FILE COPY
DO NOT SEND OUT
(Xerox necessary copies from this copy and PLACE BACK in FILE)

RECEIVED
JAN 04 1999
LEGISLATIVE AUDITOR

99201594
5491

UNIVERSITY OF NEW ORLEANS FOUNDATION

Financial Statements and Additional Information for the Year Ended June 30, 1998 and Independent Auditors' Report

UNIVERSITY OF NEW ORLEANS FOUNDATION

TABLE OF CONTENTS

Deloitte &
Touche

Deloitte & Touche LLP
Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727
Facsimile: (504) 561-7293

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the "Foundation") as of June 30, 1998, 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, 1997, 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, 1998 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, 1998, 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."

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 1998 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 18, 1998

Deloitte Touche
Tohmatsu

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998 AND 1997

	1998	1997
ASSETS		
Cash	$ 637,258	$ 269,568
Accounts receivable	594,134	458,144
Contributions receivable, net	4,593,575	5,038,302
Due from U.S. government	189,885	-
Investments, at market value	30,604,127	21,571,031
Real estate, net	5,156,636	5,226,309
Other assets	75,900	92,032
Plant assets, net	352,560	344,053
TOTAL ASSETS	$42,204,075	$32,999,439
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 756,646	$ 482,370
Due to the University	389,686	350,949
Funds invested for others	6,315,969	3,932,111
Notes payable	3,021,103	3,149,637
Total liabilities	10,483,404	7,915,067
NET ASSETS:		
Unrestricted	2,712,597	1,709,245
Temporarily restricted	12,703,453	9,477,631
Permanently restricted	16,304,621	13,897,496
Total net assets	31,720,671	25,084,372
TOTAL LIABILITIES AND NET ASSETS	$42,204,075	$32,999,439

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 1998	Totals 1997
REVENUES:					
Contributions and bequests	$ 327,927	$ 4,129,137	$ 2,129,177	$ 6,586,241	$ 10,004,820
Investment income	410,430	1,248,299	260,552	1,919,281	1,013,645
Unrealized gains on investments, net	447,012	1,210,781		1,657,793	711,785
Public grants		192,751		192,751	146,936
Federal grants		189,885		189,885	-
Rental income	807,495	24,140		831,635	740,640
Other	104,768	221,761	17,396	343,925	325,489
Net assets released from restrictions -					
satisfaction of program restrictions	3,622,644	(3,622,644)		-	-
expiration of time restrictions	368,288	(368,288)		-	-
Total revenues	6,088,564	3,225,822	2,407,125	11,721,511	12,943,315
EXPENSES:					
Program services	1,978,500			1,978,500	1,312,648
Transfer to University/Alumni	1,674,848			1,674,848	1,179,032
General and administrative	218,294			218,294	110,424
Fund raising	394,174			394,174	540,507
Rental expenses, excluding depreciation	584,997			584,997	603,149
Depreciation	234,399			234,399	246,473
Total expenses	5,085,212	-	-	5,085,212	3,992,233
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	1,003,352	3,225,822	2,407,125	6,636,299	8,951,082
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 11)				-	1,060,198
CHANGE IN NET ASSETS	1,003,352	3,225,822	2,407,125	6,636,299	10,011,280
BEGINNING NET ASSETS	1,709,245	9,477,631	13,897,496	25,084,372	15,073,092
ENDING NET ASSETS	$ 2,712,597	$ 12,703,453	$ 16,304,621	$ 31,720,671	$ 25,084,372

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998 AND 1997

	1998	1997
OPERATING ACTIVITIES:		
Change in net assets	$ 6,636,299	$10,011,280
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	234,399	246,473
Realized gain on investments, net	(1,310,854)	(507,819)
Unrealized gain on investments, net	(1,657,793)	(711,785)
Cumulative effect of change in accounting principle	-	(1,060,198)
Restricted net assets received	(7,048,618)	(6,293,882)
Donation of plant assets to University	59,362	-
Changes in assets and liabilities:		
Accounts receivable	(135,990)	(51,995)
Contributions receivable	444,727	(3,405,006)
Due from U.S. government	(189,885)	-
Other assets	16,132	5,829
Accounts payable and accrued expenses	274,276	335,950
Due to the University	38,737	(13,345)
Net cash used in operating activities	(2,639,208)	(1,444,498)
INVESTING ACTIVITIES:		
Purchases of plant assets	(121,679)	(77,382)
Purchases of real estate	(110,916)	(86,126)
Net increase in investments	(6,064,449)	(5,538,028)
Increase in funds invested for others	2,383,858	1,205,840
Net cash used in investing activities	(3,913,186)	(4,495,696)
FINANCING ACTIVITIES:		
Contributions for endowment funds	3,042,946	3,895,092
Contributions for temporarily restricted net assets	4,005,672	2,398,790
Repayment of notes payable	(128,534)	(117,510)
Net cash provided by financing activities	6,920,084	6,176,372
INCREASE IN CASH	367,690	236,178
CASH, BEGINNING OF YEAR	269,568	33,390
CASH, END OF YEAR	$ 637,258	$ 269,568

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1998 AND 1997

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 - 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. 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, 1998 and 1997:

	1998		1997	
	Cost	**Market**	**Cost**	**Market**
Corporate stocks and bonds	$17,960,091	$22,068,056	$ 8,350,454	$10,472,888
U.S. government obligations	4,890,640	4,997,352	5,109,632	5,118,070
Money market funds	3,348,763	3,362,955	5,797,307	5,801,905
Mortgage notes	175,764	175,764	178,168	178,168
	$26,375,258	$30,604,127	$19,435,561	$21,571,031

Investment income is reported net of investment fees in the accompanying financial statements. Investment expenses were approximately $138,000 and $88,000 for the years ended June 30, 1998 and 1997, respectively.

3. REAL ESTATE

In November 1993, the Foundation acquired by donation a 120,000 square foot 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 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 custody 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, 1998, 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, 1998 and 1997 real estate consists of the following:

	1998	1997
Land	$2,084,242	$2,084,242
Buildings	3,808,852	3,697,933
	5,893,094	5,782,175
Less accumulated depreciation	(736,458)	(555,866)
	$5,156,636	$5,226,309

4. PLANT ASSETS AND DEPRECIATION

At June 30, 1998 and 1997 plant assets are as follows:

	1998	1997
Land	$ 80,000	$ 80,000
Buildings	120,000	120,000
Equipment	473,512	410,083
Vehicles	12,656	16,055
	686,168	626,138
Less accumulated depreciation	(333,608)	(282,085)
	$ 352,560	$ 344,053

5. NOTES PAYABLE

	1998	1997
Note payable to the University of New Orleans Foundation-Endowment Fund Trust, payable in monthly installments of principal and interest of $1,233 until maturity in 2023. The note bears interest at 7% and is secured by land and building.	$ 175,764	$ 178,168
Note payable to a bank, payable in monthly installments of principal and interest of $33,472, and a final installment of principal and accrued interest of approximately $1.7 million due on December 31, 2009. 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).	2,845,339	2,971,469
Total	$3,021,103	$3,149,637

Annual maturities of long-term debt are as follows:

	Amount
1999	$ 141,281
2000	155,158
2001	170,399
2002	187,140
2003	205,527
Thereafter	2,161,598
Total	$3,021,103

Interest paid during 1998 and 1997, all of which was charged to operations, approximated $288,000 and $299,000, respectively.

6. NET ASSETS

Net assets are comprised of the following at June 30, 1998 and 1997:

	1998	1997
Unrestricted:		
UNO-TEC Building	$ 2,053,288	$ 2,017,763
Lee Circle Building	195,050	-
Undesignated funds - (deficit)	464,259	(308,518)
Total unrestricted	2,712,597	1,709,245
Temporarily restricted:		
Ambrose house	62,958	65,208
C.E.R.M. building fund	2,537,413	2,172,746
Undistributed investment earnings	2,661,171	1,949,714
Temporarily restricted contributions	7,441,911	5,289,963
Total temporarily restricted	12,703,453	9,477,631
Permanently restricted:		
Eminent scholars chairs	5,773,736	6,295,408
Endowed professorships	575,713	625,690
Deblois endowments	1,998,652	1,448,178
Individual endowed contributions	7,956,520	5,528,220
Total permanently restricted	16,304,621	13,897,496
Total net assets	$31,720,671	$25,084,372

7. FUNCTIONAL EXPENSES

Expenses during the year ended June 30, 1998 were incurred for:

	Program Support	General and Administrative	Fund Raising	Total Expenses
Interest expense	$ 288,026	$ 1,726	$ 2,314	$ 292,066
Contract services	637,821	4,973	189,690	832,484
Official functions (entertainment)	262,493	2,119	44,233	308,845
Transfer to University/Alumni	1,674,848	-	-	1,674,848
Transfer to National D-Day Museum	189,885	-	-	189,885
Depreciation expense	234,399	-	-	234,399
Personnel costs	34,657	169,809	113,509	317,975
Property maintenance and rent	361,140	7,672	285	369,097
Office supplies and services	225,609	8,371	4,908	238,888
Professional fees	87,413	10,500	-	97,913
Utilities	30,183	907	1,525	32,615
Contribution expense	34,500	-	-	34,500
Other miscellaneous expenses	411,770	12,217	37,710	461,697
	$4,472,744	$218,294	$394,174	$5,085,212

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, 1998 and 1997 that was attributable to the Eminent Scholars Program was $4,229,000 and $2,965,000, 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 1998 and 1997 is $101,046 and $104,156, respectively, which are reimbursements to the University. Of such costs $101,046 and $33,598 remained unpaid at June 30, 1998 and 1997 , respectively.

At June 30, 1998, the Foundation owes the University $330,378 for a pledge receivable, that it collects on behalf of the University and $59,308 for interest earned on Eminent Scholar Endowments. 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 $140,751 and $38,936 were received during the years ended June 30, 1998 and 1997, respectively. 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 $30,000 and $90,000 were received during the years ended June 30, 1998 and 1997, respectively. Additionally, in April 1997 the Foundation was awarded a grant from the City of New Orleans Economic Development Fund to fund the Sydney Bechet Conference of which $22,000 and $18,000 were received during the years ended June 30, 1998 and 1997, respectively.

11. CHANGE IN ACCOUNTING PRINCIPLE

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.

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	$ 1,938,453
Between one year and five years	3,875,594
More than five years	260,995
	6,075,042
Less: present value discount of $687,131 and allowance for uncollectible pledges of $794,336	(1,481,467)
	$ 4,593,575

Contributions receivable at June 30, 1998, have the following restrictions:

Unrestricted	$ 23,694
Temporarily restricted by donor imposed stipulations for university programs and activities	3,173,253
Endowment for university programs and activities and property acquisitions	1,396,628
	$4,593,575

13. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	1998	1997
Purpose restrictions accomplished:		
Program services	$3,233,755	$2,290,231
Fund raising	127,118	66,683
Equipment purchases	259,521	91,755
Rental expense	-	39,109
Miscellaneous	2,250	2,250
	3,622,644	2,490,028
Time restrictions accomplished:		
Passage of time specified	368,288	2,017,763
	$3,990,932	$4,507,791

* * * * *

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE - UNIVERSITY OF NEW ORLEANS ALUMNI ASSOCIATION
STATEMENT OF REVENUE, SUPPORT AND EXPENSES
YEAR ENDED JUNE 30, 1998

REVENUE AND SUPPORT:	
Contributions and bequests	$ 103,771
UNO Foundation support	120,000
Investment income	13,169
Other	59,679
Total revenue and support	296,619
EXPENSES:	
Program services	97,379
General and administrative	13,436
Fund raising	56,563
Total expenses	167,378
EXCESS REVENUE AND SUPPORT OVER EXPENSES	$ 129,241

Deloitte & Touche

Deloitte & Touche LLP
Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727
Facsimile: (504) 561-7293

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, 1998, and have issued our report thereon dated November 18, 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.

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 18, 1998

Deloitte &
Touche

Deloitte & Touche LLP
Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727
Facsimile: (504) 561-7293

RECEIVED
JAN 07 1999
LEGISLATIVE AUDITOR

November 18, 1998

Board of Directors
University of New Orleans Foundation

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 appropriately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of the University of New Orleans Foundation's (the "Foundation") financial statements for the year ending June 30, 1998, will not provide any assurances, nor will we express any opinion, that the Foundation's systems or any other systems, such as those of the Foundation's vendors, service providers, customers, unconsolidated subsidiaries or joint ventures in which the Foundation has an investment, or other third parties, are year 2000 compliant. In addition, we are not engaged to perform, nor will we perform as part of our audit engagement, any procedures to test whether the Foundation's systems or any other systems are year 2000 compliant or whether the plans and activities of the Foundation are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor will we express any opinion or provide any assurances with respect to these matters.

However, during the week ended December 18, 1998, we made limited inquiries about the Foundation's activities to address the year 2000 issue. We have not performed any procedures to test the accuracy or completeness of the responses to our inquiries, but we have included our observations resulting from those inquiries in the following paragraphs. Our observations supplement the communications that were previously made to the Board of Directors and are appropriate as of the date of this letter. Because year 2000 activities are currently in process, we may have had additional observations had we made inquiries after the date of this letter. Accordingly, we encourage the management and Board of Directors to continue its oversight of the Foundation's year 2000 activities.

As a result of our inquiries about University of New Orleans Foundation's activities to address the Year 2000 issue, the following responses were noted:

The Foundation has developed a plan to address year 2000 issues. Robert Gremillion, Assistant Director/Business Manager, has oversight responsibility of the year 2000 project and presents monthly updates to senior management. All vendors of mission critical equipment such as computers software, and printers have sent written confirmation that the Foundation's equipment is Year 2000 compliant. The Foundation has joined the University of New Orleans' plan to have computer technicians test all computers for Year 2000 compliance. This test will be completed by the end of January 1999. Financial institutions holding investments or operating cash for the UNO Foundation have been contacted and are Year 2000 compliant. The Foundation does not anticipate any adverse effects resulting from year 2000 issues.

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

Yours truly,

Deloitte & Touche LLP