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UNIVERSITY OF NEW ORLEANS FOUNDATION

Financial Statements and Additional Information for the Year Ended June 30, 1997 and Independent Auditors' Report

UNIVERSITY OF NEW ORLEANS FOUNDATION

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of University of New Orleans Foundation (the "Foundation") as of June 30, 1997, and the related statements of activities and cash flows for the year then ended. We previously audited and reported upon the financial statements for the year ended June 30, 1996, which condensed statements are presented for comparative purposes only. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 3 to the financial statements, during the year ended June 30, 1997, an act of donation was executed whereby a collection of artwork was donated to the Foundation. The fair value of the artwork is unknown and the donation is subject to completion of certain conditions, accordingly, it is not recognized in the June 30, 1997 financial statements. Management intends to have an appraisal performed in the near future to determine the fair value of the artwork once all conditions required by the donation have been satisfied, and such amount will be recognized in the financial statements at that time.

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

As discussed in Note 11 to the financial statements, during the year ended June 30, 1997 the Foundation changed its method of accounting for investments to conform with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." During the year ended June 30, 1996, the Foundation changed its method of accounting for contributions received and applied newly established financial reporting standards for not-for-profit organizations.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 1997 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplemental schedule listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Foundation's management. 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.

Deloitte & Touche LLP

November 19, 1997

Deloitte Touche
Tohmatsu
International

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1997 AND 1996

	1997	1996
ASSETS		
Cash	$ 269,568	$ 33,390
Accounts receivable	458,144	406,149
Contributions receivable, net	5,038,302	1,633,296
Investments	21,571,031	13,753,201
Real estate, net	5,226,309	5,320,773
Other assets	92,032	97,861
Plant assets, net	344,053	332,554
TOTAL ASSETS	$32,999,439	$21,577,224
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 482,370	$ 146,420
Due to the University	350,949	364,294
Funds invested for others	3,932,111	2,726,271
Notes payable	3,149,637	3,267,147
Total liabilities	7,915,067	6,504,132
NET ASSETS:		
Unrestricted	1,709,245	(704,338)
Temporarily restricted	9,477,631	7,123,111
Permanently restricted	13,897,496	8,654,319
Total net assets	25,084,372	15,073,092
TOTAL LIABILITIES AND NET ASSETS	$32,999,439	$21,577,224

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 1997, WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 1997	Totals 1996
REVENUES:					
Contributions and bequests	$ 321,002	$ 4,462,307	$ 5,221,511	$ 10,004,820	$ 2,775,529
Investment income	359,474	636,171	18,000	1,013,645	797,082
Unrealized gains on investments, net	160,941	550,844		711,785	-
Public grants		146,936		146,936	68 928
Rental income	733,696	6,944		740,640	737,035
Other	37,194	284,629	3,666	325,489	149,517
Net assets released from restrictions -					
expiration of time restrictions	2,017,763	(2,017,763)		-	-
satisfaction of program restrictions	2,490,028	(2,490,028)		-	-
Total revenues	6,120,098	1,580,040	5,243,177	12,943,315	4,528,091
EXPENSES:					
Program services	2,491,680			2,491,680	929,518
General and administrative	110,424			110,424	83,066
Fund raising	540,507			540,507	471,375
Rental expenses, excluding depreciation	603,149			603,149	605,189
Depreciation	246,473			246,473	229,616
Total expenses	3,992,233	-	-	3,992,233	2,318,764
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	2,127,865	1,580,040	5,243,177	8,951,082	2,209,327
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES:					
Investments	285,718	774,480		1,060,198	-
Contributions				-	1,302,891
CHANGE IN NET ASSETS	2,413,583	2,354,520	5,243,177	10,011,280	3,512,218
BEGINNING NET ASSETS	(704,338)	7,123,111	8,654,319	15,073,092	11,560,874
ENDING NET ASSETS	$ 1,709,245	$ 9,477,631	$ 13,897,496	$ 25,084,372	$ 15,073,092

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

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

	1997	1996
OPERATING ACTIVITIES:		
Change in net assets	$10,011,280	$ 3,512,218
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation	246,473	229,616
Realized gain on investments, net	(507,819)	(236,907)
Unrealized gain on investments, net	(711,785)	-
Cumulative effect of change in accounting principle	(1,060,198)	(1,302,891)
Restricted net assets received	(6,293,882)	(2,185,082)
Changes in assets and liabilities:		
Accounts receivable	(51,995)	62,501
Contributions receivable	(3,405,006)	(330,405)
Other assets	5,829	(37,417)
Accounts payable and accrued expenses	335,950	(42,424)
Funds invested for others	1,205,840	627,152
Due to the University	(13,345)	(15,114)
Net cash (used in) provided by operating activities	(238,658)	281,247
INVESTING ACTIVITIES:		
Purchases of plant assets	(77,382)	(86,686)
Purchases of real estate	(86,126)	-
Net change in investments	(5,538,028)	(2,375,768)
Net cash used in investing activities	(5,701,536)	(2,462,454)
FINANCING ACTIVITIES:		
Contributions for endowment funds	3,895,092	935,539
Contributions for temporarily restricted net assets	2,398,790	1,249,543
Repayment of notes payable	(117,510)	(106,392)
Net cash provided by investing activities	6,176,372	2,078,690
INCREASE (DECREASE) IN CASH	236,178	(102,517)
CASH, BEGINNING OF YEAR	33,390	135,907
CASH, END OF YEAR	$ 269,568	$ 33,390

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation, a registered non-profit corporation, was established in 1984 with a mission of serving the University of New Orleans (the University) by raising private sector funds for the advancement of the University.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below:

Basis of Presentation - The Foundation follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations," which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

- **Temporarily Restricted** - Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

- **Permanently Restricted** - Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments - In fiscal year 1997, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. In fiscal year 1996 and prior years, investments were carried at cost or, if acquired by gift, at market value on the date of donation. The change in accounting policy in fiscal year 1997 is further described in Note 11. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds.

Real Estate - Real estate is held for investment purposes and is recorded at cost or fair market on the date donated. Real estate (excluding land) is depreciated over 20 years on a straight-line basis.

Plant Assets and Depreciation - Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years for vehicles and equipment to 20 years for buildings.

Funds Invested for Others - Funds invested for others represents funds held in trust for others. These amounts are not owned by the Foundation and the related net income is not earned by the Foundation, but is added directly to the assets of the funds invested for others (see Note 8).

Income Taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

Reclassifications - Certain reclassifications have been made to prior year balances in order to conform with current year classifications.

2. INVESTMENTS

Investments are composed of the following at June 30, 1997 and 1996:

	1997		1996	
	Cost	Market	Cost	Market
Corporate stocks and bonds	$ 8,350,454	$10,472,888	$ 5,138,557	$ 6,431,987
U.S. government obligations	5,109,632	5,118,070	4,546,755	4,567,677
Money market funds	5,797,307	5,801,905	3,887,479	3,883,383
Mortgage notes	178,168	178,168	180,410	180,410
	$19,435,561	$21,571,031	$13,753,201	$15,063,457

Investment income is reported net of investment fees in the accompanying financial statements. Investment expenses were approximately $88,000 for the year ended June 30, 1997.

3. REAL ESTATE

In November 1993, the Foundation acquired by donation a 120,000 square feet office building located in downtown New Orleans valued at approximately $2.4 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. Approximately 50% of the building houses new and growing businesses (including a business incubator) with the remaining space housing activities of the University of New Orleans and the LSU Medical Center. In fiscal year 1996 and prior years, the net assets invested in the building were classified as temporarily restricted because the Foundation was precluded from disposing of it until November 1996. As the restriction expired in fiscal year 1997, the net assets invested in the building and all revenues and expenses derived from operation of the building became unrestricted in nature.

On December 30, 1994 the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for $3.2 million which was entirely financed by a local bank (see Note 5). The seller of the properties is leasing back approximately 22% of the available space to use as corporate offices for $33,472 per month through 2019, adjusted for increases in the bank loan's floating interest rate. The remainder of the property will be used to house an art museum and to form the nucleus of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties. In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation. The donor is to maintain possession of the artwork until the art museum is completed. The donor will maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. As of June 30, 1997, the fair value of the artwork has not been established. Once the artwork is in possession of the Foundation, an appraisal will be performed to determine the fair value of the artwork and such amount will be recognized in the financial statements at that time.

At June 30, 1997 and 1996 real estate consists of the following:

	1997	1996
Land	$2,084,242	$2,059,242
Buildings	3,697,933	3,636,812
	5,782,175	5,696,054
Less accumulated depreciation	(555,866)	(375,281)
	$5,226,309	$5,320,773

4. PLANT ASSETS AND DEPRECIATION

At June 30, 1997 and 1996 plant assets are as follows:

	1997	1996
Land	$ 80,000	$ 80,000
Buildings	120,000	120,000
Equipment	410,083	332,700
Vehicles	16,055	16,055
	626,138	548,755
Less accumulated depreciation	(282,085)	(216,201)
	$ 344,053	$ 332,554

5. NOTES PAYABLE

	1997	1996
Note payable to the University of New Orleans Foundation-Endowment Fund Trust, payable in 360 monthly installments of principal and interest of $1,233. The note bears interest at 7% and is secured by land and building.	$ 178,168	$ 180,410
Note payable to a bank, payable in 119 monthly installments of principal and interest of $33,472, and a final installment of principal and accrued interest of approximately $1.7 million. The note bears interest at 9.45% per annum until December 31, 1999 and at a floating rate thereafter and is secured by land and buildings and a lease (see Note 3).	2,971,469	3,086,737
Total	$3,149,637	$3,267,147

Annual maturities of long-term debt are as follows:

	Amount
1998	$ 124,162
1999	136,527
2000	150,848
2001	167,439
2002	183,887
Thereafter	2,386,774
Total	$3,149,637

Interest paid during 1997, all of which was charged to operations, approximated $299,000.

6. NET ASSETS

Net assets are comprised of the following at June 30, 1997 and 1996:

	1997	1996
Unrestricted:		
UNO-TEC Building	$ 2,017,763	$ -
Undesignated funds - deficit	(308,518)	(704,338)
Total unrestricted	1,709,245	(704,338)
Temporarily restricted:		
Ambrose house	65,208	67,458
UNO-TEC building	-	2,122,988
C.E.R.M. building fund	2,172,746	1,907,679
Undistributed investment earnings	1,949,714	560,800
Temporarily restricted contributions	5,289,963	2,464,186
Total temporarily restricted	9,477,631	7,123,111
Permanently restricted:		
Eminent scholars chairs	6,295,408	3,735,445
Endowed professorships	625,690	485,682
Deblois endowments	1,448,178	1,276,710
Individual endowed contributions	5,528,220	3,156,482
Total permanently restricted	13,897,496	8,654,319
Total net assets	$25,084,372	$15,073,092

7. FUNCTIONAL EXPENSES

Expenses during the year ended June 30, 1997 were incurred for:

	Program Support	General and Administrative	Fund Raising	Total Expenses
Interest expense	$ 298,950	$ 1,153	$ 2,902	$ 303,005
Contract services	588,606	1,952	232,370	822,928
Official functions (entertainment)	144,428	3,053	70,548	218,029
Transfer to University/Alumni	1,076,330	-	102,702	1,179,032
Depreciation expense	246,473	-	-	246,473
Personnel costs	9,025	64,858	52,737	126,620
Property maintenance and rent	362,467	9,217	-	371,684
Office supplies and services	203,493	6,356	32,652	242,501
Professional fees	29,703	16,240	-	45,943
Utilities	30,676	248	1,124	32,048
Contribution expense	98,121	-	-	98,121
Other miscellaneous expenses	253,030	7,347	45,472	305,849
	$3,341,302	$110,424	$540,507	$3,992,233

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

8. THE LOUISIANA ENDOWMENT TRUST FUND FOR EMINENT SCHOLARS

One of the Foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts Endowed professorships are established at $100,000 and endowed chairs at $1,000,000 with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Funds are pooled for investment purposes in the Foundation but the State's 40% match is recognized as a liability to the University under the caption" Funds Invested For Others". The balance of funds invested for others at June 30, 1997 and 1996 that was attributable to the Eminent Scholars Program was $2,965,000 and $2,254,000, respectively. At June 30, 1997 and 1996, the Eminent Scholars program reflected fund balances, including the University's matching portion, of $9,051,144 and $5,640,109, respectively.

9. RELATED PARTY TRANSACTIONS

For the convenience of the University, the Chancellor of the University occupies a residence owned by the Foundation for a monthly rental of $250. One of the Foundation's Endowment Fund Trust accounts holds the mortgage for the Chancellor's residence (see Note 5).

In the normal course of business, the Foundation reimburses the University for certain expenses. Included in expenses for 1997 and 1996 is $104,156 and $58,270, respectively, which are reimbursements to the University. Of such costs $33,598 and $39,216 remained unpaid at June 30, 1997 and 1996 , respectively.

At June 30, 1997, the Foundation owes the University $350,949 for a pledge receivable, that it collects on behalf of the University. Collections are remitted to the University as received.

10. CITY OF NEW ORLEANS ECONOMIC DEVELOPMENT FUND GRANTS

In December 1993 the Foundation was awarded a grant of $637,593 from the City of New Orleans Economic Development Fund of which $38,936 was received in 1997. No funds were received during the year ended June 30, 1996. The purpose of the grant was to reimburse the Foundation for expenditures incurred to prepare the Technology Enterprise Center for its intended use. The grant was funded after the Foundation incurred certain eligible expenses and applied for payment.

In 1995 the Foundation was awarded a grant from the City of New Orleans Economic Development Fund for development of a business incubator of which $90,000 and $68,928 were received during the years ended June 30, 1997 and 1996, respectively. Additionally, in April 1997 the Foundation was awarded and received $18,000 from the City of New Orleans Economic Development Fund to fund the Sydney Bechet Conference.

11. CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 1996, the Foundation changed its policy for valuing investments to conform with Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This statement required certain equity and all debt investments to be reported at fair value. The cumulative effect of this change in accounting principle was a $1,060,198 increase in total net assets and is recorded as such in the 1997 financial statements. The Statement also required that investment gains on restricted net assets be classified consistent with the related investment income unless specific donor or legal restrictions dictated otherwise.

Effective July 1, 1995, the Foundation changed its policy for recording contributions to conform with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." SFAS No. 116 required that unconditional promises to give be recorded as receivables and revenues when such promises were made rather than when fulfilled. The cumulative effect of this change in accounting principle was a $1,302,891 increase in net assets recorded in 1996.

12. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Contributions receivable are expected to be realized in the following periods:

In one year or less	$ 2,270,018
Between one year and five years	3,896,946
More than five years	407,478
	6,574,442
Less: present value discount of $733,054 and allowance for uncollectible pledges of $803,086	(1,536,140)
	$ 5,038,302

Contributions receivable at June 30, 1997, have the following restrictions:

Unrestricted	$ 15,070
Temporarily restricted by donor imposed stipulations for university programs and activities	3,088,582
Endowment for university programs and activities and property acquisitions	1,934,650
	$5,038,302

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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE - UNIVERSITY OF NEW ORLEANS ALUMNI ASSOCIATION
STATEMENT OF REVENUE, SUPPORT AND EXPENSES
YEAR ENDED JUNE 30, 1997

REVENUE AND SUPPORT:	
Contributions and bequests	$ 108,877
UNO Foundation support	107,742
Investment income	4,369
Other	37,554
Total revenue and support	258,542
EXPENSES:	
Program services	116,488
General and administrative	11,158
Fund raising	33,453
Total expenses	161,099
EXCESS REVENUE AND SUPPORT OVER EXPENSES	$ 97,443

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

Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of the University of New Orleans Foundation (the "Foundation"), as of and for the year ended June 30, 1997, and have issued our report thereon dated November 19, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, 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.

This report is intended for the information of the Board of Directors, management, others within the Foundation and officials of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

November 19, 1997