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L.S.U. AT ALEXANDRIA FOUNDATION, INC.

ALEXANDRIA, LOUISIANA

JUNE 30, 1998

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 MAR 03 1999



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

L.S.U. AT ALEXANDRIA FOUNDATION, INC.

JUNE 30, 1998

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
L.S.U. at Alexandria Foundation, Inc.
Alexandria, Louisiana

We have audited the accompanying statement of financial position of the L.S.U. at Alexandria Foundation, Inc., (a nonprofit organization) as of June 30, 1998, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the L.S.U. at Alexandria Foundation, Inc., 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.

Payne Moore & Herrington LLP
Certified Public Accountants

October 1, 1998

MARVIN A. JONEAU, C.P.A.

H. FRED RANDOW, C.P.A.

ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.

ROBERT W. DYORAK, C.P.A.

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L.S.U. AT ALEXANDRIA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

EXHIBIT A

ASSETS

ASSETS	
Cash	\$ 11,775
Pledges receivable (net of allowance of \$12,570)	53,084
Investments in L.S.U. Foundation managed assets	<u>6,949,035</u>
<u>TOTAL ASSETS</u>	<u>\$7,013,894</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Notes payable	\$ 3,827
Accounts payable	<u>4,598</u>
Total Liabilities	8,425
NET ASSETS	
Unrestricted	1,593,591
Temporarily restricted	3,230,512
Permanently restricted	<u>2,181,366</u>
Total Net Assets	<u>7,005,469</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$7,013,894</u>

The accompanying notes are an integral part of the financial statements.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1998

EXHIBIT B

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND RECLASSIFICATIONS				
Contributions	\$ 23,643	\$ 146,270	\$ 116,448	\$ 286,361
Interest	27,705	411,303	12,962	451,970
Unrealized gain on investments	<u>354,069</u>	<u> </u>	<u> </u>	<u>354,069</u>
Total Revenues and Gains	405,417	557,573	129,410	1,092,400
Net assets released from restrictions	<u>112,621</u>	<u>(112,621)</u>	<u> </u>	<u>-0-</u>
Total Revenues, Gains, and Reclassifications	518,038	444,952	129,410	1,092,400
EXPENSES				
Supporting services:				
Institution salary supplements	7,670			7,670
Equipment	400			400
Interest expense	781			781
Miscellaneous	2,221			2,221
Office supplies	494			494
Official functions	5,813			5,813
Operating services	11,018			11,018
Professional services	20,365			20,365
Professorships	11,744			11,744
Registration fees	1,119			1,119
Scholarships and awards	41,065			41,065
Service charges	23,127			23,127
Supplies	4,010			4,010
Travel	<u>4,351</u>	<u> </u>	<u> </u>	<u>4,351</u>
Total Expenses	<u>134,178</u>	<u>-0-</u>	<u>-0-</u>	<u>134,178</u>
CHANGE IN NET ASSETS	383,860	444,952	129,410	958,222
NET ASSET AT BEGINNING OF YEAR				
As previously reported	397,628	3,585,342	2,064,277	6,047,247
Adjustment for recording unrealized gain on investments	812,103	(799,782)	(12,321)	-0-
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>1,209,731</u>	<u>2,785,560</u>	<u>2,051,956</u>	<u>6,047,247</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$1,593,591</u>	<u>\$3,230,512</u>	<u>\$2,181,366</u>	<u>\$7,005,469</u>

The accompanying notes are an integral part of the financial statements.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998

EXHIBIT C

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 958,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(354,069)
Change in operating assets and liabilities:	
Pledges receivable	84,229
Accounts payable	3,873
Accrued interest payable	<u>(229)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	692,026
 CASH FLOWS FROM INVESTING ACTIVITIES	
	-0-
Purchase of investments in L.S.U. Foundation managed assets	(372,840)
Reinvestment of income in L.S.U. Foundation managed assets	(451,970)
Withdrawal of investments in L.S.U. Foundation managed assets	<u>146,118</u>
NET CASH USED IN INVESTING ACTIVITIES	(678,692)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal paid on notes payable	<u>(12,310)</u>
NET CASH USED IN FINANCING ACTIVITIES	(12,310)
 NET INCREASE IN CASH	 1,024
 CASH AT BEGINNING OF YEAR	 <u>10,751</u>
 <u>CASH AT END OF YEAR</u>	 <u>\$ 11,775</u>

SUPPLEMENTAL DATA

1. The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. Cash paid for interest was \$781 in the current fiscal year.
3. No income taxes were paid during the current fiscal year.
4. There were no non-cash investing or financing transactions during the fiscal year ended June 30, 1998 that affected recognized assets and liabilities.

The accompanying notes are an integral part of the financial statements.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The L.S.U. at Alexandria Foundation, Inc. is a non-profit corporation formed to promote the educational and cultural welfare of Louisiana State University at Alexandria by accepting gifts for the purpose of providing scholarships, aiding research or such other designated projects for the benefit of the University.

Basis of Accounting

The financial statements of the L.S.U. at Alexandria Foundation, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements of the L.S.U. at Alexandria Foundation, Inc. have been prepared in accordance with generally accepted accounting principles.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the L.S.U. at Alexandria Foundation, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Correction of an Error

Effective July 1, 1996, the L.S.U. at Alexandria Foundation, Inc. implemented the provisions of Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, of the Financial Accounting Standards Board. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. To the extent that unrealized gains and losses are recognized, they should be reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period. The L.S.U. at Alexandria Foundation, Inc. applied this accounting principle incorrectly through June 30, 1997 in that unrealized gain on investments was reported in the statement of activities as an increase in temporarily and permanently restricted net assets.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

As of July 1, 1997 unrestricted net assets were increased by \$812,103, temporarily restricted net assets were decreased by \$799,782, and permanently restricted net assets were decreased by \$12,321 as a correction of this error in applying SFAS No. 124. There was no change in total 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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

2. PLEDGES RECEIVABLE

Pledges receivable at June 30, 1998, consist of unconditional promises to give as follows:

Receivable in less than one year	\$23,623
Receivable in one to five years	<u>42,031</u>
Total pledges receivable	65,654
Less: allowance for uncollectible pledges receivable	<u>12,570</u>
Net pledges receivable	\$53,084

3. INVESTMENT IN L.S.U. FOUNDATION MANAGED ASSETS

On July 3, 1995, the L.S.U. at Alexandria Foundation entered into a management agreement with the L.S.U. Foundation whereby the L.S.U. Foundation shall hold funds on behalf of the L.S.U. at Alexandria Foundation solely for the purpose of investing the funds. The L.S.U. Foundation may assess its standard service fees annually to cover its administrative costs. This agreement shall remain in effect until 180-day written notice is given by either party to the other party.

Investments held by the L.S.U. Foundation on behalf of the L.S.U. at Alexandria Foundation are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. As of June 30, 1998, investment in L.S.U. Foundation managed assets consisted of the following:

	<u>COST</u>	<u>MARKET VALUE</u>
Unrestricted	\$ 225,043	\$ 283,049
Temporarily restricted	3,354,172	3,938,689
Permanently restricted	<u>2,155,562</u>	<u>2,727,297</u>
	\$5,734,777	\$6,949,035

4. NOTES PAYABLE

Notes payable at June 30, 1998 consisted of a promissory note to Rapides Bank & Trust Company in Alexandria in the amount of \$45,098. The note bears interest at 8.5% per annum and is payable in 15 quarterly installments of \$3,330 and a final payment of \$3,013 at maturity on July 30, 1998.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 1998 are available for the following purposes:

Salary and benefit supplements, scholarships and other supporting services	<u>\$3,230,512</u>
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Permanently restricted net assets consisted of the following at June 30, 1998:

Endowment funds	<u>\$2,181,366</u>
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6. GRANTS

During the fiscal year ended June 30, 1993, the L.S.U. at Alexandria Foundation received a \$1,000,002 Endowment Challenge Grant. The grant period is June 30, 1993 to May 31, 2013. Under the terms of the Endowment Challenge Grant Program, the L.S.U. at Alexandria Foundation must deposit the \$1,000,002 grant funds along with \$500,001 matching funds into an endowment fund. During the 20-year grant period, the L.S.U. at Alexandria Foundation may not withdraw or spend any part of the endowment fund corpus or more than fifty (50) percent of the aggregate income earned.

7. INCOME TAXES

The L.S.U. at Alexandria Foundation, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable State law. It is classified as an exempt organization other than a private foundation.

8. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Cash in a checking account is deposited with one local financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 1998 the cash balance was secured from risk by the FDIC; however, during the fiscal year the amount on deposit with the financial institution was in excess of \$100,000.

9. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Grants, bequests, and endowments require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

L.S.U. AT ALEXANDRIA FOUNDATION, INC.
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

On June 13, 1998, the L.S.U. at Alexandria Foundation entered into an agreement with CTA Architects for architect services to be performed in connection with the construction of a child care center for L.S.U. at Alexandria. Fees for these services will total 4% of the actual construction cost of the project, which is estimated at \$335,000, for basic services which approximates \$13,400. Compensation for additional services and reimbursable expenses will vary according to the agreement. No payment had been made under this agreement at June 30, 1998. The L.S.U. at Alexandria Foundation has not yet executed a construction contract for this project.

In July 1998, the L.S.U. at Alexandria Foundation entered into a ground lease agreement with the L.S.U. Board of Supervisors whereby the Foundation agrees to construct a day care center on land owned by L.S.U. located on the campus of L.S.U. at Alexandria and agrees to donate to L.S.U. those improvements upon acceptance of construction. To the extent necessary, the Foundation and its contractors will have the right to occupy and use the property during construction. The Foundation agrees to take prudent care of the property, which includes maintaining insurance, and return same to L.S.U. at the termination of the agreement.

