

**THE FOUNDATION FOR THE
LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**

**CONSOLIDATED
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2004

Under provisions of state law, this report is a public document. Copies of this report have been submitted to the entity and other appropriate public officials. This report is available for public inspection at the State Storage Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10-12-04

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FINANCIAL SECTION

REBOWE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

The Foundation for the LSU Health Sciences Center and Subsidiary
New Orleans, Louisiana

We have audited the accompanying consolidated statement of financial position of The Foundation for the LSU Health Sciences Center (the "Foundation") and Subsidiary (nonprofit organizations) as of June 30, 2004 and the related consolidated statements of activities, functional expenses, 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 audit. We did not audit the financial statements of the LSU Medical Center Institute of Professional Education, a wholly owned subsidiary, until March 31, 2004, whose statements reflect total assets of \$1,134,979 as of March 31, 2004, and total support revenues of \$1,285,158 for the nine months then ended. These statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the LSU Medical Center Institute of Professional Education, is based solely on the report of other auditors. The prior year summarized comparative information has been derived from the Foundation's 2003 financial statements, and in our report dated October 10, 2003, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the LSU Medical Center Institute of Professional Education, a wholly owned subsidiary, were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2004 and Subsidiary as of March 31, 2004, and the changes in its net

assets and its cash flows for the year and nine month period, respectively, then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2004, 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, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. We did not audit the financial statements of the LSU Medical Center Institute of Professional Education, a wholly owned subsidiary, until March 31, 2004, whose statements reflect total assets of \$1,136,979 as of March 31, 2004, and total support revenues of \$1,205,188 for the nine months then ended. These statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for LSU Medical Center Institute of Professional Education, is based solely on the report of other auditors. The other supplemental information on pages 34 through 34 is not a required part of the financial statements but is supplementary information required by the State of Louisiana. This supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Roberts & Company

August 13, 2004

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2004
(with comparative totals for 2003)

ASSETS	2004	2003
Current assets		
Cash and cash equivalents	\$ 793,913	\$ 4285,760
Receivables	1,094,323	1,034,402
Inventory	149,543	143,000
Prepaid expenses	-	4,000
Prepaid expenses to physicians	180,000	311,375
Non-current assets	91,143	232,000
Post-employment benefits	84,500	816,100
Other receivables	789,000	473,000
Total current assets	3,167,429	8,395,637
Noncurrent assets		
Investments	54,209,440	6,321,400
Prepaid expenses to physicians	1,094,323	1,084,900
Real estate	590,000	538,700
Deposits	3,000	3,000
Building under construction	-	1,111,700
Property and equipment, net	1,091,100	50,000
Land	773,800	731,800
Total noncurrent assets	58,761,663	14,330,500
Total assets	\$ 61,929,092	\$ 22,726,137
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 448,700	\$ 1,075,000
Deferred revenues	-	752,113
Accounts payable	-	21,113
Bonds payable	49,000	-
Split interest agreements	3,000	-
Total current liabilities	499,700	1,848,226
Noncurrent liabilities		
Accounts payable (other than current)	111,111.00	11,000,000
Bonds payable, net	1,090,000	1,090,700
Split interest agreements	3,000	-
Total noncurrent liabilities	1,204,111	12,190,700
Total liabilities	2,703,811	14,038,926
Net Assets		
Investments	60,120	686,100
Temporarily restricted	14,000,000	1,100,000
Permanently restricted	46,589,000	24,700,000
Total net assets	61,729,280	26,486,100
Total liabilities and net assets	\$ 61,929,092	\$ 22,726,137

See accompanying notes to consolidated financial statements.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004
(with comparative totals for 2003)

	<u>2004</u>	<u>2003</u>
UNRESTRICTED ASSETS		
<i>Donations/revenues available upon gift</i>		
Contributions	\$ 81,777	\$ 81,403
Program service fees	1,011,732	1,011,736
Investment income - net	85,860	85,867
Rental income	43,007	-
Other income	85,000	76,688
	<u>1,207,376</u>	<u>1,255,694</u>
<i>Revenues related to the activities</i>		
	<u>1,160,276</u>	<u>1,216,217</u>
Total unrestricted/revenues available upon gift	<u>2,367,652</u>	<u>2,471,911</u>
Expenses		
Program services	6,626,614	6,575,748
General and administrative	2,040,311	1,868,684
Development	968,028	875,524
Travel & Conferences Fund	51,086	23,288
	<u>9,686,039</u>	<u>9,343,244</u>
Income (loss) net of restricted revenues	<u>14,901</u>	<u>128,667</u>
TEMPORARILY RESTRICTED NET ASSETS		
<i>Temporarily restricted revenues available upon gift</i>		
Contributions	1,074,041	1,071,047
Investment income - net	1,001,000	1,074,064
Recovery of restricted/restricted rights	-	(3,489)
Other income	-	807
	<u>2,075,041</u>	<u>2,142,439</u>
<i>Net assets related to the activities</i>		
	<u>1,960,001</u>	<u>800,000</u>
PERMANENTLY RESTRICTED NET ASSETS		
<i>Permanently restricted revenues available upon gift</i>		
Contributions	1,741,000	1,687,000
Investment income - net	260,000	(307)
Recovery of restricted/restricted rights	-	880,818
Other income	-	(27,288)
	<u>2,001,000</u>	<u>2,459,823</u>
<i>Net assets related to the activities</i>		
	<u>407,000</u>	<u>786,000</u>
Total permanently restricted net assets	<u>2,407,001</u>	<u>1,646,023</u>
Income (loss) net of restricted operations	<u>62,078</u>	<u>1,646,794</u>
Depreciated operations		
Loss from equipment sale/other	(770,225)	-
Income (loss) net of year	<u>1,798,904</u>	<u>1,648,794</u>
Net assets at beginning of year	<u>47,888,684</u>	<u>48,082,134</u>
Net assets at end of year	<u>49,687,588</u>	<u>49,730,928</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2004
(with comparative totals for 2003)

	Program/Service Health, Research and Educational Department of The LSU Health Sciences Center		Expenses Incurred			Total	
			General and Administrative	Development	Grants to Other/Other	2004	2003
	\$	\$	\$	\$	\$	\$	
Advertising	-	3,776	-	-	-	3,776	3,776
Client Visit, professional relative and contract	16,500	6,000	-	-	-	22,500	19,800
Community support	102,750	40,000	-	-	-	142,750	133,800
Conference, meetings and other travel	471,200	10,200	-	-	-	481,400	453,600
Depreciation and amortization	-	84,776	-	-	-	84,776	83,700
Donor and educational	176,500	1,600	-	-	-	178,100	182,500
Equipment purchase	100,500	5,000	-	-	-	105,500	100,400
Facilities expense	71,800	-	100	-	-	71,900	61,000
Insurance	25,000	-	-	-	-	25,000	49,500
Interest expense	-	23,000	-	-	-	23,000	4,700
IT - salaries	113,400	499,200	-	100,000	-	712,600	1,704,700
Life insurance - other	-	10,000	-	-	-	10,000	10,000
Printing expense	10,000	-	-	-	-	10,000	-
Miscellaneous	200,100	19,100	-	-	-	219,200	183,100
Postage	40,000	10,000	-	-	-	50,000	100,000
Other	40,000	11,000	-	-	-	51,000	77,000
Public relations	-	6,000	-	-	-	6,000	2,400
Travel and lodging	70,700	10,000	-	-	-	80,700	81,000
Printing and publications	100,000	100,000	-	-	-	200,000	200,000
Professional fees and contract retainer payments	1,161,000	21,000	-	-	-	1,182,000	1,070,400
Professional expense and retainer fees	410,000	-	10,000	-	-	420,000	701,000
Supplies and materials	100	10,000	-	-	-	10,100	-
Salaries and benefits	1,100,000	400,000	100,000	-	-	1,600,000	1,600,000
Salary supplemental payments	100	100,000	-	-	-	100,100	400,000
Stipends	10,000	10,000	-	-	-	20,000	100,000
Stipends	400,000	10,000	-	-	-	410,000	400,000
Travel	-	1,000	-	-	-	1,000	10,000
View of a building project	-	1,000	-	-	-	1,000	10,000
	\$	\$	\$	\$	\$	\$	\$
	4,600,000	1,700,000	100,000	100,000	1,000,000	7,400,000	1,070,000

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004
(with comparative totals for 2003)

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Change from assets	\$ 1,750,000	\$ 2,442,794
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	96,000	12,134
Discontinued operations - Levee liability	49,000	-
Reversal of nonreciprocal promises to give beneficiaries of interest in conditional promises to give	(204,000)	(200,000)
Interest received on investments in building	(272,000)	(234,000)
Realized and unrealized (gains) losses on investments	(2,700,000)	(202,000)
Write-off of building project	1,000	90,000
Realized securities and stocks	(21,000)	(234,000)
Interest received on investments in building	-	(180,000)
Changes in operating assets and liabilities:		
Increase in interest receivable	(24,000)	(70,000)
Decrease in prepaid expenses and other receivables	5,000	(10,120)
Decrease in other receivables	10,000	-
Increase (decrease) in other payable and accrued expenses	(249,000)	(34,120)
Increase (decrease) in deferred revenues	(252,120)	(286,200)
Increase in fund balance equity	433,000	1,470,000
Change-increase in deposits	11,000	10,200
Contributions permanently restricted by donors	(1,274,000)	(1,330,000)
Net cash provided (used) by operating activities	<u>(1,210,000)</u>	<u>4,002,704</u>
Cash Flows From Investing Activities		
Purchase of investments	(2,070,000)	(9,714,000)
Dividends from investments/interest of investments	(1,000,000)	-
Payments received on capital lease	10,000	(80,000)
Cost of construction financed with bond proceeds	(20,000)	1,210,000
Purchase of land and building	(240,000)	(1,500,000)
Purchase of furniture and equipment	-	(8,000)
Purchase of operating software	-	(1,200)
Net cash used by investing activities	<u>(2,320,000)</u>	<u>(10,003,200)</u>
Cash Flows From Financing Activities		
Collection of permanent endowment support	2,000,000	1,250,000
Repayment on debt principal	(20,000)	(21,000)
Net cash provided by financing activities	<u>1,980,000</u>	<u>1,229,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(640,000)</u>	<u>(4,771,496)</u>
Cash and Cash Equivalents		
Beginning of year	<u>680,000</u>	<u>1,004,274</u>
End of year	<u>\$ 40,000</u>	<u>\$ (467,222)</u>
Supplemental data:		
Cash paid for interest (including amounts capitalized of \$4,000 and \$134,240 in 2004 and 2003, respectively)	<u>\$ 10,000</u>	<u>\$ 40,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

NOTE 1 - NATURE OF ACTIVITIES

The Foundation for the LSU Health Sciences Center (the "Foundation") supports the activities of the LSU Health Sciences Center. The Foundation's activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The organization is supported primarily through donor contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax by Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(2).

Effective July 1, 1999, the Foundation incorporated a wholly-owned subsidiary, LSU Medical Center Institute of Professional Education (the "Subsidiary"). This Subsidiary is a nonprofit corporation under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(2). This corporation is organized exclusively for the benefit of the LSU Health Sciences Center and the Foundation, supporting the charitable, scientific, and educational purposes of the Foundation, and providing assistance to the faculty and staff of the professional schools of the LSU Health Sciences Center and other health care professionals in planning, developing, presenting, administering, and evaluating continuing medical education activities. The Subsidiary separated from the Foundation as of March 31, 2004.

b) Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation as of June 30, 2004 and its wholly-owned subsidiary, LSU Medical Center Institute of Professional Education (the "Subsidiary") as of March 31, 2004. All significant inter-organization accounts and transactions have been eliminated.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of Accounting

The financial statements of the Foundation and the Subsidiary are prepared on the accrual basis of accounting.

d) Reporting Entity

Using the criteria established in GASB 14, *The Financial Reporting Entity* as amended by GASB 79, the institution is reported as a discretely presented component unit of the LSU Health Sciences Center since it is legally separate from and is financially accountable to the LSU Health Sciences Center.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the State of Louisiana.

e) Basis of Presentation

Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and the Subsidiary 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 that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Foundation's programs.

f) Use of Estimates

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

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation and the Subsidiary consider all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

h) Investments

Investments are carried at estimated current market value.

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of financial position.

i) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable and other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

j) Contributions

Contributions 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 a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reallocated to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

k) Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on experience and management's analysis of specific promises made. Management's estimate for the allowance of uncollectible promises to give at June 30, 2004 and 2003 was \$1,514,838 and \$1,711,752, respectively. A recovery of uncollectible promises to give was recorded for the year ended June 30, 2004 and 2003 as income in the amount of \$206,934 and \$800,511, respectively.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and Equipment

Foundation

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to expense. The cost of those assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Accounting software purchased in prior years was capitalized as they were purchased with unrestricted funds. A building purchased on May 15, 2003 was renovated and placed in service in October 2003. As of June 30, 2004, all other furniture, equipment, and accounting software owned by the Foundation were purchased with restricted private donations and have not been capitalized. Accounting software is being depreciated over estimated useful lives of five to five years using a straight-line method. The building is being depreciated over an estimated useful life of forty years using the straight-line method.

Subsidiary

Furniture and equipment owned by the Subsidiary is capitalized at cost. It is the Subsidiary's policy to capitalize expenditures for those items with a useful life greater than one year. Furniture and equipment are being depreciated over estimated useful lives of three to ten years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal.

m) Program Service Fees

The Subsidiary operates a continuing medical education program. Various educational seminars and enduring materials are conducted for the benefit of the teaching physicians of the LSU Health Sciences Center and other physicians interested in the programs. Registration fees are received from physicians participating in the program in some instances, and in other, corporations help underwrite the costs of the programs through educational subsidies. Program service fee revenue includes registration fees and corporate educational subsidies net of refunds. Approximately 13% of program revenue fees are provided by pharmaceutical companies in fiscal years March 31, 2004 and June 30, 2003, respectively. Registration fees received and expenses incurred for programs conducted after the end of the fiscal year are recorded as deferred revenues and prepaid expenses until the program is completed.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

i) Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Lincoln Scholars Endowed Chair and Endowed Professorships programs which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

j) Cash Flow Statement

The Foundation had non-cash financing and investing activities as follows:

	<u>2004</u>	<u>2003</u>
Proceeds from capital lease	\$ 81,175	\$ 565,000

NOTE 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Permanently restricted purposes	\$ 4,918,810	\$ 4,918,212
Less unamortized discount	(327,657)	(1,380,488)
Less allowance for uncollectible amounts	<u>(1,514,818)</u>	<u>(1,731,732)</u>
Net unconditional promises to give	<u>\$ 2,405,573</u>	<u>\$ 1,805,992</u>
Amount due in:		
Less than one year	\$ 188,258	\$ 311,873
One to five years	2,738,428	1,441,863
Over five years	<u>1,083,388</u>	<u>1,063,172</u>
Total	<u>\$ 4,328,059</u>	<u>\$ 4,918,212</u>

NOTE 5 - INVESTMENTS

As of June 30, 2004, investments consist of the following:

	<u>Cost</u>	<u>Estimated Market Value</u>	<u>Unrealized Gains (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 3,253,823	\$ 3,090,753	\$ (163,278)
U.S. Government Agency bonds and notes	3,178,258	3,859,846	688,588
Corporate bonds and notes	3,188,553	4,423,184	(763,371)
Mutual funds	44,778,263	50,497,889	5,727,618
Municipal bonds	135,008	137,620	2,612
Money Market/certificate of deposit	<u>166,159</u>	<u>166,151</u>	<u>-</u>
Total	<u>\$ 38,681,298</u>	<u>\$ 61,173,681</u>	<u>\$ 3,498,402</u>

Investment return for the year ending June 30, 2004 is summarized as follows:

Investment expense	\$ (69,675)
Interest and dividend income	1,516,149
Realized gains	386,086
Net unrealized gain	<u>3,671,802</u>
Total investment gain	<u>\$ 3,498,402</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 3 - INVESTMENTS (CONTINUED)

As of June 30, 2003, investments consist of the following:

	<u>Cost</u>	<u>Estimated Market Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 4,703,206	\$ 4,859,165	\$ 155,959
U.S. Government Agency bonds and notes	3,888,897	4,071,865	182,968
Corporate bonds and notes	3,493,379	3,688,123	194,744
Mutual funds	48,383,908	39,327,818	(1,057,090)
Municipal bonds	268,818	266,029	(2,789)
Money Market/certificate of deposit	1,734,278	1,734,278	—
Total	\$ 34,416,476	\$ 33,968,218	\$ (448,258)

Investment returns for the year ending June 30, 2003 is summarized as follows:

Investment expenses	\$ (178,184)
Interest and dividend income	2,903,703
Net unrealized losses	<u>(488,248)</u>
Total investment gain	\$ 2,217,271

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are treated as principal and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donor if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains are added to investment principal and are not expendable in the future. No such stipulations are present at June 30, 2004.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

NOTE 5 - INVESTMENTS (CONTINUED)

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods. Interest income earned by the Subsidiary was \$11,466 and \$23,025, respectively, for the periods ended March 31, 2004 and June 30, 2003.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following for the Foundation:

	2004	2003
Accounting software	\$ 49,646	\$ 49,646
Internet development software	12,380	12,380
Building	1,965,479	-
Less accumulated depreciation	<u>(1,986,369)</u>	<u>(13,183)</u>
Property and equipment, net	<u>\$ 921,136</u>	<u>\$ 48,843</u>

Depreciation expense as of June 30, 2004 and 2003 was \$83,184 and \$10,783, respectively for the Foundation.

The Foundation purchased a building (2000 Tulane Avenue) on May 12, 2003 for \$1,215,166 of which \$213,827 was for land and \$1,000,129 was for the building. The Foundation renovated this building at a cost of \$985,340. Renovations were completed in October 2003.

Property and equipment consisted of the following, for the Subsidiary at June 30, 2003:

Furniture and equipment	\$ 8,283	
Less accumulated depreciation	<u>(1,092)</u>	
Furniture and equipment, net	<u>\$ 7,191</u>	

Depreciation expense as of March 31, 2004 and June 30, 2003 was \$2,873 and \$1,668, respectively, for the Subsidiary. Property and equipment as of June 30, 2004 was not reported as the Foundation separated from the Subsidiary as of March 31, 2004.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation and insured for greater amounts by agreement with some accounts. The Foundation at June 30, 2004 and its Subsidiary at March 31, 2004 had cash deposits in excess of federally insured limits in the amount of \$165,643 and \$90,598, respectively.

NOTE 8 - FUNDS HELD IN CUSTODY

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and Endowed Professorship Programs. Funds held in custody were \$15,117,119 and \$12,664,828 on June 30, 2004 and 2003, respectively.

NOTE 9 - OPERATING LEASE

As of September 1, 2003, the Foundation and the Subsidiary had entered into an operating lease agreement for the rental of office space, expiring on August 31, 2003. The Foundation's rent expense for the years ended June 30, 2004 and 2003 was \$15,943 and \$88,428, respectively. The Foundation moved into a building it purchased in September 2003. The Subsidiary continued to lease the office space on a month-to-month basis until September 30, 2003. On October 1, 2003, the Subsidiary entered into an agreement with the University of New Orleans Foundation to lease office space in the amount of \$1,870 per month. The subsidiary had rent expense for the nine months ended March 31, 2004 in the amount of \$18,243 and rent expense for the year ended June 30, 2003 in the amount of \$16,698.

NOTE 10 - ADVERTISING

The Foundation advertises to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the fiscal years ending June 30, 2004 and 2003 were \$32,290 and \$31,478, respectively.

NOTE 11 - BUILDING RENOVATIONS

The Foundation purchased a building (2600 Tulane Avenue) on May 15, 2003 for \$1,215,156 of which \$215,027 was for land and \$1,000,119 was for the building. As June 30, 2003, the building cost including renovations was \$1,112,743. The Foundation has completed renovating this building as of June 30, 2004. The building cost including renovations was \$1,963,479 at June 30, 2004.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

NOTE 11 - BUILDING RENOVATIONS (CONTINUED)

The Foundation financed the renovation with bond proceeds of \$2,015,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. The Foundation's ability to service this debt will be based on its ability to raise funds and earn other revenue from lease payments from the occupants.

NOTE 12 - BONDS PAYABLE

As described in Note 11, the Foundation issued bonds in January 2003 totaling \$2,015,000 with a variable interest rate. The interest rate for 2004 and 2003 was 1.62% and 1.6837%, respectively. The bond issuance costs were \$15,000 to be amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for the fiscal years ending June 30, 2004 and 2003 were \$1,582 and \$1,591, respectively. Unamortized bond issuance costs at June 30, 2004 and June 30, 2003 were \$31,818 and \$33,409, respectively. Bonds payable, net at June 30, 2004 and June 30, 2004 were \$2,085,182 and \$2,061,591, respectively.

The bond proceeds were used to finance the renovation of the new building. Bond proceeds available at June 30, 2004 are held by the trustee in restricted cash accounts. Restricted cash at June 30, 2004 and 2003 totaled \$52,540 and \$413,368, respectively. No principal payments were made on the bonds in the years ended June 30, 2004 or 2003. Interest was paid on the bonds in the amount of \$27,815 and \$14,248 for the years ended June 30, 2004 and 2003, respectively. Interest in the amount of \$6,427 and \$14,248 was capitalized as building and building renovations for the years ended June 30, 2004 and 2003, respectively. Interest in the amount of \$21,488 and 3-0- were expensed for the years ended June 30, 2004 and 2003, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2005	\$ 65,000
2006	70,000
2007	75,000
2008	75,000
2009	80,000
2010-2014	445,000
2015-2019	190,000
2020-2023	625,000
Total	<u>\$2,025,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 14 – NOTE RECEIVABLE, NET

The Foundation purchased a building (1825 Tulane Avenue) for \$406,273 on September 4, 2002. On the same day, the Foundation entered into an agreement with the Louisiana State University Health Sciences Center to lease this building for a term of 3 years ending on September 4, 2005 with a monthly payment of \$18,508. On September 23, 2003, the Foundation entered into a supplemental agreement with the Louisiana State University Health Sciences Center to renegotiate the terms of the lease of this building for a term of 6 years and 2 months ending on August 3, 2009 with a monthly payment of \$7,587. The terms of lease meet the criteria for a capital lease as defined by Statement of Financial Accounting Standards (“SFAS”) Number 13. As a result, a note receivable was recorded in fiscal 2004 in the amount of \$347,175. Unearned interest income of \$148,908 was recorded and netted against the note receivable. The fixed interest rate on the note receivable is 7.50%. At June 30, 2004, the note receivable, net was \$389,486 consisting of a note receivable of \$471,612 with unearned interest of \$81,526.

Minimum three lease payments to be received under capital leases as of June 30, 2004 and in the aggregate are:

Years ending June 30:	
2005	\$ 91,163
2006	91,163
2007	91,163
2008	91,163
2009	91,163
2010	<u>15,297</u>
Total	471,612
Less: Interest	<u>(81,526)</u>
Present Value of Net Minimum Lease	<u>\$ 389,486</u>

NOTE 15 - RETIREMENT PLAN

Effective July 1, 2003, the Foundation established a Tax-Deferred Annuity or 409(a) Plan. The Foundation's total contributions expense was \$46,557 and \$43,326 as of June 30, 2004 and 2003, respectively, which is included in salaries and benefits.

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 409(a) Plan, which is intended to be an ERISA Section 409(a) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts for The Variable Annuity Life Insurance Company (VALIC). Employees are eligible to participate upon the date of employment. Under the plan, the Foundation matches \$1 for \$1 amounts contributed up to 6% of the employee's compensation only if the employee has completed 12 months of service and is at least 21 years of age.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

NOTE 16 - RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 17 - RELATED-PARTY TRANSACTIONS

The Subsidiary pays the Foundation \$70,000 a year for accounting services. The revenue in the Foundation and the related expense in the Subsidiary have been eliminated in the accompanying consolidated financial statements.

The Subsidiary pays the Dean's Foundation account, a portion of its increase in net assets. During fiscal periods ended March 31, 2004 and June 30, 2003, the Subsidiary made payments to the Dean's Foundation account in the amount of \$160,000 and \$251,246, respectively.

Some of the courses provided by the Subsidiary are sponsored by various medical departments at the LSU School of Medicine - New Orleans which share in the revenues and expenses of the Subsidiary. For fiscal periods 2004 and 2003, the Subsidiary accrued approximately \$121,000 and \$130,000, respectively, payable to departments for their portion of net income of specific courses.

NOTE 18 - SPLIT-INTEREST AGREEMENT

On June 15, 2004, the Foundation entered into a charitable gift annuity providing the Foundation a contribution of \$25,000 in cash. A charitable gift annuity provides for the payments of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$1,630 paid in quarterly installments to the Donor so long as he is living. The Foundation's obligation will terminate upon the Donor's death. The present value of the estimated future payments (\$13,212 at June 30, 2004) is calculated using a discount rate of 4.6% and the applicable mortality rates. As of June 30, 2004, the Foundation made payments to the Donor in the amount of \$72 (reported a net contribution of \$9,716).

NOTE 19 - DISCONTINUED OPERATIONS

Effective March 31, 2004, the Foundation's subsidiary changed its sole member from the Foundation to the LSU School of Medicine - New Orleans Medical Alumni Association, Inc., a Louisiana nonprofit corporation. The change was approved by the Foundation and the Subsidiary's Board of Directors. The Subsidiary's assets, liabilities and net assets as of March 31, 2004 were \$1,136,979, \$696,138 and \$499,841, respectively.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 10 – RENTAL INCOME

The Foundation entered into a lease agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College in November 2003. The lease terms include sixty (60) monthly payments of \$10,285 for office space leased on three floors of the Foundation's building. Partial payments on the lease were received for the months of November 2003 to February 2004 as all three floors were not occupied by the tenant until March 2004. Rental income for the year ended June 30, 2004 and 2003 was \$ 63,927 and \$-0-, respectively.

Minimum future lease payments to be received as of June 30, 2004 and in the aggregate are:

Years ending June 30:	
2005	\$ 123,540
2006	123,540
2007	123,540
2008	123,540
2009	<u>59,813</u>
Total	<u>\$ 553,773</u>

NOTE 11 – NOTE PAYABLE

The Foundation had a note that was payable to U.S. Bancorp Merchant Funding Services Corporation in monthly installments of \$2,517, which included interest at an annual rate of 19.99%, and had principal outstanding of \$-0- and \$21,131 at June 30, 2004 and 2003, respectively. This note was paid out in the year ended June 30, 2004.

SUPPLEMENTAL INFORMATION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

A PROFESSIONAL CORPORATION

207 N. Dumaine Street • Suite 200 • P.O. Box 9397 • Metairie, LA 70009
Phone (504) 887-1101 • Fax (504) 887-0101 • E-mail rebowe@rebowe.com

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

**The Foundation for the LSU Health Sciences Center and Subsidiary
New Orleans, Louisiana**

Our report on our audit and the report of other auditors of the consolidated financial statements of The Foundation for the LSU Health Sciences and its subsidiary, the LSU Medical Center Institute of Professional Education, (which conducts the continuing medical education programs (CME)) for the year ended June 30, 2004, appears on page 1. That audit was made for the purpose of forming an opinion on such financial statements taken as a whole. We did not audit the financial statements of the LSU Medical Center Institute of Professional Education, a wholly owned subsidiary, whose statements reflect total assets of \$1,134,979 as of March 31, 2004, and total support revenues of \$3,205,154 for the nine months then ended. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the LSU Medical Center Institute of Professional Education, is based solely on the report of other auditors. The information contained in Schedules 1 and 2 as of and for the period ended June 30, 2004 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Rebowe & Company

August 11, 2004

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2004
(with comparative totals for 2003)

	Lafayette Consolidated Statement		Total	
	2004	2003	2004	2003
Current Assets				
Accounts receivable	\$ 100,000	\$ 1,071,700	\$ 1,171,700	\$ 1,000,000
Investments	100,000	-	100,000	10,000,000
Prepaid expenses	100,000	-	100,000	10,000
Inventory	-	10,000	10,000	-
Prepaid insurance	100,000	-	100,000	10,000
Prepaid salaries	10,000	-	10,000	10,000
Prepaid for other services	10,000	-	10,000	10,000
Other receivables	100,000	-	100,000	10,000
Total current assets	<u>1,000,000</u>	<u>1,081,700</u>	<u>1,381,700</u>	<u>10,040,000</u>
Investment Assets				
Investments	1,000,000	-	1,000,000	10,000,000
Investment receivable	1,000,000	-	1,000,000	1,000,000
Prepaid salaries	100,000	-	100,000	10,000
Prepaid	100,000	-	100,000	1,000
Building under construction	-	-	-	1,000,000
Equipment	1,000,000	1,000	1,001,000	10,000
Land	100,000	-	100,000	1,000
Total investment assets	<u>1,000,000</u>	<u>1,001,000</u>	<u>1,301,000</u>	<u>10,011,000</u>
Total Assets	<u>\$ 2,000,000</u>	<u>\$ 2,082,700</u>	<u>\$ 2,682,700</u>	<u>\$ 20,051,000</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 100,000	\$ 10,000	\$ 110,000	\$ 10,000
Deferred revenue	-	100,000	-	10,000
Prepaid salaries	-	-	-	10,000
Trade payable	100,000	-	100,000	-
Prepaid expenses	1,000	-	1,000	-
Total current liabilities	<u>100,000</u>	<u>110,000</u>	<u>210,000</u>	<u>10,010,000</u>
Investment Liabilities				
Accounts held in custody for others	\$ 1,000,000	-	1,000,000	10,000,000
Trade payable	1,000,000	-	1,000,000	10,000,000
Prepaid expenses	1,000	-	1,000	-
Total investment liabilities	<u>1,000,000</u>	<u>-</u>	<u>1,001,000</u>	<u>10,010,000</u>
Total Liabilities	<u>1,100,000</u>	<u>110,000</u>	<u>1,211,000</u>	<u>20,020,000</u>
Net Assets				
Investment	100,000	100,000	100,000	10,000
Temporarily restricted	1,000,000	-	1,000,000	10,000,000
Permanently restricted	1,000,000	-	1,000,000	10,000,000
Total net assets	<u>1,000,000</u>	<u>100,000</u>	<u>1,100,000</u>	<u>10,010,000</u>
Total liabilities and net assets	<u>\$ 2,000,000</u>	<u>\$ 2,082,700</u>	<u>\$ 2,682,700</u>	<u>\$ 20,051,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

	The Foundation for the LSU Health Sciences Center			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Balances
Revenues and Other Support				
Contributions	\$ 81,079	\$ 1,079,643	\$ 1,447,223	\$ 2,597,945
Regimes services fee	-	-	-	-
Investment income - net	74,074	1,071,982	-	1,146,056
Recovery of medical/health premium expense	-	-	268,028	268,028
Grant income	63,901	-	-	63,901
Other income	83,886	-	-	83,886
	<u>262,940</u>	<u>2,151,625</u>	<u>1,715,251</u>	<u>4,529,816</u>
Net unrestricted disbursements	<u>1,784,778</u>	<u>(8,173,352)</u>	<u>(68,321)</u>	<u>-</u>
Total revenues and other support	<u>88,162</u>	<u>1,073,273</u>	<u>1,346,930</u>	<u>2,498,365</u>
Expenses				
Program services	5,176,482	-	-	5,176,482
General and administrative	1,271,660	-	-	1,271,660
Investment	786,028	-	-	786,028
Transfers to Other Fund	-	-	-	-
Total Expenses	<u>7,234,170</u>	<u>-</u>	<u>-</u>	<u>7,234,170</u>
Increases or decreases from continued operations	<u>(6,346,008)</u>	<u>1,073,273</u>	<u>1,346,930</u>	<u>(3,925,805)</u>
Discontinued operations:				
Loss from disposal of subsidiary	-	-	-	-
Increases or decreases	<u>(6,346,008)</u>	<u>1,073,273</u>	<u>1,346,930</u>	<u>(3,925,805)</u>
Net Assets				
Beginning of year	<u>(1,888,111)</u>	<u>\$ 1,088,000</u>	<u>(8,371,841)</u>	<u>(9,171,952)</u>
End of year	<u>\$ (806,119)</u>	<u>\$ 2,151,546</u>	<u>\$ (6,924,911)</u>	<u>\$ (5,480,484)</u>

Litt Medical Center System of Professional Services as of

March 31, 2008

Budgeted			Committed			Total	
Expended	Responsible	Performance	Encumbrance	Unexpended	Responsible	Performance	Total
	Responsible	Responsible			Responsible	Responsible	
\$ -	\$ -	\$ -	\$ -	\$ 82,379	\$ 7079,640	\$ 1,247,221	\$ 8,109,640
1,081,712	-	-	-	1,081,712	-	-	1,081,712
1,400	-	-	-	88,000	7,000,000	-	7,088,800
-	-	-	-	-	-	264,221	264,221
-	-	-	-	82,379	-	-	82,379
1,081,712	-	-	-	88,000	-	-	88,000
-	-	-	-	1,081,712	7,000,000	1,247,221	8,328,933
-	-	-	-	1,764,000	(8,210,000)	985,221	-
1,764,000	-	-	-	1,279,684	1,000,000	1,232,442	3,496,126
81,491	-	-	-	1,089,813	-	-	1,089,813
890,011	-	-	-	1,290,811	-	-	1,290,811
-	-	-	-	900,000	-	-	900,000
164,888	-	-	-	164,888	-	-	164,888
1,071,380	-	-	-	3,129,604	-	-	3,129,604
(291,044)	-	-	-	81,779	1,000,000	1,031,447	8,171,789
-	-	-	(290,000)	(290,000)	-	-	(290,000)
(291,044)	-	-	(290,000)	(290,000)	1,000,000	1,031,447	1,760,447
864,336	-	-	-	864,336	1,124,664	8,162,870	9,991,896
\$ 864,336	\$ -	\$ -	\$ (290,000)	\$ 864,336	\$ 11,024,664	\$ 9,194,317	\$ 21,083,317

**OTHER SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA**

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2004

	2004
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 712,913
Investments	9,964,329
Accounts receivable, net	-
Pledges receivable	185,258
Due from other campaigns	-
Due from State Treasury	-
Inventories	-
Deferred charges and prepaid expenses	-
Notes receivable	94,163
Other current assets	740,294
Total current assets	11,717,147
Noncurrent Assets	
Restricted assets:	
Cash and cash equivalents	82,343
Investments	-
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	54,209,148
Pledges receivable	3,299,329
Notes receivable	298,323
Capital assets, net	1,048,163
Assets under capital leases, net	-
Other noncurrent assets	18,846
Total noncurrent assets	59,812,179
Total assets	\$ 71,529,326

Continued

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
STATEMENT OF NET ASSETS (CONTINUED)
For the Year Ended June 30, 2004**

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$	626,370
Due to other companies		-
Due to State Treasury		-
Deferred revenues		-
Amounts held in custody for others		-
Compensated absence payable		-
Capital lease obligations		-
Notes payable		-
Contracts payable		-
Bonds payable		61,000
Other current liabilities		1,630
Total current liabilities		<u>691,020</u>

Noncurrent Liabilities

Amounts held in custody for others	13,117,119
Compensated absence payable	-
Capital lease obligations	-
Notes payable	-
Contracts payable	-
Bonds payable	1,070,000
Other noncurrent liabilities	11,562
Total noncurrent liabilities	<u>15,198,681</u>
Total liabilities	<u>15,791,701</u>

NET ASSETS

Invested in capital assets, net of related debt	142,581
Restricted for:	
Nonexpendable	40,535,122
Expendable	14,029,948
Unrestricted	288,762
Total Net Assets	<u>\$ 55,001,812</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
For the Year Ended June 30, 2004

	<u>2004</u>
OPERATING REVENUES	
Student tuition and fees	\$ -
Less scholarship allowances	-
Net student tuition and fees	-
Gifts received by the Foundations	7,161,742
Earnings on foundation endowments	-
Federal appropriations	-
Federal grants and contracts	-
State and local grants and contracts	-
Non-governmental grants and contracts	-
Sales and services of educational departments	-
Hospital income	-
Auxiliary enterprise revenues, (including revenues pledged in security for bond issues)	-
Less scholarship allowances	-
Net auxiliary revenues	-
Other operating revenues	1,340,695
Total operating revenues	8,502,437
OPERATING EXPENSES	
Educational and general	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Scholarships and fellowships	-
Auxiliary enterprises	-
Hospital	-
Other operating expenses	8,925,191
Total operating expenses	8,925,191
Operating loss	\$ (422,754)

Continued

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2004

NONOPERATING REVENUES AND (EXPENSES)	
State appropriations	\$ -
Gifts	-
Net investment income	7,046,887
Interest expense	-
Payments to or on behalf of the university	(258,482)
Other nonoperating revenues/(expenses)	(498,241)
Net nonoperating revenues/(expenses)	<u>6,290,204</u>
Income before other revenues, expenses, gains, and losses	<u>5,972,793</u>
Capital appropriations	-
Capital gifts and grants	-
Additions to permanent endowments	1,154,133
Other additions, net	-
Increase in net assets	<u>7,126,926</u>
Net assets at beginning of year	47,308,264
Net assets at end of year	<u>\$ 54,435,190</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER AND SUBSIDIARY
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2004

	Balance 6/30/03	Prior Period Adjustment	Revised Balance 6/30/03	Additions	Transfers	Disposals	Balance 6/30/04
Capital assets not being depreciated							
Land	\$ 114,007	-	\$ 114,007	-	-	-	\$ 114,007
Capitalized software	-	-	-	-	-	-	-
Leasehold	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not being depreciated	<u>\$ 114,007</u>	<u>-</u>	<u>\$ 114,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 114,007</u>
Other capital assets							
Indebtedness	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land improvements	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Buildings	-	-	-	(72,211)	1,963,479	-	1,891,268
Less accumulated depreciation	-	-	-	(72,211)	(86,079)	-	(158,290)
Total buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>(144,422)</u>	<u>1,877,400</u>	<u>-</u>	<u>1,732,978</u>
Equipment	50,509	-	50,509	-	-	(4,801)	45,708
Less accumulated depreciation	(14,222)	-	(14,222)	(14,204)	-	3,111	(25,315)
Total equipment	<u>\$ 36,287</u>	<u>-</u>	<u>\$ 36,287</u>	<u>(14,204)</u>	<u>-</u>	<u>(1,690)</u>	<u>\$ 20,372</u>
Library books	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>\$ 14,004</u>	<u>-</u>	<u>\$ 14,004</u>	<u>\$ 873,111</u>	<u>\$ 1,863,479</u>	<u>\$ 5,491</u>	<u>\$ 1,956,111</u>
Capital Asset Summary:							
Capital assets not being depreciated	214,017	-	214,017	-	-	-	214,017
Other capital assets, at cost	36,287	-	36,287	-	1,863,479	(8,801)	1,911,181
Total cost of capital assets	250,304	-	250,304	-	1,863,479	(8,801)	1,945,292
Less accumulated depreciation	(14,222)	-	(14,222)	(85,411)	-	3,111	(96,348)
Capital assets, net	<u>\$ 236,082</u>	<u>-</u>	<u>\$ 236,082</u>	<u>\$ 1,778,068</u>	<u>\$ 1,853,479</u>	<u>\$ 5,690</u>	<u>\$ 1,848,944</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER AND SUBSIDIARY
 SCHEDULE OF BONDS PAYABLE
 For the Year Ended June 30, 2004

Year	Date of Issue	Original Issue	Principal Outstanding (Maturity Issued)	Principal Outstanding (Maturity)	Interest Outstanding (Maturity)
2004	8/1/02	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 1,629,300
		<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 1,629,300</u>
Total					

**THE FOUNDATION FOR THE LSU HEALTH SCIENCE CENTER
AND SUBSIDIARY
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Year Ended June 30, 2004**

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 65,000	Variable \$	65,000
2006	70,000	Variable	70,000
2007	75,000	Variable	75,000
2008	75,000	Variable	75,000
2009	80,000	Variable	80,000
2010	80,000	Variable	80,000
2011	85,000	Variable	85,000
2012	90,000	Variable	90,000
2013	95,000	Variable	95,000
2014	95,000	Variable	95,000
2015	100,000	Variable	100,000
2016	105,000	Variable	105,000
2017	110,000	Variable	110,000
2018	115,000	Variable	115,000
2019	120,000	Variable	120,000
2020	125,000	Variable	125,000
2021	130,000	Variable	130,000
2022	135,000	Variable	135,000
2023	140,000	Variable	140,000
2024	145,000	Variable	145,000
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
TOTAL	<u>\$2,015,000</u> \$	<u>-</u>	<u>\$2,015,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA
For the Year Ended June 30, 2004**

Note A.15 - Component Unit

1. A brief description of the component unit:

The Foundation for the LSU Health Sciences Center is a legally separate, non-revenue organization supporting the LSU System, specifically the following campus: Louisiana State University Health Sciences Center - New Orleans Campus. This foundation was included in the university's financial statements because its assets exceed 1% of total of the assets of the university system it supports.

During the year ended June 30, 2004, the Foundation for the LSU Health Sciences Center made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of: **\$260,421**

Complete financial statements for the Foundation for the LSU Health Sciences Center can be obtained from:

2880 Tulane Avenue, New Orleans, LA 70112
(mailing address)

or from the foundation's website at: www.foundation.lshsc.edu

The Foundation for the LSU Health Sciences Center is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. Its audit, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
**NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA (CONTINUED)**
For the Year Ended June 30, 2004

Note L. Bonds & Notes Payable & Capital Leases

	Balance June 30, 2003	Additions	Reductions	Balance at June 30, 2004	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 2,015,000	\$ -	\$ -	\$ 2,015,000	\$ 65,000
Notes payable	21,131	-	21,131	-	-
Capital lease obligations	-	-	-	-	-
Total bonds, notes and capital leases	<u>2,036,131</u>	<u>-</u>	<u>21,131</u>	<u>2,015,000</u>	<u>65,000</u>
Other liabilities:					
Amounts held in custody for others	12,664,029	453,000	-	13,117,109	-
Compensated absences payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Total other liabilities	<u>12,664,029</u>	<u>453,000</u>	<u>-</u>	<u>13,117,109</u>	<u>-</u>
Total long-term liabilities	<u>\$ 14,700,160</u>	<u>\$ 453,000</u>	<u>\$ 21,131</u>	<u>\$ 15,132,109</u>	<u>\$ 65,000</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY**
**NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA (CONTINUED)**
For the Year Ended June 30, 2004

Note F. Lease Direct Financing Leases

Composition of lease	Date of lease	Minimum lease payment receivable	Remaining interest to end of lease	Remaining principal to end of lease
a. Office Space	_____	\$ _____	\$ _____	\$ _____
b. Equipment	_____	-	-	-
c. Land	9/4/2002	<u>471,812</u>	<u>81,326</u>	<u>389,486</u>
Less amounts representing accretory costs		(-)	(-)	(-)
Minimum lease payment receivable		471,812	81,326	389,486
Less allowance for doubtful accounts		(-)	(-)	(-)
Net minimum lease payments receivable		471,812	81,326	389,486
Estimated residual value of leased property		-	-	-
		<u>471,812</u>	<u>81,326</u>	<u>389,486</u>
Less unearned income		(81,326)	(81,326)	(-)
Net investment in direct financing leases		<u>\$ 389,486</u>	<u>\$ -</u>	<u>\$ 389,486</u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
AND SUBSIDIARY
NOTES TO OTHER SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2004**

Note F. Future Minimum Lease Receivables

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of June 30, 2004:

Year ending June 30, 2004:	Future minimum lease receivable:
2005	\$ <u>123,540</u>
2006	<u>123,540</u>
2007	<u>123,540</u>
2008	<u>123,540</u>
2009	<u>99,613</u>
2010-2014	<u>-</u>
2015-2019	<u>-</u>
2020-2024	<u>-</u>
Total	\$ <u>583,773</u>

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

A PROFESSIONAL CORPORATION

307 N. Gateway Blvd. • Suite 170 • P.O. Box 9397 • Metairie, LA 70002
Phone (504) 833-9100 • Fax (504) 833-0121 • E-mail reb@reb.com

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 of
The Foundation for the LSU Health Sciences Center

We have audited the financial statements of The Foundation for the LSU Health Sciences Center (the "Foundation") as of and for the year ended June 30, 2004, and have issued our report thereon dated August 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the LSU Medical Center Institute of Professional Education, a wholly owned subsidiary, were not audited in accordance with *Government Auditing Standards*.

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 these 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 solely for the information and use of the Finance Committee, management of the Foundation and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:515, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Company

August 13, 2004

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER AND SUBSIDIARY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2004**

A - Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of the LSU Health Sciences Center and Subsidiary.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the LSU Health Sciences Center, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No management letter was issued for the year ended June 30, 2004.

B - Findings - Financial Statement Audit

There were no findings related to financial statements for the year ended June 30, 2004.

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2003**

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no prior year findings related to financial statements for the year ended June 30, 2003.

MANAGEMENT LETTER

A management letter was not issued for the year ended June 30, 2003.