

LSU FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

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 12-29-04



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
LSU Foundation
Baton Rouge, Louisiana

We have audited the accompanying consolidated statement of financial position of the LSU Foundation, the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Museum, LLC as of June 30, 2004, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Foundation, the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Museum, LLC as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the consolidated financial statements, an investment in a partnership was understated at June 30, 2003, which also caused unrestricted net assets at June 30, 2003, to be understated. Accordingly, the beginning net assets for the year ended June 30, 2004, have been restated.

Postlethwaite & Netterville

Baton Rouge, Louisiana
August 24, 2004

LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,929,930
Investments	100,866,377
Accrued interest receivable	1,463,449
Accounts receivable, net	286,266
Unconditional promises to give, net	3,382,093
Deferred charges and prepaid expenses	567,232
Other current assets	2,697
Total current assets	<u>111,498,044</u>

NONCURRENT ASSETS

Restricted assets:

Investments	201,556,317
Investment in partnership	19,913,860
Unconditional promises to give, net	8,833,827
Property and equipment, net	12,107,233
Other noncurrent assets	1,224,886
Total noncurrent assets	<u>243,636,123</u>

Total Assets **\$ 355,134,167**

The accompanying notes are an integral part of this statement.



LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 4,600,028
Amounts held in custody for others	1,075,110
Compensated absences payable	98,625
Current portion of bonds payable	91,219
Total current liabilities	<u>5,864,982</u>

NONCURRENT LIABILITIES

Amounts held in custody for others	51,985,903
Bonds payable, net of current portion	12,633,781
Total noncurrent liabilities	<u>64,619,684</u>
 Total liabilities	 <u>70,484,666</u>

NET ASSETS

Unrestricted	
Unrestricted - general	7,757,588
Net assets relating to partnership investment	19,913,860
Temporarily restricted	109,259,569
Permanently restricted	147,718,484
Total net assets	<u>284,649,501</u>

Total Liabilities and Net Assets	<u>\$ 355,134,167</u>
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LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Changes in unrestricted net assets:	
Contributions	\$ 1,105,718
Investment earnings	10,594,306
Service fees	1,976,334
Total unrestricted revenues	<u>13,676,358</u>
Net assets released from restrictions:	
Satisfaction of program expenses	21,903,335
Total unrestricted revenues and other support	<u>35,579,693</u>
Expenses:	
Amounts paid to benefit Louisiana State University for:	
Projects specified by donors	12,552,580
Projects specified by the Board of Directors	1,644,250
Total program expenses	<u>14,196,830</u>
Supporting services:	
Salaries and benefits	2,503,998
Occupancy	219,069
Office operations	437,722
Travel	97,264
Professional services	117,175
Dues and subscriptions	25,541
Meetings and development	87,010
Depreciation	1,210,211
Total supporting services	<u>4,697,990</u>
Write down of assets	<u>8,100,000</u>
Total expenses	<u>26,994,820</u>
Increase in unrestricted net assets	<u>8,584,873</u>

The accompanying notes are an integral part of this statement.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Changes in temporarily restricted net assets:	
Contributions	\$ 15,545,093
Investment earnings	21,868,447
Total temporarily restricted revenues	<u>37,413,540</u>
Net assets released from restrictions:	
Satisfaction of program expenses	<u>(21,903,335)</u>
Increase in temporarily restricted net assets	<u>15,510,205</u>
Changes in permanently restricted net assets:	
Contributions	5,588,242
Investment earnings	<u>199,528</u>
Increase in permanently restricted net assets	<u>5,787,770</u>
Increase in net assets	<u>29,882,848</u>
Net assets - beginning of year, as previously stated	246,457,498
Correction to investment in partnership	<u>8,309,155</u>
Net assets - beginning of year, as restated (See Note 15)	<u>254,766,653</u>
Net assets - end of year	<u>\$ 284,649,501</u>

The accompanying notes are an integral part of this statement.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions received	\$ 14,680,462
Interest and dividends received	5,170,951
Grants paid to benefit Louisiana State University	(12,220,496)
Cash paid for supporting services	(5,144,332)
Net cash provided by operating activities	<u>2,486,585</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(765,457)
Investment in Shaw Center	(4,920,896)
Proceeds from sales of property and equipment	211,742
Purchases of investments	(46,485,875)
Proceeds from sales and maturities of investments	35,493,032
Net increase in funds held in custody	2,273,173
Net cash used in investing activities	<u>(14,194,281)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for endowment purposes	5,588,242
Investment earnings restricted for endowment purposes	199,528
Net cash provided by financing activities	<u>5,787,770</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (5,919,926)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 10,849,856

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 4,929,930

The accompanying notes are an integral part of this statement.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

RECONCILIATION OF CHANGE IN NET
ASSETS TO NET CASH (USED IN) PROVIDED
BY OPERATING ACTIVITIES

Change in net assets	\$ 29,882,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in unrealized gain on investments	(26,309,171)
Increase in unrealized gain on investment in Shaw Center	(230,247)
Depreciation	1,210,211
Decrease in discount on unconditional promises to give	(295,593)
Amortization of bond issuance costs	8,800
Net loss on sales of investments	472,825
Contributions restricted for endowment purposes	(5,588,242)
Investment earnings restricted for endowment purposes	(199,528)
Loss on dispositions of property and equipment	17,116
Write-down of property and equipment	8,100,000
Receipt of non-cash donations	(4,592,918)
Increase in accrued interest receivable	(279,559)
Decrease in unconditional promises to give	2,918,162
Increase in other assets	(1,831,345)
Decrease in accounts payable and other liabilities	(796,774)
Net cash provided by operating activities	<u>\$ 2,486,585</u>

The accompanying notes are an integral part of this statement.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Presentations

Organization and Purpose

The LSU Foundation (the Foundation) is a non-profit corporation which was organized to promote the educational and cultural welfare of the Louisiana State University System Office, the Louisiana State University and Agricultural and Mechanical College, the Louisiana State University Agricultural Center, and the Paul M. Hebert Law Center, herein collectively referred to as "the University", by accepting contributions for the purpose of providing scholarships and aiding research or other designated projects for the benefit of the University.

Consolidation

The Foundation elects all of the members of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. The LSU Property Foundation is the sole member of the LSU Marine Property Foundation. Also, the LSU Property Foundation is the sole member of the LSU Museum, LLC. As such, the consolidated financial statements of the Foundation include the accounts of the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Museum, LLC. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Occasionally the Foundation has deposits in excess of FDIC insured limits. Management believes the credit risk associated with these deposits is minimal.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Presentations (continued)

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.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at their fair market values at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis. Inexhaustible assets, such as artwork and collections, are not depreciated.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Dividend, interest, and other investment income are recorded as increases in either unrestricted, temporarily or permanently restricted net assets depending on donor stipulations.

Donated investments are recorded at their market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. These realized gains and losses are recognized in the Foundation's current operations.

Non-monetary Transactions

Louisiana State University (the University) provides data processing services to the Foundation. In exchange for these services, the Foundation provides property and equipment to the University for its use at no explicit charge. Both the University and the Foundation consider the values received to be commensurate with the values provided by each party.

Funds Held in Custody

The Foundation considers all state matching funds and unexpended income from these funds as funds held in custody.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Presentations (continued)

Accrued Vacation Leave

Effective January 1, 2003, the Foundation began to directly employ the majority of its employees, rather than leasing those employees from the University. As a result, the Foundation recorded a liability for accrued vacation at June 30, 2004. Previously, the University, as direct employer, had assumed such liability. The liability is included in other liabilities on the statement of financial position at June 30, 2004 in the amount of \$98,625.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Values of Financial Instruments

The Foundation's financial instruments, excluding investments which are described in Note 2, include cash and cash equivalents, bonds payable, and unconditional promises to give. The Foundation estimates that the fair values of all financial instruments at June 30, 2004, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

2. Investments

Investments in debt securities and equity securities with readily determinable fair values are stated at their fair value based on quoted market prices. Investments were comprised of the following at June 30, 2004:

Certificate of deposit	\$ 395,000
Government obligations	75,100,624
Corporate obligations	3,015,047
Corporate stocks and common stock index mutual funds	162,933,967
Mortgage-backed securities and CMO's	60,308,836
Land	522,652
Royalty interest	146,568
	<u>\$ 302,422,694</u>

The certificate of deposit is currently pledged as collateral for a loan held by a donor-related party. The donor of the certificate stipulated that it remain as collateral for the loan until the indebtedness was paid in full. The loan is scheduled to mature in October of 2004, at which point the certificate of deposit will no longer be pledged.



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Investments (continued)

Investment earnings were comprised of the following for the year ended June 30, 2004:

Interest and dividend income	\$ 6,595,688
Realized losses on sales of investments	(472,825)
Unrealized gain on investments - debt and equity securities	26,309,171
Unrealized gain on investment in Shaw Center for the Arts, LLC	<u>230,247</u>
	<u>\$ 32,662,281</u>

3. Property and Equipment

A summary of property and equipment at June 30, 2004 follows:

Computers	\$ 3,941,730
Furniture and equipment	3,442,039
Marine equipment (Note 14)	457,097
Buildings	525,211
Land improvements	366,830
Livestock	3,000
Construction in Progress	<u>185,473</u>
	8,921,380
Less: accumulated depreciation	<u>(2,629,381)</u>
	6,291,999
Land	61,486
Artwork and other non-depreciable assets	<u>5,753,748</u>
	<u>\$ 12,107,233</u>

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

4. Funds Held In Custody

Under agreements with Louisiana State University and certain other charitable organizations which support Louisiana State University, the Foundation manages and holds for deposit, designated funds for these entities. The funds being held at June 30, 2004 were as follows:

LSU Alumni Association	\$ 159,338
LSU - Alexandria Foundation	6,882,862
LSU - Eunice Foundation	877,933
State Matching Funds Managed for Louisiana State University	44,678,669
Charitable Remainder Trusts and Gift Annuities	<u>462,211</u>
	53,061,013
Less: portion classified as current	<u>(1,075,110)</u>
	<u>\$ 51,985,903</u>



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Retirement Contributions and Expense

In the fiscal year ended June 30, 2003, the Foundation started a 401(k) retirement plan for its employees. The Foundation contributes up to 7% of the employee's salary to the plan. An employee is vested 100% upon beginning employment with the Foundation. The Foundation contributed \$105,908 to the plan during the year ended June 30, 2004.

6. Operating Lease

The Foundation leases office space from the Louisiana State University Alumni Association on a month-to-month basis. Rent expense incurred under this agreement totaled \$99,129 for the year ended June 30, 2004.

7. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of other events specified by the donors during the year ended June 30, 2004:

Chairs and professorships	\$ 3,407,389
Scholarships and fellowships	2,260,862
Specific academic and research projects	4,035,835
Academic support	2,254,255
Capital outlay and improvements	460,775
Research support	8,303,275
Institutional support	<u>1,180,944</u>
	<u>\$ 21,903,335</u>

8. Net Assets

Temporarily restricted net assets at June 30, 2004, are available for grants to support Louisiana State University in the following general areas:

Chairs and professorships	\$ 23,859,387
Scholarships and fellowships	12,623,985
Specific academic and research projects	16,813,547
Academic support	8,651,465
Capital outlay and improvements	28,297,009
Research support	2,353,939
Institutional support	<u>16,660,237</u>
	<u>\$ 109,259,569</u>



LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Net Assets (continued)

Permanently restricted net assets at June 30, 2004, are restricted to investment in perpetuity, the income from which is expendable to support the activities below:

Chairs and professorships	\$ 82,840,864
Scholarships and fellowships	35,255,180
Specific academic and research projects	19,625,756
Academic support	4,244,269
Capital outlay and improvements	1,159,446
Research support	1,593,531
Institutional support	2,999,438
	<u>\$ 147,718,484</u>

9. Board-Designated Endowment

According to policy, the Foundation's Board of Directors has earmarked a portion of unrestricted and temporarily restricted net assets as 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 results from internal designation, is not donor endowed and therefore is not classified as permanently restricted. The following is a recap of these funds:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Board-designated endowed funds	<u>\$ 3,807,414</u>	<u>\$ 8,773,089</u>

10. Unconditional Promises to Give

Unconditional promises to give at June 30, 2004, are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 3,382,093
One to five years	5,462,308
More than five years	<u>6,650,872</u>
	15,495,273
Less discount on promises to give	(2,906,168)
Less allowance for uncollectible accounts	<u>(373,185)</u>
Net unconditional promises to give	<u>\$ 12,215,920</u>

The discount rate used in discounting unconditional promises to give was 5.0%.

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments

The LSU Property Foundation has preliminarily approved four projects that are currently being constructed or should be started in the near future. The total estimated project cost for these projects, some of which has been expended, is \$9,888,000. Funds totaling \$3,725,000 are currently on hand to meet remaining project commitments.

12. Bonds Payable

On May 1, 2003, the Foundation participated in borrowing, along with several other organizations, the proceeds of revenue bonds totaling \$31,555,000 issued by the Louisiana Public Facilities Authority. The Foundation's portion of the borrowing was \$12,725,000. The Foundation is scheduled to repay the funds borrowed over a 25 year period. The borrowed proceeds from the issuance will be used to help fund several construction projects including the Shaw Center for the Arts. The unused bond proceeds are currently invested in short-term investments with the trustee bank.

Interest is currently being paid using a weekly rate as determined by the remarketing agent. The interest rate at June 30, 2004 was 1.48%. Total interest expense incurred on the bonds for the year ended June 30, 2004 was \$131,994. The bonds are collateralized by future revenues of the Foundation.

The principal portion of the current outstanding debt is scheduled to mature as follows:

<u>Year ending</u> <u>June 30,</u>	
2005	\$ 91,219
2006	547,312
2007	547,312
2008	547,312
2009	547,312
Thereafter	<u>10,444,533</u>
	<u>\$ 12,725,000</u>

13. Investment in Shaw Center for the Arts

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC. The investment recorded on the statement of financial position, \$19,913,860 at June 30, 2004, is accounted for by the equity method. The LSU Foundation had estimated remaining commitments relating to Shaw Center for the Arts, LLC of approximately \$3,500,000 at June 30, 2004, and that amount is classified in the statement of financial position as other liabilities. The summarized unaudited financial information of Shaw Center for the Arts, LLC is as follows:

Total assets	<u>\$ 42,432,268</u>
Total liabilities	<u>\$ 2,604,548</u>
Net income	<u>\$ 460,494</u>

LSU FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Impairment

In December of 2001, the LSU Marine Property Foundation accepted the donation of three vessels, which are of unique design. The vessels were originally constructed for and utilized by a U.S. governmental entity prior to being acquired by the donor group. At the time of the donation, based on the lesser valuation of two marine surveys and appraisals provided by the donor group, the total appraised value of the vessels was approximately \$8.4 million. In connection with a proposed sale of the vessels in March of 2004, the LSU Marine Property Foundation obtained an independent appraisal of the three vessels. The valuation report provided by a reputable marine surveyor concluded that: (i) technological advances diminished the value of major mechanical components of the vessels due to age and obsolescence; (ii) the vessel's engines did not meet current U.S. government emission standards applicable to commercial or private operation; and (iii) consequently, the current market value of the three vessels could not be expected to exceed \$300,000. Accordingly, an impairment of \$8,100,000 resulting from the decline in market value of these assets has been recognized during the year ended June 30, 2004.

15. Prior Year Restatement of Net Assets

For the year ended June 30, 2003, a correction was made to the Foundation's net assets to properly record the investment in the Shaw Center for the Arts, LLC. At June 30, 2003, the Foundation had an investment of \$19,683,613. Audited financial data of the Shaw Center for the Arts, LLC were not available at the time of issuance. The adjustment to restate prior year's net assets resulted in an increase of \$8,309,155 to properly state this investment in the Shaw Center for the Arts, LLC.

SUPPLEMENTAL INFORMATION

ANNUAL FINANCIAL STATEMENT REPORTING PACKET
FORMATTED FOR INCLUSION IN THE ANNUAL FINANCIAL STATEMENTS
OF THE LOUISIANA STATE UNIVERSITY SYSTEM





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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

The Board of Directors
LSU Foundation
Baton Rouge, Louisiana

Our report on the audit of the consolidated financial statements of the LSU Foundation, the LSU Property Foundation, the LSU Marine Property Foundation, and the LSU Museum, LLC as of and for the year ended June 30, 2004, appears on page 1. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Annual Financial Statement Reporting Packet, presented as supplementary information, is not a required part of the basic financial statements, but is supplementary information required by the Louisiana State University System. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
August 24, 2004

LSU FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,929,930
Investments	100,866,377
Accounts receivable, net	286,266
Pledges receivable	3,382,093
Due from other campuses	-
Due from State Treasury	-
Inventories	-
Deferred charges and prepaid expenses	567,232
Notes receivable	-
Other current assets	1,466,146
Total current assets	<u>111,498,044</u>

Noncurrent Assets

Restricted assets:

Cash and cash equivalents	-
Investments	201,556,317
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	19,913,860
Pledges receivable	8,833,827
Notes receivable	-
Capital assets, net	12,107,233
Assets under capital leases, net	-
Other noncurrent assets	1,224,886
Total noncurrent assets	<u>243,636,123</u>

Total assets

\$ 355,134,167



LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 4,600,028
Due to other campuses	-
Due to State Treasury	-
Deferred revenues	-
Amounts held in custody for others	1,075,110
Compensated absences payable	98,625
Capital lease obligations	-
Notes payable	-
Contracts payable	-
Bonds payable	91,219
Other current liabilities	-
Total current liabilities	<u>5,864,982</u>

Noncurrent Liabilities

Amounts held in custody for others	51,985,903
Compensated absences payable	-
Capital lease obligations	-
Notes payable	-
Contracts payable	-
Bonds payable	12,633,781
Other noncurrent liabilities	-
Total noncurrent liabilities	<u>64,619,684</u>

Total liabilities

70,484,666

NET ASSETS

Invested in capital assets, net of related debt	-
Restricted for:	
Nonexpendable	147,718,484
Expendable	109,259,569
Unrestricted	27,671,448
	<u>284,649,501</u>
Total net assets	<u>\$ 355,134,167</u>



LSU FOUNDATION
BATON ROUGE, LOUISIANA

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		-
Gifts received by the foundations		16,650,811
Earnings on foundation endowments		33,135,106
Federal appropriations		-
Federal grants and contracts		-
State and local grants and contracts		-
Nongovernmental grants and contracts		-
Sales and services of educational departments		1,976,334
Hospital income		-
Auxiliary enterprise revenues, including revenues pledged as security for bond issues		-
Less scholarship allowances		-
Net auxiliary revenues		-
Other operating revenues		-
Total operating revenues		51,762,251

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		4,697,990
Total operating expenses		4,697,990
Operating income (loss)		47,064,261



LSU FOUNDATION
BATON ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

NONOPERATING REVENUES AND (EXPENSES)	
State appropriations	\$ -
Gifts	-
Net investment income (loss)	(8,572,825)
Interest expense	-
Payments to or on behalf of the university	(14,196,830)
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>(22,769,655)</u>
Income before other revenues, expenses, gains, and losses	<u>24,294,606</u>
Capital appropriations	-
Capital gifts and grants	-
Additions to permanent endowments	5,588,242
Other additions, net	-
Increase (decrease) in net assets	<u>29,882,848</u>
Net assets at beginning of year as previously stated	246,457,498
Net assets at beginning of year, restated	254,766,653
Net assets at end of year	<u>\$ 284,649,501</u>

Note A. 15 Component Units

Each component unit should provide the following:

Note A. 15 LSU Foundation

1. A brief description of the component unit.

The LSU Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: Baton Rouge. This foundation was included in the University's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2004, the LSU Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of: \$14,196,830

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

3838 West Lakeshore Drive, Baton Rouge, Louisiana, 70808

or from the Foundation's website at: N/A

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

LSU Foundation

SCHEDULE OF CAPITAL ASSETS
(schedule includes capital leases)

	Balance 6/30/2003	Prior Period Adjustment	Restated Balance 6/30/2003	Additions	*Transfers	**Retirements	Balance 6/30/2004
Capital assets not being depreciated							
Land	\$ 61,486	-	\$ 61,486	-	-	\$ -	\$ 61,486
Capitalized collections	5,384,706	-	5,384,706	569,950	-	(200,908)	5,753,748
Livestock	-	-	-	3,000	-	-	3,000
Construction in progress	2,984,866	-	2,984,866	5,106,369	(7,905,762)	-	185,473
Total capital assets not being depreciated	\$ 8,431,058	-	\$ 8,431,058	\$ 5,679,319	\$ (7,905,762)	\$ (200,908)	\$ 6,003,707
Other capital assets							
Infrastructure	\$ -	-	\$ -	-	-	\$ -	\$ -
** Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Land improvements	241,830	-	241,830	125,000	-	-	366,830
** Less accumulated depreciation	(38,547)	-	(58,547)	(14,136)	-	-	(72,683)
Total land improvements	183,283	-	183,283	110,864	-	-	294,147
Buildings	236,836	-	236,836	288,375	-	-	525,211
** Less accumulated depreciation	(33,604)	-	(33,604)	(13,383)	-	-	(46,987)
Total buildings	203,232	-	203,232	274,992	-	-	478,224
Equipment	11,898,272	-	11,898,272	4,186,577	-	(8,243,983)	7,840,866
** Less accumulated depreciation	(1,443,052)	-	(1,443,052)	(1,182,692)	-	116,033	(2,509,711)
Total equipment	10,455,220	-	10,455,220	3,003,885	-	(8,127,950)	5,331,155
Library books	-	-	-	-	-	-	-
** Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	\$ 10,841,735	-	\$ 10,841,735	\$ 3,389,741	\$ -	\$ (8,127,950)	\$ 6,103,526
Capital Asset Summary:							
Capital assets not being depreciated	8,431,058	-	8,431,058	5,679,319	(7,905,762)	(200,908)	6,003,707
Other capital assets, at cost	12,376,938	-	12,376,938	4,599,952	-	(8,243,983)	8,732,907
Total cost of capital assets	20,807,996	-	20,807,996	10,279,271	(7,905,762)	(8,444,891)	14,736,614
Less accumulated depreciation	(1,535,203)	-	(1,535,203)	(1,210,211)	-	116,033	(2,629,381)
Capital assets, net	\$ 19,272,793	-	\$ 19,272,793	\$ 9,069,060	\$ (7,905,762)	\$ (8,328,858)	\$ 12,107,233



Note I. Bonds & notes payable & capital leases.

Campuses and component units complete the appropriate section.

University

	Balance June 30, 2003	Additions	Reductions	Balance at June 30, 2004	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Total bonds, notes and capital leases	-	-	-	-	-
Other liabilities:					
Amounts held in custody for others	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Total other liabilities	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -

LSU Foundation

	Balance June 30, 2003	Additions	Reductions	Balance at June 30, 2004	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 12,725,000	\$ -	\$ -	\$ 12,725,000	\$ 91,219
Notes payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Total bonds, notes and capital leases	12,725,000	-	-	12,725,000	91,219
Other liabilities:					
Amounts held in custody for others	50,787,840	2,273,173	-	53,061,013	1,075,110
Compensated absences payable	91,126	7,499	-	98,625	98,625
Contracts payable	-	-	-	-	-
Total other liabilities	50,878,966	2,280,672	-	53,159,638	1,173,735
Total long-term liabilities	\$ 63,603,966	\$ 2,280,672	\$ -	\$ 65,884,638	\$ 1,264,954

Combined Total

	Balance June 30, 2003	Additions	Reductions	Balance at June 30, 2004	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 12,725,000	\$ -	\$ -	\$ 12,725,000	\$ 91,219
Notes payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Total bonds, notes and capital leases	12,725,000	-	-	12,725,000	91,219
Other liabilities:					
Amounts held in custody for others	50,787,840	2,273,173	-	53,061,013	1,075,110
Compensated absences payable	91,126	7,499	-	98,625	98,625
Contracts payable	-	-	-	-	-
Total other liabilities	50,878,966	2,280,672	-	53,159,638	1,173,735
Total long-term liabilities	\$ 63,603,966	\$ 2,280,672	\$ -	\$ 65,884,638	\$ 1,264,954



Note P. Capital Leases

Campuses and component units complete the appropriate section.

UNIVERSITY CAPITAL LEASES

<u>Nature of lease</u>	<u>Date of lease</u>	<u>University gross amount of leased assets (historical cost)</u>	<u>Last payment date</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	N/A	\$ _____	_____	\$ _____	\$ _____
b. Equipment	N/A	_____	_____	_____	_____
c. Land	N/A	_____	_____	_____	_____
Total assets under cap. lease		\$ _____ -		\$ _____ -	\$ _____ -

LSU FOUNDATION CAPITAL LEASES

<u>Nature of lease</u>	<u>Date of lease</u>	<u>Comp Unit amount of leased assets (historical cost)</u>	<u>Last payment date</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	N/A	\$ _____	_____	\$ _____	\$ _____
b. Equipment	N/A	_____	_____	_____	_____
c. Land	N/A	_____	_____	_____	_____
Total assets under cap. lease		\$ _____ -		\$ _____ -	\$ _____ -



Note P. Lease Payments

Campuses and component units complete the appropriate column

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2004.

<u>Year ending June 30:</u>	<u>Future minimum lease payment:</u>		
	<u>Universities:</u>	<u>LSU Foundation</u>	<u>Total:</u>
2005	\$ N/A	\$ N/A	\$ N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010-2014	N/A	N/A	N/A
2015-2019	N/A	N/A	N/A
Total minimum lease payments	-	-	-
Less: amounts representing executory costs			
Net minimum lease payments	-	-	-
Less: amounts representing interest			
Present value - net minimum lease payments	-	-	-



Note P. Lessor Direct Financing Leases

Campuses and component units complete the appropriate section

University		Minimum lease	Remaining	Remaining
<u>Composition of lease</u>	<u>Date of lease</u>	<u>payment</u>	<u>interest to</u>	<u>principal to</u>
		<u>receivable</u>	<u>end of lease</u>	<u>end of lease</u>
a. Office Space	N/A	\$ _____	\$ _____	\$ _____
b. Equipment	N/A	_____	_____	_____
c. Land	N/A	_____	_____	_____
Less amounts representing executory costs		(_____)	(_____)	(_____)
Minimum lease payment receivable		-	-	-
Less allowance for doubtful accounts		(_____)	(_____)	(_____)
Net minimum lease payments receivable		-	-	-
Estimated residual values of leased property		_____	_____	_____
Less unearned income		(_____)	(_____)	(_____)
Net investment in direct financing leases		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LSU Foundation		Minimum lease	Remaining	Remaining
<u>Composition of lease</u>	<u>Date of lease</u>	<u>payment</u>	<u>interest to</u>	<u>principal to</u>
		<u>receivable</u>	<u>end of lease</u>	<u>end of lease</u>
a. Office Space	N/A	\$ _____	\$ _____	\$ _____
b. Equipment	N/A	_____	_____	_____
c. Land	N/A	_____	_____	_____
Less amounts representing executory costs		(_____)	(_____)	(_____)
Minimum lease payment receivable		-	-	-
Less allowance for doubtful accounts		(_____)	(_____)	(_____)
Net minimum lease payments receivable		-	-	-
Estimated residual values of leased property		_____	_____	_____
Less unearned income		(_____)	(_____)	(_____)
Net investment in direct financing leases		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2004 were:

_____ for office space
 _____ for equipment
 _____ for land



Note P. Future Minimum Lease Receivables

Campuses and component units complete the appropriate column

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

Year ending June 30, 2004:	<u>Future minimum lease receivables:</u>		
	<u>University</u>	<u>LSU Foundation</u>	<u>Total</u>
2005	\$ N/A	\$ N/A	\$ N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010-2014	N/A	N/A	N/A
2015-2019	N/A	N/A	N/A
2020-2024	N/A	N/A	N/A
Total	\$	\$	\$



Note T. Prior Year Restatement of Net Assets

The following adjustments were made to restate beginning net assets for June 30, 2004.

	Beginning net assets, July 1, 2003, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2003, <u>as restated</u>
System	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
LSU Foundation	246,457,498	8,309,155	254,766,653
Total	\$ <u>246,457,498</u>	\$ <u>8,309,155</u>	\$ <u>254,766,653</u>

Explanation: (List below)

For the year ended June 30, 2003, a correction was made to the Foundation's net assets to properly record the investment in the Shaw Center for the Arts, LLC. At June 30, 2003, the Foundation had an investment of \$19,683,613. Audited financial data of the Shaw Center for the Arts, LLC were not available at the time of issuance. The adjustment to restate prior year's net assets resulted in an increase of \$8,309,155 to properly state this investment in the Shaw Center for the Arts, LLC.



SCHEDULE I-A COMPONENT UNIT

STATE OF LOUISIANA

LSU Foundation

SCHEDULE OF BONDS PAYABLE

June 30, 2004

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/03	(Redeemed) Issued	Principal Outstanding 6/30/04	Interest Rates	Interest Outstanding 6/30/04
Pooled Loan Program Revenue Bonds Series 2003A	04/01/03	\$ 12,725,000	\$ 12,725,000	\$ -	\$ 12,725,000	1.48%	\$ 94,616



SCHEDULE 1-B COMPONENT UNIT

STATE OF LOUISIANA

LSU Foundation

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE

June 30, 2004

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/02	Issued (Redeemed)	Principal Outstanding 6/30/03	Interest Rates	Interest Outstanding 6/30/03
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							

*Send copies of new amortization schedules

SCHEDULE 1-B



Schedule 1-C Component Unit

STATE OF LOUISIANA

LSU Foundation

SCHEDULE OF NOTES PAYABLE
June 30, 2004

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/02	(Redeemed) Issued	Principal Outstanding 6/30/03	Interest Rates	Interest Outstanding 6/30/03
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							

*Send copies of new amortization schedules

SCHEDULE 1-C



Schedule 2-A COMPONENT UNIT

LSU Foundation

Schedule of Bonds Payable Amortization
for the Year Ended June 30, 2004

Fiscal Year		Principal		Interest		Total
Ending						
2005	\$	91,219	\$	190,569	\$	281,788
2006		547,312		188,991		736,303
2007		547,312		181,288		728,600
2008		547,312		173,355		720,667
2009		547,312		164,603		711,915
2010		547,312		156,659		703,971
2011		547,312		148,449		695,761
2012		547,312		140,463		687,775
2013		547,312		131,817		679,129
2014		547,312		123,820		671,132
2015		547,312		115,610		662,922
2016		547,312		107,572		654,884
2017		547,312		99,031		646,343
2018		547,312		90,981		638,293
2019		547,312		82,771		630,083
2020		547,312		74,680		621,992
2021		547,312		66,589		613,901
2022		547,312		63,541		610,853
2023		547,312		49,933		597,245
2024		547,312		41,789		589,101
2025		547,312		33,459		580,771
2026		547,312		25,304		572,616
2027		547,312		17,094		564,406
2028		547,312		8,898		556,210
2029		45,605		673		46,278
2030		-		-		-
2031		-		-		-
2032		-		-		-
2033		-		-		-
2034		-		-		-
TOTAL	\$	12,725,000	\$	2,477,939	\$	15,202,939

Note: Interest is currently being paid using a weekly rate as determined by the remarketing agent.



Schedule 2-B COMPONENT UNIT

LSU Foundation

Schedule of Notes Payable Amortization
for the Year Ended June 30, 2004

Fiscal Year Ending	Principal	Interest	Total
2005	N/A	N/A	N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	N/A	N/A	N/A
2011	N/A	N/A	N/A
2012	N/A	N/A	N/A
TOTAL	\$0	\$0	\$0

Schedule 2-B



Schedule 2-C Component Unit

STATE OF LOUISIANA

Louisiana State University System

SCHEDULE OF CAPITAL LEASE AMORTIZATION

For the Year Ended June 30, 2004

Fiscal Year Ending	Beginning Balance	Payment	Interest	Principal	Balance
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A
2010-2014	N/A	N/A	N/A	N/A	N/A
2015-2019	N/A	N/A	N/A	N/A	N/A
<hr/>					
TOTAL					

Schedule 2-C



Schedule 2-D Component Unit

LSU Foundation

Schedule of Reimbursement Contracts Amortization
for the Year Ended June 30, 2004

Fiscal Year			
Ending	Principal	Interest	Total
2005	N/A	N/A	N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
<hr/>			
TOTAL			

Schedule 2-D

