

THE LSU IN SHREVEPORT FOUNDATION, INC.**SHREVEPORT, LOUISIANA****JUNE 30, 2007 AND 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/28/07

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

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October 26, 2007

Board of Directors
The LSU in Shreveport Foundation, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statements of financial position of The LSU in Shreveport Foundation, Inc. at June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LSU in Shreveport Foundation, Inc. at June 30, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	18,187	77,345
Certificates of deposit-Note 3	175,000	-
Investments-Notes 3 and 7	12,563,880	10,252,244
Donated building-held for sale-Note 7	-	32,500
Accounts receivable	338	-
Contributions receivable-Notes 7 and 9	93,000	107,290
Accrued interest receivable	1,012	-
Construction in progress-Note 9	82,167	-
Deferred charges	<u>3,802</u>	<u>3,970</u>
Total assets	<u>12,937,386</u>	<u>10,473,349</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	82,071	23,498
Deferred revenue	58,425	42,625
Due to LSU in Shreveport-Note 6	3,574,569	2,827,435
Other liabilities	<u>20,904</u>	<u>75,656</u>
Total liabilities	3,735,969	2,969,214
 <u>Net assets:</u>		
Unrestricted	512,246	503,294
Temporarily restricted-Note 4	605,328	1,081,921
Permanently restricted-Note 5	<u>8,083,843</u>	<u>5,918,920</u>
Total net assets	<u>9,201,417</u>	<u>7,504,135</u>
Total liabilities and net assets	<u>12,937,386</u>	<u>10,473,349</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Memberships and contributions	123,400	-	-	123,400
Restricted contributions:				
College of Business	-	10,507	1,000	11,507
College of Education	-	38,159	86,000	124,159
General Instruction	-	19,213	50,521	69,734
Division of Continuing Education	-	28,485	62,998	91,483
College of Liberal Arts	-	26,390	88,760	115,150
College of Science	-	30,210	50,000	80,210
Student Services	-	15	-	15
Institutional Support	-	2,246	-	2,246
Operation and Maintenance of Plant	-	181,642	22,365	204,007
Scholarships and Fellowships	-	70,858	165,999	236,857
Athletics	-	35,428	-	35,428
Endowment management fees	117,522	-	-	117,522
Investment income	50,013	-	395,313	445,326
Net realized and unrealized gains (losses) on investments	7,157	-	730,308	737,465
Total support and revenue	<u>298,092</u>	<u>443,153</u>	<u>1,653,264</u>	<u>2,394,509</u>
Net assets released from restrictions	408,087	(257,373)	(150,714)	-
Expenses:				
Faculty and staff support programs	2,143	-	-	2,143
University support programs	74,093	-	-	74,093
Program administration	132,904	-	-	132,904
Direct program expenses:				
College of Business	52,877	-	-	52,877
College of Education	15,242	-	-	15,242
General Instruction	11,519	-	-	11,519
Division of Continuing Education	16,759	-	-	16,759
College of Liberal Arts	91,850	-	-	91,850
College of Science	46,598	-	-	46,598
Library	25,306	-	-	25,306
Student Services	15	-	-	15
Institutional Support	2,332	-	-	2,332
Operation and Maintenance of Plant	6,239	-	-	6,239
Scholarships and Fellowships	145,594	-	-	145,594
Athletics	73,756	-	-	73,756
Total expenses	<u>697,227</u>	<u>-</u>	<u>-</u>	<u>697,227</u>
Change in net assets	8,952	185,780	1,502,550	1,697,282
Net assets at beginning of year	503,294	1,081,921	5,918,920	7,504,135
Reclassification of net assets at beginning of year	-	(662,373)	662,373	-
Adjusted net assets at beginning of year	<u>503,294</u>	<u>419,548</u>	<u>6,581,293</u>	<u>7,504,135</u>
Net assets at end of year	<u>512,246</u>	<u>605,328</u>	<u>8,083,843</u>	<u>9,201,417</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2006</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>				
Memberships and contributions	114,367	-	-	114,367
Restricted contributions:				
College of Business	-	14,810	-	14,810
College of Education	-	9,859	24,750	34,609
General Instruction	-	94	88,749	88,843
Division of Continuing Education	-	10,445	-	10,445
College of Liberal Arts	-	59,621	169,507	229,128
College of Science	-	649,836	11,250	661,086
Student Services	-	-	-	-
Institutional Support	-	27,252	-	27,252
Operation and Maintenance of Plant	-	-	-	-
Scholarships and Fellowships	-	146,417	94,685	241,102
Athletics	-	46,662	-	46,662
Endowment management fees	90,378	-	-	90,378
Investment income	50,625	-	358,602	409,227
Net realized and unrealized gains (losses) on investments	(44,057)	-	92,114	48,057
Total support and revenue	211,313	964,996	839,657	2,015,966
<u>Net assets released from restrictions</u>	498,454	(329,422)	(169,032)	-
<u>Expenses:</u>				
Faculty and staff support programs	1,685	-	-	1,685
University support programs	95,145	-	-	95,145
Program administration	115,028	-	-	115,028
Direct program expenses:				
College of Business	33,069	-	-	33,069
College of Education	3,906	-	-	3,906
General Instruction	8,573	-	-	8,573
Division of Continuing Education	17,699	-	-	17,699
College of Liberal Arts	114,730	-	-	114,730
College of Science	92,863	-	-	92,863
Library	31,847	-	-	31,847
Student Services	-	-	-	-
Institutional Support	2,791	-	-	2,791
Operation and Maintenance of Plant	2,839	-	-	2,839
Scholarships and Fellowships	160,817	-	-	160,817
Athletics	29,320	-	-	29,320
Total expenses	710,312	-	-	710,312
<u>Change in net assets</u>	(545)	635,574	670,625	1,305,654
<u>Net assets at beginning of year</u>	503,839	446,347	5,248,295	6,198,481
<u>Net assets at end of year</u>	503,294	1,081,921	5,918,920	7,504,135

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	1,697,282	1,305,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (increase) in the fair value of investments	(1,045,367)	(83,419)
Donated investments	(7,420)	(595,599)
Donated building	32,500	(32,500)
(Increase) decrease in accrued interest receivable	(1,012)	4
(Increase) decrease in accounts receivable	(338)	1,758
Decrease (increase) in contributions receivable	14,290	(107,290)
Decrease in deferred charges	168	16,122
Increase in accounts payable	58,573	11,824
Increase (decrease) in deferred revenue	15,800	(3,850)
Increase in due to LSU in Shreveport	747,134	845,487
(Decrease) increase in other liabilities	<u>(54,752)</u>	<u>15,975</u>
Total adjustments	<u>(240,424)</u>	<u>68,512</u>
Net cash provided by operating activities	1,456,858	1,374,166
<u>Cash flows from investing activities:</u>		
Purchases of certificates of deposit	(175,000)	(375,000)
Maturities of certificates of deposit	-	450,000
Purchases of investments	(1,258,849)	(1,422,075)
Redemptions of investments	-	-
Expenditures for construction in progress	<u>(82,167)</u>	<u>-</u>
Net cash (used) by investing activities	<u>(1,516,016)</u>	<u>(1,347,075)</u>
<u>Net (decrease) increase in cash and cash equivalents</u>	(59,158)	27,091
<u>Cash and cash equivalents-beginning of year</u>	<u>77,345</u>	<u>50,254</u>
<u>Cash and cash equivalents-end of year</u>	<u>18,187</u>	<u>77,345</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

1. Nature of Business.

The LSU in Shreveport Foundation, Inc. ("Foundation") is a private, nonprofit corporation governed by a board of directors. The organization's goal is to promote the education and cultural welfare of Louisiana State University in Shreveport ("LSUS"). The organization's activities include management of gifts, grants and endowments for the purpose of providing scholarships, research activities and any other such benefit for the University and its faculty and students as may be prescribed by donors to the corporation.

LSUS Realty, LLC was formed on December 15, 2000. The purpose of LSUS Realty, LLC is to accept property donated to the Foundation. The Foundation is the sole member of LSUS Realty, LLC and, therefore, the activity of LSUS Realty, LLC has been consolidated with that of the Foundation. All of the assets and net assets of LSUS Realty, LLC were moved to the unrestricted net assets of the Foundation during the year ended June 30, 2002. There was no activity recorded by LSUS Realty, LLC during the years ended June 30, 2007 and 2006.

2. Summary of Significant Accounting Policies.

- a. The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Foundation's operations functionally between faculty and staff support programs, University support programs, program administration and direct program expenses.

- b. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

2. Summary of Significant Accounting Policies. (Continued)

- c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- d. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- f. The LSU in Shreveport Foundation, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.
- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are recorded at carrying amount which reasonably estimates fair value. Fixed income securities are generally valued by reference to outside pricing services, generally using a matrix system incorporating security quality, maturity, and coupon as the valuation model parameters, research, and a review of broker-dealer market price quotations. Short-term investments are valued at amortized cost which approximates market value.
- h. Material in-kind donations received by the Foundation are recorded at fair value as contributions revenue along with a corresponding charge to expense. Material in-kind donations were \$35,867 and \$30,272 for the years ended June 30, 2007 and 2006, respectively.
- i. Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

3. Investments.

As of June 30, 2007 and 2006, the investments of all funds consisted of certificates of deposit, trust assets, investment in the Common Fund, and investment in Charles Schwab, which are recorded at market value, as detailed below:

	<u>2007</u>		<u>2006</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>Certificates of deposit:</u>				
AmSouth	4.25%	100,000	N/A	-
Capital One	5.30%	<u>75,000</u>	N/A	<u>-</u>
		<u>175,000</u>		<u>-</u>

3. Investments. (Continued)

	2007		2006	
	Market Value	Cost	Market Value	Cost
<u>Investments:</u>				
Charles Schwab & Company, Inc. Pool:				
Cash and money market funds	12,968	12,968	33,622	33,622
Fixed income-U.S. government obligations	3,758,953	3,833,168	3,141,535	3,273,142
Fixed income-CMO and asset backed securities	362,682	381,200	371,445	395,461
Bond funds	1,587,725	1,653,114	926,374	969,728
Equity funds	6,828,954	5,208,284	5,178,491	4,569,196
Corporate bonds held by Merrill Lynch	5,178	5,000	5,178	5,000
Equities held by Bank of New York	7,420	7,420	-	-
Smith Barney-Note 7:				
Cash and mutual funds	-	-	119,393	119,393
Certificates of deposit	-	-	241,285	241,285
Bond funds	-	-	24,522	24,522
Equities	-	-	210,399	210,399
	<u>12,563,880</u>	<u>11,101,154</u>	<u>10,252,244</u>	<u>9,841,748</u>

The fair value of the position in the pool is the same as the value of the pool shares. Charles Schwab is SEC-registered, and there is regulatory oversight for investments held by Charles Schwab.

Unrealized gains during the year ended June 30, 2007, were \$1,045,367, which included \$737,465 as a gain to the Foundation and \$307,902 shown as an increase in funds due to LSU in Shreveport. Unrealized gains during the year ended June 30, 2006, were \$83,419, which included \$48,057 as a gain to the Foundation and \$35,362 shown as an increase in funds due to LSU in Shreveport.

The investments held by Charles Schwab & Company, Inc., the bonds held by Merrill Lynch, and the investments held by Smith Barney totaling \$12,563,880 and \$10,252,244 at June 30, 2007 and 2006, respectively, were uninsured and were not collateralized. Cash and certificates of deposits are federally insured by the FDIC up to \$100,000. Deposits in excess of FDIC limits total \$140,961 and \$7,811 at June 30, 2007 and 2006, respectively, for a total of \$12,704,841 and \$10,260,055 in off-balance sheet risk, respectively. The possibility of loss exists if the investment fund holding uninsured deposits were to fail.

4. Temporarily Restricted Net Assets.

Temporarily restricted net assets consisted of the following as of June 30, 2007 and 2006:

	2007	2006
College of Business	17,975	20,478
College of Education	42,795	13,199
General Instruction	52,232	33,019
Division of Continuing Education	31,872	19,507
College of Liberal Arts	107,854	121,200
College of Science	48,109	647,223
Library	10,905	10,905
Institutional Support	30,454	30,540
Operation and Maintenance of Plant	181,642	-
Scholarships and Fellowships	46,361	112,393
Athletics	35,129	73,457
Total temporarily restricted net assets	<u>605,328</u>	<u>1,081,921</u>

5. Permanently Restricted Net Assets.

Permanently restricted net assets consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
College of Business	1,058,474	943,473
College of Education	270,247	156,415
General Instruction	463,957	361,781
Division of Continuing Education	64,655	-
College of Liberal Arts	1,796,635	1,522,510
College of Science	1,115,417	331,474
Library	523,865	455,292
Operation and Maintenance of Plant	144,792	109,743
Scholarships and Fellowships	<u>2,645,801</u>	<u>2,038,232</u>
	<u>8,083,843</u>	<u>5,918,920</u>

6. Due to LSU in Shreveport.

The amount due to LSU in Shreveport represents the State of Louisiana matched funds which are being held and invested for the University by the LSU in Shreveport Foundation for the following endowed chairs and professorships as of June 30:

	<u>2007</u>	<u>2006</u>
Jerry D. Boughton Professorship in Business	49,598	44,557
BellSouth Professorship in Business	49,810	44,528
Kilpatrick Life Insurance Chair	728,875	653,499
Oscar Cloyd Real Estate Professorship	113,384	98,325
Wesson-Bridger Professorship in Teacher Education	49,368	43,704
Dalton J. Woods Professorship in Teaching	45,813	41,034
Elmer N. Simon, Jr. Professorship for Excellence in Teaching	49,655	44,889
Joe and Abby Averett Professorship in Business	49,494	44,585
Vincent J. Marsala Alumni Professorship	47,897	42,445
Leonard and Mary Ann Selber Professorship	46,129	40,000
Fred and Sybil Patten Excellence in Teaching in Liberal Arts Professorship	53,838	48,198
India Studies Professorship	55,346	49,901
Dr. Norman A. Dolch Professorship in American Humanics	59,341	52,668
American Studies Chair	625,760	558,523
James K. Elrod Professorship in Health Care Administration	107,706	93,442
George and Regina Khoury Professorship in Science	61,627	53,442
Abe I. Sadoff Chair	406,247	-
Dr. Richard K. Spears Professorship in Field Biology	57,898	51,489
Don and Earlene Coleman Red River Watershed Management Institute Professorship	55,652	48,742
AEP SWEPSCO LaPrep Professorship	59,190	52,874
Ruth H. Noel Chair	<u>801,941</u>	<u>720,590</u>
	<u>3,574,569</u>	<u>2,827,435</u>

7. Estate of Abe I. Sadoff.

On June 28, 2006, a judgment of possession was rendered and signed transferring assets valued at \$655,390 from the Estate of Abe I. Sadoff to the Foundation. The transfer of assets was recorded as a temporarily restricted contribution to be used for scholarship purposes at Louisiana State University in Shreveport.

The following assets were transferred to the Foundation and reflected in the Foundation's financial statements as of June 30, 2006:

Receivable from AmSouth	2,228
Receivable from Merrill Lynch	25,063
Investments held by Smith Barney	595,599
Building held for sale	<u>32,500</u>
	<u>655,390</u>

The funds due from AmSouth and Merrill Lynch as of June 30, 2006, were received and deposited by the Foundation in July 2006. The Foundation sold the donated building at fair market value in July 2006. The investments which were held by Smith Barney as of June 30, 2006, were transferred to the Charles Schwab & Company, Inc. pool account in August 2006. During fiscal year ended June 30, 2007, upon further evaluation of donor intent, the Sadoff funds were reclassified from temporarily restricted to permanently restricted net assets.

8. Contributed Services.

Louisiana State University in Shreveport provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. These services are valued at their actual cost to the University. For the year ended June 30, 2007, contributed personnel costs were determined to be \$23,882. The amounts for these services have not been reflected in the Foundation's financial statements.

9. Circle of Excellence Plaza.

As part of its 2006-2007 Annual Campaign, The LSU in Shreveport Foundation, Inc. ("Foundation") and the Louisiana State University in Shreveport Alumni Association ("Association") introduced its Circle of Excellence Plaza ("Plaza") to be located on the grounds of Louisiana State University in Shreveport ("LSUS"). On October 1, 2006, the Foundation and Association entered into a funds management agreement ("agreement") to specifically delineate the process of receiving, placing into accounts, and disbursing of contributions from donors.

The Foundation and Association secured a pledge of \$150,000 from Dr. Lacy and Edie Williams to fund the initial construction of the Plaza. As of June 30, 2007, the Foundation had received \$75,000 of this pledge with the remaining \$75,000 recorded as a contribution receivable. The contribution was placed in a Foundation account entitled "Williams Circle of Excellence Construction Account" to be used for the initial construction and infrastructure costs of the Plaza.

Contributions are received by the Association to inscribe and place bricks, benches, and other naming opportunities in the Plaza. These donations are deposited into an Association account entitled "LSUS Annual Campaign Fund." Twenty-five percent of the proceeds from these donors are directed to a Foundation endowment account entitled "Circle of Excellence Plaza Maintenance Fund" until the balance in the fund reaches \$50,000. When a donor purchases a \$15,000 founding gateway paver, \$10,000 is directed into an endowed scholarship fund based on the wishes of the donor, and twenty-five percent of the remaining \$5,000 is directed into the Maintenance Fund.

9. Circle of Excellence Plaza. (Continued)

All remaining amounts from the sales of bricks, benches, and other naming opportunities within the Plaza, after obligations listed above are met, are placed in by the LSUS Annual Campaign Fund by the Association to be distributed on an annual basis by the Association's Board of Directors for programs or projects that benefit LSUS.

The Foundation has entered into a contract for construction of the Plaza in the amount of \$202,040. As of June 30, 2007, \$55,900 of construction has been completed and is recorded as construction in progress by the Foundation. The architectural services for the design of the Plaza were contributed to the Foundation and had a value of \$26,267. Such costs were recorded as both contributions revenue and as construction in progress as of June 30, 2007.

Per the lease agreement dated February 1, 2007, between the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College ("LSU") and the Foundation, LSU is leasing the property on which the Plaza is being constructed to the Foundation for \$100. The Foundation and the Association shall transfer any and all ownership interest to LSUS upon completion of construction and infrastructure of the Plaza.

As of June 30, 2007, the Association has received \$90,175 in donor contributions for the Plaza, of which twenty-five percent (or \$22,550) was directed to the Foundation's Plaza Maintenance Fund. The transfer of \$4,225 of donor contributions by the Association to the Foundation's Plaza Maintenance Fund for contributions received during June 2007 was not recorded by the Foundation until the check from the Association was received in July 2007 and is therefore not reflected in the Foundation's financial statements as of June 30, 2007. Additionally, the Association transferred \$30,000 to the Foundation for Plaza construction and spent \$9,248 on annual campaign printing and postage. The transfer of \$30,000 from the Association for Plaza Construction was not recorded by the Foundation until the check was received in July 2007 and is therefore not reflected in the Foundation's financial statements as of June 30, 2007.

10. Subsequent Event.

On July 13, 2007, the Board of Regents awarded a \$400,000 match for eight endowed professorships which were established prior to June 30, 2007. The matching funds were awarded from the FY 2006-2007 Louisiana Educational Quality Support Fund and/or supplemental funding received in the 2007 Legislative Session. Such matching funds were recorded by the Foundation subsequent to June 30, 2007.

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October 26, 2007

**The Board of Directors
The LSU in Shreveport Foundation, Inc.
Shreveport, Louisiana**

In planning and performing our audit of the financial statements of The LSU in Shreveport Foundation, Inc. for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control structure as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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Unrestricted Net Assets - Board Designated

Observation

During our testing of unrestricted expenses, we noted that \$80,000 of unrestricted funds was transferred to create eight permanent scholarship endowments in the name of each "Pilot of the Year". Such transfer was initiated by the board of directors and was not permanently restricted based on donor intent; however, the endowment fund balances are included with the other endowment accounts and classified as permanently restricted in the financial statements.

Recommendation

Unrestricted amounts that are transferred to endowments by the board of directors rather than by donor intent should be classified as unrestricted net assets – board designated rather than permanently restricted in the financial statements. In order to facilitate proper financial reporting, contributions received from donors should not be commingled with funds that were endowed by the board of directors rather than based on donor intent.

Reconciliation of Contributions

Observation

During our testing of contributions, we noted that the contributions received and recorded in The Raiser's Edge fundraising management software are not reconciled to the contributions received and recorded in the general ledger.

Recommendation

The Foundation should reconcile the contributions recorded in The Raiser's Edge to the contributions recorded in the general ledger on either a monthly or quarterly basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Pursuant to the requirements of Statement on Auditing Standards, No. 112, "Communicating Internal Control Related Matters Identified in an Audit" (SAS 112), we did not identify any significant deficiency which we believe constitute a material weakness.

This communication is intended solely for the information and use of management and the board of directors, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy + Vestal, LLP