

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

ACCOUNTANT'S REVIEW REPORT
ISSUED FEBRUARY 3, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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LEGISLATIVE AUDITOR

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January 14, 2005

Accountant's Review Report

UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the accompanying basic financial statements as listed in the table of contents of the University of New Orleans, a university within the Louisiana State University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of the University of New Orleans. We did not review the financial statements of the University of New Orleans Foundation or the University of New Orleans Research and Technology Foundation, component units of the university, whose financial activity is discretely presented in these basic financial statements. The financial statements of the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation were audited by other auditors whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for those foundations, is based solely upon the reports of the other auditors.

A review consists principally of inquiries of the University of New Orleans personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of the University of New Orleans are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana State University System that is attributable to the transactions of the University of New Orleans. They do not purport to, and do not, present fairly the financial position of the Louisiana State University System or the State of Louisiana as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year

then ended, in conformity with accounting principles generally accepted in the United States of America.

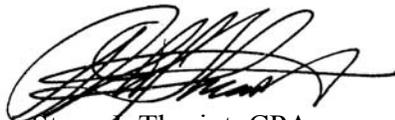
Based on our review and the reports of the other auditors, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the basic financial statements, and as required by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*, the University of New Orleans discretely presented the financial statements and other required note disclosures for the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation, component units of the university, as of June 30, 2004, and for the year then ended.

As discussed in note 1-P to the basic financial statements, the University of New Orleans implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, for the year ended June 30, 2004.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by GASB. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2004.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

DSG:ES:PEP:dl

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**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2004

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$10,070,496
Receivables, net (note 4)	20,549,931
Due from State Treasury (note 13)	96,895
Inventories	1,152,288
Deferred charges and prepaid expenses	552,248
Notes receivable	868,704
Total current assets	33,290,562

Noncurrent assets:

Restricted assets:

Cash and cash equivalents (note 2)	14,579,854
Investments (note 3)	12,655,599
Notes receivable	3,866,503
Other	271,643
Investments (note 3)	16,343
Capital assets, net (note 5)	167,140,209
Total noncurrent assets	198,530,151
Total assets	231,820,713

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	10,062,573
Due to other campuses	7,922
Deferred revenues	5,054,755
Amounts held in custody for others	408,971
Compensated absences payable (note 9)	503,284
Capital lease obligations (note 12)	494,658
Notes payable (note 12)	83,322
Bonds payable (note 12)	1,340,000
Total current liabilities	17,955,485

(Continued)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2004**

Noncurrent liabilities:	
Compensated absences payable (note 9)	\$7,258,255
Capital lease obligations (note 12)	10,674,812
Notes payable (note 12)	534,861
Bonds payable (note 12)	31,320,000
Other noncurrent liabilities	119,837
Total noncurrent liabilities	<u>49,907,765</u>
Total liabilities	<u>67,863,250</u>
NET ASSETS	
Invested in capital assets, net of related debt	136,187,426
Restricted:	
Nonexpendable (note 14)	13,784,423
Expendable (note 14)	16,487,024
Unrestricted	<u>(2,501,410)</u>
TOTAL NET ASSETS	<u><u>\$163,957,463</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Component Units
Statement of Financial Position, June 30, 2004**

	UNIVERSITY OF NEW ORLEANS FOUNDATION	UNIVERSITY OF NEW ORLEANS RESEARCH AND TECHNOLOGY FOUNDATION	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents (note 2)	\$66,146	\$537,777	\$603,923
Investments (note 3)	1,297,835	7,461,575	8,759,410
Receivables, net	1,086,093	2,227,050	3,313,143
Unconditional promise to give, net	514,135		514,135
Inventories	23,909		23,909
Deferred charges, net	9,772	202,224	211,996
Other current assets	900	72,513	73,413
Total current assets	<u>2,998,790</u>	<u>10,501,139</u>	<u>13,499,929</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents (note 2)		150,000	150,000
Investments (note 3)	44,630,276		44,630,276
Investments (note 3)	125,411	1,372,799	1,498,210
Unconditional promise to give, net	1,137,581		1,137,581
Property and equipment, net (note 5)	13,140,198	72,160,388	85,300,586
Assets under capital leases, net (note 5)	839,627		839,627
Other noncurrent assets	119,264	72,866	192,130
Total noncurrent assets	<u>59,992,357</u>	<u>73,756,053</u>	<u>133,748,410</u>
Total assets	<u>\$62,991,147</u>	<u>\$84,257,192</u>	<u>\$147,248,339</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$971,978	\$2,726,492	\$3,698,470
Deferred revenues	2,900	24,281	27,181
Amounts held in custody for others	1,293,681	35,976	1,329,657
Capital lease obligations (note 10)	24,825		24,825
Interest payable		1,166,435	1,166,435
Current portion of notes payable (note 12)		229,744	229,744
Current portion of bonds payable (note 12)	100,000	4,040,000	4,140,000
Other current liabilities		18,934	18,934
Total current liabilities	<u>2,393,384</u>	<u>8,241,862</u>	<u>10,635,246</u>

(Continued)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Component Units
Statement of Financial Position, June 30, 2004**

	UNIVERSITY OF NEW ORLEANS FOUNDATION	UNIVERSITY OF NEW ORLEANS RESEARCH AND TECHNOLOGY FOUNDATION	TOTAL
LIABILITIES (CONT.)			
Noncurrent liabilities:			
Amounts held in custody for others (note 12)	\$11,719,749		\$11,719,749
Capital lease obligations (note 10)	791,698		791,698
Notes payable, net of current portion (note 12)	5,450,000	\$7,505,182	12,955,182
Bonds payable, net of current portion (note 12)	1,724,000	4,732,298	6,456,298
Other noncurrent liabilities		1,078,974	1,078,974
Total noncurrent liabilities	<u>19,685,447</u>	<u>13,316,454</u>	<u>33,001,901</u>
Total liabilities	<u>22,078,831</u>	<u>21,558,316</u>	<u>43,637,147</u>
NET ASSETS			
Unrestricted	3,417,591	62,548,876	65,966,467
Restricted:			
Temporarily restricted	8,825,651	150,000	8,975,651
Permanently restricted	<u>28,669,074</u>		<u>28,669,074</u>
Total net assets	<u>40,912,316</u>	<u>62,698,876</u>	<u>103,611,192</u>
Total Liabilities and Net Assets	<u>\$62,991,147</u>	<u>\$84,257,192</u>	<u>\$147,248,339</u>

(Concluded)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2004**

OPERATING REVENUES

Student tuition and fees	\$66,914,582
Less scholarship allowances	(8,173,906)
Net student tuition and fees	<u>58,740,676</u>
Federal grants and contracts	32,244,261
State and local grants and contracts	11,374,832
Nongovernmental grants and contracts	9,578,198
Sales and services of educational departments	56,888
Auxiliary enterprise revenues	14,222,085
Less scholarship allowances	(502,393)
Net auxiliary revenues	<u>13,719,692</u>
Other operating revenues	<u>6,021,437</u>
Total operating revenues	<u>131,735,984</u>

OPERATING EXPENSES

Education and general:	
Instruction	70,069,251
Research	25,341,270
Public service	6,758,868
Academic support	14,707,416
Student services	8,462,499
Institutional support	18,104,958
Operations and maintenance of plant	20,746,157
Scholarships and fellowships	12,098,888
Auxiliary enterprises	<u>12,299,467</u>
Total operating expenses	<u>188,588,774</u>

Operating Loss (56,852,790)

(Continued)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses,
and Changes in Net Assets, 2004**

NONOPERATING REVENUES (Expenses)	
State appropriations	\$53,635,940
Gifts	279,480
Net investment income	1,439,545
Interest expense	(1,218,237)
Net nonoperating revenues	<u>54,136,728</u>
Income Before Other Revenues, Expenses, Gains and Losses	(2,716,062)
Capital appropriations	8,822,436
Capital gifts and grants	850,505
Additions to permanent endowments	80,000
Other additions, net	<u>74,758</u>
Increase in Net Assets	7,111,637
Net Assets at Beginning of Year	<u>156,845,826</u>
Net Assets at End of Year	<u><u>\$163,957,463</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Component Units
Statement of Activities, June 30, 2004**

	UNIVERSITY OF NEW ORLEANS FOUNDATION	UNIVERSITY OF NEW ORLEANS RESEARCH AND TECHNOLOGY FOUNDATION	TOTAL
CHANGES IN UNRESTRICTED NET ASSETS:			
Contributions	\$233,092	\$134,904	\$367,996
Investment earnings	654,659	72,665	727,324
Service fees	1,503,278		1,503,278
Other revenues:			
Grants and contracts		19,852,547	19,852,547
Property operations	1,622,882	4,156,377	5,779,259
Other	176,047	869,468	1,045,515
Total unrestricted revenues and support	4,189,958	25,085,961	29,275,919
Net assets released from restrictions - satisfaction of program expenses	5,476,176		5,476,176
Total unrestricted revenues and other support	9,666,134	25,085,961	34,752,095
Expenses:			
Amounts paid to benefit University of New Orleans for:			
Projects specified by the Board of Directors		215,828	215,828
Other:			
Grants and contracts		13,208,218	13,208,218
Property operations	909,475		909,475
Other	5,451,274	3,651,671	9,102,945
Total program expenses	6,360,749	17,075,717	23,436,466
Supporting services:			
Salaries and benefits	852,253	392,214	1,244,467
Occupancy	41,077		41,077
Office operations	49,944		49,944
Travel	4,660	5,183	9,843
Professional services	518,201	336,692	854,893
Dues and subscriptions	33,388		33,388
Depreciation	238,219	2,247,342	2,485,561
Merchandise expense	2,112		2,112
Loss on sale or impairment of assets	400,923		400,923
Other	262,612	633,897	896,509
Total supporting services	2,403,389	3,615,328	6,018,717
Total expenses	8,764,138	20,691,045	29,455,183
Increase in unrestricted net assets	\$901,996	\$4,394,916	\$5,296,912

(Continued)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Component Units
Statement of Activities, June 30, 2004**

	UNIVERSITY OF NEW ORLEANS FOUNDATION	UNIVERSITY OF NEW ORLEANS RESEARCH AND TECHNOLOGY FOUNDATION	TOTAL
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	\$3,490,052	\$150,000	\$3,640,052
Grants	1,363,155		1,363,155
Investment earnings	3,557,509		3,557,509
Other	837,245		837,245
Total temporarily restricted revenues	9,247,961	150,000	9,397,961
Net assets released from restrictions - satisfaction of program expenses	(5,476,176)		(5,476,176)
Transfer of restricted earnings to permanently restricted endowment principal	(1,695,977)		(1,695,977)
Increase in temporarily restricted net assets	\$2,075,808	\$150,000	\$2,225,808
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:			
Contributions	\$877,374		\$877,374
Release of contributions pledged	(1,215,092)		(1,215,092)
Investment earnings	3,722		3,722
Transfer of restricted earnings to permanently restricted endowment principal	1,695,977		1,695,977
Other	62,890		62,890
Increase in permanently restricted net assets	\$1,424,871	NONE	\$1,424,871
Increase in net assets	\$4,402,675	\$4,544,916	\$8,947,591
Net assets at beginning of year	36,509,641	58,153,960	94,663,601
Net assets at end of year	\$40,912,316	\$62,698,876	\$103,611,192

(Concluded)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2004**

Cash flows from operating activities:	
Student tuition and fees	\$59,174,017
Grants and contracts	50,889,819
Sales and services of educational departments	65,049
Auxiliary enterprise receipts	14,040,302
Payments for employee compensation	(93,736,952)
Payments for benefits	(19,522,301)
Payments for utilities	(4,916,313)
Payments for supplies and services	(45,803,683)
Payments for scholarships and fellowships	(12,421,965)
Loans to students	(1,096,639)
Collection of loans to students	1,438,745
Other receipts	5,359,274
Net cash used by operating activities	<u>(46,530,647)</u>
Cash flows from noncapital financing activities:	
State appropriations	53,146,181
Gifts and grants for other than capital purposes	253,480
Private gifts for endowment purposes	80,000
TOPS receipts	(291,821)
TOPS disbursements	(874,137)
Other disbursements	(300)
Net cash provided by noncapital financing sources	<u>52,313,403</u>
Cash flows from capital financing activities:	
Proceeds from capital debt	9,460,979
Capital appropriations received	8,822,436
Capital grants and gifts received	2,193,664
Purchase of capital assets	(13,106,038)
Principal paid on capital debt and leases	(1,013,773)
Interest paid on capital debt and leases	(1,218,237)
Other sources	74,758
Net cash used by capital financing activities	<u>5,213,789</u>

(Continued)

See accompanying notes and accountant's review report.

**UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2004**

Cash flows from investing activities:	
Interest losses on investments	(\$235,484)
Net cash used by investing activities	<u>(235,484)</u>
Net increase in cash and cash equivalents	10,761,061
Cash and cash equivalents at beginning of year	<u>13,889,289</u>
Cash and cash equivalents at end of year	<u><u>\$24,650,350</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(\$56,852,790)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	11,874,143
Changes in assets and liabilities:	
Increase in accounts receivables, net	(5,487,634)
Decrease in inventories	338,540
Increase in deferred charges and prepaid expenses	(486,676)
Decrease in notes receivable	342,106
Increase in accounts payable and accrued liabilities	1,375,237
Increase in deferred revenue	2,841,582
Decrease in amounts held in custody for others	(662,163)
Increase in compensated absences	<u>187,008</u>
Net cash used by operating activities	<u><u>(\$46,530,647)</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets	
Cash and cash equivalents classified as current assets	\$10,070,496
Cash and cash equivalents classified as noncurrent assets	<u>14,579,854</u>
Cash and cash equivalents at end of year	<u><u>\$24,650,350</u></u>

(Concluded)

See accompanying notes and accountant's review report.

INTRODUCTION

The University of New Orleans (UNO), a four-year institution, is a publicly supported institution of higher education. UNO is a part of the Louisiana State University System, which is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state university, operations of UNO's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the university is the chancellor.

The university's main campus is located at 2000 Lakeshore Drive, New Orleans, Louisiana. UNO offers baccalaureate, master, and doctorate degrees in various academic areas. Student enrollment for UNO for the 2003 fall semester totaled 17,360. During September 2003, UNO had approximately 753 full-time and part-time faculty members, including associates and affiliated faculty, and 788 staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB.

The component unit foundations, which are the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation, follow the provisions of the Financial Accounting Standards Board for Not-for-Profit Organizations.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. UNO is a part of the Louisiana State University (LSU) System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of UNO.

Discretely Presented Component Units

For the year ended June 30, 2004, UNO implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

The University of New Orleans Foundation and University of New Orleans Research and Technology Foundation are being included as discretely presented component units of the university in the university's basic financial statements, in accordance with the criteria outlined by GASB. The foundations have been organized to solicit, receive, hold, invest, and transfer funds for the benefit of the university. UNO and the University of New Orleans Foundation have a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the foundation to manage funds on behalf of the university.

Other external auditors audited the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation for the year ended June 30, 2004, which are nonprofit organizations.

With the exception of necessary presentation adjustments, no modifications have been made to the foundations' financial information in the university's financial report for differences between GASB and the Financial Accounting Standards Board (FASB).

Each of these foundations is a legally separate, tax-exempt organization supporting UNO. They are included in the university's financial statements because their assets individually equaled 3% or more of the assets of the university system and they met GASB's criteria for inclusion.

Each discretely presented component unit, its relationship to UNO, and the nature and amount of significant transactions with the university are described as follows:

The University of New Orleans Foundation supports UNO. During the year ended June 30, 2004, the foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$5,166,953. Complete financial statements for the University of New Orleans Foundation can be obtained at 2000 Lakeshore Drive, New Orleans, Louisiana 70148 or from the foundation's Web site at www.unofoundation.org.

The University of New Orleans Research and Technology Foundation supports UNO. During the year ended June 30, 2004, the foundation made distributions to or on behalf of the university of \$215,828 for either restricted or unrestricted purposes. Complete financial statements for the University of New Orleans Research and Technology Foundation can be obtained at 2000 Lakeshore Drive, New Orleans, Louisiana 70148.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the LSU System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the LSU System, and the state.

C. BASIS OF ACCOUNTING

For financial reporting purposes, UNO is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, UNO's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

UNO has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. UNO has elected not to apply FASB pronouncements issued after the applicable date.

Component Units

The foundations follow the provisions of Statement of Financial Accounting (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes the 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.

D. BUDGET PRACTICES

The appropriation made for the General Fund of UNO is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance

with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The original approved budget for fiscal year 2004 and subsequent amendments approved are as follows:

Original approved budget	\$118,837,105
Increases:	
State General Fund (Direct)	14,125
Self-generated	<u>627,877</u>
Final Budget	<u><u>\$119,479,107</u></u>

The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

**E. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. Under state law, UNO may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. UNO may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R.S.) 49:327(C), UNO is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. Funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of these investments are United States Treasury securities, mutual funds, and investments held by the University of New Orleans Foundation and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. UNO's investments maintained by the foundation are authorized by policies and procedures established by the Board of Regents.

F. INVENTORIES

Inventories are valued at cost. UNO uses periodic and perpetual inventory systems. UNO accounts for inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Cash, investments, notes receivable, and other assets that are externally restricted for grants, endowments, debt service payments, maintenance of sinking or reserve funds or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Assets. Noncurrent restricted investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Construction-in-progress costs are capitalized during construction. For movable property, UNO's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. UNO uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year; and (3) other liabilities that will not be paid within the next fiscal year.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, non-classified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the university leave schedule, faculty with 12-month appointments who have less than 10 years of state service and non-classified employees with less than 10 years of state service can only accumulate 176 hours of annual leave; however, sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the university leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. NET ASSETS

The university's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the university's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

Restricted Net Assets - Nonexpendable

Restricted nonexpendable net assets consist of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Assets - Expendable

Restricted expendable net assets include resources that UNO is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

M. CLASSIFICATION OF REVENUES

UNO has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts.

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. ELIMINATING INTERFUND ACTIVITY

All activities among departments and auxiliary units of the university are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

P. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2004, UNO implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*. The implementation of this new accounting standard required additional disclosures but had no impact on the reported amounts of investments, net assets, or changes in net assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, UNO has cash and cash equivalents (book balances) of \$24,650,350 as follows:

Petty cash	\$89,454
Demand deposits	11,083,284
Money market funds	<u>13,477,612</u>
Total	<u>\$24,650,350</u>

Custodial credit risk is the risk that in the event of a bank failure, UNO's deposits may not be recovered. Under state law, the university's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2004, \$82,000 of the university's total bank balance of \$26,518,692 was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Cash and cash equivalents of the component units totaling \$753,923, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40. The University of New Orleans Research and Technology Foundation maintains cash at several banks that are insured by FDIC. Balances in excess of FDIC insurance at June 30, 2004, are \$335,035.

3. INVESTMENTS

At June 30, 2004, UNO has investments totaling \$12,671,942.

The university's established investment policy follows the state law (R.S. 49:327), which authorizes the system to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds.

NOTES TO THE FINANCIAL STATEMENTS

A summary of the university's investments follows:

	Percentage of Investments	Credit Quality Rating*	Fair Value	Investment Maturities in Years			
				1-5	6-10	11-20	21-30
Type of Investment:							
U.S. Government securities:							
Government National Mortgage Association ¹	1.29%		\$163,084			\$84,537	\$78,547
Federal Home Loan Bank	6.09%	Aaa	771,889	\$255,146	\$516,743		
Other ² :							
Investments held by foundation	92.49%		11,719,714				
Common and preferred stock	0.14%		17,255				
Total investments	100.00%		\$12,671,942	\$255,146	\$516,743	\$84,537	\$78,547

* Credit quality ratings obtained from Moody's Investors Service.

¹ Credit quality ratings are not required for U. S. government and agency securities that are explicitly guaranteed by the U.S. government.

² Credit quality ratings are not required for these investments, which do not have specified maturities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the university's investments as described previously. The university does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the university's \$12,671,942 in total investments, none of the underlying securities are held by counterparties and not in the name of the university. For U.S. Treasury obligations and U.S. government agency obligations, the university's investment policies generally require that issuers must provide the university with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The university does not have policies to limit concentration of credit risk or interest rate risk.

The \$11,719,714 reported as investments held by the foundation are held by the University of New Orleans Foundation, a discretely presented component unit. Investments held by the private University of New Orleans Foundation in an external investment pool are managed in accordance with the terms outlined in management agreements executed between the university and the Foundation. The university is a voluntary participant. The Foundation holds and manages funds received by the university as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship Programs.

INVESTMENTS - COMPONENT UNITS

Component units' investments totaling \$54,887,896, as shown on the Statement of Financial Position, are reported under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, which does not require the disclosures of GASB Statement No. 40.

The fair value of investments held by the foundations at June 30, 2004, follows:

<u>Type of Investment</u>	<u>UNO Foundation</u>	<u>UNO Research and Technology Foundation</u>	<u>Total</u>
Corporate stocks	\$23,638,972		\$23,638,972
Corporate bonds	4,362,312		4,362,312
U.S. government obligations	3,939,941		3,939,941
Money market funds	5,468,276	\$2,705,647	8,173,923
Certificates of deposit		1,372,799	1,372,799
Federal mortgage notes		4,755,928	4,755,928
Notes and mortgages	8,644,021		8,644,021
Total investments	<u>\$46,053,522</u>	<u>\$8,834,374</u>	<u>\$54,887,896</u>

4. RECEIVABLES

Receivables, all of which are considered collectible and scheduled for collection within one year, are shown on the Statement of Net Assets as follows:

<u>List Type</u>	<u>Receivables</u>
Student tuition and fees	\$6,341,678
Auxiliary enterprises	1,025,451
Contributions and gifts	26,000
Federal, state, and private	10,101,251
Sales and services/other	3,055,551
Total	<u>\$20,549,931</u>

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Capital assets not being depreciated - land	\$43,074,000	NONE	NONE	\$43,074,000
Other capital assets:				
Infrastructure	\$17,911,841	\$400,993		\$18,312,834
Less accumulated depreciation	(11,273,800)	(322,988)		(11,596,788)
Total infrastructure	6,638,041	78,005	NONE	6,716,046
Buildings	185,117,045	8,822,436		193,939,481
Less accumulated depreciation	(98,743,207)	(4,662,754)		(103,405,961)
Total buildings	86,373,838	4,159,682	NONE	90,533,520
Equipment	51,794,708	2,698,958	(\$3,154,870)	51,338,796
Less accumulated depreciation	(26,012,441)	(5,085,518)	3,101,959	(27,996,000)
Total equipment	25,782,267	(2,386,560)	(52,911)	23,342,796
Library books	32,734,872	1,202,580		33,937,452
Less accumulated depreciation	(28,713,633)	(1,749,972)		(30,463,605)
Total library books	4,021,239	(547,392)	NONE	3,473,847
Total other capital assets	\$122,815,385	\$1,303,735	(\$52,911)	\$124,066,209
Capital asset summary:				
Capital assets not being depreciated	\$43,074,000			\$43,074,000
Other capital assets, at cost	287,558,466	\$13,124,967	(\$3,154,870)	297,528,563
Total cost of capital assets	330,632,466	13,124,967	(3,154,870)	340,602,563
Less accumulated depreciation	(164,743,081)	(11,821,232)	3,101,959	(173,462,354)
Capital assets, net	\$165,889,385	\$1,303,735	(\$52,911)	\$167,140,209

CHANGES IN CAPITAL ASSETS - COMPONENT UNITS

	Balance July 1, 2003	Additions	Transfers	Retirements	Balance June 30, 2004
Capital assets not being depreciated:					
Land	\$4,112,474			(\$236,250)	\$3,876,224
Capitalized collections	773,700				773,700
Construction in progress	1,525,788	\$506,931	(\$391,421)		1,641,298
Total capital assets not being depreciated	\$6,411,962	\$506,931	(\$391,421)	(\$236,250)	\$6,291,222
Other capital assets:					
Land improvements	\$276,957	\$8,633			\$285,590
Less accumulated depreciation					
Total land improvements	276,957	8,633	NONE	NONE	285,590
Buildings	88,046,788	948,876		(\$755,870)	88,206,361
Less accumulated depreciation	(7,571,939)	(2,153,422)		119,401	(9,605,960)
Total buildings	80,441,416	(1,204,546)	NONE	(636,469)	78,600,401
Equipment	17,650,949	78,865			17,729,814
Less accumulated depreciation	(15,672,559)	(1,094,255)			(16,766,814)
Total equipment	1,978,390	(1,015,390)	NONE	NONE	963,000
Total other capital assets	\$82,696,793	(\$2,211,303)	NONE	(\$636,469)	\$79,848,991
Capital asset summary:					
Capital assets not being depreciated	\$6,411,962	\$506,931	(\$391,421)	(\$236,250)	\$6,291,222
Other capital assets, at cost	105,941,261	1,036,374		(755,870)	106,221,765
Total cost of capital assets	112,353,223	1,543,305	(391,421)	(992,120)	112,512,987
Less accumulated depreciation	(23,244,498)	(3,247,677)		119,401	(26,372,774)
Capital assets, net	\$89,108,725	(\$1,704,372)	(\$391,421)	(\$872,719)	\$86,140,213

**REAL ESTATE HELD FOR INVESTMENTS,
DEVELOPMENT OR SALE - COMPONENT UNIT**

In November 1993, the University of New Orleans (UNO) 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. Nonprofits 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 UNO 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 UNO 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 UNO Foundation has 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 UNO Foundation is no longer funding or operating the museum. The UNO 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 UNO 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 UNO 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 UNO 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,

NOTES TO THE FINANCIAL STATEMENTS

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 UNO 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. The UNO Foundation has entered into a cooperative endeavor agreement with the university, whereby the university reimburses the UNO Foundation approximately \$200,000 annually for the use of the Studio Center.

In October 2002, the UNO Foundation purchased a parking lot that 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.

During November 2003, the UNO Foundation entered into an agreement to lease certain real estate to a third party for no rent for 10 years. The UNO 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 UNO Foundation will retain and make available to the Museum Board a right of access to the tunnel portion of the property. Since the UNO 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 an 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	2,493,280
	<u>13,421,262</u>
Less accumulated depreciation	<u>(1,517,176)</u>
Total	<u><u>\$11,904,086</u></u>

6. PENSION PLANS

Plan Description. Substantially all employees of UNO are members of two statewide, public employee retirement systems. Academic and unclassified employees are generally members of the Teachers' Retirement System of Louisiana (TRSLA), and classified state employees are

members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA is a cost-sharing, multiple-employer defined benefit pension plan, and LASERS is considered a single employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRSLA and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 years of service for TRSLA and 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and UNO are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8.0% (TRSLA) and 7.5% (LASERS) of covered salaries. The state contributed 13.8% of covered salaries to TRSLA and 15.8% of covered salaries to LASERS for fiscal year 2004. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSLA for the years ended June 30, 2004, 2003, and 2002, were \$3,613,915, \$3,410,656, and \$3,426,106, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002, were \$1,937,628, \$1,720,372, and \$1,569,303, respectively, equal to the required contributions for each year.

Optional Retirement System

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in TRSLA for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by UNO are 13.8% of the covered payroll. The participant's contribution (8.0%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of

the employer's contribution, the TRSLA pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRSLA retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSLA. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$5,432,165 and \$3,149,079, respectively, for the year ended June 30, 2004.

**7. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

UNO provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and UNO. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expense when paid during the year. These retiree benefits, for 437 retirees, totaled \$1,954,335 for the year ended June 30, 2004.

8. CONTINGENT LIABILITIES

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. UNO is involved in 123 lawsuits at June 30, 2004, of which one lawsuit is being handled by contract attorneys. The attorneys have estimated a possible liability of \$100,000 relating to that lawsuit. This amount has not been accrued in the accompanying financial statements. The remainder of the lawsuits are handled by the Office of Risk Management or the Attorney General's Office.

CONTINGENCY - COMPONENT UNIT

The city property tax assessor has assessed the UNO Research and Technology Foundation with real estate property taxes, interest and penalties for certain buildings owned by the foundation in the total amount of \$4,746,876 as of August 2004. The UNO Research and Technology Foundation believes that it is entitled to property tax exemptions under present law and jurisprudence due to its nonprofit status and due to the use of these buildings to further the nonprofit goals of the foundation. The foundation is engaged in ongoing discussions with the assessor. If necessary, the foundation is prepared to litigate the issue. Although, the foundation believes that it has adequate defenses against the assessment, if not successful, the assessment, interest and penalties may have a significant impact on the financial condition of the foundation.

The foundation’s counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which the foundation may be subject.

9. COMPENSATED ABSENCES

At June 30, 2004, employees of UNO have accumulated and vested annual and sick leave benefits of \$3,979,047 and \$3,782,492, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

10. LEASES

Operating Leases

For the year ended June 30, 2004, the total rental expenses for all operating leases, except those with terms of a month or less that were not renewed, is \$396,230. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2004:

Nature of Operating Lease	2005	2006	2007	2008	2009	2010-2014	2015-2019	Total Minimum Payments Required
Office space	\$357,052	\$317,516	\$300,621	\$183,883	\$60,200	\$250,000	\$250,000	\$1,719,272
Land	3,000							3,000
Total	<u>\$360,052</u>	<u>\$317,516</u>	<u>\$300,621</u>	<u>\$183,883</u>	<u>\$60,200</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$1,722,272</u>

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

COMPONENT UNIT

Ground Leases

On May 16, 1997, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the University of New Orleans Research and Technology Foundation, Inc. (the Foundation). The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation who will in turn develop, construct, maintain, operate, manage and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of 50 years with annual rent totaling \$100. At the expiration of the lease, the facilities and all furniture, fixtures, equipment and furnishings permanently affixed to the facilities shall become the property of the University.

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation. Such agreement was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property and three acres of land on the University of New Orleans East Campus that are located in Orleans Parish to the Foundation who will develop, construct, maintain, operate, manage and/or lease improvements on such land. Prior to entering into the ground lease agreement with the Foundation, the University, the State of Louisiana and the U.S. Department of Commerce invested \$3,923,191 in the infrastructure of the site, which improved the Foundation's ability to sub-lease the property to tenants. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by the Foundation.

Property, Facility and Equipment Lease Agreements

UNO/Avondale Maritime Technology Center for Excellence - On May 16, 1997, the Foundation and Avondale Industries, Inc., entered into a sub-lease agreement which provides for Avondale Industries, Inc., to lease from the Foundation, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first 12 years (1997-2008) provides for Avondale Industries, Inc., to pay as rental the sum of \$100,000 per year by September 1 of each year provided that the State has made the annual appropriation provided for in the Cooperative Endeavor Agreement. Beginning September 1, 2009, and for each year thereafter during the term of the sub-lease, rent in the amount of \$100,000 is due and payable by September 1 of each year without regard to the state appropriation.

Naval Reserve Information System Office - On January 15, 1998, April 14, 1999, and July 3, 2000, the Foundation entered into a sub-lease agreement and amended lease modifications, respectively with the United States of America (the Government) to lease from the Foundation, approximately 300,000 square feet of administrative space, 700 hard surface parking spaces, and 15.71 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date completion of the facility for an initial 10-year term with 15 individual one year renewal terms with the annual rent for the premises and maintenance services of \$1 and \$2,203,259, respectively.

Capital Leases

UNO records items under capital leases as assets and obligations in the accompanying financial statements. Assets under capital lease are included as capital assets in note 5. The following is a schedule of future minimum lease payments under capital leases, together with the present value of minimum lease payments, at June 30, 2004:

Fiscal Year Ending June 30:	
2005	\$1,177,405
2006	1,177,405
2007	1,177,405
2008	1,177,405
2009	1,177,405
2010-2014	5,887,023
2015-2019	<u>5,298,320</u>
Total minimum lease payments	17,072,368
Less - amounts representing interest	<u>(5,902,898)</u>
Present value of net minimum lease payments	<u><u>\$11,169,470</u></u>

CAPITALIZED LEASES - COMPONENT UNIT

The UNO 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><u>\$816,523</u></u>

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

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

The related equipment is a component of the University of New Orleans Technology Enterprise Center.

11. LESSOR LEASES

The university's leasing operations consist primarily of the leasing of property for the purposes of providing food services to students; office space for postal services, banking services, and university affiliated organizations; and space on rooftops for communication towers.

The following schedule provides an analysis of the cost and carrying amount of UNO's investment in property on operating leases and property held for lease as of June 30, 2004:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$2,223,156	(\$1,176,486)	\$1,046,670
Land	7,736,669		7,736,669
Total	<u>\$9,959,825</u>	<u>(\$1,176,486)</u>	<u>\$8,783,339</u>

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2004:

<u>Nature of Operating Lease</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010-2014</u>	<u>2015-2019</u>	<u>Total Minimum Payments Required</u>
Office space	\$400,161	\$253,792	\$75,538	\$37,445	\$10	\$50	\$50	\$767,046
Land	11,121	11,121	11,121	11,121	11,121	55,605	55,605	166,815
Total	<u>\$411,282</u>	<u>\$264,913</u>	<u>\$86,659</u>	<u>\$48,566</u>	<u>\$11,131</u>	<u>\$55,655</u>	<u>\$55,655</u>	<u>\$933,861</u>

12. LONG-TERM LIABILITIES (CURRENT AND NONCURRENT PORTION)

The following is a summary of bond and other long-term debt transactions of the university for the year ended June 30, 2004:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Bonds, notes, and capital leases payable:					
Bonds payable	\$23,690,000	\$9,770,000	\$470,000	\$32,660,000	\$1,340,000
Notes payable	696,903		78,720	618,183	83,322
Capital lease obligations	11,624,918		465,448	11,169,470	494,658
Subtotal	<u>36,021,821</u>	<u>9,440,000</u>	<u>1,014,168</u>	<u>44,447,653</u>	<u>1,917,980</u>
Other liabilities - compensated absences payable	<u>7,574,531</u>	<u>790,831</u>	<u>60,823</u>	<u>7,761,539</u>	<u>503,284</u>
Total long-term liabilities	<u>\$43,596,352</u>	<u>\$10,230,831</u>	<u>\$1,617,991</u>	<u>\$52,209,192</u>	<u>\$2,421,264</u>

Notes Payable

The Louisiana State University System, on behalf of UNO, entered into loan agreements with the Louisiana Public Facilities Authority (LPFA) on October 31, 1988. The portion of the LPFA loan agreement for UNO, totaling \$1,300,000, was for the building of a child care center. The loan repayments are payable from the fees, rates, rentals, charges, grants, or other receipts or income derived by or in connection with the facilities. According to terms of the loan agreement, the university system is to repay principal and interest on the obligation on the 28th day of each month for 20 years commencing August 28, 1991. UNO made principal payments during the year totaling \$78,720. At June 30, 2004, the outstanding balance is \$618,183 as reflected on Statement A.

NOTES PAYABLE - COMPONENT UNITS

The foundations have entered into a number of note payable agreements for various purposes. These agreements require scheduled payments either on a monthly, semiannual, or annual basis with interest rates ranging from zero to 9.99%. The following is a summary of notes payable by component unit as of June 30, 2004.

<u>Component Unit</u>	<u>Principal Outstanding June 30, 2003</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Principal Outstanding June 30, 2004</u>
UNO Foundation	\$6,143,759	\$5,450,000	(\$6,143,759)	\$5,450,000
UNO Research and Technology Foundation	8,621,057		(135,225)	8,485,832
Total	<u>\$14,764,816</u>	<u>\$5,450,000</u>	<u>(\$6,278,984)</u>	<u>\$13,935,832</u>

The unamortized discount relative to the note payable for the UNO Research and Technology Foundation totaled \$750,906 at June 30, 2004, which is reported by the foundation as a reduction of the note payable. Notes payable totaling \$13,184,926 are reflected on Statement B.

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Bonds Payable

Detailed summaries, by issues, of all bond debt outstanding at June 30, 2004, including future interest payments of \$20,496,120 are as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2003</u>
Jefferson Center, 1996-A	August 1, 1996	\$4,485,000	\$2,780,000
Revenue Bonds of 1997 - Series A	January 15, 1997	5,965,000	5,365,000
Revenue Bonds of 1998	August 15, 1998	15,915,000	15,545,000
Revenue Bonds of 2004 - Series A	June 17, 2004	9,440,000	
Total		<u>\$35,805,000</u>	<u>\$23,690,000</u>

During the year ended June 30, 2004, UNO issued \$9,440,000 of revenue bonds, Series A. The proceeds of the bonds will be used to (1) finance or reimburse a portion of the costs of the planning and construction of major repairs to the buildings and facilities at the university, (2) fund a reserve fund through the purchase of a debt service reserve insurance policy, and (3) pay the costs of issuance of the bonds.

The annual requirements to amortize all university bonds outstanding at June 30, 2004, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$1,340,000	\$1,477,346	\$2,817,346
2006	1,340,000	1,473,053	2,813,053
2007	1,390,000	1,424,696	2,814,696
2008	1,445,000	1,373,898	2,818,898
2009	1,500,000	1,318,382	2,818,382
2010-2014	8,475,000	5,578,370	14,053,370
2015-2019	4,355,000	3,965,320	8,320,320
2020-2024	5,630,000	2,675,038	8,305,038
2025-2029	5,255,000	1,112,267	6,367,267
2030-2034	1,930,000	97,750	2,027,750
Total	<u>\$32,660,000</u>	<u>\$20,496,120</u>	<u>\$53,156,120</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2004</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2004</u>
	\$65,000	\$2,715,000	2003-2026	3.85% - 5.5%	\$2,049,613
	125,000	5,240,000	2003-2026	3.75% - 5.65%	4,003,200
	280,000	15,265,000	2003-2030	3.9% - 5%	12,414,093
<u>\$9,440,000</u>		<u>9,440,000</u>	2004-2014	3% - 4.125%	<u>2,029,214</u>
<u><u>\$9,440,000</u></u>	<u><u>\$470,000</u></u>	<u><u>\$32,660,000</u></u>			<u><u>\$20,496,120</u></u>

The following is a summary of the debt service reserve requirements of the various bond issues at June 30, 2004:

<u>Bond Issue</u>	Cash/ Investment Reserves <u>Available</u>	Reserve <u>Requirement</u>	<u>Excess</u>
Auxiliary Plant	\$528,752	\$528,691	\$61
Educational Plant	333,820	333,820	NONE

As permitted by the Bond Resolution for the Revenue Bonds of 2004, Series A, UNO obtained a Municipal Bond Debt Service Reserve Fund Policy issued by an insurance company as a substitute for the reserve requirement for the bonds. The insurance policy meets the definition as a “Reserve Fund Investment” and guarantees payment of principal and interest on the bonds when they are due in the event of nonpayment.

As permitted by the Bond Resolution for the Revenue and Refunding Bonds, (Wellness Center Project) Series 1998, the university obtained a surety bond issued by an insurance company as a substitute for the reserve requirement for the bonds. The surety bond meets the definition as a “Reserve Fund Investment” and guarantees payment of an amount not to exceed \$1,041,250 to fund the reserve requirement.

BONDS PAYABLE - COMPONENT UNITS

Detailed summaries, by issues, of all component unit bond debt outstanding at June 30, 2004, including future interest payments of \$1,171,795 are as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30,2003</u>
University of New Orleans Foundation - Regions Bank Bonds	July 1, 2001	\$2,000,000	\$1,919,000
University of New Orleans Research and Technology Foundation - Louisiana Local Government Environmental Facilities and Community Development Authority	October 20, 1999	<u>24,950,000</u>	<u>12,900,000</u>
Total		<u>\$26,950,000</u>	<u>\$14,819,000</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2004</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Future Interest Payments June 30, 2004</u>
	\$95,000	\$1,824,000	2005-2017	5.3% - 7.5%	\$698,860
	<u>4,125,000</u>	<u>8,775,000</u>	2005-2007	4.5% - 5%	<u>472,935</u>
<u>NONE</u>	<u>\$4,220,000</u>	<u>\$10,599,000</u>			<u>\$1,171,795</u>

The unamortized premium relative to the bond for the UNO Research and Technology Foundation totaled \$2,702 at June 30, 2004, which is reported by the foundation as a reduction of the bonds payable. Bonds payable totaling \$10,596,298 are reflected on Statement B.

The annual requirements to amortize all Component Unit bonds outstanding at June 30, 2004, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$4,140,000	\$417,962	\$4,557,962
2006	4,051,000	218,796	4,269,796
2007	901,000	101,574	1,002,574
2008	118,000	76,744	194,744
2009	124,000	70,331	194,331
2010-2014	728,000	242,742	970,742
2015-2019	537,000	43,646	580,646
Total	<u>\$10,599,000</u>	<u>\$1,171,795</u>	<u>\$11,770,795</u>

The Louisiana Endowment Trust Fund for Eminent Scholars

One of the UNO 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 by the UNO Foundation at June 30, 2004, that was attributable to the Eminent Scholars Program is \$11,719,749, as shown on Statement B in noncurrent liabilities.

13. DUE FROM STATE TREASURY

As shown on Statement A, UNO has a total of \$96,895 due from the state treasury for Support Education in Louisiana First (SELF) funds at June 30, 2004.

14. RESTRICTED NET ASSETS

UNO's restricted nonexpendable net assets of \$13,784,423 as of June 30, 2004, are comprised entirely of endowment funds.

UNO had the following restricted expendable net assets as of June 30, 2004:

	Amount
Restricted Expendable Net Assets:	
Student fees	\$3,565,968
Grants and contracts	1,303,088
Endowment earnings	105,126
Auxiliary enterprises	6,140,233
Student loan fund	5,372,609
Total	\$16,487,024

RESTRICTED NET ASSETS - COMPONENT UNITS

Temporarily and permanently restricted net assets of the UNO Foundation 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	1,247,016
Total temporarily restricted	\$8,825,651
Permanently restricted:	
Scholarships	\$2,691,890
Faculty - salary supplements	2,048,197
Research	11,115,283
Educational studies - program	10,500,402
Departmental development	2,313,302
Total permanently restricted	\$28,669,074

At June 30, 2004, the UNO Research and Technology Foundation had \$62,548,876 in unrestricted net assets, \$150,000 in temporarily restricted net assets, and no permanently restricted net assets.

15. DEFERRED COMPENSATION PLAN

Certain employees of UNO participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

16. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement B for fiscal year ended June 30, 2004, was \$27,889. There were no on-behalf payments made as contributions to a pension plan for which the university is not legally responsible.

**17. IMPROVEMENTS TO PLANT
ON BEHALF OF UNIVERSITY**

The University of New Orleans Research and Technology Foundation, a separate corporation created for or in behalf of the University of New Orleans, issued long-term debt instruments for infrastructure improvements and the construction of facilities on land owned by the university and leased to the foundation. The improvements, valued at \$56,684,419 at June 30, 2004, were completely financed by the University of New Orleans Research and Technology Foundation through private lending and the sale of bonds through the Louisiana Public Facilities Authority, the Louisiana Local Government Environmental Facilities and Community Development Authority, and bank notes. The university leases the land to the University of New Orleans Research and Technology Foundation in accordance with terms outlined in the ground leases. The improvements are owned by the University of New Orleans Research and Technology Foundation but upon the expiration of the ground leases will revert to the university.

18. REVENUE USED AS SECURITY FOR REVENUE BONDS

The revenues of certain auxiliary enterprises at UNO are restricted by terms in the covenants of certain debt instruments. The revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets include all auxiliary enterprise revenues but exclude sales to other UNO departments, in accordance with accounting principles generally accepted in the United States of America. The following represents those restricted auxiliary enterprise revenues of certain auxiliary enterprises at UNO that are used as security for revenue bonds; however, these amounts do include sales to other UNO departments for the year ended June 30, 2004:

Auxiliary Enterprises

Residential life	\$2,806,216
Student union services, including bookstore	7,263,418
Athletics	3,978,870
Miscellaneous	<u>892,770</u>
Total	<u><u>\$14,941,274</u></u>

19. COOPERATIVE ENDEAVOR AGREEMENTS

On June 1, 1998, UNO entered into a cooperative endeavor agreement with the Office of Naval Research for the purposes of fostering research in domestic shipbuilding technology. The estimated value of this cooperative endeavor agreement to UNO is \$44,412,557. The cooperative endeavor agreement will expire on December 31, 2005.

COOPERATIVE ENDEAVOR AGREEMENTS - COMPONENT UNIT

**University of New Orleans/
Avondale Maritime Technology Center of Excellence**

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College acting on behalf of UNO (the University), the University of New Orleans Research and Technology Foundation (the Foundation), and Avondale Industries, Inc., entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of 15 years and from one-to-seven additional five-year periods.

The Agreement and related amendment provided for the use of annually appropriated state funds and the corporate guarantee by Avondale of certain financial obligations incurred by the Foundation for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the state to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U.S. Department of Navy vessels which will provide a substantial economic benefit to the state. The Foundation and Avondale represented that the economic benefit occurring as a result of the payment or performance of the state's obligation will equal or exceed the value of the state's obligations.

Obligations

Avondale donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by the Foundation and is sub-leased to Avondale. Also, the Foundation has equipped the facility and leases such equipment to Avondale.

The State of Louisiana has paid \$35,152,720 and will pay to the Foundation no more than the remaining present value of \$40,000,000, which amount may be paid in one or more installments on or before September 1 of each year as follows:

On or before September 1, 2004	\$4,662,525
On or before September 1, 2005	4,366,469
On or before September 1, 2006	796,598

The Foundation shall submit to the State of Louisiana on or before November 1 documentation supporting the amount to be appropriated for the immediately following year in satisfaction of the state's obligation. On July 1, 2004, the Foundation submitted a request totaling \$4,662,525 to the State of Louisiana's Department of Economic Development for the 2004 funding. Such amount was received in July 2004.

In addition, Avondale agreed that:

- It will use the Facilities for the design and construction of Vessels pursuant to the Navy LPD-17 Contract and other contracts. Avondale agrees that it will fulfill its obligations pursuant to said NAVY LPD-17 Contract and other contracts. Furthermore, Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing the University a Right of Use of space constituting initially 12,000 square feet, which was increased to 21,000 square feet in the Facility sub-leased by Avondale from the Foundation.
- In the event the costs of the project required to be expended by the Foundation in constructing the facility and acquiring the equipment exceed the amounts paid by the state, Avondale will pay to the Foundation the amounts required for the Foundation to fulfill the obligations to construct and equip the facility.

Navy Information Technology Center

On November 14, 1997, May 1, 1999, and May 17, 2000, the State of Louisiana and the Louisiana Department of Economic Development (the State), the University and the Foundation entered into three separate Cooperative Endeavor Agreements (the Cooperative Agreements) with each agreement having a term of three years.

The Cooperative Agreements provide for the use of state funds to pay for project costs associated with the planning, financing, and construction of buildings, professional fees and other project costs for the Navy Information Technology Center located in Orleans Parish. Such facilities will accommodate the consolidation of the Navy and Department of Defense Military personnel systems research and development and Navy information systems. As a material inducement to the state to enter into the Cooperative Agreements, the Foundation represented that certain economic benefits would be derived from the Naval Consolidation which will equal or exceed the value of the state's obligation under the terms of the Cooperative Agreements.

Louisiana Educational Television Authority

General

On February 15, 2002, the State of Louisiana, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, Louisiana Educational Television Authority (LETA), the Greater New Orleans Educational Television Foundation (WYES-TV), the Educational Broadcasting Foundation, Inc. (WLAE-TV), and the Foundation entered into a Cooperative Endeavor Agreement.

The Cooperative Agreement provides for the development of a state of the art digital facility known as The New Orleans Teleplex, which will be capable of broadcasting in high definition television. This facility is expected to create a positive economic impact for the New Orleans area.

LETA made an initial payment of \$500,000 to the Foundation, through an appropriation by the State of Louisiana in 2001, for the development phase of the Teleplex. WYES-TV and WLAE-TV, also known as the Louisiana Public Broadcasting Group, agreed to provide an aggregate of \$3,000,000 toward the construction of the Teleplex and an aggregate \$1,000,000 toward equipping the Teleplex as a joint obligation. As of June 30, 2004, the Foundation has received \$2,000,000 from the Louisiana Public Broadcasting Group.

20. SUBSEQUENT EVENTS

On October 19, 2004, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, on behalf of UNO, issued \$8,480,000 of revenue refunding bonds. The Series 2004B Revenue Refunding Bonds were issued for the purpose of defeasing the portion of the outstanding Revenue Bonds Series 1996A maturing after May 1, 2005 and Revenue Bonds Series 1997A maturing after May 1, 2007; fund the 2004B Reserve Account of the Reserve Fund through the purchase of a debt service reserve policy; and pay the costs of issuance of the Series 2004B Bonds, including the payment of a premium for a municipal bond new issue insurance policy.

**21. RELATED PARTY TRANSACTIONS -
COMPONENT UNITS**

UNO FOUNDATION

The UNO 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 UNO 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 total \$247,527 and funds due from the university total \$236,826.

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

During fiscal year 2004, the administrative support activities for the operations of the Ogden Museum were transferred to the Museum Board. At June 30, 2004, the Foundation has receivables from the Museum Board totaling \$205,666 and a payable to the Museum of \$32,361.

UNO RESEARCH AND TECHNOLOGY FOUNDATION

The University of New Orleans Foundation provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to the UNO Research and Technology Foundation for a nominal monthly fee. The Foundation has paid \$540,442 to the University of New Orleans Foundation for the aforementioned services.

University of New Orleans

The UNO Research and Technology Foundation has entered into a contractual agreement with UNO to provide personnel to work on Foundation grants. The Foundation reimburses UNO for all costs associated with the personnel services and is charged a nominal fee for processing payroll.

Management Letter



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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January 14, 2005

UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

We have reviewed the financial statements of the University of New Orleans (UNO), as of and for the year ended June 30, 2004, and have issued our accountant's review report thereon dated January 14, 2005. UNO is a university within the Louisiana State University (LSU) System, a component unit of the State of Louisiana. UNO's accounts are an integral part of the LSU System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

We did not review the financial statements of the University of New Orleans Foundation or the University of New Orleans Research and Technology Foundation, discretely presented component units of the university included in these basic financial statements. The financial statements of the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation were audited by other auditors whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for those foundations, is based solely upon the reports of the other auditors.

Our review of the financial statements did not disclose any transactions entered into by UNO during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to UNO's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting UNO's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, during our review procedures, we noted no significant matters requiring recommendations to management concerning internal control, compliance, or operational efficiencies.

In our prior management letter on UNO for the year ended June 30, 2003, we reported findings relating to noncompliance with state procurement regulations and failure to submit a document retention schedule to State Archives. Those findings have been resolved by management.

Reports on internal control and compliance regarding state and federal funds for the University of New Orleans Foundation and the University of New Orleans Research and Technology Foundation are included in the separately issued audit reports of other auditors available by writing the foundations at the addresses included in note 1-B.

This management letter is intended solely for the information and use of UNO and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under state law, this letter is a public record.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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