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FINANCIAL STATEMENTS
MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2003 and 2002
With Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 6-9-04

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of the McNeese State University Foundation, a non-profit corporation, as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These statements are the responsibility of the management of the McNeese State University Foundation. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 in the first paragraph present fairly, in all material respects, the financial position of the McNeese State University Foundation, at June 30, 2003 and 2002, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

November 11, 2003
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,179,935	\$ 2,134,058
Unconditional promises to give	136,447	171,523
Accrued interest receivable	-	74,663
Investments	29,658,544	27,530,900
Donated property	<u>470,000</u>	<u>188,000</u>
Total assets	<u>\$ 31,444,926</u>	<u>\$ 30,099,144</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable	\$ 79,904	\$ 78,555
Funds held in custody	<u>2,680,000</u>	<u>2,680,000</u>
Total liabilities	2,759,904	2,758,555
<u>NET ASSETS</u>		
Unrestricted	4,396,730	3,587,172
Temporarily restricted	3,648,726	4,057,725
Permanently restricted	<u>20,639,566</u>	<u>19,695,692</u>
Total net assets	<u>28,685,022</u>	<u>27,340,589</u>
Total liabilities and net assets	<u>\$ 31,444,926</u>	<u>\$ 30,099,144</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>				
Contributions	\$ 185,417	\$ 1,343,980	\$ 943,874	\$ 2,473,271
Investment earnings (loss)	-	636,920	-	636,920
Rent	14,700	-	-	14,700
Fund raising	500	-	-	500
Other	4,595	8,498	-	13,093
Net assets released from restrictions:				
Transfer from permanently restricted to unrestricted by donor	-	-	-	-
Transfer to unrestricted net assets	<u>2,389,899</u>	<u>(2,389,899)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	2,595,111	(400,501)	943,874	3,138,484
<u>EXPENSES</u>				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	1,390,252	8,498	-	1,398,750
Dedicated scholarships	221,843	-	-	221,843
Freshman awards	39,400	-	-	39,400
Professorship awards	-	-	-	-
Named honor awards	11,875	-	-	11,875
Excellence awards	3,250	-	-	3,250
Early admission awards	<u>12,300</u>	<u>-</u>	<u>-</u>	<u>12,300</u>
Total grants paid	1,678,920	8,498	-	1,687,418
Supporting services:				
Management and general	39,308	-	-	39,308
Fund raising	<u>67,325</u>	<u>-</u>	<u>-</u>	<u>67,325</u>
Total support services	<u>106,633</u>	<u>-</u>	<u>-</u>	<u>106,633</u>
Total Expenses	<u>1,785,553</u>	<u>8,498</u>	<u>-</u>	<u>1,794,051</u>
CHANGE IN NET ASSETS	809,558	(408,999)	943,874	1,344,433
Net assets at beginning of period	<u>3,587,172</u>	<u>4,057,725</u>	<u>19,695,692</u>	<u>27,340,589</u>
NET ASSETS AT END OF PERIOD	<u>\$ 4,396,730</u>	<u>\$ 3,648,726</u>	<u>\$ 20,639,566</u>	<u>\$ 28,685,022</u>

The accompanying notes are an integral part of these statements.

Year Ended June 30, 2002

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 98,316	\$ 1,554,045	\$ 714,863	\$ 2,367,224
-	(745,595)	-	(745,595)
14,700	-	-	14,700
14,500	-	-	14,500
1,361	500	-	1,861
962,966	-	(962,966)	-
510,188	(510,188)	-	-
1,602,031	298,762	(248,103)	1,652,690
1,544,232	500	-	1,544,732
241,838	-	-	241,838
41,000	-	-	41,000
190,000	-	-	190,000
16,750	-	-	16,750
10,250	-	-	10,250
15,750	-	-	15,750
2,059,820	500	-	2,060,320
55,951	-	-	55,951
82,485	-	-	82,485
138,436	-	-	138,436
2,198,256	500	-	2,198,756
(596,225)	298,262	(248,103)	(546,066)
4,183,397	3,759,463	19,943,795	27,886,655
\$ 3,587,172	\$ 4,057,725	\$ 19,695,692	\$ 27,340,589

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2003 and 2002

	2003	2002
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,344,433	\$ (546,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on sale of property	21,500	(1,545)
Net (appreciation) depreciation in market value of investments	(386,774)	1,349,541
Contribution of property	(358,498)	(500)
Distribution of property	8,498	500
Contributions restricted for investment in endowment	(943,874)	(714,863)
Change in accrued interest receivable	74,663	41,593
Change in unconditional promises to give	35,077	1,075,565
Change in accounts payable	1,349	58,556
Net cash provided by operating activities	(203,626)	1,262,781
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(12,674,267)	(9,041,185)
Proceeds from sale of investments	10,933,396	7,652,369
Proceeds from sale of property	46,500	36,535
Net cash used in investing activities	(1,694,371)	(1,352,281)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	943,874	714,863
State matching funds received	-	320,000
Net cash provided by financing activities	943,874	1,034,863
NET CHANGE IN CASH	(954,123)	945,363
CASH AT BEGINNING OF PERIOD	2,134,058	1,188,695
CASH AT END OF PERIOD	\$ 1,179,935	\$ 2,134,058

The accompanying notes are an integral part of these statements.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The McNeese State University Foundation (the Foundation) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses located in southwest Louisiana.

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.

Basis of Presentation

The Foundation presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization 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. Additionally, the Foundation is required to present a statement of cash flows.

Contributions

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

All 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. Permanently restricted net assets from endowment fund contributions are restricted to investment in perpetuity, the income from which is considered temporarily restricted until donor-imposed restrictions are met.

Certain gifts are subject to the terms of acts of donation whereby the Foundation and/or the University agrees to certain requirements such as providing information regarding how such gifts are invested and how earnings thereon are spent.

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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less.

Investments

Investments consist of U.S. Government securities and obligations, marketable debt and equity securities, mutual funds, and money market funds. The Foundation accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments by Not-for-Profit Organizations*. Accordingly, investments in these securities are reported at fair value.

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated values at date of receipt.

Funds Held in Custody

The Foundation participates in a program with the State of Louisiana whereby the State contributes matching funds which, together with donations received by the Foundation, establishes an endowment fund. The earnings of the fund are to be used for professorships. The Foundation considers all donations received from donors into this fund to be permanently restricted net assets and all state matching funds as funds held in custody.

Estimates

The preparation of financial statements requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2002 amounts in order to conform to the 2003 presentation.

2. UNCONDITIONAL PROMISES TO GIVE

The total amount of unconditional promises to give at June 30, 2003 are expected to be collected as follows:

Less than one year	\$ 54,403
One to five years	63,000
More than five years	<u>19,044</u>
Total unconditional promises to give	\$ <u>136,447</u>

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

At June 30, 2003 and 2002, the Foundation's investments, carried at fair value, consisted of the following:

	2003			Estimated Market Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Certificates of deposit	\$ 75,701	\$ -	\$ -	\$ 75,701
Mutual funds	18,448,860	2,245,547	-	20,694,407
Corporate stock	8,771,641	693,463	(598,484)	8,866,620
Other	21,816	-	-	21,816
	<u>\$ 27,318,018</u>	<u>\$ 2,939,010</u>	<u>\$ (598,484)</u>	<u>\$ 29,658,544</u>
	2002			Estimated Market Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Certificates of deposit	\$ 75,000	\$ -	\$ -	\$ 75,000
U.S. Treasuries	1,811,630	36,433	(703)	1,847,360
Mutual funds	12,726,657	1,769,109	-	14,495,766
Corporate bonds	3,472,026	39,663	(21,013)	3,490,676
Corporate stock	8,165,609	441,470	(1,006,797)	7,600,282
Other	21,816	-	-	21,816
	<u>\$ 26,272,738</u>	<u>\$ 2,286,675</u>	<u>\$ (1,028,513)</u>	<u>\$ 27,530,900</u>

4. CONDITIONAL PROMISES TO GIVE

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$955,995 at June 30, 2003. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

5. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2003 and 2002:

	2003	2002
Property at Medora Street, Lake Charles, Louisiana	\$ -	\$ 68,000
650-acre farm	350,000	-
Property at 1608 Sampson Street, Westlake, Louisiana	120,000	120,000
	\$ 470,000	\$ 188,000

The Foundation has agreed that the farm would be used primarily by the Agriculture Department of McNeese State University and would never be sold.

6. FUNDS HELD IN CUSTODY

The Foundation has received matching funds of \$2,680,000 from the State of Louisiana as of June 30, 2003, under the professorship program detailed in Note 1.

7. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2003	2002
Projects specified by donors	\$ 1,390,252	\$ 1,544,232
Dedicated scholarships	221,843	241,838
Freshman awards	39,400	41,000
Professorship awards	-	190,000
Named honor awards	11,875	16,750
Excellence awards	3,250	10,250
Early admissions awards	12,300	15,750
	\$ 1,678,920	\$ 2,059,820

8. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2003 and 2002:

	2003	2002
Professorships and chairs	\$ 5,235,037	\$ 5,032,074
Scholarships	4,986,970	4,705,689
Other university projects	10,417,559	9,957,929
	\$ 20,639,566	\$ 19,695,692

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and unconditional promises to give. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments. The carrying values of investments reported in the statement of financial position are equal to the estimated fair values of those investments. The fair values of investments are based on quoted market prices for those or similar investments.