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# UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

## FINANCIAL REPORT

## JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the University of Louisiana at Lafayette Foundation, Inc. (the Foundation) as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

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, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 August 12, 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.

Broussard, Poche', Lewis & Breaux LLP

Lafayette, Louisiana
August 12, 2004

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2004 and 2003

| ASSETS | 2004 | 2003 |
|---|---|---|
| Cash and cash equivalents | $ 7,128,791 | $ 8,652,942 |
| Due from state government | 640,000 | 680,000 |
| Contributions receivable, net | 5,383,278 | 6,529,128 |
| Investments, at market value | 80,995,211 | 71,172,541 |
| Property and equipment, net | 10,728,143 | 7,404,037 |
| Artwork and other non-depreciable assets | 1,909,908 | 1,909,908 |
| Other assets | 702,889 | 696,366 |
| Total assets | $107,488,220 | $ 97,044,922 |

| LIABILITIES AND NET ASSETS | | |
|---|---|---|
| Liabilities: | | |
| Funds held in custody | $ 18,164,462 | $ 15,527,216 |
| Accounts payable | 72,174 | 22,484 |
| Bonds payable | 8,795,000 | 9,350,000 |
| Contracts payable | 27,794 | 742,643 |
| Other liabilities | 176,283 | 135,079 |
| Total liabilities | 27,235,713 | 25,777,422 |
| Net assets: | | |
| Unrestricted | 4,328,563 | 3,484,590 |
| Temporarily restricted | 32,602,856 | 25,383,302 |
| Permanently restricted | 43,321,088 | 42,399,608 |
| Total net assets | 80,252,507 | 71,267,500 |
| Total liabilities and net assets | $107,488,220 | $ 97,044,922 |

See Notes to Financial Statements.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions | $ 765,479 | $ 2,327,806 | $ 807,944 | $ 3,901,229 |
| Investment earnings | 76,405 | 837,899 | 3,366 | 917,670 |
| Realized gain (loss) on investments | 7,598 | 1,002,971 | 110 | 1,010,679 |
| Other income | 78,301 | 840,034 | 1,800 | 920,135 |
| Management fee income | 684,800 | - | - | 684,800 |
| Unrealized gain (loss) on marketable securities | - | 4,965,615 | - | 4,965,615 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program expenses | 2,426,872 | (2,426,872) | - | - |
| Total revenue and support | 4,039,455 | 7,547,453 | 813,220 | 12,400,128 |
| EXPENSES AND LOSSES: | | | | |
| Grants paid to benefit University of Louisiana at Lafayette Foundation, Inc. for: | | | | |
| Projects specified by donors | 2,426,872 | - | - | 2,426,872 |
| Fundraising | 293,774 | - | - | 293,774 |
| Supporting services: | | | | |
| Salaries and benefits | 91,259 | - | - | 91,259 |
| Insurance | 4,126 | - | - | 4,126 |
| Office operations | 85,199 | - | - | 85,199 |
| Travel | 6,822 | - | - | 6,822 |
| Professional services | 27,903 | - | - | 27,903 |
| Dues and subscriptions | 181 | - | - | 181 |
| Meetings and development | 706 | - | - | 706 |
| Investment management fee | 271,480 | - | - | 271,480 |
| Interest | 78,183 | - | - | 78,183 |
| Depreciation and amortization | 112,826 | - | - | 112,826 |
| Other expenses | 13,498 | - | - | 13,498 |
| Total expenses | 3,412,829 | -0- | -0- | 3,412,829 |

(continued)

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2004

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Change in net assets before transfers in (out) | 626,626 | 7,547,453 | 813,220 | 8,987,299 |
| Unrestricted | (137,000) | 137,000 | - | - |
| Temporarily restricted | 354,347 | (497,607) | 143,260 | - |
| Permanently restricted | - | 35,000 | (35,000) | - |
| Change in net assets | 843,973 | 7,221,846 | 921,480 | 8,987,299 |
| Transfer to custodial funds | - | (2,292) | - | (2,292) |
| Net assets at beginning of year | 3,484,590 | 25,383,302 | 42,399,608 | 71,267,500 |
| Net assets at end of year | $ 4,328,563 | $32,602,856 | $43,321,088 | $80,252,507 |

See Notes to Financial Statements.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions | $ 1,314,666 | $ 1,234,483 | $ 789,392 | $ 3,338,541 |
| Investment earnings | 382,233 | 2,516,586 | 3,301 | 2,902,120 |
| Realized gain (loss) on investments | (591,599) | (2,685,970) | 110 | (3,277,459) |
| Other income | 510,144 | 1,092,391 | - | 1,602,535 |
| Management fee income | 585,390 | - | - | 585,390 |
| Unrealized gain (loss) on marketable securities | - | 3,787,567 | - | 3,787,567 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program expenses | 2,060,903 | (2,060,903) | - | - |
| Total revenue and support | 4,261,737 | 3,884,154 | 792,803 | 8,938,694 |
| EXPENSES AND LOSSES: | | | | |
| Grants paid to benefit University of Louisiana at Lafayette Foundation, Inc. for: | | | | |
| Projects specified by donors | 2,697,092 | - | - | 2,697,092 |
| Fundraising | 291,922 | - | - | 291,922 |
| Supporting services: | | | | |
| Salaries and benefits | 65,277 | - | - | 65,277 |
| Insurance | 3,896 | - | - | 3,896 |
| Office operations | 21,340 | - | - | 21,340 |
| Travel | 6,594 | - | - | 6,594 |
| Professional services | 24,862 | - | - | 24,862 |
| Dues and subscriptions | 278 | - | - | 278 |
| Meetings and development | 921 | - | - | 921 |
| Investment management fees | 278,261 | - | - | 278,261 |
| Interest | 367,904 | - | - | 367,904 |
| Depreciation and amortization | 49,203 | - | - | 49,203 |
| Bad debt expense | 450,944 | - | - | 450,944 |
| Other expenses | 8,501 | - | - | 8,501 |
| Total expenses | 4,266,995 | -0- | -0- | 4,266,995 |

(continued)

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2003

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Change in net assets before transfers in (out) | (5,258) | 3,884,154 | 792,803 | 4,671,699 |
| Unrestricted | (2,139,992) | 1,984,967 | 155,025 | - |
| Temporarily restricted | 1,730 | (7,044) | 5,314 | - |
| Permanently restricted | 4,100 | 2,874 | (6,974) | - |
| Change in net assets | (2,139,420) | 5,864,951 | 946,168 | 4,671,699 |
| Transfer to custodial funds | - | 421 | - | 421 |
| Net assets at beginning of year | 5,624,010 | 19,517,930 | 41,453,440 | 66,595,380 |
| Net assets at end of year | $ 3,484,590 | $25,383,302 | $42,399,608 | $71,267,500 |

See Notes to Financial Statements.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2004 and 2003

| | 2004 | 2003 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Change in net assets | $ 8,987,299 | $ 4,671,699 |
| Adjustments to reconcile change in net assets to operating activities: | | |
| Provision for uncollectible contributions | - | 450,944 |
| Depreciation | 112,826 | 49,203 |
| Unrealized (gain) loss on investments, net | (4,965,615) | (3,787,567) |
| Loss (gain) on sales of investments | (1,010,679) | 3,277,459 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in assets - | | |
| Contribution receivables | 1,185,850 | (274,293) |
| Other assets | (6,523) | (45,631) |
| Increase (decrease) in liabilities - | | |
| Payables | (665,159) | 595,862 |
| Other liabilities | 41,204 | 64,429 |
| Net cash provided by operating activities | 3,679,203 | 5,002,105 |
| INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 10,838,451 | 21,078,258 |
| Purchases of investments | (14,684,827) | (25,732,439) |
| Purchases of fixed assets | (3,436,932) | (4,751,209) |
| (Decrease) increase in funds held in custody | 2,637,246 | (507,955) |
| Other | (2,292) | 923 |
| Net cash used in investing activities | (4,648,354) | (9,912,422) |
| FINANCING ACTIVITIES: | | |
| Principal payments on bonds payable | (555,000) | (50,000) |
| Net cash used in financing activities | (555,000) | (50,000) |
| Net increase (decrease) in cash | (1,524,151) | (4,960,317) |
| Cash at beginning of year | 8,652,942 | 13,613,259 |
| Cash at end of year | $ 7,128,791 | $ 8,652,942 |

See Notes to Financial Statements.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

The University of Louisiana at Lafayette Foundation, Inc. (the Foundation) is a nonprofit corporation organized to promote the educational, social, moral and material welfare of the University of Louisiana at Lafayette 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 there from, 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 Louisiana at Lafayette Foundation may determine, in aid of any of the activities, institutions, interests, purposes and objects of the University of Louisiana at Lafayette.

Significant accounting policies:

Basis of accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Contributions and recognition of donor restricted contributions:

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 specified 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 noncash 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 restrictions.

NOTES TO FINANCIAL STATEMENTS

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 and 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.

Investments:

The Foundation has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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; mutual funds which invest primarily in short-term governmental securities; and contributions receivable. The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, 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 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 forty years for the building, seven years for computer 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. Inexhaustible 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. 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.

Real estate:

Real estate is held for investment purposes and is recorded at fair market on the date donated.

Charitable giving through life insurance:

In 1985, 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.

Employee benefit plans:

Effective January 1, 1991, the Foundation established a 403(b) plan to provide retirement benefits for employees. Any full-time employee over the age of 18 who has been employed by the Foundation for one year is eligible to participate. Participants may contribute to the plan by deferring a portion of their gross salary, within certain IRS imposed limitations for maximum contributions in a given year. The Foundation will match up to 4% of the participant's first 4% of contributions. The amount included in expenses for the years ended June 30, 2004 and 2003 was $9,690 and $9,412, respectively.

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 benefited.

Reclassification:

Certain prior period amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets as previously reported.

## Note 2. 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, net of present value discount of $823,460 and $490,726 in 2004 and 2003 (based on one year treasury note rates as of June 30 of each year), respectively, are expected to be realized in the following periods:

| | 2004 | 2003 |
|---|---|---|
| In one year or less | $ 234,173 | $ 134,736 |
| Between one year and five years | 1,322,564 | 909,756 |
| More than five years | 4,066,541 | 5,724,636 |
| | 5,623,278 | 6,769,128 |
| Allowance for doubtful accounts | (240,000) | (240,000) |
| | $5,383,278 | $6,529,128 |

Contributions receivable at June 30, 2004 and 2003 have the following restrictions:

| | 2004 | 2003 |
|---|---|---|
| Temporarily restricted by donor imposed stipulations for University programs and activities | $3,715,575 | $4,480,069 |
| Endowment for University programs and activities and property acquisitions | 1,907,703 | 2,289,059 |
| | $5,623,278 | $6,769,128 |

The Foundation's management performs an annual in depth analysis of pledged contributions and determines that certain contributions receivable are no longer collectible. Contributions with a present value of $1,092 and $450,944 were no longer collectible and written off as of June 30, 2004 and 2003, respectively.

Additionally, management reserved $240,000 of pledged contributions receivable, which is recorded in the allowance for doubtful accounts as of June 30, 2004 and 2003. The allowance is based on management's estimate of future losses; actual losses may vary from the current estimate. The estimate is reviewed periodically, taking into consideration the risk characteristics of pledged contributions, past loss experience, general economic conditions and other factors that warrant current recognition. As adjustments to the estimate of future losses become necessary, they are reflected as a provision for bad debts in current-period earnings. Actual pledge losses are deducted from, and subsequent recoveries are added to, the allowance.

Note 3. 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.

Investments are composed of the following at June 30:

| | 2004 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Market Value |
| Certificates of deposit | $ 3,286,970 | $ - | $ - | $ 3,286,970 |
| U.S. Government obligations | 17,682,991 | 456,054 | 522,597 | 17,616,448 |
| Corporate obligations | 11,900,348 | 264,848 | 192,697 | 11,972,499 |
| Corporate stocks | 39,609,221 | 9,094,367 | 584,294 | 48,119,294 |
| | $72,479,530 | $9,815,269 | $ 1,299,588 | $80,995,211 |

| | 2003 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Market Value |
| Certificates of deposit | $ 3,541,746 | $ - | $ - | $ 3,541,746 |
| U.S. Government obligations | 17,053,065 | 1,062,061 | (54,157) | 18,060,969 |
| Corporate obligations | 11,339,130 | 724,090 | (16,499) | 12,046,721 |
| Corporate stocks | 35,688,535 | 4,216,804 | (2,382,234) | 37,523,105 |
| | $67,622,476 | $6,002,955 | $(2,452,890) | $71,172,541 |

Note 4. Property and Equipment

A summary of property and equipment at June 30 follows:

| | 2004 | 2003 |
|---|---|---|
| Buildings | $10,073,324 | $ 1,473,210 |
| Real estate | 777,241 | 689,242 |
| Vehicles | 18,800 | 18,800 |
| Furniture and equipment | 413,397 | 130,661 |
| Construction in progress | - | 5,533,917 |
| | 11,282,762 | 7,845,830 |
| Less: accumulated depreciation | (554,619) | (441,793) |
| | $10,728,143 | $ 7,404,037 |

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

The Foundation constructed an art museum at 101 Girard Park Drive. Plans for the art museum include five phases of construction with a budgeted construction cost of $15,973,000. The first phase of the art museum called for an approximately thirty-three thousand (33,000) square foot building. The construction has been partially funded through revenue bonds totaling $8,500,000 issued by the Foundation and will be partially funded from university services. Construction of future phases will begin as funds become available. Construction costs through June 30, 2004 and 2003 were $8,600,114 and $5,533,917, respectively. The building has been constructed on land, held by the Foundation, with a book value of $55,000.

Note 5. Funds Held in Custody

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, endowed chairs at $1,000,000 and endowed superchairs at $2,000,000, 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 Held in Custody." The State matching funds managed for the University of Louisiana at Lafayette, Inc. at June 30, 2004 and 2003 are $18,164,462 and $15,527,216, respectively. As of June 30, 2004 and 2003, the University had private gift donations meeting the state match requirements totaling $1,054,240 and $982,055, respectively, which had not been funded. Therefore, receivables for the state match totaling $640,000 and $680,000 for fiscal years 2004 and 2003, respectively, are reflected in the statement of position as due from state government.

Note 6. Long-Term Debt

Bonds outstanding are as follows:

| | Issue Date | Maturity Date | Interest Rate | Balance Outstanding 2004 | 2003 |
|---|---|---|---|---|---|
| Tax exempt revenue bonds | 11/01/99 | 11/01/14 | 4.60% | $ 795,000 | $ 850,000 |
| Tax exempt revenue bonds | 03/01/02 | 03/01/17 | 4.50% | 8,000,000 | 8,500,000 |
| | | | | $8,795,000 | $9,350,000 |

Cash paid for interest during the fiscal years ended June 30, 2004 and 2003 was $420,335 and $303,475, respectively. Interest expense and capitalized interest associated with the construction of the University Art Museum totaled $78,183 and $336,857, and $367,904 and $92,662, respectively, for the fiscal years 2004 and 2003.

The bonds with an original issue date of November 1, 1999 totaled $1,000,000 and were issued through the Lafayette Economic Development Authority (LEDA) during the fiscal year ended June 30, 2000. The proceeds were used to construct an administration building at 705 East St. Mary Boulevard. Collateral on these bonds is the assignment of all income, revenues or other interest earnings received by the Foundation on its endowment but excluding any income, revenues or interest earnings received by the Foundation though a gift, grant or bequest constituting a restriction imposed by the donor, grantor or testator on such gift, grant or bequest. The annual requirements on this bond issue as of June 30, 2002 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2005 | $ 55,000 | $ 35,305 | $ 90,305 |
| 2006 | 60,000 | 32,660 | 92,660 |
| 2007 | 65,000 | 29,785 | 94,785 |
| 2008 | 65,000 | 26,795 | 91,795 |
| 2009 | 70,000 | 23,690 | 93,690 |
| 2010-2014 | 480,000 | 69,230 | 549,230 |
| | $ 795,000 | $ 217,465 | $ 1,012,465 |

The bonds with an original issue date of February 1, 2002 totaled $8,500,000 and were issued through the Lafayette Economic Development Authority (LEDA) during the fiscal year ended June 30, 2004. The proceeds from this bond issue was used to construct an art museum at 101 Girard Park Drive. Collateral on these bonds are the land and building constructed with the bond proceeds, the existing art museum and land located at the corner of Girard Park Drive and St. Mary Boulevard, together with a collateral pledge of all earnings derived from donations to the Foundation specifically for this project and, to the extent permitted by applicable law, fifty percent (50%) of the earnings and the matching principal, non-federal portion of two (2) Title III Endowment Fund accounts maintained by the Foundation which are restricted in part until 2005 as to one of the Fund accounts and until 2006 as to the other (these pledged earnings and funds are defined as the "Revenues"). Additionally, the mortgage note securing the bond issue is a non-recourse note in which the mortgage holder, in the event of default, agrees to look solely to the real estate mortgaged and the Revenues pledged for payment of the amount due. The Foundation shall not be held liable by reason of any default in the payment of the bonds or the performance of any other obligations under the mortgage agreement.

The annual requirements on this bond issue as of June 30, 2004 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2005 | $ - | $ 365,000 | $ 365,000 |
| 2006 | 500,000 | 365,000 | 865,000 |
| 2007 | 600,000 | 342,188 | 942,188 |
| 2008 | 600,000 | 315,675 | 915,675 |
| 2009 | 600,000 | 287,438 | 887,438 |
| 2010-2017 | 5,700,000 | 1,186,975 | 6,886,975 |
| | $8,000,000 | $2,862,276 | $10,862,276 |

Note 7. Net Assets

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

- Chairs and professorships
- Scholarships
- Fundraising
- 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.

Note 8. 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:

| | 2004 | 2003 |
|---|---|---|
| Chairs and professorship | $ 44,304 | $ 210,316 |
| Scholarships | 521,753 | 550,519 |
| Athletics | 711,460 | 911,414 |
| Operations and supplies | 1,126,051 | 984,371 |
| Travel | 23,304 | 40,472 |
| | $ 2,426,872 | $ 2,697,092 |

Note 9. Specified Projects - Program Expenses

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

| | 2004 | 2003 |
|---|---|---|
| Agriculture | $ 3,252 | $ 8,382 |
| Arts and Humanities | 77,965 | 98,313 |
| Athletics | 962,349 | 869,738 |
| Business Administration | 60,066 | 97,746 |
| CIM Center | 628 | 4,000 |
| Education | 1,656 | 10,581 |
| Engineering | 70,628 | 86,732 |
| General Studies | - | 1,000 |
| Housing | 9 | 675 |
| Library | 1,000 | 2,000 |
| Louisiana and Acadian Studies | 181,841 | 119,991 |
| Nursing | - | 7,296 |
| Scholarships | 521,753 | 550,519 |
| University Art Museum | 143,823 | 14,462 |
| University Services | 110,197 | 193,068 |
| All others | 291,705 | 632,589 |
| | $ 2,426,872 | $ 2,697,092 |

Note 10. Lease Agreement

The Foundation entered into a lease agreement with the University of Louisiana Board of Supervisors in November 1999 to lease the land at 705 East St. Mary Boulevard (the Foundation's office building). The lease is for 99 years at a rental rate of $10 annually.

Subsequent to the June 30, 2004 year end, the Foundation entered into a lease agreement with the University of Louisiana Board of Supervisors to lease the land at 710 East St. Mary Boulevard (the University Art Museum). The lease is for 99 years at a rental rate of $10 annually.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of University of Louisiana at Lafayette Foundation, Inc. (a nonprofit organization), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 12, 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 and contracts, 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 operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, others within the Foundation and officials of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche', Lewis & Breaux LLP

Lafayette, Louisiana
August 12, 2004

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

We have audited the financial statements of University of Louisiana at Lafayette Foundation, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 12, 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. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ___ Yes _X_ No
Reportable Conditions ___ Yes _X_ None Reported

Compliance
Compliance Material to Financial Statements ___ Yes _X_ No

Section II - Financial Statement Findings

No matters were reported.

UNIVERSITY OF LOUISIANA AT LAFAYETTE FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.