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LOUISIANA TECH UNIVERSITY
FOUNDATION, INC.

Financial Statements and Schedules

June 30, 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 July 2, 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 statement of financial position of the Louisiana Tech University Foundation, Inc. (the "Foundation") as of June 30, 1996 and the related statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 1996, and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 1997, 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.

As discussed in notes 1 and 2 of the financial statements, the Foundation adopted the provisions of Statements of Financial Accounting Standards Nos. 116, *Accounting for Contributions Received and Contributions Made*; and 117, *Financial Statements of Not-for-Profit Organizations*, in 1996.

Our audit was made for the purpose of forming an opinion on the basic combined 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 combined 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 combined financial statements taken as a whole.

KPMG Peat Marwick LLP

August 25, 1997

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Financial Position

June 30, 1996

Assets

Cash and cash equivalents	\$ 428,080
Investments (note 3)	22,362,218
Accrued interest receivable	74,628
Fixed assets (note 4)	959,062
Contributions receivable, net (note 5)	674,560
Other assets	<u>64,088</u>
 Total assets	 \$ <u>24,562,636</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable	\$ 353,597
Deferred revenue	120,000
Notes payable (note 6)	96,550
Due to Louisiana Tech University (notes 7 and 8)	<u>10,205,058</u>
Total liabilities	<u>10,775,205</u>

Net assets:

Unrestricted:

For current operations	723,891
For plant	739,331
Funds functioning as endowments	<u>901,180</u>
	<u>2,364,402</u>

Temporarily restricted - designated for specific purposes	3,252,070
Permanently restricted - endowment	<u>8,170,959</u>
	<u>13,787,431</u>

Total liabilities and net assets \$ 24,562,636

See accompanying notes to combined 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 (note 7)	\$ 194,995	1,291,873	1,641,688	3,128,556
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>
	1,349,274	1,772,849	1,647,648	4,769,771
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>2,839,070</u>	<u>283,053</u>	<u>1,647,648</u>	<u>4,769,771</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)	291,241	—	—	291,241
Fundraising	<u>393,625</u>	<u>—</u>	<u>—</u>	<u>393,625</u>
Total expenses	<u>2,426,298</u>	<u>—</u>	<u>—</u>	<u>2,426,298</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 as restated	<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 combined financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Statement of Cash Flows

Year ended June 30, 1996

Cash flow from operating activities:	
Change in net assets	\$ 2,343,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donated fixed assets	(175,616)
Depreciation expense	179,710
Net unrealized gain on long-term investments	(138,520)
Gain on sale of investments	(415,638)
Decrease in contributions receivable	110,730
Increase in accrued interest receivable	(28,883)
Increase in accounts payable	241,042
Decrease in deferred revenue	(40,000)
Increase in other assets	(20,297)
Contributions restricted for long-term investment	<u>(1,641,688)</u>
Net cash provided by operating activities	<u>414,313</u>
Cash flow from investing activities:	
Purchases of fixed assets	(25,236)
Purchases of investments	(4,150,482)
Proceeds on sale of investments	2,033,126
Increase in due to Louisiana Tech University	<u>231,487</u>
Net cash used by investing activities	<u>(1,911,105)</u>
Cash flow from financing activities:	
Contributions restricted for investment in endowment	1,641,688
Proceeds from notes payable	101,002
Payments of notes payable	<u>(90,178)</u>
Net cash provided by financing activities	<u>1,652,512</u>
Increase in cash and cash equivalents	155,720
Cash and cash equivalents at beginning of year	<u>272,360</u>
Cash and cash equivalents at end of year	\$ <u><u>428,080</u></u>

See accompanying notes to combined financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 1996

(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 year ended June 30, 1996 expenditures totaling approximately \$2,135,000 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.

In 1996, the Foundation adopted Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under these provisions, 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.

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

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. 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. Significant contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. 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 as permitted by various provisions of SFAS No. 116.

Release of Restrictions on Net Assets Received Prior to Adoption of SFAS No. 116 – The Foundation has adopted retroactively the provisions of SFAS No. 116 concerning release from restrictions on temporarily restricted net assets upon incurrence of an expense when

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

both unrestricted and temporarily restricted net assets are available for that purpose. Accordingly, the net asset balances as of July 1, 1995, have been restated, as detailed in footnote 2.

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.

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.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

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.

(2) Restated Net Asset Balance

Beginning fund balances were restated for the adoption of SFAS Nos. 116 and 117. Following is a reconciliation of total June 30, 1995, fund balances as previously reported to the restated net asset balances for the same period.

<u>Fund Balances</u>	<u>Net Asset Classification</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Operating Fund	\$ 300,722	—	—	300,722
Restricted Fund	223,061	2,740,246	—	2,963,307
Endowment Fund	671,642	234,188	6,823,417	7,729,247
Plant Fund	<u>756,205</u>	—	—	<u>756,205</u>
Subtotal	\$ <u>1,951,630</u>	<u>2,974,434</u>	<u>6,823,417</u>	<u>11,749,481</u>

(3) Investments

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

	<u>Fair Market Value</u>	<u>Cost or Fair Market Value at Date of Gift</u>
Held by investment custodians:		
Cash and cash equivalents	\$ 5,260,150	5,260,150
Certificates of deposit	337,059	337,059
Government obligations and corporate bonds	3,152,394	3,184,119
Common stock	157,428	92,445
Mutual funds	<u>13,455,187</u>	<u>12,808,371</u>
Total	\$ <u>22,362,218</u>	<u>21,682,144</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

(4) Fixed Assets

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

Automobiles	\$ 66,611
Furniture, fixtures, and equipment	626,316
Engineering equipment	666,682
Real estate and other	<u>129,438</u>
	1,489,047
Less accumulated depreciation	<u>(529,985)</u>
	<u>\$ 959,062</u>

(5) Contributions Receivable

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

Unconditional pledges expected to be collected in:	
Less than one year	\$ 144,931
One year to five years	862,510
More than five years	<u>63,268</u>
	(396,149)
Less allowance for uncollectible contributions receivable	<u>(396,149)</u>
Contributions receivable, net	<u>\$ 674,560</u>

(6) Notes Payable

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

Note payable, the proceeds of which were used to purchase a vehicle due in monthly installments of \$396, secured by the vehicle. The note is due August 1, 1999, at an interest rate of 8.3%.	\$ 20,784
Note payable, the proceeds of which were used to assist in funding certain operating expenses of the Centennial Campaign. The loan, renewed on February 2, 1996 with interest equal to the Bank's index, is due February 2, 1997 (8.25% at June 30, 1996).	<u>75,766</u>
	<u>\$ 96,550</u>

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Notes to Financial Statements

The notes payable are secured by all deposit accounts and certificates of deposit at the bank, now owned or hereafter acquired.

Maturities of notes payable at December 31, 1996, are as follows:

1996-1997	\$ 81,681
1997-1998	6,310
1998-1999	<u>8,559</u>
	\$ <u>96,550</u>

Interest in the amount of \$9,103 was paid during the year ended June 30, 1996.

(7) **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, 1996 contributed personnel costs and operating services were determined to be \$375,576 and \$7,062, respectively. These services and amounts have not been reflected as contributed services and corresponding general and administrative services expense 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, 1996 is \$10,205,058 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 net assets of the Foundation and included as Due to Louisiana Tech University. A total of \$305,523 of net assets of the Foundation were dedicated to LA TECH during 1996.

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.

(8) **Pension Plan**

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

(9) **Commitments**

At June 30, 1996, there were approximately \$331,000 in awarded but unpaid scholarships to be funded over the next year.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments

June 30, 1996

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Cash and cash equivalents</u>		
Cash		\$ 61
One Group U.S. Treasury Securities		
Money Market Fund	4,915,606	4,915,606
Marquis Treasury Securities Money Market Fund	326,649	326,649
Series E Savings Bonds		17,740
SB Money Funds	94	94
		<u>5,260,150</u>
<u>Certificates of deposit</u>		
Gibsland Bank, 5.40%, due 12/01/96	10,000	10,000
Gibsland Bank, 4.78%, due 08/14/96	10,000	10,000
Gibsland Bank, 4.24%, due 09/20/96	10,000	10,000
Gibsland Bank, 4.56%, due 02/12/97	15,000	15,000
Gibsland Bank, 4.70%, due 06/15/97	25,000	25,000
Gibsland Bank, 5.00%, due 10/08/96	100,000	100,000
Gibsland Bank, 4.70%, due 06/15/97	25,000	25,000
Gibsland Bank, 4.02%, due 08/05/96	20,000	20,000
Gibsland Bank, 3.95%, due 09/04/96	20,000	20,000
Gibsland Bank, 3.95%, due 09/05/96	20,000	20,000
Federated Money Market Trust	82,059	82,059
		<u>337,059</u>
<u>Mutual funds</u>		
Employee Benefit	183,638	2,695,804
Marquis Growth Equity Fund	48,868	566,873
Marquis Value Equity Fund	102,391	1,304,464
Marquis Government Securities Fund	173,424	1,678,744
One Group Government Arm Fund	41,924	413,826
One Group Government Bond Fund	265,099	2,557,134
One Group Income Bond Fund	224,774	2,113,950
One Group Intermediate Bond Fund	77,267	767,214
One Group Ltd. Volatility Bond Fund	63,693	669,654
One Group Disciplined Value Fund	8,290	122,404
One Group Growth Opportunities Fund	30,638	59,908
One Group International Equity Index Fund	4,038	61,917
One Group Large Company Growth Fund	10,649	159,544
One Group Large Company Value Fund	17,230	223,294

(Continued)

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Investments, Continued

<u>Description</u>	<u>Shares or Units</u>	<u>Market Value</u>
<u>Mutual funds, (continued)</u>		
One Group Value Growth Fund	3,578	\$ 37,177
One Group Income Equity Fund	788	13,902
One Group Gulf South Growth Fund	872	9,378
		<u>13,455,187</u>
<u>Government obligations and corporate bonds</u>		
Federal Home Loan Bank, 8.60%, due 1/25/00	30,000	31,809
Federal Home Loan Bank, 8.25% due 11/25/96	30,000	30,319
Fed. National Mortgage Assoc., 5.35%, due 10/10/97	50,000	49,688
Fed. National Mortgage Assoc., 6.05% due 1/12/98	200,000	199,250
Fed. National Mortgage Assoc., 5.30%, due 3/11/98	50,000	49,125
Fed. National Mortgage Assoc., 6.35%, due 6/10/05	200,000	191,188
U.S. Treasury Note, 7.50%, due 11/15/01	100,000	104,406
U.S. Treasury Note, 6.375%, due 1/15/99	200,000	200,688
U.S. Treasury Note, 7.00%, due 4/15/99	100,000	101,813
U.S. Treasury Note, 7.50%, due 5/15/02	200,000	209,500
U.S. Treasury Note, 6.375%, due 7/15/99	100,000	100,219
U.S. Treasury Note, 5.50%, due 7/31/97	100,000	99,656
U.S. Treasury Note, 5.50%, due 9/30/97	100,000	99,500
U.S. Treasury Note, 5.625%, due 1/31/98	100,000	99,406
U.S. Treasury Note, 5.375%, due 5/31/98	50,000	49,344
U.S. Treasury Note, 5.75%, due 8/31/03	200,000	190,438
U.S. Treasury Note, 5.875%, due 2/15/04	300,000	286,593
U.S. Treasury Note, 7.25%, due 5/15/04	200,000	207,250
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	215,000
U.S. Treasury Note, 7.00%, due 9/30/96	100,000	100,406
U.S. Treasury Note, 6.25%, due 1/31/97	200,000	200,812
U.S. Treasury Note, 4.375%, due 8/15/96	100,000	99,906
U.S. Treasury Note, 4.75%, due 2/15/97	100,000	99,438
Texas Electric Service Company, 8.875%, due 10/01/00	5,000	5,038
Govt. National Mortgage Assoc., 11%, due 3/15/10	4,922	5,446
Delta Air Lines, Inc. Bond, 9.00%, due 5/15/16	25,000	25,000
		<u>3,152,394</u>

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.	2,742	\$ 124,418
A. G. Edwards	81	2,055
Proctor & Gamble	110	910
Banc One Corp.	597	16,453
Wal Mart Stores, Inc.	110	2,792
Iomego Corp.	200	5,800
Mobil Land	1	<u>5,000</u>
		<u>157,428</u>
Grand total		\$ <u><u>22,362,218</u></u>

Unaudited - see accompanying independent auditors' report.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Operating and Capital Expenses

For the year ended June 30, 1996

Operating Fund:	
Insurance	\$ 35,717
Maintenance, repairs, and renovation	17,894
Automobile and travel	14,611
Advertising	6,768
Office supplies and equipment	20,635
Printing and postage	17,415
Promotional awards and gifts	28,948
Pledge shrinkage	38,646
Telephone	6,392
Accounting, investment fees, and legal	34,912
Salaries	38,383
Research	5,316
Conferences	7,740
Other	18,579
Dues and subscriptions	<u>7,044</u>
	299,000
Restricted Fund – department capital expenditure	<u>42,126</u>
Plant Fund - depreciation expense	<u>179,710</u>
	\$ <u><u>520,836</u></u>

Unaudited - see accompanying independent auditors' report.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

Schedule of Annual Fundraising Expenses

For the year ended June 30, 1996

Meeting expenses	\$	1,385
Supplies		4,399
Printing		30,051
Salaries and wages		54,714
Telephone		21,579
Postage		16,365
Travel		451
Maintenance		<u>12,589</u>
	\$	<u>141,533</u>

Unaudited - see accompanying independent auditors' report.

KPMG Peat Marwick LLP

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

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL
CONTROL STRUCTURE 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 combined financial statements of the Louisiana Tech University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 1996, and have issued our report thereon dated August 25, 1997, which included an explanatory paragraph for the adoption of the provisions of Statements of Financial Accounting Standards Nos. 116 and 117.

We conducted our audit 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 financial statements are free of material misstatement.

The management of the Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Foundation for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Foundation in a separate letter dated August 25, 1997.

This report is intended for the information of management.

KPMG Peat Marwick LLP

August 25, 1997

KPMG Peat Marwick LLP

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

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the combined financial statements of the Louisiana Tech University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 1996, and have issued our report thereon dated August 25, 1997, which included an explanatory paragraph for the adoption of the provisions of Statements of Financial Accounting Standards Nos. 116 and 117.

We conducted our audit 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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management.

KPMG Peat Marwick LLP

August 25, 1997



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

August 25, 1997

CONFIDENTIAL

The Board of Directors
Louisiana Tech University Foundation, Inc.

Gentlemen:

We have audited the combined financial statements of Louisiana Tech University Foundation, Inc. (the "Foundation") for the year ended June 30, 1996, and have issued our report thereon dated August 25, 1997. In planning and performing our audits of the combined 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 combined 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 audit, 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:

FINANCIAL REPORTING

In June 1996, the Foundation adopted Financial Accounting Standards Board Statement No. 116, *Accounting for Contributions Received and Contributions Made*, which establishes accounting standards for contributions, including unconditional promises to give, and Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes standards for general purpose external financial statements provided by a not-for-profit organization. The implementation of these standards required extensive research of accounts for donor restrictions and caused a significant delay in the preparation of the 1995-1996 financial statements of the Foundation. In addition, the Foundation has gone through system conversions that have hindered its financial reporting capabilities. While these are one time events that, once resolved, should not have a significant impact on reporting financial results in a timely manner in the future, the Foundation should consider establishing a monthly closing schedule, as well as a year end closing schedule. The schedule should address such things as necessary accruals, reconciliations to subledgers and compliance with reporting requirements. In addition, going forward, the Foundation should be cognizant of the reporting requirements for restricted donations and ensure that their system reports financial result in accordance with these standards.



The Board of Directors
Louisiana Tech University Foundation, Inc.
August 25, 1997
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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 any inefficiencies or duplication of effort that are causing the financial reporting function to be consistently late. Our findings and recommendations are included in a separate letter.

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.

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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