal activity reporting system was in place for the period. No recommendations had been prepared and monitoring continues.	

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Summary Schedule of Prior Audit Findings

Year ended December 31, 1997

None noted in prior year.



NATIONAL RESEARCH FOUNDATION
of Architectural Education

MEMORANDUM

1000 Cape Heights
Washington, D. C. 20004

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Executive Office: 1000 Cape Heights
Washington, D. C. 20004

Officers

Chairman of the Board:
Walter G. W. W. W.

President: W. W. W.

Vice President: W. W. W.

Secretary: W. W. W.

Treasurer: W. W. W.

Board of Directors

Walter G. W. W. W.

W. W. W. W. W.

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TO: Board of Directors

FROM: James D. Dean,
Vice President for
Finance and Administration

DATE: June 29, 1968

SUBJECT: 1967 KPMG Schedule of Expenditures of Federal Awards and
Management Letter

This memorandum provides a summary of findings contained in the above documents and my comments regarding them.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Finding:

For the period January through May 1967, personnel activity reports were reported on a single cumulative timesheet rather than on a monthly basis as required by OMB Circular A-122.

Response:

Management feels that the method of documentation of time as an allowable cost was adequate under the circumstances but agrees that the current method of bi-weekly timesheets is better. Since the item listed reflects a condition that has already been corrected, no further comment is required.

James D. Dean
Vice President for Finance and Administration

MANAGEMENT LETTER

Investments

Recommendation:

The auditors recommended that the Foundation record purchases of investments at original cost and on a quarterly basis adjust investments to market value with any change in value being recorded as the unrealized gain or loss.

Response:

We agree with the recommendation regarding premiums and discounts and will implement these changes in 1998.

Recommendation:

The auditors recommended that the Foundation change its method of allocation to use a specified index for the donor's accounts. For the remaining accounts where income should be allocated, it appears that the Foundation could calculate the total return on investments and use this as a return on these accounts.

Response:

We agree that the allocation of investment income to restricted accounts could be simplified and we will explore options for doing so with the LSU/MC-S investigators whose accounts would be affected by such a change.

Year 2000 Issue

Recommendation:

The auditors recommended that the Foundation conduct an inventory of all systems and hardware to ensure that all systems have been addressed for Year 2000. In addition, the auditors recommended that the Foundation conduct testing of reconfigurations and conversions for Year 2000 compliance.

Response:

As indicated in the Management Letter, the Foundation has already initiated the process of preparing its computer systems and applications for the Year 2000. It has received Year 2000 compliance certifications for many of its major systems and for all new software purchases since 1995. It will continue these efforts as recommended.

Purchasing Guidelines

Recommendation:

The auditors recommended that written guidelines, as they relate to the Foundation's federal grants, be established.

Response:

The Foundation's purchasing guidelines were developed prior to realization of the current Department of Energy grant for the Center for Biomedical Technology Innovation. As such, they do not incorporate all of the specific requirements of that grant and should be revised. Those revisions are in process now.