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LOUISIANA TECH UNIVERSITY
FOUNDATION, INC.

Financial Statements and Schedules

June 30, 1997 and 1996

(With Independent Auditors' 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 AUG 12 1998

KPMG Peat Marwick LLP

1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana:

We have audited the accompanying statements of financial position of the Louisiana Tech University Foundation, Inc. (the Foundation) as of June 30, 1997 and 1996 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 Foundation as of June 30, 1997 and 1996, and the changes in its 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 issued our report dated June 25, 1998, 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 and contracts.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplementary information included in Schedules 1 through 3 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.

KPMG Peat Marwick LLP

June 25, 1998

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 1997 and 1996

<u>Assets</u>	<u>1997</u>	<u>1996</u>
Cash and cash equivalents	\$ 212,974	428,080
Investments (note 3)	25,453,225	22,362,218
Accrued interest receivable	55,510	74,628
Fixed assets (note 4)	800,338	959,062
Contributions receivable, net (note 5)	606,518	674,560
Other assets	<u>89,609</u>	<u>64,088</u>
Total assets	\$ <u>27,218,174</u>	<u>24,562,636</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 286,119	353,597
Deferred revenue	80,000	120,000
Notes payable (note 6)	51,787	96,550
Due to Louisiana Tech University (notes 7 and 8)	<u>13,712,757</u>	<u>10,205,058</u>
Total liabilities	<u>14,130,663</u>	<u>10,775,205</u>
Net assets:		
Unrestricted:		
For current operations	1,025,187	723,891
For plant	590,283	739,331
Funds functioning as endowments	<u>1,250,935</u>	<u>901,180</u>
	<u>2,866,405</u>	<u>2,364,402</u>
Temporarily restricted - designated for specific purposes	2,937,428	3,252,070
Permanently restricted - endowment	<u>7,283,678</u>	<u>8,170,959</u>
	<u>13,087,511</u>	<u>13,787,431</u>
Total liabilities and net assets	\$ <u>27,218,174</u>	<u>24,562,636</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 165,427	1,201,740	969,282	2,336,449
Contributed services (note 7)	386,675	—	—	386,675
Interest and dividends	88,255	387,827	6,346	482,428
Service charges	233,616	—	—	233,616
Realized and unrealized gains on investments, net	1,415,616	—	—	1,415,616
Other	<u>221,337</u>	<u>20</u>	<u>—</u>	<u>221,357</u>
	2,510,926	1,589,587	975,628	5,076,141
Net assets released from restrictions	<u>1,792,598</u>	<u>(1,792,598)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>4,303,524</u>	<u>(203,011)</u>	<u>975,628</u>	<u>5,076,141</u>
Expenses:				
Instructional support	718,307	—	—	718,307
Academic support	18,479	—	—	18,479
Research	53,168	—	—	53,168
Institutional support	166,375	—	—	166,375
Student financial aid	655,875	—	—	655,875
Student services	46,789	—	—	46,789
Auxiliary	474,925	—	—	474,925
General administrative services (note 7)	475,900	—	—	475,900
Fundraising (note 7)	<u>1,191,703</u>	<u>—</u>	<u>—</u>	<u>1,191,703</u>
Total expenses	<u>3,801,521</u>	<u>—</u>	<u>—</u>	<u>3,801,521</u>
Change in net assets	502,003	(203,011)	975,628	1,274,620
Assets dedicated to Louisiana Tech University, net (note 7)	—	(111,631)	(1,862,909)	(1,974,540)
Net assets at beginning of year	<u>2,364,402</u>	<u>3,252,070</u>	<u>8,170,959</u>	<u>13,787,431</u>
Net assets at end of year	\$ <u>2,866,405</u>	<u>2,937,428</u>	<u>7,283,678</u>	<u>13,087,511</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 1996

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 194,995	1,291,873	1,641,688	3,128,556
Contributed services (note 7)	382,638	—	—	382,638
Interest and dividends	119,231	480,976	5,960	606,167
Service charges	169,812	—	—	169,812
Realized and unrealized gains on investments, net	658,012	—	—	658,012
Other	<u>207,224</u>	<u>—</u>	<u>—</u>	<u>207,224</u>
	1,731,912	1,772,849	1,647,648	5,152,409
Net assets released from restrictions	<u>1,489,796</u>	<u>(1,489,796)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>3,221,708</u>	<u>283,053</u>	<u>1,647,648</u>	<u>5,152,409</u>
Expenses:				
Instructional support	612,900	—	—	612,900
Academic support	18,215	—	—	18,215
Research	8,971	—	—	8,971
Institutional support	133,844	—	—	133,844
Student financial aid	330,435	—	—	330,435
Student services	34,907	—	—	34,907
Auxiliary	602,160	—	—	602,160
General and administrative (note 7)	391,416	—	—	391,416
Fundraising (note 7)	<u>676,088</u>	<u>—</u>	<u>—</u>	<u>676,088</u>
Total expenses	<u>2,808,936</u>	<u>—</u>	<u>—</u>	<u>2,808,936</u>
Change in net assets	412,772	283,053	1,647,648	2,343,473
Assets dedicated to Louisiana Tech University, net (note 7)	—	(5,417)	(300,106)	(305,523)
Net assets at beginning of year	<u>1,951,630</u>	<u>2,974,434</u>	<u>6,823,417</u>	<u>11,749,481</u>
Net assets at end of year	\$ <u>2,364,402</u>	<u>3,252,070</u>	<u>8,170,959</u>	<u>13,787,431</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flow from operating activities:		
Change in net assets	\$ 1,274,620	2,343,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated fixed assets	(17,219)	(175,616)
Depreciation expense	201,522	179,710
Net unrealized gain on long-term investments	(1,112,231)	(138,520)
Gain on sale of investments	(953,537)	(415,638)
Decrease in contributions receivable	68,042	110,730
Decrease (increase) in accrued interest receivable	19,118	(28,883)
(Decrease) increase in accounts payable	(67,478)	241,042
Decrease in deferred revenue	(40,000)	(40,000)
Increase in other assets	(25,521)	(20,297)
Contributions restricted for long-term investment	<u>(969,282)</u>	<u>(1,641,688)</u>
Net cash (used) provided by operating activities	<u>(1,621,966)</u>	<u>414,313</u>
Cash flow from investing activities:		
Proceeds on sale of fixed assets	17,140	—
Purchases of fixed assets	(42,719)	(25,236)
Purchases of investments	(2,615,740)	(4,150,482)
Proceeds on sale of investments	1,590,501	2,033,126
Increase in due to Louisiana Tech University	<u>1,533,159</u>	<u>231,487</u>
Net cash provided (used) by investing activities	<u>482,341</u>	<u>(1,911,105)</u>
Cash flow from financing activities:		
Contributions restricted for investment in endowment	969,282	1,641,688
Proceeds from notes payable	46,436	101,002
Payments of notes payable	<u>(91,199)</u>	<u>(90,178)</u>
Net cash provided by financing activities	<u>924,519</u>	<u>1,652,512</u>
 (Decrease) increase in cash and cash equivalents	 (215,106)	 155,720
Cash and cash equivalents at beginning of year	<u>428,080</u>	<u>272,360</u>
Cash and cash equivalents at end of year	\$ <u><u>212,974</u></u>	<u><u>428,080</u></u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1997

(1) Organization and Summary of Significant Accounting Policies**Organization**

The Louisiana Tech University Foundation, Inc. (the "Foundation") was organized to solicit, receive, hold, invest, and transfer funds for the benefit of Louisiana Tech University ("LA TECH"). For the years ended June 30, 1997 and 1996, expenditures totaling approximately \$3,021,000 and \$2,135,000, respectively, were paid directly to or for the benefit of LA TECH. Additionally, the Foundation assists LA TECH in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. LA TECH and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of LA TECH.

Basis of Financial Statements

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates.

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. This classification includes gifts, annuities, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

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 of, or part of, the income earned on the related investments for general or specific purposes.

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

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) are reported as reclassifications between the applicable classes of net assets. A policy footnote follows on the Foundation's method of reporting temporarily restricted net assets.

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 and unrealized 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;
- increases in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets

With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment – Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents principally include cash and money market investments. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

In-kind Donations

Gifts of investments and real estate contributed to the Foundation are recorded at estimated fair value at date of contribution.

Investments

Investments are stated at market value. Investments donated to the Foundation are stated at fair value at the time of donation. Gains or losses on sales of investment securities are based upon the adjusted value of the specific security sold.

Depreciation

Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from three to ten years.

Tax Status

For tax purposes, the Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code. If the Foundation earns monies not in accordance with its primary purpose, such earnings, known as unrelated business income, are subject to federal income taxes.

Funds Functioning as Endowment

The Foundation has designated funds for which the income earned on these funds is designated for specific uses. Because there is no donor imposed restriction, these funds are classified as unrestricted net assets, however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment. Similarly, some funds which could be spent on donor designated purposes are being held in endowment funds are classified as temporarily restricted net assets as earnings designated for specific operating purposes.

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

(2) Investments

A summary of the investments held at June 30, 1997, follows:

	<u>Fair Market Value</u>
Held by investment custodians:	
Cash and cash equivalents	\$ 3,101,655
Certificates of deposit	367,223
Government obligations and corporate bonds	3,787,883
Common stock	2,942,706
Mutual funds	<u>15,253,758</u>
Total	<u>\$ 25,453,225</u>

A summary of the investments held at June 30, 1996, follows:

	<u>Fair Market Value</u>
Held by investment custodians:	
Cash and cash equivalents	\$ 5,260,150
Certificates of deposit	337,059
Government obligations and corporate bonds	3,152,394
Common stock	157,428
Mutual funds	<u>13,455,187</u>
Total	<u>\$ 22,362,218</u>

(3) Fixed Assets

A summary of the fixed assets at June 30, 1997 and 1996, follows:

	<u>Depreciable Lives</u>	<u>1997</u>	<u>1996</u>
Automobiles	2-3	\$ 102,202	66,611
Furniture, fixtures, and equipment	3-10	626,395	626,316
Engineering equipment	3-10	666,682	666,682
Real estate and other	—	<u>129,438</u>	<u>129,438</u>
		1,524,717	1,489,047
Less accumulated depreciation		<u>(724,379)</u>	<u>(529,985)</u>
		<u>\$ 800,338</u>	<u>959,062</u>

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

(4) Contributions Receivable

Contributions receivable, net, are summarized as follows as of June 30, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Unconditional pledges expected to be collected in:		
Less than one year	\$ 121,830	144,931
One year to five years	522,467	862,510
More than five years	<u>5,300</u>	<u>63,268</u>
	649,597	1,070,709
Less allowance for uncollectible contributions receivable	<u>(43,079)</u>	<u>(396,149)</u>
Contributions receivable, net	<u>\$ 606,518</u>	<u>674,560</u>

(5) Notes Payable

Notes payable at June 30, 1997 and 1996 is comprised of the following:

	<u>1997</u>	<u>1996</u>
Note payable due in monthly installments of \$622, secured by a vehicle. The note is due August 1, 1999 at an interest rate of 8.50%.	\$ 14,761	20,784
Note payable with interest equal to the Bank's index, due February 2, 1997 (8.25% at June 30, 1996).	—	75,766
Note payable due in monthly installments of \$1,158, secured by a vehicle. The note is due November 5, 1999 at an interest rate of 7.05%.	30,780	—
Note payable due in monthly installments of \$350, secured by a vehicle. The note is due January 7, 1999 at an interest rate of 7.50%.	<u>6,246</u>	<u>—</u>
	<u>\$ 51,787</u>	<u>96,550</u>

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

Maturities of notes payable at June 30, 1997 are as follows:

1998	\$	22,419
1999		22,404
2000		<u>6,964</u>
	\$	<u>51,787</u>

Interest in the amount of \$8,524 and \$9,103 was paid during the years ended June 30, 1997 and 1996, respectively.

(6) Contributed Services

LA TECH provides, without cost, services for the administration of the Foundation in the form of personnel to the Foundation. In addition, LA TECH provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to LA TECH. For the year ended June 30, 1997 contributed personnel costs and operating services were determined to be \$379,482 and \$7,193, respectively. For the year ended June 30, 1996, contributed personnel costs and operating services were determined to be \$375,576 and \$7,062, respectively. These services and amounts have been reflected as contributed services and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

Funds administered by the Foundation on behalf of LA TECH are not commingled with funds belonging to the Foundation. Included in amounts due to LA TECH at June 30, 1997 is \$13,712,757 related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions of the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted net assets of the Foundation and included as Due to Louisiana Tech University. A total of \$1,974,540 and \$305,523 of net assets of the Foundation were dedicated to LA TECH during 1997 and 1996, respectively.

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

(7) Pension Plan

The Foundation does not contribute to employees' pension plans. All employees are covered by LA TECH.

(8) Commitments

At June 30, 1997, there were approximately \$60,300 in awarded but unpaid scholarships to be funded over the next year.

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1997

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Cash and cash equivalents</u>		
Cash		\$ (251,952)
Money Market		2,710
One Group U.S. Treasury Securities		
Money Market Fund	2,076,823	2,047,090
Marquis Treasury Securities Money Market Fund	1,286,067	1,286,067
Series E Savings Bonds		17,740
		<u>3,101,655</u>
<u>Certificates of deposit</u>		
Gibsland Bank, 4.39%, due 12/01/97	10,000	10,000
Gibsland Bank, 5.10%, due 01/05/98	20,000	20,000
Gibsland Bank, 4.35%, due 06/15/98	50,000	50,000
Gibsland Bank, 4.47%, due 12/13/97	15,000	15,000
Gibsland Bank, 4.32%, due 08/14/97	10,000	10,000
Gibsland Bank, 5.00%, due 10/08/97	100,000	100,000
Gibsland Bank, 3.88%, due 08/15/97	20,000	20,000
Gibsland Bank, 4.02%, due 09/19/97	10,000	10,000
Gibsland Bank, 4.11%, due 09/06/97	20,000	20,000
Gibsland Bank, 4.11%, due 09/05/97	20,000	20,000
Federated Money Market Trust	92,223	92,223
		<u>367,223</u>
<u>Mutual funds</u>		
Employee Benefit	154,783	2,928,502
One Group Government Bond Fund	352,093	3,640,748
One Group Income Bond Fund	320,651	3,020,530
One Group Intermediate Bond Fund	109,794	1,089,149
One Group Ltd. Volatility Bond Fund	92,221	965,596
One Group Disciplined Value Fund	35,750	576,168
One Group Growth Opportunities Fund	45,285	273,353
One Group International Equity Index Fund	16,836	284,359
One Group Large Company Growth Fund	39,408	769,843
One Group Large Company Value Fund	69,181	1,031,761
One Group Value Growth Fund	4,258	49,014
One Group Income Equity Fund	316	6,933
One Group Gulf South Growth Fund	1,212	13,258
One Group Ultra Short Term Fund	61,251	604,544
		<u>15,253,758</u>

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments, Continued

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Government obligations and corporate bonds</u>		
Federal Home Loan Bank, 8.60%, due 1/25/00	30,000	\$ 31,556
Fed. National Mortgage Assoc., 5.37%, due 5/31/98	50,000	49,828
Fed. National Mortgage Assoc., 6.05% due 1/12/98	200,000	200,250
Fed. National Mortgage Assoc., 5.30%, due 3/11/98	50,000	49,860
Fed. National Mortgage Assoc., 6.35%, due 6/10/05	200,000	194,750
U.S. Treasury Note, 7.50%, due 11/15/01	100,000	104,188
U.S. Treasury Note, 6.375%, due 1/15/99	200,000	201,126
U.S. Treasury Note, 7.00%, due 4/15/99	100,000	101,563
U.S. Treasury Note, 7.50%, due 5/15/02	200,000	209,250
U.S. Treasury Note, 6.375%, due 7/15/99	100,000	100,563
U.S. Treasury Note, 6.50%, due 8/15/05	100,000	99,750
U.S. Treasury Note, 6.25%, due 2/15/03	100,000	99,219
U.S. Treasury Note, 6.125%, due 12/31/01	100,000	99,031
U.S. Treasury Note, 6.50%, due 5/31/02	300,000	301,125
U.S. Treasury Note, 6.25%, due 6/30/02	100,000	99,406
U.S. Treasury Note, 5.75%, due 8/15/03	200,000	193,062
U.S. Treasury Note, 5.875%, due 2/15/04	300,000	290,718
U.S. Treasury Note, 7.25%, due 5/15/04	200,000	208,500
U.S. Treasury Note, 6.75%, due 5/31/99	100,000	101,156
U.S. Treasury Note, 7.875%, due 11/15/04	200,000	215,626
U.S. Treasury Note, 6.625%, due 5/15/07	100,000	100,813
U.S. Treasury Note, 6.125%, due 9/30/00	100,000	99,531
U.S. Treasury Note, 6.50%, due 5/15/05	200,000	199,500
U.S. Treasury Note, 6.875%, due 5/15/06	300,000	306,093
U.S. Treasury Note, 6.00%, due 8/15/99	100,000	99,750
Govt. National Mortgage Assoc., 11%, due 3/15/10	3,725	4,147
Delta Air Lines, Inc. Bond, 9.00%, due 5/15/16	25,000	27,522
		<u>3,787,883</u>

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments, Continued

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Common stocks</u>		
ConAgra, Inc.	8,967	\$ 577,070
Banc One Corp.	325	16,250
Ace Ltd.	480	35,460
Coca-Cola Co.	1,667	118,357
Iomega Corp.	200	3,950
Aeroquip-Vickers Inc.	710	33,548
Allegheny Power System, Inc.	1,280	34,161
American Home Products Corp.	360	27,540
Amgen, Inc.	470	27,319
Armstrong World Inds. Inc.	405	29,717
Oryx Energy Co.	100	2,062
Automatic Data Processing Inc.	470	22,090
Baltimore Gas & Electric	1,300	34,694
Bear Stearns Cos Inc.	850	29,060
Briggs & Stratton	660	33,000
Bristol Myers Squibb Co.	350	28,350
Callaway Golf Co.	895	31,772
Carnival Corp.	500	20,625
Carpenter Technology Corp.	500	22,875
Chase Manhattan Corp.	320	31,060
Colgate Palmolive Co.	525	34,256
Community Trust Bank Financial Corp.	221	9,779
Compaq Computers Corp.	300	29,850
Conseco Inc.	870	32,190
Dana Corp.	780	29,640
Dean Foods Co.	900	36,450
Dow Chemical Co.	305	26,497
Du Pont E I DF Nemours & Co.	450	28,294
Eaton Corp.	340	29,686
Electronic Data Syst Corp. New	270	11,121
Equitable Iowa Cos	580	32,480
Federal Express Corp.	755	43,695
First Union Corp.	340	31,450
Fleet Financial Group, Inc.	500	31,625
FPL Group Inc.	730	33,626
GPU Inc. Com	940	33,722
Greentree Financial Corp.	850	30,281
GTE Corp.	660	28,957
Harris Corp. Del	375	31,500

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments, Continued

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Common stocks, Continued</u>		
Harsco Corp.	760	\$ 30,780
Hilfiger Tommy Corp.	860	34,562
Interstate Bakeries Corp. Del	590	34,995
Lincoln National Corp. Indiana	500	32,187
Liz Claiborne Inc.	720	33,570
Lockheed Martin Corp.	300	31,069
Lowes Cos. Onc	900	33,412
LTV Corp.	1,700	24,225
Lucent Technologies Inc.	410	29,546
Manpower Inc. WIS	510	22,695
Micron Technology Inc.	730	29,200
Mobil Corp.	215	15,023
Monsanto Co.	630	27,130
Morgan Stanley Dean Witter Discover	720	31,005
Morton Intl. Inc. Ind	860	25,962
Motorola Inc.	420	31,972
Nike Inc Class B	570	33,274
Office Max Inc.	1,850	26,710
Pacific Enterprises	1,040	34,970
Pacificare Health Sys Inc. Del	260	16,607
Parker-Hannifin Corp.	530	32,165
Phillips Petroleum Co.	690	30,188
PNC Bank Corp.	700	29,225
Public Service Enterprise Group Inc.	1,375	34,375
Reliastar Financial Corp.	450	32,906
Ross Stores Inc.	860	28,111
ServiceMaster LTD Partnership	960	22,080
Snap-On Inc.	860	33,863
Southwest Airlines Company	1,300	33,638
Sprint Corp.	675	35,269
SunAmerica Inc.	660	32,175
Tech Data Corp.	720	22,635
Tenet Healthcare Corp.	765	22,568
Texaco Inc.	270	29,363
Travelers Inc.	520	32,793
Tribune Co.	470	22,590
Union Carbide Corporation	720	33,885
Union Tex Pete Hldgs Inc.	1,080	22,613
Wachovia Corporation	510	29,740

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments, Continued

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Common stocks, Continued</u>		
Western Digital Corp.	1,070	\$ 33,839
WorldCom Unc GA	1,080	34,560
Weatherford	325	<u>11,172</u>
		<u>2,942,706</u>
Grand total		\$ <u>25,453,225</u>

See accompanying independent auditors' report.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Operating and Capital Expenses

For the year ended June 30, 1997

Operating Fund:	
Insurance	\$ 31,796
Maintenance, repairs, and renovation	43,171
Automobile and travel	16,777
Advertising	6,571
Office supplies and equipment	46,039
Printing and postage	14,813
Promotional awards and gifts	43,158
Pledge shrinkage	112,674
Telephone	8,170
Accounting, investment fees, and legal	15,109
Salaries	56,170
Scholarships	100,000
Research	3,377
Conferences	9,503
Other	55,304
Dues and subscriptions	<u>8,586</u>
	571,218
Restricted fund - department capital expenditure	<u>39,241</u>
Plant fund - depreciation expense	<u>201,522</u>
	\$ <u><u>811,981</u></u>

See accompanying independent auditors' report.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Annual Fundraising Expenses

For the year ended June 30, 1997

Meeting expenses	\$	435
Supplies		4,985
Printing		15,023
Salaries and wages		64,702
Telephone		18,443
Postage		11,269
Travel		927
Maintenance		<u>11,661</u>
	\$	<u>127,445</u>

Note: Fundraising expenses on Schedule 3 do not include allocation of overhead.

See accompanying independent auditors' report.

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

KPMG Peat Marwick LLP

1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

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
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana:

We have audited the financial statements of the Louisiana Tech Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 1997, and have issued our report thereon dated June 25, 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Foundation in a separate letter dated June 25, 1998.

This report is intended for the information of management.

KPMG Peat Marwick LLP

June 25, 1998



1900 Deposit Guaranty Tower
333 Texas Street
Shreveport, LA 71101-3692

June 25, 1998

CONFIDENTIAL

The Board of Directors
Louisiana Tech University Foundation, Inc.

Gentlemen:

We have audited the financial statements of Louisiana Tech University Foundation, Inc. (the "Foundation") for the years ended June 30, 1997 and 1996, and have issued our report thereon dated June 25, 1998. In planning and performing our audits of the financial statements of the Foundation, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We have not considered the internal control structure since the date of our report.

During our audits, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate member of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

OPERATIONS REVIEW OF ACCOUNTING DEPARTMENT

As part of a separate engagement, we performed an operational review of the accounting department of the Foundation. The objective was to review the processes of the department to identify inefficiencies or duplications of effort that are causing the financial reporting function to be consistently late. Our findings and recommendations are included in a separate report.



Member Firm of KPMG International

The Board of Directors
Louisiana Tech University Foundation, Inc.
June 25, 1998
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NEGATIVE NET ASSETS

We noted during our testwork on the restricted fund that certain projects had negative balances. A negative balance for a project indicates that the project overspent the monies available. The following projects had negative balances:

• L. M. Napper Scholarship	\$ 102.13
• Alumni Center Expansion	\$56,234.20
• Water Ski Team	\$ 2,931.99
• Century Telephone Enterprises Scholarship	\$ 929.30
• Caddo Bossier Alumni Scholarship Fund	\$ 300.00
• Commercial National Bank Scholarship	\$ 2,344.10
• Journalism Scholarships	\$ 335.02
• Education Scholarship	\$ 2,080.64
• Pipes Land Donation - CED	\$ 4,145.70
• Jack Thigpen Scholarship	\$ 2,833.75
• Chemical Engineering Scholarship	\$ 1,225.42
• TL James Scholarship	\$ 9,250.00
• Whetstone Scholarship - Engr	\$ 630.69
• Auto-Chlor Human Ecology Sch.	\$ 1,553.75
• Animal Science Farm Use	\$ 5,232.40
• Forestry General Use	\$ 1,714.33
• Nursing General Use	\$ 4,980.83
• Hale Hall Renovation	\$ 580.00
• Gay Sutton Scholarship	\$ 965.23
• Maryanne Scogin Mem Sch	\$ 125.00
• J. L. Orr Scholarship	\$ 1,137.71
• WW Chew Professorship	\$ 505.00
• Edward C. Darling Sch/CE	\$ 110.76
• OW Fisher Scholarship - ME	\$ 445.04
• Century/Hogan Scholarship	\$ 750.23
• Gas Processors Scholarship	\$ 2,986.32
• Scott Weathersby End Prof/CLS	\$ 324.99
• Athletics Endowment	\$ 6,342.06

Periodic reviews of projects should be conducted to ensure that earnings or receipts from these projects will offset the negative balance in the account.

The Board of Directors
Louisiana Tech University Foundation, Inc.
June 25, 1998
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STOCK CONTRIBUTIONS

Stock contributions lacked the adequate supporting documentation for project designation. In determining the designation for stock contributions, the accounting department usually obtained verbal instructions from the contributor regarding the project designation for the gift. The Foundation should obtain written documentation from the contributor for the project designation.

INVESTMENT POLICY

The Foundation's investment policy has not been updated since 1993. The investment policy should be reviewed and updated annually. Such items as investment managers, spending policy and investment mix should be addressed. In addition, the policy should address recent changes in the state guidelines for chairs and professorships.

YEAR 2000 ISSUE

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Foundation's computer programs and certain hardware that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing a disruption of operations. In addition, some computerized systems do not properly perform calculations with dates beginning in 1999, because these systems use the digits "99" in date fields to represent something other than the year 1999. Such problems are known as the Year 2000 Issue. The Year 2000 Issue may manifest itself before, on or after January 1, 2000, and its effects on operations and financial reporting may range from minor errors to catastrophic systems failure.

The Year 2000 is a significant concern that should be addressed as soon as possible. Failure to adequately address the year 2000 could result in costly and significant application program failures that prevent the Foundation from performing its normal processing activities. Planning now is critical because business processes that depend on dates in the future may experience difficulties or failures well in advance of the year 2000. The Foundation should expect to incur internal staff costs as well as external consulting and hardware costs to prepare the systems for the year 2000. However, there can be no assurance that the systems of other companies, on which the Foundation's systems rely, will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Foundation's systems.

* * * * *

The Board of Directors
Louisiana Tech University Foundation, Inc.
June 25, 1998
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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the Foundation during the course of our audit. If we can be of further assistance with any of the above matters, please call on us.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

Very truly yours,

KPMG Peat Marwick LLP