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University of New Orleans Foundation

*Financial Statements and Additional
Information for the Year Ended June 30,
2004 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 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 11-10-04

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, 2004, and the related statement of activities and cash flows for the year 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 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. 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 5 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, 2004 financial statements.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2004, and the changes in its net assets and the cash flows for the year 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 a report dated September 3, 2004 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. 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.

September 3, 2004

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2004**

ASSETS

Current Assets

Cash and cash equivalents	\$ 66,146
Accrued interest receivable	-
Investments - short term	1,297,835
Accounts receivable, net	1,086,093
Unconditional promises to give, net	514,135
Inventories	23,909
Deferred charges and prepaid expenses	9,772
Notes receivable	-
Other current assets	900
Total current assets	<u>2,998,790</u>

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	-
Investments	44,630,276
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	125,411
Unconditional promises to give, net	1,137,581
Notes receivable	-
Property and equipment, net	13,140,198
Assets under capital leases, net	839,627
Other noncurrent assets	119,264
Total noncurrent assets	<u>59,992,357</u>

Total assets

\$ 62,991,147

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 971,978
Deferred revenues	2,900
Amounts held in custody for others	1,293,681
Compensated absences payable	-
Current portion of capital lease obligations	24,825
Current portion of notes payable	-
Current portion of bonds payable	100,000
Other current liabilities	-
Total current liabilities	<u>2,393,384</u>

Noncurrent Liabilities

Amounts held in custody for others	11,719,749
Compensated absences payable	-
Capital lease obligations, net of current portion	791,698
Notes payable, net of current portion	5,450,000
Bonds payable, net of current portion	1,724,000
Other noncurrent liabilities	-
Total noncurrent liabilities	<u>19,685,447</u>

Total liabilities

22,078,831

NET ASSETS

Unrestricted	3,417,591
Temporarily restricted	8,825,651
Permanently restricted	28,669,074
Total net assets	<u>40,912,316</u>

Total Liabilities and Net Assets

\$ 62,991,147

See Notes to financial statements.

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Changes in unrestricted net assets:	
Contributions	\$ 233,092
Investment earnings	654,659
Service fees	1,503,278
Other revenues:	
Property operations	1,622,882
All Other	176,047
Total unrestricted revenues	<u>4,189,958</u>
Net assets released from restrictions:	
Satisfaction of program expenses	<u>5,476,176</u>
Total unrestricted revenues and other support	<u>9,666,134</u>
Expenses:	
Amounts paid to benefit University of New Orleans for:	
Projects specified by donors	-
Projects specified by the Board of Directors	-
Other:	
Property operations	909,475
All other	5,451,274
Total program expenses	<u>6,360,749</u>
Supporting services:	
Salaries and benefits	852,253
Occupancy	41,077
Office operations	49,944
Travel	4,660
Professional services	518,201
Dues and subscriptions	33,388
Meetings and development	-
Depreciation	238,219
Provision for uncollectible accounts	-
Merchandise expense	2,112
Loss on sale or impairment of assets	400,923
Other	262,612
Total supporting services	<u>2,403,389</u>
Total expenses	<u>8,764,138</u>
Increase in unrestricted net assets	<u>901,996</u>
Changes in temporarily restricted net assets:	
Contributions	3,490,052
Grants	1,363,155
Investment earnings	3,557,509
Other	837,245
Total temporarily restricted revenues	<u>9,247,961</u>
Net assets released from restrictions:	
Satisfaction of program expenses	(5,476,176)
Transfer of restricted earnings to permanently restricted endowment principal	<u>(1,695,977)</u>
Increase in temporarily restricted net assets	<u>2,075,808</u>
Changes in permanently restricted net assets:	
Contributions	877,374
Release of contributions pledged	(1,215,092)
Investment earnings	3,722
Transfer of restricted earnings to permanently restricted endowment principal	1,695,977
Other	62,890
Increase in permanently restricted net assets	<u>1,424,871</u>
Increase/(decrease) in net assets	4,402,675
Net assets at beginning of year	36,509,641
Net assets at end of year	<u>\$ 40,912,316</u>

See Notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2004

OPERATING ACTIVITIES:

Increase in net assets	\$ 4,402,675
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	238,219
Impairment loss on real estate held for development	400,923
Gain on sale of plant assets	(176,047)
Realized gain on investments—net	(341,105)
Unrealized gain on investments—net	(3,232,115)
Restricted net assets received	(3,694,510)
Changes in assets and liabilities:	
Accounts receivable	(288,020)
Contributions receivable	939,680
Other assets	585,005
Accounts payable and accrued expenses	<u>31,133</u>
Net cash used in operating activities	<u>(1,134,162)</u>

INVESTING ACTIVITIES:

Purchases of plant assets	(4,126)
Capitalized costs of improvements to real estate	(525,944)
Proceeds from sale of plant assets	262,550
Proceeds from sale of real estate held for development	385,000
Net increase in investments	(3,124,987)
Increase in funds invested for others	<u>1,330,651</u>
Net cash used in investing activities	<u>(1,676,856)</u>

FINANCING ACTIVITIES:

Contributions for endowment funds	877,374
Contributions for temporarily restricted net assets	2,817,136
Proceeds from notes and bonds payable	5,450,000
Repayment of notes payable, bonds payable and capital lease obligation	<u>(6,267,346)</u>
Net cash provided by financing activities	<u>2,877,164</u>

INCREASE IN CASH

CASH—Beginning of year

CASH—End of year

66,146

\$ 66,146

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2004

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.

Unconditional Promises to Give—Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

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, development or sale purposes and is recorded at cost or fair market value on the date donated. Real estate (excluding land) is depreciated over 40 years on a straight-line basis. Certain real estate investments are being actively marketed for sale.

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 40 years for buildings.

Museum Collections—At June 30, 2004, collections consist of a replica of the Higgins landing craft constructed for the Foundation through donated labor and materials as well as various archeological or art exhibits owned by the Foundation. The Higgins landing craft is on permanent display at the National D-Day Museum which opened 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 extraordinarily long.

Funds Invested for Others—Funds invested for others represent 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 11). The Foundation considers all matching funds and unexpended income from these funds as amounts held in custody for others.

Fundraising Expenses—All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year. For the year ended June 30, 2004, total supporting services expenses related to fundraising were \$439,298.

Income Taxes—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.

2. INVESTMENTS

Investments are composed of the following at June 30, 2004:

	Cost	Market
Corporate stocks	\$ 22,236,634	\$ 23,638,972
Corporate bonds	4,032,266	4,362,312
U.S. government obligations	2,267,580	3,939,941
Money market funds	4,006,227	5,468,276
Notes and mortgage	<u>7,661,669</u>	<u>8,644,021</u>
	<u>\$ 40,204,376</u>	<u>\$ 46,053,522</u>

Investments are reported in the accompanying statement of financial position as follows:

Investments—short-term, primarily money market funds	\$ 1,297,835
Restricted investments—noncurrent	44,630,276
Other noncurrent investments	<u>125,411</u>
	<u>\$ 46,053,522</u>

Investment income is reported net of investment expenses in the accompanying financial statements. Net investment income is comprised of the following at June 30, 2004:

Interest and dividends	\$ 955,035
Realized losses	341,105
Unrealized gains—net	3,232,115
Investment expenses	<u>(312,365)</u>
	<u>\$ 4,215,890</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category and are stated at fair value based on the discounted present value of expected future cash flows.

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

In one year or less	\$ 514,135
Between one year and five years	1,598,000
More than five years	<u>37,500</u>
	2,149,635
Less present value discount of \$221,764 and allowance for uncollectible pledges of \$276,155	<u>(497,919)</u>
	<u>\$ 1,651,716</u>

Contributions receivable at June 30, 2004 have the following restrictions:

Temporarily restricted by donor imposed stipulations for university programs, activities and building construction	\$ 1,069,283
Endowment for university programs and activities	<u>582,433</u>
	<u>\$ 1,651,716</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at June 30, 2004:

Real estate held for investment, development or sale	\$ 11,904,086
Plant assets	462,412
Museum collections—non-depreciable	<u>773,700</u>
	<u>\$ 13,140,198</u>

5. REAL ESTATE HELD FOR INVESTMENT, DEVELOPMENT OR SALE

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. The University and other state agencies occupy approximately 78% of the building. Non-profits occupy 3% and small and/or minority business occupy the remaining 19% in a business incubator for new and growing businesses.

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. The seller of the properties is leasing back a portion of the available space to use as corporate offices for \$32,522 per month through 2019, periodically adjusted for increases or decreases in the prevailing rate of a five year treasury note. Most of the remainder of the property will be used for the Ogden Museum of Southern Art and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)3 corporation created to operate and support the Museum.

The Ogden Museum project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the University 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. Goldring Hall opened on August 23, 2003.

The Patrick F. Taylor Memorial Library phase of the Ogden Museum is being financed with private funds. Through June 30, 2004, the Foundation had expended \$3,582,170 in construction related costs to renovate this historic building. Work on the renovation was suspended in 2003 to allow for the securing of additional private funding to complete the project. As of June 30, 2004, a separate board to govern the Ogden Museum (the "Museum Board") is functioning and the Foundation is no longer funding or operating the Museum. The Foundation intends to make Taylor Library available to the Museum Board for completion of renovations by the Museum Board.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation contingent on completion of an appropriate Museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by January, 2006, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall is then operational. As of June 30, 2004, the fair value of the artwork has not been established.

In July 2001, the Foundation purchased the land and building of the University of New Orleans Studio Center (the "Studio Center") from a private company. The properties were purchased for approximately \$1.8 million which was entirely financed through the issuance of bonds (see Note 7). The Foundation has entered into a cooperative endeavor agreement with the University, whereby the University reimburses the Foundation approximately \$200,000 annually for the use of the Studio Center.

In October 2002, the Foundation purchased a parking lot which is located in the vicinity of the Ogden Museum from a private company. The proceeds from a note payable in the amount of \$2,200,000 was used to purchase the parking lot as well as to pay for an existing debt owed to a contractor for work performed on the parking lot. During July 2004, this parking lot together with adjacent property was sold. The proceeds from the sale were approximately \$2 million and were used to pay down the note payable (see Note 7).

During November 2003, the Foundation entered into an agreement to lease certain real estate to a third party for no rent for ten years. The Foundation intends to make this real estate available to the Museum Board in order for the Museum Board to build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. The Foundation will retain and make available to the Museum Board a right of access to the tunnel portion of the property. Since the Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of \$400,923 was written-off at June 30, 2004 and recorded as a impairment loss in the statement of activities.

At June 30, 2004 real estate held for investment, development or sale consists of the following:

Technology Enterprise Center	\$ 2,768,065
Film Studio Center	2,530,891
Lee Circle Properties:	
Taylor Library—construction in progress	3,582,170
Parking lot	2,046,856
Land and commercial buildings	<u>2,493,280</u>
	13,421,262
Less accumulated depreciation	<u>(1,517,176)</u>
	<u>\$ 11,904,086</u>

6. PLANT ASSETS AND DEPRECIATION

At June 30, 2004 plant assets consisted of the following:

Land	\$ 129,000
Buildings	373,156
Equipment	658,216
Vehicles	<u>29,513</u>
	1,189,885
Less accumulated depreciation	<u>(727,473)</u>
	<u>\$ 462,412</u>

The property and assets shown above are owned by the Foundation but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2004 consist of the following:

Note payable to a bank, payable in full in March 2006. The note bears interest at a variable rate (4.25% at June 30, 2004) and is secured by real estate held for investment, development or sale (Note 5)	\$ 5,450,000
Bond payable to a bank, interest is payable semi-annually, principal is due in annual installments ranging from \$95,000 to \$188,000. A portion of the principal balance totaling \$1,068,000 matures in 2011 and bears interest at 7.5%. The remaining portion totaling \$851,000 matures in 2016 and bears interest at 5.3%. These bonds are secured by land and building related to the film studio.	<u>1,824,000</u>
Total	7,274,000
Less amounts payable currently	<u>100,000</u>
Long-term portion	<u>\$ 7,174,000</u>

Annual maturities of long-term debt are as follows:

	Amount
2005	\$ 100,000
2006	5,556,000
2007	111,000
2008	118,000
2009	124,000
Thereafter	<u>1,265,000</u>
Total	<u>\$ 7,274,000</u>

Interest paid during 2004, all of which was charged to operations, was \$573,729.

8. CAPITALIZED LEASES

The Foundation leases building equipment under long-term leases. Future minimum payments for capitalized leases as of June 30, 2004 are as follows:

2005	\$ 49,393
2006	49,393
2007	49,393
2008	49,393
2009	49,393
Subsequent to 2009	<u>848,274</u>
Total minimum lease payments	1,095,239
Lease amount representing interest	<u>(278,716)</u>
Present value of minimum lease payments	<u>\$ 816,523</u>

At June 30, 2004, the net book value of assets recorded under capital leases amounted to:

Building equipment	\$ 968,627
Less accumulated amortization	<u>(129,000)</u>
	<u>\$ 839,627</u>

The related equipment is a component of the University of New Orleans Technology Enterprise Center (see Note 5).

9. NET ASSETS

Temporarily and permanently restricted net assets are restricted to the following at June 30, 2004:

Temporarily restricted:	
Building Funds	\$ 1,913,024
Scholarships	275,396
Artifacts	751,488
Research	2,018,119
Educational Studies—Program	2,620,608
Departmental Development	<u>1,247,016</u>
Total temporarily restricted	<u>\$ 8,825,651</u>
Permanently restricted:	
Scholarships	\$ 2,691,890
Faculty—Salary Supplements	2,048,197
Research	11,115,283
Educational Studies—Program	10,500,402
Departmental Development	<u>2,313,302</u>
Total permanently restricted	<u>\$ 28,669,074</u>

10. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions during fiscal year 2004 by incurring expenses satisfying the restricted purposes specified by donors as set forth below:

Purpose restrictions accomplished:	
Program services	\$ 4,864,823
General and administrative	204,457
Fund raising	44,427
Equipment purchases	<u>362,469</u>
	<u>\$ 5,476,176</u>

11. 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. Investment earnings on such funds which are unspent in a given year are transferred back to permanently restricted net assets for reinvestment to benefit future periods. 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, 2004 that was attributable to the Eminent Scholars Program was \$11,719,749.

12. PROGRAM EXPENSES

Program expenses during the year ended June 30, 2004 were incurred for:

	Program Support	Property Operations	Total Expenses
Transfer to University/Alumni	\$ 1,594,423	\$ -	\$ 1,594,423
Interest expense	284,321	258,421	542,742
Contract services	1,178,913	171,652	1,350,565
Official functions (entertainment)	461,318		461,318
Personnel costs	521,551	112,781	634,332
Property maintenance and rent	43,315	180,023	223,338
Office supplies and services	190,798	14,766	205,564
Professional fees	325,788	26,159	351,947
Utilities	31,334	145,673	177,007
Other miscellaneous expenses	<u>819,513</u>		<u>819,513</u>
	<u>\$ 5,451,274</u>	<u>\$ 909,475</u>	<u>\$ 6,360,749</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.

13. RELATED PARTY TRANSACTIONS

The Foundation administers the financial assets and maintains the financial records of The School Leadership Center, the UNO International Alumni Association, the Privateer Athletic Foundation, the UNO Property and Housing Development Foundation and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounting to \$1,293,681 at June 30, 2004 represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses. Included in expenses for 2004 is \$96,925, which represents reimbursements due to the University. At June 30, 2004, funds due to the University totaled \$247,527 and funds due from the University totaled \$236,826.

At June 30, 2004, funds due from the University of New Orleans Research and Technology Foundation, which is an affiliated entity, totaled \$368,824.

During fiscal 2004, the administrative support activities for the operations of the Ogden Museum was transferred to the Museum Board (Note 5). At June 30, 2004, the Foundation had receivables from the Museum Board totaling \$205,666 and a payable to the Museum of \$32,361.

* * * * *

ADDITIONAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 16 and 17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information was prepared to provide the LSU System with the Foundation's Statement of Financial Position and Statement of Activities in an alternative format to meet the requirements of the Office of Statewide Reporting and Accounting Policy and such information is not a required part of the basic financial statements. This additional information is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

September 3, 2004

**LOUISIANA STATE UNIVERSITY SYSTEM
UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 66,146
Investments	1,297,835
Accounts receivable, net	1,086,093
Pledges receivable	514,135
Due from other campuses	-
Due from State Treasury	-
Inventories	23,909
Deferred charges and prepaid expenses	9,772
Notes receivable	-
Other current assets	900
Total current assets	<u>2,998,790</u>
Noncurrent Assets	
Restricted assets:	
Cash and cash equivalents	-
Investments	44,630,276
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	125,411
Pledges receivable	1,137,581
Notes receivable	-
Capital assets, net	13,140,198
Assets under capital leases, net	839,627
Other noncurrent assets	119,264
Total noncurrent assets	<u>59,992,357</u>
Total assets	<u>62,991,147</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	971,978
Due to other campuses	-
Due to State Treasury	-
Deferred revenues	2,900
Amounts held in custody for others	1,293,681
Compensated absences payable	-
Capital lease obligations	24,825
Notes payable	-
Contracts payable	-
Bonds payable	100,000
Other current liabilities	-
Total current liabilities	<u>2,393,384</u>
Noncurrent Liabilities	
Amounts held in custody for others	11,719,749
Compensated absences payable	-
Capital lease obligations	791,698
Notes payable	5,450,000
Contracts payable	-
Bonds payable	1,724,000
Other noncurrent liabilities	-
Total noncurrent liabilities	<u>19,685,447</u>
Total liabilities	<u>22,078,831</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,889,302
Restricted for:	
Nonexpendable	28,669,074
Expendable	8,825,651
Unrestricted	(2,471,711)
Total Net Assets	<u>\$ 40,912,316</u>

LOUISIANA STATE UNIVERSITY SYSTEM
UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES		
Student tuition and fees		-
Less scholarship allowances		-
Net student tuition and fees		<u>-</u>
Gifts received by the foundations		-
Earnings on foundation endowments	3,536,483	
Federal appropriations		-
Federal grants and contracts	775,200	
State and local grants and contracts	587,955	
Nongovernmental grants and contracts	292,023	
Sales and services of educational departments	1,424,679	
Hospital income		-
Auxiliary enterprise revenues, including revenues pledged as security for bond issues		-
Less scholarship allowances		-
Net auxiliary revenues		<u>-</u>
Other operating revenues		2,309,592
Total operating revenues		<u><u>8,925,932</u></u>
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		2,566,144
Total operating expenses		<u>2,566,144</u>
Operating income (loss)		<u><u>6,359,788</u></u>
NONOPERATING REVENUES AND (EXPENSES)		
State appropriations		-
Gifts	2,494,426	
Net investment income	454,529	
Interest expense	(630,117)	
Payments to or on behalf of the university	(5,166,953)	
Other nonoperating revenues (expenses)		-
Net nonoperating revenues (expenses)		<u>(2,848,115)</u>
Income before other revenues, expenses, gains, and losses		<u><u>3,511,673</u></u>
Capital appropriations		-
Capital gifts and grants	13,628	
Additions to permanent endowments	877,374	
Other additions, net		-
Increase (decrease) in net assets		<u><u>4,402,675</u></u>
Net assets at beginning of year, restated		36,509,641
Net assets at end of year		<u><u>40,912,316</u></u>

SUPPLEMENTAL SCHEDULES



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 20 through 23 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Foundation's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

September 3, 2004

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—PRIVATEER ATHLETIC FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES YEAR ENDED JUNE 30, 2004

REVENUE AND SUPPORT:

Program revenues	\$ 39,600
Contributions and bequests	<u>173,090</u>
Total revenue and support	<u>212,690</u>

EXPENSES:

Program support	312,415
General and administrative	20,667
Fund raising	<u>17,422</u>
Total expenses	<u>350,504</u>

EXCESS OF EXPENSES OVER REVENUE AND SUPPORT \$ (137,814)

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS INTERNATIONAL ALUMNI ASSOCIATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES YEAR ENDED JUNE 30, 2004

REVENUE AND SUPPORT:

Contributions and bequests	\$ 224,075
UNO Foundation support	223,178
Program revenue	27,627
Rental income	<u>18,897</u>

Total revenue and support 493,777

EXPENSES:

Program services	158,316
General and administrative	211,711
Fund raising	<u>56,606</u>

Total expenses 426,633

EXCESS OF REVENUE AND SUPPORT OVER EXPENSES \$ 67,144

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2004

ASSETS

Cash	\$	100
Accounts receivable		18,447
Real estate		2,728,972
Other assets		4,219
Due from the University of New Orleans Foundation		<u>234,559</u>
TOTAL ASSETS		<u>\$2,986,297</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	3,907
Note payable		<u>1,581,443</u>
Total liabilities		1,585,350
NET ASSETS		<u>1,400,947</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$2,986,297</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES YEAR ENDED JUNE 30, 2004

REVENUE AND SUPPORT:

Contributions and bequests	\$ 52,265
Rental Income	<u>99,988</u>
Total revenue and support	<u>152,253</u>

EXPENSES:

General and administrative	1,500
Operating expense	161,701
Interest expense	<u>58,807</u>
Total expenses	<u>222,008</u>

EXCESS OF EXPENSES OVER REVENUE AND SUPPORT (69,755)

BEGINNING NET ASSETS 1,470,702

ENDING NET ASSETS \$1,400,947

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE 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, 2004, and have issued our report thereon dated September 3, 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.

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 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte + Touche LLP

September 3, 2004

SINGLE AUDIT REPORTING

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Compliance

We have audited the compliance of University of New Orleans Foundation (the "Foundation"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on

compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Foundation's internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 Foundation's internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of University of New Orleans Foundation as of June 30, 2004, and have issued our report thereon dated September 3, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of University of New Orleans Foundation. 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, when considered in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Directors, management, and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

DeBittle & Touche LLP

September 3, 2004

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Grantor	Federal CFDA #	Federal Expenditures
Department of Education	84.215K	\$ 211,824
National Endowment for the Humanities (Award No. GN-50155-03)		200,000
Institute of Museum and Library Services (Award No. CM-00-03-0005)		248,375
National Endowment for the Arts	45.024	<u>115,000</u>
		<u>\$ 775,199</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when University of New Orleans Foundation (the “Foundation”), has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Accrued Reimbursement—Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year.

Payments to Subrecipients—There were no payments to subrecipients for the year ended June 30, 2004.

2. DESCRIPTION OF GRANTS

Federal Department of Education

Various federal agencies provide the Foundation with funds on a reimbursement basis for expenditures incurred by the Foundation in connection with activities that meet requirements set forth in the grant agreement. New awards during the current year were \$563,375. Total grant awards in prior year were \$1,489,000 with \$227,549 being funded from July 2001 to June 2002. Funding from July 2002 to June 2003 amounted to \$407,635. Funding from July 2003 to June 2004 amounted to \$775,199.

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was expressed on the financial statements of the auditee.
- The statement that reportable conditions in internal controls were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal controls over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was expressed on compliance with major programs.
- There were no findings which are required to be reported in accordance with Section 510(a) of Circular A-133.
- The major program for the year ended June 30, 2004 was:

Department of Education
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did qualify as a low risk auditee.
- No management letter was issued related to the financial statements for the year ended June 30, 2004.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the year ended June 30, 2004.

UNIVERSITY OF NEW ORLEANS FOUNDATION

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

There were no findings noted in prior year.