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UNIVERSITY OF NEW ORLEANS FOUNDATION

Financial Statements and Additional
Information for the Year Ended June 30,
1999 and Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-19-2000.

UNIVERSITY OF NEW ORLEANS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the "Foundation") as of June 30, 1999, and the related statements of activities and cash flows for the year then ended. We previously audited and reported upon the financial statements for the year ended June 30, 1998, which condensed statements are presented for comparative purposes only. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

As discussed in Note 3 to the financial statements, during the year ended June 30, 1997, an act of donation was executed whereby a collection of artwork was donated to the Foundation. The fair value of the artwork is unknown and the donation is subject to completion of certain conditions; accordingly, it is not recognized in the June 30, 1999 financial statements. Management intends to have an appraisal performed in the near future to determine the fair value of the artwork once all conditions required by the donation have been satisfied, and such amount will be recognized in the financial statements at that time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 1999 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 19, 1999

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF FINANCIAL POSITION JUNE 30, 1999 AND 1998

	1999	1998
ASSETS		
Cash	\$ 294,760	\$ 637,258
Accounts receivable	369,349	594,134
Contributions receivable, net	3,971,061	4,593,575
Due from U.S. government	395,719	189,885
Investments, at market value	37,330,531	30,604,127
Real estate held for investment or development, net	4,588,124	5,156,636
Other assets	133,859	75,900
Plant assets, net	634,368	352,560
Museum collections	739,200	-
TOTAL ASSETS	<u>\$48,456,971</u>	<u>\$42,204,075</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 203,014	\$ 756,646
Due to the University	300,378	389,686
Funds invested for others	8,758,379	6,315,969
Notes payable	2,879,795	3,021,103
Due to affiliates	1,786,969	-
Total liabilities	<u>13,928,535</u>	<u>10,483,404</u>
NET ASSETS:		
Unrestricted	2,998,129	2,712,597
Temporarily restricted	12,458,724	12,703,453
Permanently restricted	19,071,583	16,304,621
Total net assets	<u>34,528,436</u>	<u>31,720,671</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$48,456,971</u>	<u>\$42,204,075</u>

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				1999	1998
REVENUES:					
Contributions and bequests	\$ 193,559	\$ 2,910,613	\$ 4,167,149	\$ 7,271,321	\$ 6,586,241
Net investment income	931,048	1,230,895	168,594	2,330,537	3,577,074
Public grants		159,500		159,500	192,751
State grants		200,000		200,000	
Federal grants	846,061	75,203		921,264	189,885
Rental income	425,285	478,066	31,219	934,570	831,635
Other					343,925
Net assets released from restrictions - satisfaction of program restrictions	6,299,006	(6,299,006)		-	-
Reclassification of net assets due to clarification of donor intent		1,000,000	(1,000,000)	-	-
Total revenues	<u>8,694,959</u>	<u>(244,729)</u>	<u>3,366,962</u>	<u>11,817,192</u>	<u>11,721,511</u>
EXPENSES:					
Program services	2,213,556			2,213,556	1,978,500
Transfer to University/Alumni	1,514,897			1,514,897	1,674,848
Transfer to State - Ogden Museum	2,740,025			2,740,025	
General and administrative	252,898			252,898	218,294
Fund raising	431,704			431,704	394,174
Rental expenses, excluding depreciation	989,679			989,679	584,997
Depreciation	266,668			266,668	234,399
Total expenses	<u>8,409,427</u>			<u>8,409,427</u>	<u>5,085,212</u>
CHANGE IN NET ASSETS	285,532	(244,729)	3,366,962	3,407,765	6,636,299
REFUND OF CONTRIBUTION			(600,000)	(600,000)	-
BEGINNING NET ASSETS	<u>2,712,597</u>	<u>12,703,453</u>	<u>16,304,621</u>	<u>31,720,671</u>	<u>25,084,372</u>
ENDING NET ASSETS	<u>\$ 2,998,129</u>	<u>\$ 12,458,724</u>	<u>\$ 19,071,583</u>	<u>\$ 34,528,436</u>	<u>\$ 31,720,671</u>

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 1999 AND 1998

	1999	1998
OPERATING ACTIVITIES:		
Change in net assets	\$ 3,407,765	\$ 6,636,299
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	266,668	234,399
Realized gain on investments, net	(1,827,759)	(1,310,854)
Unrealized loss (gain) on investments, net	233,232	(1,657,793)
Loss on sale of real estate	10,708	-
Restricted net assets received	(7,147,811)	(7,048,618)
Transfer of real estate to State - Ogden Museum	322,025	-
Transfer of plant assets to University	110,512	59,362
Transfer of plant assets to School Leadership Foundation	115,068	-
Donation of collection items	(739,200)	-
Changes in assets and liabilities:		
Accounts receivable	224,785	(135,990)
Contributions receivable	622,514	444,727
Due from U.S. government	(205,834)	(189,885)
Other assets	(57,959)	16,132
Accounts payable and accrued expenses	(553,629)	274,276
Due to the University	(89,308)	38,737
Due to affiliates	1,786,969	-
Net cash used in operating activities	<u>(3,521,254)</u>	<u>(2,639,208)</u>
INVESTING ACTIVITIES:		
Purchases of plant assets	(611,569)	(121,679)
Purchases of real estate	(535,021)	(110,916)
Proceeds from the sale of plant assets	608,313	-
Net increase in investments	(5,131,877)	(6,064,449)
Increase in funds invested for others	2,442,410	2,383,858
Net cash used in investing activities	<u>(3,227,744)</u>	<u>(3,913,186)</u>
FINANCING ACTIVITIES:		
Contributions for endowment funds	2,782,740	3,042,946
Contributions for temporarily restricted net assets	4,365,068	4,005,672
Repayment of notes payable	(141,308)	(128,534)
Refund of prior year endowment contribution	(600,000)	-
Net cash provided by financing activities	<u>6,406,500</u>	<u>6,920,084</u>
INCREASE (DECREASE) IN CASH	(342,498)	367,690
CASH, BEGINNING OF YEAR	<u>637,258</u>	<u>269,568</u>
CASH, END OF YEAR	<u>\$ 294,760</u>	<u>\$ 637,258</u>

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1999 AND 1998

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation, a registered non-profit corporation, was established in 1984 with a mission of serving the University of New Orleans (the University) by raising private sector funds for the advancement of the University. The financial statements include the operations of the University of New Orleans Studio Center.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below:

Basis of Presentation - The Foundation follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations," which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.
- **Permanently Restricted** - Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

Real Estate - Real estate is held for investment or development purposes and is recorded at cost or fair market on the date donated. Real estate (excluding land) is depreciated over 20 years on a straight-line basis.

Plant Assets and Depreciation - Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years for vehicles and equipment to 20 years for buildings.

Collections - At June 30, 1999, collections consist of a replica of the Higgins landing craft constructed for the Foundation through donated labor and materials as well as various archeological exhibits owned by the Foundation. The Higgins landing craft will be on permanent display at the National D-Day Museum which is scheduled to open in June, 2000. The Foundation does not record depreciation on its collections because depreciation is not presently required to be recognized on individual works of art or historical treasures whose economic benefit or service potential is used so slowly that their estimated useful lives are extraordinary long.

Funds Invested for Others - Funds invested for others represents funds held in trust for others. These amounts are not owned by the Foundation and the related net income is not earned by the Foundation, but is added directly to the assets of the funds invested for others (see Note 9).

Income Taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

Reclassifications - Certain reclassifications have been made to prior year balances in order to conform with current year classifications.

2. INVESTMENTS

Investments are composed of the following at June 30, 1999 and 1998:

	1999		1998	
	Cost	Market	Cost	Market
Corporate stocks	\$ 16,615,477	\$ 20,722,132	\$ 14,088,283	\$ 18,171,990
Corporate bonds	6,478,435	6,285,689	3,871,808	3,896,066
U.S. government obligations	6,659,337	6,660,209	4,890,640	4,997,352
Money market funds	3,489,315	3,489,315	3,348,763	3,362,955
Mortgage notes	173,186	173,186	175,764	175,764
	<u>\$ 33,415,750</u>	<u>\$ 37,330,531</u>	<u>\$ 26,375,258</u>	<u>\$ 30,604,127</u>

Investment income is reported net of investment fees in the accompanying financial statements. Net investment income is comprised of the following at June 30, 1999 and 1998:

	1999	1998
Interest and dividends	\$ 823,005	\$ 747,151
Realized gains	1,827,759	1,310,854
Unrealized (loss) gain	(233,232)	1,657,793
Investment expense	<u>(86,995)</u>	<u>(138,724)</u>
	<u>\$ 2,330,537</u>	<u>\$ 3,577,074</u>

3. REAL ESTATE

In November 1993, the Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans valued at approximately \$2.4 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. Approximately 50% of the building houses new and growing businesses (including a business incubator) with the remaining space housing activities of the University of New Orleans and the LSU Medical Center.

On December 30, 1994 the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for \$3.2 million which was entirely financed by a local bank (see Note 6). The seller of the properties is leasing back approximately 22% of the available space to use as corporate offices for \$33,472 per month through 2019, adjusted for increases in the bank loan's floating interest rate. The remainder of the property will be used to develop the Ogden Museum of Southern Art and to form the nucleus of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties.

During 1999, the Foundation transferred to the State of Louisiana land held for the Ogden Museum development with a carrying value of \$322,025 and funds of \$2,418,000 representing amounts previously collected from donors to fund the Museum's development. Upon completion of construction, the State will transfer the Museum property to the University.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation. The donor is to maintain custody of the artwork until the art museum is completed. The donor will maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. As of June 30, 1999, the fair value of the artwork has not been established. Once the artwork is in possession of the Foundation, an appraisal will be performed to determine the fair value of the artwork and such amount will be recognized in the financial statements at that time.

At June 30, 1999 and 1998 real estate consists of the following:

	1999	1998
Land	\$1,737,217	\$2,084,242
Buildings	<u>3,768,762</u>	<u>3,808,852</u>
	5,505,979	5,893,094
Less accumulated depreciation	<u>(917,855)</u>	<u>(736,458)</u>
	<u>\$4,588,124</u>	<u>\$5,156,636</u>

4. PLANT ASSETS AND DEPRECIATION

At June 30, 1999 and 1998 plant assets are as follows:

	1999	1998
Land	\$ 80,000	\$ 80,000
Buildings	120,000	120,000
Equipment	807,148	473,512
Vehicles	<u>36,809</u>	<u>12,656</u>
	1,043,957	686,168
Less accumulated depreciation	<u>(409,589)</u>	<u>(333,608)</u>
	<u>\$ 634,368</u>	<u>\$ 352,560</u>

5. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Contributions receivable are expected to be realized in the following periods:

In one year or less	\$1,858,256
Between one year and five years	2,827,472
More than five years	<u>293,509</u>
	4,979,237
Less: present value discount of \$328,054 and allowance for uncollectible pledges of \$680,122	<u>1,008,176</u>
	<u>\$3,971,061</u>

Contributions receivable at June 30, 1999 have the following restrictions:

Unrestricted	\$ 22,024
Temporarily restricted by donor imposed stipulations for university programs and activities	2,768,203
Endowment for university programs and activities	<u>1,180,834</u>
	<u>\$3,971,061</u>

6. NOTES PAYABLE

	1999	1998
Note payable to the University of New Orleans Foundation-Endowment Fund Trust, payable in monthly installments of principal and interest of \$1,233 until maturity in 2023. The note bears interest at 7% and is secured by land and building.	\$ 173,186	\$ 175,764
Note payable to a bank, payable in monthly installments of principal and interest of \$33,472, and a final installment of principal and accrued interest of approximately \$1.7 million due on December 31, 2009. The note bears interest at 9.45% per annum until December 31, 1999 and at a floating rate thereafter and is secured by land and buildings and a lease (see Note 3).	<u>2,706,609</u>	<u>2,845,339</u>
Total	<u>\$2,879,795</u>	<u>\$3,021,103</u>

Annual maturities of long-term debt are as follows:

	Amount
2000	\$ 155,158
2001	170,399
2002	187,140
2003	205,527
2004	225,724
Thereafter	<u>1,935,847</u>
Total	<u>\$2,879,795</u>

Interest paid during 1999 and 1998, all of which was charged to operations, approximated \$275,150 and \$288,000, respectively.

7. NET ASSETS

Temporarily and permanently restricted net assets are comprised of the following at June 30, 1999 and 1998:

	1999	1998
Temporarily restricted:		
Ambrose house	\$ -	\$ 62,958
C.E.R.M. building fund	2,164,374	2,537,413
Undistributed investment earnings	5,022,485	2,661,171
Temporarily restricted contributions	<u>5,271,865</u>	<u>7,441,911</u>
Total temporarily restricted	<u>\$12,458,724</u>	<u>\$12,703,453</u>
Permanently restricted:		
Eminent scholars chairs	\$ 8,173,736	\$ 5,773,736
Endowed professorships	755,715	575,713
Deblois endowments	1,372,132	1,998,652
Individual endowed contributions	<u>8,770,000</u>	<u>7,956,520</u>
Total permanently restricted	<u>\$19,071,583</u>	<u>\$16,304,621</u>

8. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	1999	1998
Purpose restrictions accomplished:		
Program services	\$ 5,992,610	\$ 3,233,755
Fund raising	83,724	127,118
Equipment purchases	220,422	259,521
Miscellaneous	<u>2,250</u>	<u>2,250</u>
	<u>6,299,006</u>	<u>3,622,644</u>
Time restrictions accomplished:		
Passage of time specified	<u>-</u>	<u>368,288</u>
	<u>\$6,299,006</u>	<u>\$3,990,932</u>

9. THE LOUISIANA ENDOWMENT TRUST FUND FOR EMINENT SCHOLARS

One of the Foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts. Endowed professorships are established at \$100,000 and endowed chairs at \$1,000,000 with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Funds are pooled for investment purposes in the Foundation but the State's 40% match is

recognized as a liability to the University under the caption "Funds Invested For Others". The balance of funds invested for others at June 30, 1999 and 1998 that was attributable to the Eminent Scholars Program was \$6,132,000 and \$4,229,000, respectively.

10. FUNCTIONAL EXPENSES

Expenses during the year ended June 30, 1999 were incurred for:

	Program Support	General and Administrative	Fund Raising	Total Expenses
Interest expense	\$ 371,966	\$ 7,350	\$ -	\$ 379,316
Contract services	804,327		90,905	895,232
Official functions (entertainment)	253,237	2,409	25,115	280,761
Transfer to University/Alumni	1,514,897			1,514,897
Transfer to State - Ogden Museum	2,740,025			2,740,025
Depreciation expense	266,668			266,668
Personnel costs	49,677	178,034	118,199	345,910
Property maintenance and rent	738,786	10,331	2,837	751,954
Office supplies and services	250,893	10,565	45,067	306,525
Professional fees	206,237	21,878		228,115
Utilities	68,264	4,812	2,081	75,157
Other miscellaneous expenses	459,848	17,519	147,500	624,867
	<u>\$ 7,724,825</u>	<u>\$ 252,898</u>	<u>\$ 431,704</u>	<u>\$ 8,409,427</u>

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

11. RELATED PARTY TRANSACTIONS

The Foundation administers the financial assets and maintains the financial records of The National D-Day Museum and The School Leadership Foundation. Amounts due to affiliates represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates. Amounts due to The National D-Day Museum and The School Leadership Foundation totaled \$1,230,145 and \$556,824 at June 30, 1999, respectively.

During 1999, the Foundation transferred to The School Leadership Foundation and to the University equipment with a carrying value of \$115,068 and \$110,512, respectively.

For the convenience of the University, the Chancellor of the University occupies a residence owned by the Foundation for a monthly rental of \$833. One of the Foundation's Endowment Fund Trust accounts holds the mortgage for the Chancellor's residence (see Note 6).

In the normal course of business, the Foundation reimburses the University for certain expenses. Included in expenses for 1999 and 1998 is \$17,547 and \$101,046, respectively, which are reimbursements due to the University. At June 30, 1999 and 1998, funds due to the University totaled \$300,378 and \$389,686, respectively.

12. STATE OF LOUISIANA DEPARTMENT OF CULTURE, RECREATION, AND TOURISM

In March 1999, the Foundation was awarded a grant of \$200,000 from the State of Louisiana Department of Culture, Recreation, and Tourism which was received during the year ended June 30, 1999. The purpose of the grant was to fund the operations of the University of New Orleans Studio Center.

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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE - UNIVERSITY OF NEW ORLEANS ALUMNI ASSOCIATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES YEAR ENDED JUNE 30, 1999

REVENUE AND SUPPORT:

Contributions and bequests	\$ 279,535
UNO Foundation support	135,000
Investment income	44,929
Other	<u>49,137</u>

Total revenue and support 508,601

EXPENSES:

Program services	177,507
General and administrative	32,494
Fund raising	<u>96,461</u>

Total expenses 306,462

EXCESS REVENUE AND SUPPORT OVER EXPENSES \$ 202,139



INDEPENDENT AUDITORS' 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
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of the University of New Orleans Foundation (the "Foundation"), as of and for the year ended June 30, 1999, and have issued our report thereon dated November 19, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 those 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 Board of Directors, management, others within the Foundation and officials of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 19, 1999