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**LOUISIANA TECH UNIVERSITY
FOUNDATION, INC.**

Financial Statements and Schedule

June 30, 1998 and 1997

(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 NOV 11 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, 1998 and 1997 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 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 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, 1998 and 1997, 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 October 7, 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 Schedule 1 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

October 7, 1998

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 1998 and 1997

Assets	1998	1997
Cash and cash equivalents	\$ 1,325,897	212,974
Investments	28,623,323	25,453,225
Accrued interest receivable	77,402	55,510
Fixed assets	706,461	800,338
Contributions receivable, net	1,421,103	606,518
Other assets	29,920	89,609
	<hr/>	<hr/>
Total assets	\$ 32,184,106	27,218,174
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 563,190	286,119
Deferred revenue	40,000	80,000
Notes payable	-	51,787
Due to Louisiana Tech University	15,616,500	13,712,757
Total liabilities	<hr/> 16,219,690	<hr/> 14,130,663
Net assets:		
Unrestricted:		
For current operations	1,474,450	1,025,187
For plant	497,105	590,283
Funds functioning as endowments	1,455,700	1,250,935
	<hr/> 3,427,255	<hr/> 2,866,405
Temporarily restricted - designated for specific purposes	4,369,364	2,937,428
Permanently restricted - endowment	8,167,797	7,283,678
	<hr/> 15,964,416	<hr/> 13,087,511
Total liabilities and net assets	\$ 32,184,106	27,218,174
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 186,351	2,646,476	1,030,768	3,863,595
Contributed services	412,763	-	-	412,763
Interest and dividends	44,782	466,974	7,546	519,302
Service charges	344,026	-	-	344,026
Realized and unrealized gains on investments, net	1,056,149	-	-	1,056,149
Other	263,201	-	-	263,201
	<u>2,307,272</u>	<u>3,113,450</u>	<u>1,038,314</u>	<u>6,459,036</u>
Net assets released from restrictions	1,554,266	(1,554,266)	-	-
Total revenues, gains and other support	<u>3,861,538</u>	<u>1,559,184</u>	<u>1,038,314</u>	<u>6,459,036</u>
Expenses:				
Instructional support	735,455	-	-	735,455
Academic support	13,739	-	-	13,739
Research	54,258	-	-	54,258
Institutional support	198,491	-	-	198,491
Student financial aid	436,058	-	-	436,058
Student services	32,753	-	-	32,753
Auxiliary	645,598	-	-	645,598
General administrative services	574,335	-	-	574,335
Fundraising	608,445	-	-	608,445
Total expenses	<u>3,299,132</u>	<u>-</u>	<u>-</u>	<u>3,299,132</u>
Change in net assets	562,406	1,559,184	1,038,314	3,159,904
Assets dedicated to Louisiana Tech University, net	(1,556)	(5,792)	(275,651)	(282,999)
Reclassification of net assets due to change in donor restrictions	-	(121,456)	121,456	-
Net assets at beginning of year	<u>2,866,405</u>	<u>2,937,428</u>	<u>7,283,678</u>	<u>13,087,511</u>
Net assets at end of year	<u>\$ 3,427,255</u>	<u>4,369,364</u>	<u>8,167,797</u>	<u>15,964,416</u>

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Activities

For the year ended June 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 165,427	1,201,740	969,282	2,336,449
Contributed services	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	221,337	20	-	221,357
	<u>2,510,926</u>	<u>1,589,587</u>	<u>975,628</u>	<u>5,076,141</u>
Net assets released from restrictions	1,792,598	(1,792,598)	-	-
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	475,900	-	-	475,900
Fundraising	1,191,703	-	-	1,191,703
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	-	(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.

Statements of Cash Flows

Years ended June 30, 1998 and 1997

	1998	1997
Cash flow from operating activities:		
Change in net assets	\$ 3,159,904	1,274,620
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Donated fixed assets	(19,244)	(17,219)
Depreciation expense	175,292	201,522
Net unrealized gain on long-term investments	(391,708)	(1,112,231)
Gain on sale of investments	(1,624,513)	(953,537)
Gain on sale of fixed assets	(11,679)	-
(Increase) decrease in assets:		
Contributions receivable	(814,585)	68,042
Accrued interest receivable	(21,892)	19,118
Other assets	59,689	(25,521)
Increase (decrease) in liabilities:		
Accounts payable	277,071	(67,478)
Deferred revenue	(40,000)	(40,000)
Contributions restricted for long-term investment	(1,022,069)	(969,282)
Income restricted for long-term investment	(7,546)	(6,346)
Net cash used by operating activities	(281,280)	(1,628,312)
Cash flow from investing activities:		
Proceeds on sale of fixed assets	13,700	17,140
Purchases of fixed assets	(64,192)	(42,719)
Purchases of investments	(2,848,033)	(2,615,740)
Proceeds on sale of investments	1,694,156	1,590,501
Increase in due to Louisiana Tech University	1,620,744	1,533,159
Net cash provided by investing activities	416,375	482,341
Cash flow from financing activities:		
Contributions restricted for investment in endowment	1,022,069	969,282
Income restricted for long-term investment	7,546	6,346
Proceeds from notes payable	-	46,436
Payments of notes payable	(51,787)	(91,199)
Net cash provided by financing activities	977,828	930,865
Increase (decrease) in cash and cash equivalents	1,112,923	(215,106)
Cash and cash equivalents at beginning of year	212,974	428,080
Cash and cash equivalents at end of year	\$ 1,325,897	212,974

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

(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, 1998 and 1997, expenditures totaling approximately \$2,725,000 and \$3,021,000, 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.

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.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

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.

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.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

In-kind Gifts

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 fair value. 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 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.

(2) **Investments**

A summary of the investments held at June 30, 1998, follows:

	<u>Fair Value</u>
Held by investment custodians:	
Cash and cash equivalents	\$ 2,244,014
Certificates of deposit	275,000
Government obligations and corporate bonds	5,315,386
Common stock	5,917,629
Mutual funds	<u>14,871,294</u>
Total	<u>\$ 28,623,323</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

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

	<u>Fair 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>

(3) Fixed Assets

A summary of the fixed assets at June 30, 1998 and 1997, follows:

	<u>Depreciable Lives</u>	<u>1998</u>	<u>1997</u>
Automobiles	2-3	\$ 112,495	102,202
Furniture, fixtures, and equipment	3-10	675,063	626,395
Engineering equipment	3-10	666,682	666,682
Real estate and other	-	129,438	129,438
		<u>1,583,678</u>	<u>1,524,717</u>
Less accumulated depreciation		(877,217)	(724,379)
		<u>\$ 706,461</u>	<u>800,338</u>

(4) Contributions Receivable

Contributions receivable, net, are summarized as follows as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Unconditional pledges expected to be collected in:		
Less than one year	\$ 118,220	121,830
One year to five years	1,387,617	522,467
More than five years	200	5,300
	<u>1,506,037</u>	<u>649,597</u>
Less allowance for uncollectible contributions receivable	(84,934)	(43,079)
Contributions receivable, net	<u>\$ 1,421,103</u>	<u>606,518</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

(5) Notes Payable

Notes payable at June 30, 1998 and 1997 is comprised of the following:

	1998	1997
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
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%.	-	6,246
	\$ -	51,787

During the year, the Foundation paid in full all outstanding notes payable and no other debt was incurred.

Interest in the amount of \$2,829 and \$8,524 was paid during the years ended June 30, 1998 and 1997, 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, 1998, contributed personnel costs and operating services were determined to be \$405,080 and \$7,683 respectively. For the year ended June 30, 1997, contributed personnel costs and operating services were determined to be \$379,482 and \$7,193, 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, 1998 and 1997 is \$15,616,500 and \$13,712,757, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1998

contributions of the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted and unrestricted net assets of the Foundation and included as Due to Louisiana Tech University. A total of \$282,999 and \$1,974,540 of net assets of the Foundation were dedicated to LA TECH during 1998 and 1997, 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) Commitments

At June 30, 1998, there were approximately \$90,100 in awarded but unpaid scholarships to be funded over the next year.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Cash and cash equivalents		
Cash		\$ (280,467)
One Group U.S. Treasury Securities Money Market Fund	1,836,697	1,836,697
Marquis Treasury Securities Money Market Fund	312,618	312,618
Regions Treas Money Mkt Tr Shares #460	235,589	235,589
Fst Treasury-Income	48,890	48,890
Fst Treasury	90,408	90,408
Centennial Money Market Tr	279	279
		<u>2,244,014</u>
Certificates of deposit		
Gibsland Bank, 3.90%, due 5/25/98	20,000	20,000
Gibsland Bank, 3.90%, due 9/2/98	20,000	20,000
Gibsland Bank, 3.90%, due 9/3/98	20,000	20,000
Gibsland Bank, 4.40%, due 10/8/99	100,000	100,000
Gibsland Bank, 4.15%, due 6/15/99	25,000	25,000
Gibsland Bank, 4.63%, due 7/5/99	10,000	10,000
Gibsland Bank, 4.29%, due 12/1/98	10,000	10,000
Gibsland Bank, 4.63%, due 7/5/99	10,000	10,000
Gibsland Bank, 4.11%, due 3/19/99	10,000	10,000
Gibsland Bank, 4.15%, due 6/15/99	25,000	25,000
Gibsland Bank, 4.60%, due 8/14/99	10,000	10,000
Gibsland Bank, 4.76%, due 10/13/00	15,000	15,000
		<u>275,000</u>
Mutual funds		
Goldman Sach International Equity	2,507	57,596
Templeton Inst Fds Inc.	5,641	111,916
One Group Intermediate Bond Fd	203,261	2,057,005
One Group Ultra Short Term Income	64,283	634,472
One Group Government Bond Fd	393,053	3,973,765
One Group LTD Volatility Bd Fd	120,516	1,266,619
One Group Income Bond Fd	349,686	3,325,510
One Group Large Company Growth Fd	40,014	908,719
One Group Intl Equity Index Fd	17,051	306,407
One Group Grwth Opportunities Fd	14,683	330,507
One Group Disciplined Value	37,176	628,276
One Group Large Company Value	70,043	1,173,240
One Group Income Equity	871	14,546
One Group Value Growth	4,862	65,684
One Group Small Capitalization Fd	1,413	17,032
		<u>14,871,294</u>

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Government obligations and corporate bonds		
Ford Motor Credit Co.	100,000	\$ 100,708
NationsBank Corp.	100,000	103,068
Fed Farm Cr Bks Cons Systemwide, 6.050%, 4/21/03	100,000	101,449
Federal Farm Cr Banks, 5.830%, 1/20/04	100,000	100,450
Federal Home Lns Bks, 6.580%, 6/6/01	100,000	102,438
Federal Home Lns Bks, 6.63%, 7/2/07	100,000	106,094
Federal Home Ln Mtg Corp., 6.645%, 3/10/04	100,000	104,406
Federal Home Loan Mtg Corp., 7.00%, 6/1/02	98,057	99,619
Federal Natl Mtg Assn., 6.50%, 1/1/13	94,516	95,047
Federal Natl Mtg Assn., 7.00%, 7/1/12	93,474	95,139
Federal Natl Mtg Assn., 7.00%, 1/1/04	76,014	77,129
Federal Natl Mtg Assn., 6.85%, 8/22/05	100,000	106,749
Federal Natl Mtg Assn., 5.875%, 2/14/06	100,000	101,069
Government Natl Mtg Assn., 7.00%, 7/15/12	85,303	87,329
Government Natl Mtg Assn., 6.50%, 11/15/12	122,777	122,470
Government Natl Mtg Assn., 11%, 3/15/10	704	782
U.S. Treasury Notes, 6.25%, 6/30/02	100,000	102,469
U.S. Treasury Notes, 6.25%, 2/15/03	100,000	102,906
U.S. Treasury Notes, 6.50%, 8/15/05	100,000	105,563
U.S. Treasury Notes, 6.125%, 9/30/00	100,000	101,250
U.S. Treasury Notes, 6.00%, 8/15/99	100,000	100,469
U.S. Treasury Notes, 6.125%, 12/31/01	100,000	101,781
U.S. Treasury Notes, 6.625%, 5/15/07	100,000	107,469
U.S. Treasury Notes, 6.50%, 5/31/02	300,000	309,939
Federal Home Ln Bks, 8.600%, 1/25/00	30,000	31,313
Federal Natl Mtg., 6.350%, 6/10/05	200,000	206,813
U.S. Treasury Notes, 7.500%, 11/15/01	100,000	105,875
U.S. Treasury Notes, 6.375%, 1/15/99	200,000	200,813
U.S. Treasury Notes, 5.750%, 8/15/03	200,000	202,125
U.S. Treasury Notes, 7.250%, 5/15/04	200,000	216,938
U.S. Treasury Notes, 6.750%, 5/31/99	100,000	101,125
U.S. Treasury Notes, 6.500%, 5/15/05	200,000	211,125
U.S. Treasury Notes, 7.00%, 4/15/99	100,000	101,125
U.S. Treasury Notes, 7.50%, 5/15/02	200,000	213,438
U.S. Treasury Notes, 6.375%, 7/15/99	100,000	100,844
U.S. Treasury Notes, 5.875%, 2/15/04	300,000	305,625
U.S. Treasury Notes, 7.875%, 11/15/04	200,000	224,626

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Government obligations and corporate bonds, continued		
U.S. Treasury Notes, 5.875%, 11/15/05	100,000	\$ 101,938
U.S. Treasury Notes, 6.875%, 5/15/06	300,000	324,939
FNMA, 6.65%, 3/3/08, callable 3/3/00	100,000	100,698
Delta Air Lines Inc., 9.000%, 5/15/16	25,000	30,234
		<u>5,315,386</u>
Common stocks		
ACE LTD	1,140	44,460
Accessor Fds Inc-Small Mid Cap Fund	6,183	150,247
Accessor Fds Unc Intl Eq Fd	8,716	151,307
Aeroquip-Vickers Inc.	710	41,446
Airborne Freight	1,090	38,082
Airtouch Communications	570	33,310
Allegheny Energy Inc.	1,280	38,560
Allstate Corp.	360	32,963
Aluminum Co of Amercia	400	26,375
Amerada Hess Corp.	400	21,725
American General Corp.	600	42,713
American Home Products Corp.	920	47,610
Amoco Corp.	600	25,050
Amp Inc.	600	20,625
Automatic Data Processing Inc.	395	28,786
Baltimore Gas & Electric Co.	1,300	40,382
Banc One Corp	723	40,614
Bear Sterns Cos Inc.	750	42,656
Biomet Inc.	1,185	39,180
Bristol Myers Squibb Co.	454	52,192
Callaway Golf	1,080	21,263
Camco International	430	33,486
Canadian National Ry Co.	6	319
Carnival Corp.	1,190	47,154
Carpenter Technology Corp.	500	25,125
Caterpillar Inc. Del	500	26,453
Cendant Corporation Com	1,070	21,935
Chase Manhattan Corp.	640	48,320
Chase Manhattan Corp.	400	30,200
Cisco Systems Inc	840	77,333
Cole Kenneth Productions Inc.	1,790	43,316
Colgate Palmolive Co.	475	41,800

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Common stocks, continued		
Community Trust Bank Financial Corp.	221	\$ 9,393
Compaq Computer Corp.	3,160	89,665
Computer Assoc Intl Inc.	500	27,782
Conagra Inc.	21,100	668,612
Conseco Inc.	720	33,750
Cooper Tire & Rubber Co.	1,400	29,050
Cooper Tire & Rubber Co.	1,000	20,750
Cordant Technologies Inc.	1,040	47,970
Corning Inc.	700	24,325
Cracker Barrel Old Ctry Store Inc.	800	25,400
Dana Corp.	660	35,310
Dean Foods Co.	655	35,984
Dow Chemical Co.	305	29,490
DTE Energy Co.	870	35,126
Eaton Corp.	435	33,821
Electronic Data Sys Corp.	470	18,771
Ethan Allen Interior	790	39,401
FDX Corp.	355	22,276
First American Corp (TN)	760	35,150
First Union Corporation	680	39,610
Fleet Financial Group Inc.	500	41,750
FPL Group Inc.	730	45,990
Franklin Resources	660	35,640
G P U Inc Com	940	35,544
Gannett Co Inc.	26	1,825
General Electric Co.	600	54,525
General Motors Corp.	400	26,725
Grainger W W Inc.	480	23,910
GTE Corp.	660	36,713
Haliburton Co.	1,070	47,549
HBO & Co.	980	34,545
HBO & Co.	1,300	45,825
Helen of Troy	1,560	34,320
Helmerich & Payne Inc.	870	19,521
Hibernia Corp. CI A	1,400	28,088
Hilfiger Tommy Corp.	1,610	100,625
Hilton Hotels	700	20,038
Ingersoll Rand Co.	800	35,250
Intel Corp.	300	22,238

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Common stocks, continued		
International Business Machines Corp.	250	\$ 28,703
Interstate Bakeries Corp.	780	25,887
Iomega Corp.	400	2,250
Jefferson Pilot Corp.	600	34,763
Johnson Controls	690	39,460
Kimberly Clark Corp.	500	22,938
Lafarge Corp.	1,120	44,031
Landry Seafood	1,190	21,532
Liz Claiborne Inc.	720	37,620
Lockheed Martin Corp.	200	21,175
Lowe's Cos Inc	1,800	73,013
Lubrizol Corp.	1,000	30,250
Lucent Technologies Corp.	700	58,232
McGraw-Hill Cos Inc.	315	25,673
Mead Corp.	800	25,400
Merck & Co. Inc.	570	76,238
Mgic Invt Corp Wis	960	54,780
Microsoft Corp.	580	62,858
Mobil Corp.	560	42,910
Mobil Corp.	300	22,988
Monsanto Co.	600	33,525
Morgan Stanley Dean Witter Discover	620	56,653
Motorola Inc.	695	36,531
Nabors Inds Inc.	1,640	32,800
Nationsbank Corp.	300	23,006
Network Associates	1,080	51,705
Northern Telecom LTD	860	48,805
OfficeMax Inc.	2,050	33,825
Oryx Energy Co.	100	2,194
Pacific Enterprises	1,040	41,340
Parker-Hannifin Corp.	795	30,309
Penny J C Inc.	400	28,925
Pepsico Inc.	600	24,713
Pfizer Inc.	300	32,606
Philip Morris Cos Inc.	700	27,563
Phillip Morris Cos Inc.	1,160	45,675
Phillips Petroleum Co.	790	38,069
Phycor Inc.	50	875

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1998

Description	Shares or Units	Market Value
Common stocks, continued		
Pulte Corporation	1,520	\$ 45,410
Quaker Oats Co.	415	22,799
Quicksilver Inc.	2,380	47,452
Raymond James Financial Inc.	1,410	42,213
Reliaster Financial Corp.	900	43,200
Rjr Nabisco Hldgs Corp	750	17,813
Ross Stores, Inc.	860	36,980
Schlumberger Ltd.	300	20,494
Sci System Inc.	1,110	41,903
Sears Roebuck & Co.	700	42,744
Servicemaster Co.	800	30,450
Snap-On Inc.	860	31,175
Southwest Airlines	1,335	39,467
Southwest Airlines Company	900	26,607
Sprint Company	675	47,588
Storage Technology Corporation	960	42,000
SunAmercia Inc.	990	56,864
Sysco Corp.	1,600	41,000
Tellabs Inc.	640	45,840
Tenet Healthcare Corp.	655	20,469
Texaco	710	42,378
Texaco Inc.	400	23,875
TJX Companies Incorporated	2,000	48,250
Travelers Corporation	870	52,744
Tribune Co.	555	38,191
Trustmark Corp.	600	13,162
TRW Inc.	600	32,775
Union Carbide Corporation	720	38,430
United Technologies	400	37,000
USA Waste Services	610	30,119
USX-U.S. Steel Group	670	22,110
Varco International Inc.	300	5,944
Wal Mart Stores Inc.	800	48,600
Walt Disney Company	300	31,519
		<u>5,914,629</u>
Grand total		<u>\$ 28,620,323</u>

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, 1998, and have issued our report thereon dated October 7, 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 October 7, 1998.

This report is intended for the information of management.

KPMG Peat Marwick LLP

October 7, 1998

KPMG Peat Marwick LLP

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

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October 7, 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 year ended June 30, 1998 and 1997, and have issued our report thereon dated October 7, 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 had caused the financial reporting function to be consistently late. Our findings and recommendations are included in a separate report. During our audit, we noted steps had been taken to address our findings. While some findings have been resolved others remain in process. We encourage the Foundation to monitor the progress in resolving these findings.

NEGATIVE NET ASSETS

During prior year audit testwork on the restricted fund, we noted certain projects had negative balances. For the current year, the Foundation attempted to resolve this problem by sending letters to the applicable person/group for each project with a negative balance, urging them to pay back monies overspent. Also, the Foundation declined requests of projects whose balance was negative. Despite these measures, some projects continued to have negative balances and some projects that previously had positive balances became negative. The following projects had negative balances at June 30, 1998:

• L. M. Napper Scholarship	\$ 102.13
• Water Ski Team	\$ 2,931.99
• Caddo Bossier Alumni Scholarship Fund	\$ 300.00
• Pipes Land Donation - CED	\$ 3,845.70
• Jack Thigpen Scholarship	\$ 2,833.75
• TL James Scholarship	\$ 3,750.00
• Forestry General Use	\$ 21.40
• Nursing General Use	\$ 4,530.29
• Hale Hall Renovation	\$ 15.63
• Art General Use	\$ 255.42
• Physics General Use	\$ 16.99
• KPMG Peat Marwick Professorship	\$ 244.54
• Virginia Thompson Scholarship	\$ 1,004.38
• Football Locker Campaign	\$ 617.60
• Sky Box	\$ 1,303.70
• LA Tech Sports Radio Network	\$ 9,907.79
• Sports Promotion/Information	\$ 34.12
• Women's Basketball	\$ 7,402.80
• Track General Use	\$ 164.76
• Radford Allen Med Tech Scholarship	\$ 541.71
• Golf General Use	\$ 60.70
• Mary Lucille P. Sanders Scholarship	\$ 1,441.00
• Susan W. Burke Memorial Scholarship	\$ 11.12
• Dorothy and Frank Therrell Scholarship	\$ 12,534.68
• Danti Scholarship/Architecture	\$ 326.37

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

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.

* * * * *

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

KPMG Peat Marwick LLP

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

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9:50 AM

October 7, 1998

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

We have audited the financial statements of Louisiana Tech University Foundation, Inc. (the "Foundation") for the year ended June 30, 1998, and have issued our report thereon dated October 7, 1998. Under generally accepted auditing standards, we are providing you with the following information related to the conduct of our audit:

Our Responsibilities Under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards is to express an opinion on the financial statements of the Foundation based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, but not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control of the Foundation to gain a basic understanding of the internal control activities in order to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control. Furthermore, our audit, including the limited inquiries we made in connection with the Year 2000 issue, was not designed to, and does not, provide any assurance that a Year 2000 issue which may exist will be identified, on the adequacy of the Foundation's remediation plans related to Year 2000 financial or operational issues, or on whether the Foundation is or will become Year 2000 compliant. Year 2000 compliance is the responsibility of management.

Significant Accounting Policies

The significant accounting policies used by the Foundation are described in the note to the financial statements captioned "Summary of Significant Accounting Policies." We noted no transactions entered into by the Foundation that were both significant and unusual and that, under professional standards, we are required to inform you of, or transactions for which there is a lack of authoritative guidance or consensus.

The Board of Directors
Louisiana Tech University Foundation, Inc.
October 7, 1998
Page 2

Significant Audit Adjustments

We proposed no corrections of the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Foundation's financial reporting process.

Relationship With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Foundation's June 30, 1998, financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement of Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Major Issues Discussed With Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

* * * * *

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

Very truly yours,

KPMG Peat Marwick LLP