

NOTES TO FINANCIAL STATEMENTS

Concentrations of credit risk:

Financial instruments which subject the Foundation to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments, equity holdings of domestic corporations, and mutual funds which invest primarily in short-term governmental securities. The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which map, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits.

Tax status:

The Foundation is a Louisiana nonprofit corporation established in 1955. It is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Service Code; accordingly, no provision for income taxes has been made in the financial statements.

Property, equipment and other investments:

Purchased property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of fifty years for the building, five years for the computers and other assets. Other investments consist of oil and gas royalty interests which are amortized based on cash payments received from the initial donated investment. Intangible assets, such as artwork and other collections, are not depreciated.

Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long these donated assets may be maintained, the Foundation reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Charitable giving through life insurance:

In 1989, the Foundation instituted a 'Charitable Giving Through Life Insurance Program' in which whole-life insurance policies are purchased on the lives of individuals, with their permission, with proceeds upon death insuring to the foundation.

Grant commitments:

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

NOTES TO FINANCIAL STATEMENTS

Functional allocation of expenses:

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 between the programs and supporting services identified.

Note 3. Investments

Investments are presented in the financial statements in the aggregate at the lower of cost or market and all investments received as gifts are recorded at market value at the date of donation. Realized gains and losses on sales of investments are determined using specific identification.

The book values, market values and unrealized gains and losses of investments are as follows at June 30:

	1997			
	Accrued Cost/Carrying Value	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Market Value
certificates of deposit	\$ 897,862	\$ -	\$ -	\$ 897,862
U.S. Government obligations	18,900,742	255,568	(314,618)	18,741,712
Corporate obligations	1,087,848	9,953	(6,848)	1,090,953
Corporate stocks	8,322,387	3,488,808	(96,618)	9,854,577
cash	488,288	-	-	488,288
Notes receivable	142,880	-	-	142,880
Old and new royalty interest	25,485	-	-	25,485
Cash surrender value of life insurance	292,781	-	-	292,781
	<u>\$ 28,147,323</u>	<u>\$ 3,754,329</u>	<u>\$ (317,884)</u>	<u>\$ 28,483,768</u>

NOTES TO FINANCIAL STATEMENTS

	1998			Estimated Market Value
	Amortized Cost/Carrying Value	Gross Derecruited Gain	Gross Derecruited Loss	
Certificates of deposits	\$ 1,128,243	\$ -	\$ -	\$ 1,128,243
U.S. Government obligations	14,713,717	143,783	(294,482)	14,562,918
Corporate obligations	1,849,901	18,483	(33,179)	1,835,205
Corporate stocks	3,228,488	1,729,231	(133,278)	4,784,441
Land	344,278	-	-	344,278
Notes receivable	189,000	-	-	189,000
Oil and gas royalty interest	25,401	-	-	25,401
Cash surrender value of life insurance	30,312	-	-	30,312
	<u>\$21,471,331</u>	<u>\$1,881,497</u>	<u>\$ (460,941)</u>	<u>\$22,891,887</u>

NOTE 3. Note Receivable

On July 19, 1991, the Foundation made a loan in the amount of \$25,000 to the University of Southeastern Louisiana Alumni Association, Inc. due on demand with variable percent interest per annum until paid. This loan is collateralized by buildings and improvements. The outstanding balance was \$123,888 and \$189,000 at June 30, 1997 and 1998, respectively. Interest received during the years amounted to \$8,128 and \$12,892, respectively.

NOTE 4. Property and Equipment

A summary of property and equipment at June 30 follows:

	1997	1998
Computers	\$ 8,888	\$ 8,888
Furniture and equipment	18,123	18,123
Buildings	418,803	418,803
Land	14,243	14,243
Vehicles	54,525	54,525
Other	68,088	68,088
	678,669	678,669
Less: accumulated depreciation	(456,724)	(456,724)
	<u>\$ 221,945</u>	<u>\$ 221,945</u>

The assets shown are owned by the University of Southeastern Louisiana Foundation, Inc., but the majority of these assets are used by University of Southeastern Louisiana in support of its educational activities.

NOTES TO FINANCIAL STATEMENTS

Note 5. Funds Held in Custody

The funds being held at June 30 are as follows:

	<u>1951</u>	<u>1950</u>
State Matching Funds Managed for University of Northwestern Louisiana	<u>\$2,525,000</u>	<u>\$2,525,000</u>

Note 6. Net Assets Released From donor Restrictions

Net assets were released from donor restrictions by incurring the following expenses which satisfy the restricted purposes or by occurrence of other events specified by the donors for the year ended June 30:

	<u>1951</u>	<u>1950</u>
Chairs and professorships	\$ 312,421	\$ 348,424
Fellowships	227,378	328,740
Operations and supplies	1,284,173	1,298,804
Travel	28,261	28,262
	<u>\$2,852,233</u>	<u>\$2,904,230</u>

Note 7. Net Assets

Temporarily restricted net assets are available for grants to support University of Northwestern Louisiana Foundation, Inc. in the following general areas:

- Chairs and professorships
- Fellowships
- Operations and supplies
- Travel
- Capital outlay and improvements

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the above activities.

NOTES TO FINANCIAL STATEMENTS

Note 8. Specified Projects

The following is a detail of monies paid to benefit University of Southwestern Louisiana.

	1987	1988
Scholarships	\$ 327,374	\$ 328,742
University Art Museum	13,403	20,287
Agriculture	12,824	18,718
Business Administration	114,134	100,850
Education	9,879	9,513
Engineering	75,715	94,563
Arts and Humanities	40,405	34,435
Science	7,328	8,282
Printing	24,000	12,012
Library	4,252	5,884
Admission	824,589	675,842
OSU Center	4,742	25,212
Housing	4,000	-
University Services	212,509	122,742
Marine Survival Training Center	8,284	8,578
All others	122,282	214,188
	<u>\$1,826,850</u>	<u>\$1,792,820</u>

Note 9. Board-Designated Endowment

According to policy, the University of Southwestern Louisiana Foundation, Inc.'s Board of Trustees has earmarked a portion of unrestricted or board-designated endowed (quasi-endowed) funds to be invested to provide income for a long, but unspecified period. The principal of these board-designated funds, which result from internal designation, is not a donor restriction and, therefore, is not classified as permanently restricted. Below is a recap of these funds at June 30:

	<u>Unrestricted</u>	
	1987	1988
Board-designated endowed funds	<u>\$ 782,852</u>	<u>\$ 794,818</u>

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**UNIVERSITY OF SOUTHWESTERN
LOUISIANA FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 ~~11/11/97~~ 11/11/97

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To the Board of Trustees of
 University of Southern
 Louisiana Foundation, Inc.
 Lafayette, Louisiana

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of University of Southern Louisiana Foundation, Inc. (a nonprofit organization) as of June 30, 1997 and 1996, and the related statements of revenue and support, expenses and changes in net assets - modified cash basis for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 audits provide a reasonable basis for our opinion.

As described in Note 3, the Organization prepares its financial statements on the basis of such weights and distributions except that the statements include certain modifications. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of University of Southern Louisiana Foundation, Inc. as of June 30, 1997 and 1996, and its revenue and support, expenses and the changes in its net assets for the years then ended, on the basis of accounting described in Note 1.

Broussard, Poche, Lewis & Hearn

Lafayette, Louisiana
 November 14, 1997

UNIVERSITY OF SOUTHWESTERN LOUISIANA FOUNDATION, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
JUNE 30, 1997 and 1998

ASSETS	1997	1998
Cash and cash equivalents	\$ 3,912,493	\$ 3,563,808
Investments:		
Certificates of deposits	887,880	2,128,268
U.S. Government obligations	19,928,783	18,758,717
Corporate obligations	3,087,848	2,848,950
Corporate stocks	8,333,347	5,385,488
Oil and gas royalty interests	35,885	25,833
Land	488,238	348,279
Cash surrender value of life insurance	383,781	92,212
Notes receivable	182,880	188,880
Property and equipment, net	318,881	387,271
Autos and other non-depreciable	<u>1,858,188</u>	<u>3,348,388</u>
Total assets	\$28,878,738	\$28,122,617
LIABILITIES AND NET ASSETS		
Liabilities:		
Funds held in custody	\$ 5,872,888	\$ 5,872,777
Net Assets:		
Unrestricted	2,201,398	3,173,841
Temporarily restricted	6,490,288	5,832,359
Permanently restricted	<u>20,814,138</u>	<u>17,113,187</u>
Total net assets	<u>29,505,824</u>	<u>26,119,387</u>
Total liabilities and net assets	\$28,878,738	\$28,122,617

See Notes to Financial Statements.

UNIVERSITY OF SOUTHWESTERN LOUISIANA FOUNDATION, INC.

STATEMENT OF REVENUE AND EXPENDITURE, REVENUES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
Year Ended June 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions	\$ 483,488	\$ 2,154,877	\$ 2,458,249	\$ 5,131,614
Investment earnings	48,765	507,949	3,880	970,594
Gain on investments	37,884	246,670	257	384,811
Other income	48,783	288,820	-	337,603
Unassigned fee income	283,943	-	-	283,943
Net assets released from restrictions:				
Cancellation of program expenses	1,313,213	(1,313,213)	-	-
Total revenue and support	2,505,073	304,883	2,458,249	4,768,205
EXPENSE:				
Grants paid to Interdic University of South- western Louisiana Foundation, Inc. for projects specified by donors	1,713,188	-	-	1,713,188
Projects specified by the Board of Directors	113,273	-	-	113,273
Supporting services:				
Salaries and benefits	124,788	-	-	124,788
Insurance	4,763	-	-	4,763
Office operations	120,488	-	-	120,488
Travel	4,763	-	-	4,763
Professional services	15,878	-	-	15,878
Dues and subscriptions	1,833	-	-	1,833
Meetings and development	17,188	-	-	17,188
Depreciation and amortization	27,828	-	-	27,828
Total expenses	2,484,828	-0-	-0-	2,484,828
Change in net assets before transfers in (out)	440,143	844,807	1,458,249	2,824,209
Unrestricted	1341,893	8,908	132,873	-
Temporarily restricted	28,888	(280,894)	374,703	-
Permanently restricted	2,820	2,822	(26,242)	-
Change in net assets transfer to non-fund funds	124,317	495,143	1,480,768	2,824,209
transfer to non-fund funds	-	158,614	-	158,614
Net assets at beginning of year	2,113,884	2,422,258	27,314,268	28,558,410
Net assets at end of year	2,238,201	2,917,401	28,795,036	33,950,638

See Notes to Financial Statements.

UNIVERSITY OF SOUTHERN LOUISIANA FOUNDATION, INC.

STATEMENT OF REVENUE AND SUPPORT, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
Year Ended June 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Contributions	\$ 485,000	\$ 1,474,000	\$ 600,140	\$ 2,559,140
Investment earnings	50,819	771,016	1,408	822,243
Gain on Investments	24,000	897,898	273	922,171
Other income	81,714	280,100	-	361,814
Management fee income	248,000	-	-	248,000
Net assets released from restrictions:				
Satisfaction of program expenses	<u>1,400,000</u>	<u>(1,400,000)</u>		
Total revenue and support	<u>2,488,533</u>	<u>2,422,000</u>	<u>601,821</u>	<u>5,512,354</u>
EXPENSES:				
GRANTS paid to benefit University of South- western Louisiana Foundation, Inc. for: Projects specified by donors	1,800,000	-	-	1,800,000
Projects specified by the Board of Directors	80,117	-	-	80,117
Supporting services:				
Salaries and benefits	208,287	-	-	208,287
Insurance	6,478	-	-	6,478
Office operations	210,608	-	-	210,608
Travel	7,820	-	-	7,820
Professional services	10,500	-	-	10,500
Dues and subscriptions	1,500	-	-	1,500
Meetings and development	20,375	-	-	20,375
Depreciation	21,872	-	-	21,872
Total expenses	<u>2,686,547</u>	<u>-</u>	<u>-</u>	<u>2,686,547</u>
Change in net assets before transfers in/out	481,886	1,420,000	881,140	2,782,926
Unrestricted	(284,800)	95,819	108,988	-
Temporarily restricted	22,513	(286,688)	274,578	-
Permanently restricted		<u>202</u>	<u>(202)</u>	
Change in net assets transfer to custodial funds	281,304	1,281,817	1,879,434	3,442,555
Transfer to custodial funds	-	(221,808)	-	(221,808)
Net assets at beginning of year	<u>2,881,827</u>	<u>6,824,228</u>	<u>26,828,258</u>	<u>36,534,313</u>
Net assets at end of year	<u>3,163,131</u>	<u>8,005,209</u>	<u>27,707,692</u>	<u>38,875,632</u>

See Notes to Financial Statements.

UNIVERSITY OF SOUTHWESTERN LOUISIANA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

The University of Southwestern Louisiana Foundation, Inc. (the Foundation) is a nonprofit corporation organized to promote the educational, social, moral and material welfare of the University of Southwestern Louisiana and to receive scholarships, gifts, donations, devices and bequests of money and real and personal properties to become a part thereof, and to invest, care for, manage and control all monies and properties so received, and to disburse the same, and the income therefrom, as the donors may direct, or in case specific directions are not given, then to such uses as the board of Trustees of the University of Southwestern Louisiana may determine, in aid of any of the activities, institutions, interests, purposes and objects of the University of Southwestern Louisiana.

Method of accounting:

The Foundation prepares its financial statements on the modified cash basis. Under this basis, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than incurred. The modification includes depreciation and amortization of capitalized assets, recognition of such marketable value of life insurance policies, material receivable amounts, insurance and decreases in value of marketable securities. Therefore, unrealized accounts payable, and accrued expenses are not reflected and the financial statements are not intended to present the financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles.

The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation:

The Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. To ensure observance of limitations and restrictions placed on the uses of resources available to the Foundation, the accounting system is organized and operated on a fund basis. The assets, liabilities, and net assets of the Foundation are reported in the three self-balancing fund groups as follows:

1. Unrestricted funds represent the portion of funds available for support of Foundation supporting services and also amounts which

NOTES TO FINANCIAL STATEMENTS

have been expended for property acquisitions.

2. Temporarily restricted funds represent expendable funds with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted funds and related expenses are shown as unrestricted.
3. Permanently restricted funds represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be used. Expendable income derived from the endowment funds is accounted for as revenue in the current funds.

Contributions and recognition of donor restricted contributions:

The Foundation also adopted SFAS No. 118, "ACCOUNTING FOR CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE," whereby CONTRIBUTIONS RECEIVED are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or failure of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of common assets are recorded at their estimated fair market values at the date of the donation. Contributions of other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions.

Use of estimates:

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

Cash equivalents:

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less. Fair value approximates carrying amounts.