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L.S.U. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

These financial statements were prepared by the L.S.U. Foundation and are not intended to be audited. The L.S.U. Foundation is a non-profit organization and is not subject to the same financial reporting requirements as a public corporation. The financial statements are prepared on a cash basis and do not include any accruals or deferrals. The financial statements are available for review at the office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/17/98



L.S.U. FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1997



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Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
L.S.U. Foundation
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of the L.S.U. 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. Those standards require that we plan and perform the audits 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 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 L.S.U. Foundation as of June 30, 1998 and 1997, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 30, 1998

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1998 AND 1997

ASSETS

	1998	1997
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,404,839	\$ 9,053,277
Accounts receivable	-	58,685
Accrued interest receivable	921,299	778,588
Unconditional promises to give	9,244,510	14,756,399
Investments	73,815,035	47,243,272
Investments - permanently restricted	85,469,053	74,582,813
Pooled income investment trust	68,918	102,825
Property and equipment, net	518,357	557,505
Artwork and other non-depreciable assets	1,859,503	1,419,183
	\$ 181,301,514	\$ 148,552,547

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable	\$ 854,099	\$ 865,685
Funds held in custody	28,386,463	21,596,183
Total Liabilities	29,240,562	22,461,868
<u>NET ASSETS</u>		
Unrestricted	3,413,729	3,449,690
Temporarily restricted	63,178,170	48,058,176
Permanently restricted	85,469,053	74,582,813
Total Net Assets	152,060,952	126,090,679
Total Liabilities and Net Assets	\$ 181,301,514	\$ 148,552,547

The accompanying notes are an integral part of these statements.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1998 AND 1997

	1998			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUE AND SUPPORT</u>				
Contributions	\$ 373,805	\$ 5,811,627	\$ 11,064,730	\$ 17,250,162
Investment earnings	241,723	16,426,405	421,510	17,089,638
Service fees	897,087	-	-	897,087
Net assets released from restrictions:				
Satisfaction of program expenses	7,118,038	(7,118,038)	-	-
Total Revenue and Support	8,630,653	15,119,994	11,486,240	35,236,887
<u>EXPENSES</u>				
Grants paid to benefit Louisiana State University for:				
Projects specified by donors	7,146,314	-	-	7,146,314
Projects specified by the Board of Directors	379,918	-	-	379,918
Total program expenses	7,526,232	-	-	7,526,232
Supporting services:				
Salaries and benefits	728,862	-	-	728,862
Occupancy	39,947	-	-	39,947
Office operations	102,690	-	-	102,690
Travel	31,985	-	-	31,985
Professional services	47,113	-	-	47,113
Dues and subscriptions	5,288	-	-	5,288
Meetings and development	31,626	-	-	31,626
Depreciation	152,871	-	-	152,871
Total supporting services	1,140,382	-	-	1,140,382
Total Expenses	8,666,614	-	-	8,666,614

The accompanying notes are an integral part of these statements.



1997			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 382,509	\$ 4,521,851	\$ 20,102,953	\$ 25,007,313
261,883	14,731,434	390,672	15,383,989
723,875	-	-	723,875
<u>7,762,131</u>	<u>(7,762,131)</u>	<u>-</u>	<u>-</u>
<u>9,130,398</u>	<u>11,491,154</u>	<u>20,493,625</u>	<u>41,115,177</u>
5,643,591	-	-	5,643,591
357,505	-	-	357,505
<u>6,001,096</u>	<u>-</u>	<u>-</u>	<u>6,001,096</u>
575,387	-	-	575,387
40,190	-	-	40,190
96,761	-	-	96,761
20,097	-	-	20,097
35,266	-	-	35,266
3,333	-	-	3,333
26,122	-	-	26,122
183,118	-	-	183,118
<u>980,274</u>	<u>-</u>	<u>-</u>	<u>980,274</u>
<u>6,981,370</u>	<u>-</u>	<u>-</u>	<u>6,981,370</u>

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1998 AND 1997

	1998			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE</u>	\$ (35,961)	\$ 15,119,994	\$ 11,486,240	\$ 26,570,273
<u>CUMULATIVE EFFECT ON PRIOR YEARS OF A CHANGE IN METHOD OF ACCOUNTING FOR INVESTMENTS</u>	-	-	-	-
<u>CHANGE IN NET ASSETS</u>	(35,961)	15,119,994	11,486,240	26,570,273
<u>TRANSFER OF FUNDS TO L.S.U. MEDICAL CENTER FOUNDATION</u>	-	-	(600,000)	(600,000)
<u>NET ASSETS, beginning of year</u>	3,449,690	48,058,176	74,582,813	126,090,679
<u>NET ASSETS, end of year</u>	\$ 3,413,729	\$ 63,178,170	\$ 85,469,053	\$ 152,060,952

The accompanying notes are an integral part of these statements.



1997			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,149,028	\$ 11,491,154	\$ 20,493,625	\$ 34,133,807
91,883	6,404,292	-	6,496,175
2,240,911	17,895,446	20,493,625	40,629,982
-	-	-	-
1,208,779	30,162,730	54,089,188	85,460,697
<u>\$ 3,449,690</u>	<u>\$ 48,058,176</u>	<u>\$ 74,582,813</u>	<u>\$ 126,090,679</u>



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Contributions received	\$ 8,480,055	\$ 4,848,065
Interest and dividends received	7,632,356	5,358,008
Grants paid to benefit Louisiana State University	(7,537,818)	(5,743,781)
Cash paid for supporting services	(987,511)	(780,920)
	<u>7,587,082</u>	<u>3,681,372</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of equipment	(109,961)	(221,127)
Purchases of investments	(51,114,390)	(24,923,429)
Proceeds from sales and maturities of investments	27,761,811	12,346,368
Increase in funds held in custody (net)	6,790,280	1,850,922
	<u>(16,672,260)</u>	<u>(10,947,266)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from contributions restricted for:		
Investment in endowment	9,615,230	9,425,941
Other financing activities:		
Transfer of funds to Medical Center Foundation	(600,000)	-
Principal payments on capital lease	-	(8,080)
Investment earnings restricted for reinvestment	421,510	398,176
	<u>9,436,740</u>	<u>9,816,037</u>
 <u>NET INCREASE IN CASH</u>	 <u>351,562</u>	 <u>2,550,143</u>
 <u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	 <u>9,053,277</u>	 <u>6,503,134</u>
 <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	 <u>\$ 9,404,839</u>	 <u>\$ 9,053,277</u>

The accompanying notes are an integral part of these statements.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ 26,570,273	\$ 40,629,982
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	-	(6,496,175)
Unrealized gain on investments	(8,450,066)	(9,499,722)
Depreciation	152,871	183,118
Write-off of promises to give	70,000	780,000
Amortization of bond premiums and discounts	(442,995)	(86,506)
Gain on sale of investments	(1,075,650)	(311,974)
Contributions restricted for long-term use	(9,615,230)	(9,425,941)
Investment earnings restricted for long-term use	(421,510)	(398,176)
Non-cash donations	(4,580,795)	(366,730)
Distributions from pooled income investment trust	33,907	-
Changes in:		
Accounts receivable	58,685	29,826
Accrued interest	(142,711)	(128,083)
Unconditional promises to give	5,441,889	(11,517,260)
Accounts payable	(11,586)	289,013
	\$ 7,587,082	\$ 3,681,372
Net Cash Provided by Operating Activities	\$ 7,587,082	\$ 3,681,372

The accompanying notes are an integral part of these statements.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies and Presentations

a. Organization and Purpose

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

b. Basis of Accounting

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

c. 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.

d. 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.

e. Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis. Inexhaustible assets, such as art and book collections, are not depreciated.

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies and Presentations (continued)

f. Investments

Investments are stated at fair value. Investment income and gains are reported as either unrestricted or restricted depending on donor stipulations.

g. Non-monetary Transactions

Louisiana State University (the University) provides accounting and data processing services to the L.S.U. Foundation. In exchange for these services, the L.S.U. Foundation provides property and equipment to the University for its use at no explicit charge. Both the University and the Foundation consider the values received to be commensurate with the values provided by each party.

h. Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

i. Grant Commitments

The Foundation considers all state matching funds and unexpended income from these funds as funds held in custody. (See Note 5)

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

k. Fair Values of Financial Instruments

The Foundation's financial instruments, excluding investments which are described in Note 3, include cash and cash equivalents and unconditional promises to give. The Foundation estimates that the fair value of all financial instruments at June 30, 1998 and 1997, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

The estimated fair value amounts of all financial instruments have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents and the portion of unconditional promises to give receivable approximate fair values because of the short maturities of those instruments.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Occasionally the Foundation has deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.

3. Investments

Investments in debt securities and equity securities are stated at fair value. Investments received as gifts are initially recorded at fair value at the date of donation. Realized gains and losses on sales of investments are determined using the specific identification method.

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

	<u>1998</u>	<u>1997</u>
	Estimated Fair Value	Estimated Fair Value
Certificates of deposit	\$ 1,030,869	\$ 1,030,869
U. S. Government obligations	13,226,169	16,577,344
Corporate obligations	76,005	75,068
Corporate stocks and common stock index mutual funds	66,872,132	47,433,747
Mortgage-backed securities and CMOs	76,856,498	55,625,705
Land	1,057,652	1,057,652
Notes receivable	18,195	18,195
Royalty interest	146,568	7,505
	<u>\$ 159,284,088</u>	<u>\$ 121,826,085</u>

Investment earnings are comprised of the following for the years ended June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Interest income	\$ 7,563,922	\$ 5,572,293
Realized gain on sale of investments - net	1,075,650	311,974
Unrealized gain on investments - net	<u>8,450,066</u>	<u>9,499,722</u>
	<u>\$ 17,089,638</u>	<u>\$ 15,383,989</u>

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment

A summary of plant and equipment at June 30 follows:

	1998	1997
Computers	\$ 418,500	\$ 408,511
Furniture and equipment	859,375	777,844
Buildings	61,381	61,381
Land improvements	44,114	44,114
Land	68,844	68,844
	1,452,214	1,360,694
Less: Accumulated depreciation	(933,857)	(803,189)
	\$ 518,357	\$ 557,505

The assets shown are owned by the L.S.U. Foundation, but the majority of these assets are used by Louisiana State University in support of its educational activities.

5. Funds Held In Custody

Under agreements with Louisiana State University and certain other charitable organizations which support Louisiana State University, the Foundation manages and holds for deposit designated funds for these entities. The funds being held at June 30 were as follows:

	1998	1997
L.S.U. Alumni Association	\$ 135,312	\$ 120,239
L.S.U. - Alexandria Foundation	5,748,370	5,047,885
L.S.U. - Eunice Foundation	802,585	710,402
State Matching Funds Managed for Louisiana State University	21,627,144	15,717,657
Charitable Remainder Trust	73,052	-
	\$ 28,386,463	\$ 21,596,183

6. Pooled Income Investment Trust

The pooled income investment trust consists of the principal amounts of life income gifts, in which the donor has reserved the right to the income generated from the gift for their life or a designated beneficiary's life. These assets are held in a separate pooled income investment trust administered by a local bank's trust department.



L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. Operating Lease

The Foundation leases office space from the Louisiana State Alumni Association on a month-to-month basis. Rent expense incurred under this agreement totaled \$25,000 and \$20,000 for the years ended June 30, 1998 and 1997, respectively.

8. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the years ended June 30, 1998 and 1997:

	1998	1997
Chairs and professorships	\$ 1,655,981	\$ 1,203,293
Scholarships and fellowships	879,925	995,128
Academic support	3,812,851	3,098,798
Research support	454,036	441,461
Capital projects	315,245	2,023,451
	\$ 7,118,038	\$ 7,762,131

9. Net Assets

Temporarily restricted net assets at June 30, 1998, are available for grants to support Louisiana State University in the following general areas:

Chairs and professorships	\$ 19,365,951
Scholarships and fellowships	8,223,517
Specific academic and research projects	12,454,780
Academic support	15,758,260
Capital outlay and improvements	5,803,006
Research support	1,572,656
	\$ 63,178,170

Permanently restricted net assets at June 30, 1998, are restricted to investment in perpetuity, the income from which is expendable to support the activities below:

Chairs and professorships	\$ 49,081,190
Scholarships and fellowships	15,117,868
Specific academic and research projects	10,743,011
Academic support	3,560,918
Capital outlay and improvements	2,083,539
Research support	216,950
Institutional support	4,665,577
	\$ 85,469,053

L.S.U. FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Board-Designated Endowment

According to policy, the L.S.U. Foundation's Board of Directors has earmarked a portion of unrestricted and temporarily restricted net assets as board-designated endowed (quasi-endowed) funds to be invested to provide income for a long, but unspecified period. The principal of these board-designated funds, which result from internal designation, is not donor restricted and therefore is not classified as permanently restricted. Below is a recap of these funds.

	1998		1997	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Board-designated endowed funds	<u>\$ 870,379</u>	<u>\$ 11,239,817</u>	<u>\$ 780,262</u>	<u>\$ 7,852,679</u>

11. Unconditional Promises to Give

Unconditional promises to give at June 30, 1998 and 1997, are as follows:

	1998	1997
Promises to give expected to be collected in:		
Less than one year	\$ 1,937,596	\$ 5,344,393
One to five years	280,000	1,236,000
More than five years	9,710,183	12,006,764
	11,927,779	18,587,157
Less discount on promises to give	(2,683,269)	(3,830,758)
Net unconditional promises to give	<u>\$ 9,244,510</u>	<u>\$ 14,756,399</u>

During fiscal years 1998 and 1997 the Foundation determined that promises to give were uncollectible in the amounts of \$70,000 and \$780,000, respectively, and reduced endowed contributions for that amount. Additionally, promises to give with carrying values of \$18,706,764 were received from three individuals during the year ended June 30, 1997.

12. Cumulative Effect of Change in Accounting Principle

Effective July 1, 1996, the Foundation adopted SFAS No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. As a result of this change, the Foundation was required to record debt and equity securities at their respective fair values. The cumulative effect of this change in accounting was \$6,496,175 increase in investments at that date.

