

**THE FOUNDATION FOR THE
LSU HEALTH SCIENCES CENTER**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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 9/9/09

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FINANCIAL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

The Foundation for the LSU Health Sciences Center
New Orleans, Louisiana

We have audited the accompanying Statement of Financial Position of the Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization) as of June 30, 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Foundation's 2008 financial statements and, in our report dated August 21, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2009, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The other supplemental information on pages 21 through 37 is not a required part of the basic financial statements but is supplementary information required by the State of Louisiana. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 18 to the Financial Statements, certain errors resulting in improper classification of previously reported net assets and changes in net assets for the years ended June 30, 2008 and 2007 were discovered by the Foundation's management during the current year. Accordingly, the 2008 financial statements have been restated and an adjustment has been made to net assets as of July 1, 2007 to correct the errors.

Rebowe & Company

August 27, 2009

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u> <u>(As restated)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,725	\$ 535,064
Investments	4,304,270	8,325,385
Interest receivable	-	165,468
Unconditional promises to give, net	17,520	84,600
Cash restricted for debt service	93,304	98,505
Other receivables	1,952,046	2,449,034
Total current assets	<u>6,377,865</u>	<u>11,658,056</u>
Noncurrent Assets		
Investments	72,496,948	87,467,059
Unconditional promises to give, net	22,927	181,504
Note receivable, net	-	-
Deposits	-	-
Property and equipment, net	1,143,908	1,073,873
Land	315,467	315,467
Total noncurrent assets	<u>73,979,250</u>	<u>89,037,903</u>
Total assets	<u>\$ 80,357,115</u>	<u>\$ 100,695,959</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 340,331	\$ 470,077
Bonds payable	80,000	80,000
Split-interest agreements	6,795	1,650
Total current liabilities	<u>427,126</u>	<u>551,727</u>
Noncurrent Liabilities		
Amounts held in custody for others	17,505,727	20,290,402
Bonds payable, net	1,566,137	1,644,546
Split-interest agreement	53,866	57,232
Total noncurrent liabilities	<u>19,125,730</u>	<u>21,992,180</u>
Total liabilities	<u>19,552,856</u>	<u>22,543,907</u>
Net Assets		
Unrestricted	(1,425,831)	1,911,475
Temporarily restricted	19,185,496	38,316,448
Permanently restricted	43,044,594	37,924,129
Total net assets	<u>60,804,259</u>	<u>78,152,052</u>
Total liabilities and net assets	<u>\$ 80,357,115</u>	<u>\$ 100,695,959</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(with comparative totals for 2008)

	2009	2008 (As restated)
UNRESTRICTED NET ASSETS		
Unrestricted revenues and other support		
Contributions	\$ 9,169	\$ 15,165
Investment loss – net	(3,535,664)	(197,429)
Other income	208,017	169,280
	(3,318,478)	(12,984)
Net assets released from restrictions	6,391,752	6,891,237
Total unrestricted revenues and other support	3,073,274	6,878,253
Expenses		
Program services	5,109,360	5,989,590
General and administrative	1,052,482	786,469
Development	248,738	275,627
	6,410,580	7,051,686
Total expenses	6,410,580	7,051,686
Decrease in unrestricted net assets	(3,337,306)	(173,433)
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted revenues and other support		
Contributions	1,949,604	4,461,329
Investment income (loss) – net	(14,467,602)	1,405,042
Other expense	(221,202)	(8,977)
	(12,739,200)	5,857,394
Net assets released from restrictions	(6,391,752)	(6,891,237)
Decrease in temporarily restricted net assets	(19,130,952)	(1,033,843)
PERMANENTLY RESTRICTED NET ASSETS		
Permanently restricted revenues and other support		
Contributions	2,231,877	1,785,571
Other income	2,888,588	(823,818)
	5,120,465	961,753
Increase in permanently restricted net assets	5,120,465	961,753
Decrease in net assets	(17,347,793)	(245,523)
Net assets at beginning of year	78,152,052	78,397,575
Net assets at end of year	\$ 60,804,259	\$ 78,152,052

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009
(with comparative totals for 2008)

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Totals	
		General and Administrative	Development	2009	2008
Advertising	\$ 51,401	\$ 281,772	\$ -	\$ 333,173	\$ 113,432
Clinical trials, professional education and seminars	159,347	1,181	-	160,528	111,442
Community support	969,955	10,513	-	980,468	177,795
Conferences, meetings, and other travel	576,790	5,225	-	582,015	713,287
Depreciation and amortization	-	1,591	-	1,591	1,591
Dues and subscriptions	128,239	20,233	-	148,472	173,375
Equipment purchases	60,979	-	-	60,979	20,473
Fundraising expenses	600	-	-	600	954
Honoraria	37,477	-	-	37,477	36,617
Interest expense	-	38,167	-	38,167	64,211
Meeting expenses	8,384	891	-	9,275	18,095
Miscellaneous	10,107	19,819	-	29,926	29,813
Occupancy	68,780	9,042	-	77,822	123,330
Other	2,977	136	-	3,113	4,576
Postage and shipping	10,152	2,138	-	12,290	17,569
Printing and publications	44,886	20,445	-	65,331	59,321
Professional fees and contract service payments	412,201	207,598	-	619,799	2,234,488
Promotional expenses and official functions	934,827	-	10,216	945,043	876,279
Repairs and maintenance	2,324	-	-	2,324	4,771
Salaries and benefits	971,527	396,666	238,522	1,606,715	1,321,749
Scholarships	188,162	10,000	-	198,162	207,916
Supplies	470,245	27,065	-	497,310	740,602
	<u>\$ 5,109,360</u>	<u>\$ 1,052,482</u>	<u>\$ 248,738</u>	<u>\$ 6,410,580</u>	<u>\$ 7,051,686</u>

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u> <u>(As restated)</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (17,347,793)	\$ (245,523)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	1,591	1,591
Provision for uncollectible promises to give and contribution receivable	279,621	948,037
Net change in discount on unconditional promises to give	(53,964)	(102,204)
Realized and unrealized loss on investments	18,815,861	4,487,075
Changes in operating assets and liabilities:		
Decrease (increase) in interest receivable	165,468	(4,692)
Decrease in other receivables	496,988	1,158,605
Decrease in accounts payable and accrued expenses	(129,746)	(935,870)
Increase in split-interest agreement	1,779	45,944
Increase (decrease) in funds held in custody	(2,784,675)	2,263,818
Contributions permanently restricted by donors	<u>(13,762,904)</u>	<u>(961,753)</u>
Net cash provided by (used in) operating activities	<u>(14,317,774)</u>	<u>6,655,028</u>
Cash Flows From Investing Activities		
Purchase of investments	(92,731,037)	(47,597,174)
Proceeds from sales and maturities of investments	92,906,402	38,840,927
Payments received on capital lease	-	314,197
Change in cash restricted for debt service	5,201	3,351
Purchase of property and equipment	<u>(70,035)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>110,531</u>	<u>(8,438,699)</u>
Cash Flows From Financing Activities		
Payments on bonds payable	(80,000)	(75,000)
Contributions permanently restricted by donors	<u>13,762,904</u>	<u>961,753</u>
Net cash provided by financing activities	<u>13,682,904</u>	<u>886,753</u>
Net decrease in cash and cash equivalents	(524,339)	(896,918)
Cash and Cash Equivalents		
Beginning of year	<u>535,064</u>	<u>1,431,982</u>
End of year	<u>\$ 10,725</u>	<u>\$ 535,064</u>
Supplemental data:		
Cash paid for interest	<u>\$ 38,167</u>	<u>\$ 64,211</u>

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 1 - NATURE OF ACTIVITIES

The Foundation for the LSU Health Sciences Center (the "Foundation") supports the activities of the LSU Health Sciences Center. The Foundation's activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The Foundation is supported primarily through donor contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax by Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

b) Basis of Accounting

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

c) Reporting Entity

Using the criteria established in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Foundation is reported as a discretely presented component unit of the LSU Health Sciences Center since it is legally separate from and is financially accountable to the LSU Health Sciences Center.

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

d) Basis of Presentation

Financial statement presentation follows the reporting requirements of the Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements for Not-For-Profit Organizations." Under SFAS No. 117, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather, invested to provide a permanent source of income for the Foundation's programs.

e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation consider all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

g) Fair Value of Financial Instruments

The carrying values of the Foundation's financial instruments including current assets and current liabilities approximate fair value.

In 2009, the Foundation adopted the provisions of SFAS No. 157, "Fair Value Measurements." Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

Level 1 – Valuations based on adjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 14).

The Foundation's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investment securities – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quoted prices are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the investment (see Note 5).

Unconditional promises to give – The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions (see Note 4).

Split interest agreements – The fair value of split interest agreements is based on the present value of estimated future payments based on management's assumptions (see Note 13).

h) Investments

Investments are carried at estimated current market value. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statement of Financial Position.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

i) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable and other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

j) Funds Held in Custody for Others

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Funds Held in Custody for Others. All Funds Held in Custody for Others are recorded at fair market value.

k) Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

l) Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Management's estimate for the allowance of uncollectible promises to give at June 30, 2009 and 2008 was \$26,187 and \$176,752, respectively. A provision for uncollectible promises to give was not recorded for the years ended June 30, 2009 and 2008.

m) Property and Equipment

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to expense. The cost of these assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. As of June 30, 2009, all other furniture, equipment, and accounting software owned by the Foundation were purchased

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with restricted private donations and have not been capitalized. Accounting software is being depreciated over estimated useful lives of four to five years using a straight-line method. The buildings are being depreciated over an estimated useful life of forty years using the straight-line method.

n) Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

o) Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

p) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

q) Subsequent Events

Subsequent events have been evaluated through August 27, 2009, the date the financial statements were available to be issued.

NOTE 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services, including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships,

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 3 - RESTRICTIONS ON ASSETS

equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Permanently restricted purposes	\$ 74,820	\$ 505,006
Less: unamortized discount	(8,186)	(62,150)
Less: allowance for uncollectible amounts	<u>(26,187)</u>	<u>(176,752)</u>
Net unconditional promises to give	<u>\$ 40,447</u>	<u>\$ 266,104</u>
Amount due in:		
Less than one year	\$ 17,520	\$ 84,600
One to five years	37,300	264,320
Over five years	<u>20,000</u>	<u>156,086</u>
Total	<u>\$ 74,820</u>	<u>\$ 505,006</u>

NOTE 5 - INVESTMENTS

As of June 30, 2009, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 3,736,110	\$ 3,425,334	\$ (310,776)
U.S. Government Agency bonds and notes	25,097,277	23,009,645	(2,087,632)
Corporate bonds and notes	9,038,706	8,286,853	(751,853)
Mutual funds and Other Equities	32,711,905	29,990,875	(2,721,030)
Hedge funds	8,703,628	7,979,646	(723,982)
Money Market/Certificate of Deposit	<u>4,108,865</u>	<u>4,108,865</u>	-
Total	<u>\$ 83,396,491</u>	<u>\$ 76,801,218</u>	<u>\$ (6,595,273)</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 5 - INVESTMENTS (CONTINUED)

Investment return for the year ended June 30, 2009 is summarized as follows:

Interest and dividend income	\$ 812,594
Net losses	<u>(18,815,860)</u>
Total investment income	<u>\$ (18,003,266)</u>

As of June 30, 2008, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 4,314,234	\$ 4,100,997	\$ (213,237)
U.S. Government Agency bonds and notes	6,039,927	5,741,395	(298,532)
Corporate bonds and notes	5,177,080	4,921,196	(255,884)
Mutual funds and Other Equities	51,602,672	63,735,476	12,132,804
Hedge funds	8,842,490	9,697,925	855,435
Money Market/Certificate of Deposit	<u>7,595,455</u>	<u>7,595,455</u>	-
Total	<u>\$ 83,571,858</u>	<u>\$ 95,792,444</u>	<u>\$ 12,220,586</u>

Investment return for the year ended June 30, 2008 is summarized as follows:

Interest and dividend income	\$ 5,694,687
Net gains	<u>(4,487,075)</u>
Total investment gain	<u>\$ 1,207,612</u>

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2009.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor restricted activities is reported as unrestricted revenue, and the

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 5 - INVESTMENTS (CONTINUED)

portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in a hedge fund. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The fund has a demonstrated track record of superior performance in maintaining a highly disciplined and effective investment allocation decision process. The result is a portfolio with a demonstrated ability to protect capital from loss in adverse market conditions and to produce superior risk-adjusted returns. The derivative instrument is designated as a fair value hedging instrument. The fund's fair market value was \$8,023,387 and \$9,697,925 at June 30, 2009 and 2008, respectively.

The Foundation's objective is to maximize its returns related to this investment. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached.

The returns from this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Accounting software	\$ 70,035	\$ 49,646
Internet development software	-	12,380
Buildings	1,123,342	1,123,342
Less accumulated depreciation	<u>(49,469)</u>	<u>(111,495)</u>
Property and equipment, net	<u>\$1,143,908</u>	<u>\$1,073,873</u>
Land	<u>\$ 315,467</u>	<u>\$ 315,467</u>

The Foundation recorded no depreciation expense as of June 30, 2009 and 2008.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 6 - PROPERTY AND EQUIPMENT (CONTINUED)

The building owned and operated by the Foundation located at 2000 Tulane Avenue was heavily damaged on by Hurricane Katrina and is currently unoccupied.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation and collateralized for greater amounts by agreement with some financial institutions.

NOTE 8 - FUNDS HELD IN CUSTODY

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and the Endowed Professorship Programs. Funds held in custody were \$17,505,727 and \$20,290,402 on June 30, 2009 and 2008, respectively.

NOTE 9 - ADVERTISING

The Foundation advertises to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2009 and 2008 were \$285,174 and \$110,112, respectively.

NOTE 10 - BONDS PAYABLE

The Foundation financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003 with bond proceeds of \$2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. The Foundation's ability to service this debt will be based on its ability to raise funds and earn other revenue from lease payments from the occupants. As discussed in Note 6, the building was heavily damaged by Hurricane Katrina on August 29, 2005. The roof has been replaced and the building has been gutted. It remains unoccupied and the Foundation has not yet determined when it will be renovated. The Foundation has budgeted future reductions in certain expenditures and management believes it will be able to meet this obligation even with the loss of the rental income from the building.

The Foundation issued bonds in January 2002 totaling \$2,035,000 with a variable interest rate. The interest rate paid for 2009 and 2008 amounted to approximately 2.2% and 4.0%, respectively. The bond issuance costs were \$35,000 and are being amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for each of the fiscal years ended June 30, 2009 and 2008 was \$1,591.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 10 - BONDS PAYABLE (CONTINUED)

Unamortized bond issuance costs at June 30, 2009 and June 30, 2008 were \$23,863 and \$25,454, respectively. Bonds payable, net at June 30, 2009 and 2008 were \$1,646,137 and \$1,724,546, respectively.

The bond proceeds were used to finance the renovation of the new building. Bond proceeds available at June 30, 2009 are held by a trustee in restricted cash accounts. Restricted cash at June 30, 2009 and 2008 totaled \$93,304 and \$98,505, respectively. Principal payments of \$80,000 and \$75,000 were made on the bond in the years ended June 30, 2009 and 2008, respectively. Interest was paid on the bonds in the amounts of \$38,167 and \$64,211 for the years ended June 30, 2009 and 2008, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2010	\$ 80,000
2011	85,000
2012	90,000
2013	95,000
2014	95,000
2015-2019	550,000
2010-2024	<u>675,000</u>
Total	<u>\$1,670,000</u>

NOTE 11 - LINE OF CREDIT

The Foundation has a line of credit from a bank, totaling \$2,600,000, at an interest rate calculated by adding 1.5% to the LIBOR rate as published. The note matured during February 2009 and the Foundation did not renew the agreement. The Foundation has taken no advances during the year.

NOTE 12 - RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$26,923 and \$11,632 as of June 30, 2009 and 2008, respectively, which is included in salaries and benefits.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 12 - RETIREMENT PLAN (CONTINUED)

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 403(b) Plan, which is intended to be an ERISA Section 404(c) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts for The Variable Annuity Life Insurance Company (VALIC). Employees are eligible to participate upon the date of employment. Under the Plan, the Foundation matches amounts contributed up to 6% of the employee's compensation only if the employee has completed a year of service and is at least 21 years of age.

NOTE 13 - SPLIT-INTEREST AGREEMENTS

The Foundation has entered into two (2) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$6,795 paid in quarterly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$60,661 at June 30, 2009) is calculated using a discount rate of 2.8% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$6,795 and \$1,650 for each of the years ended June 30, 2009 and 2008, respectively.

NOTE 14 - FAIR VALUE MEASUREMENTS

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157. See Note 2 for a description of the Foundation's policies and valuation techniques.

The valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2009 are as follows:

<u>ASSETS</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Balance</u>
Unconditional promises to give	\$ -	\$ -	\$ 40,447	\$ 40,447
Investments	72,668,257	4,132,961	-	76,801,218
Total	<u>\$ 72,668,257</u>	<u>\$ 4,132,961</u>	<u>\$ 40,447</u>	<u>\$ 76,841,665</u>
<u>LIABILITIES</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Balance</u>
Split interest agreements	\$ -	\$ 60,661	\$ -	\$ 60,661
Total	<u>\$ -</u>	<u>\$ 60,661</u>	<u>\$ -</u>	<u>\$ 60,661</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 14 – FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

<u>Assets</u>	<u>Level 3 Beginning Balance</u>	<u>Net realized and unrealized gains (losses)</u>	<u>Net payments and gifts</u>	<u>Net purchases and sales</u>	<u>Net transfers in (out) of level 3</u>	<u>Level 3 ending balance</u>
Unconditional promises to give	\$ 266,104	\$ (322,657)	\$ 97,000	\$ -	\$ -	\$ 40,447
Total	\$ 266,104	\$ (322,657)	\$ 97,000	\$ -	\$ -	\$ 40,447

NOTE 15 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Foundation reimburses the LSU Health Sciences Center for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the year ended June 30, 2009 and 2008 are \$5,109,360 and \$5,989,590, respectively, which represents reimbursements to the Health Sciences Center. At June 30, 2009 and 2008, there were no funds due to or from the Health Sciences Center.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2008, the Company changed its method of valuation of funds held in custody of others from using a consumer price index adjusted growth rate to adjusting for actual realized and unrealized gains or losses. The funds are periodically adjusted to fair value. Management believes the fair value method results in better matching of actual returns with the actual value of funds held in custody and more accurately accounts for changes in the financial markets that directly impact the value of the funds held in custody. It was impracticable to determine the cumulative effect of this accounting change and the retroactive application of the fair value method to prior years, because the Company's accounting records do not provide sufficient information to apply the new method. As a result, the effect of the change has been applied prospectively in fiscal year 2009. The effect of the change in fiscal year 2009 was to decrease funds held in custody of others by approximately \$2,785,000 and increase other income by approximately \$2,785,000.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 17 – REPLACEMENT FACILITY

During 2005, Hurricane Katrina substantially damaged the building that housed the Foundation's offices. The recorded value of building was adjusted subsequent to the Hurricane and is currently recorded on the Foundation's Statement of Financial Position as not in service. The Foundation has negotiated with FEMA and received a project worksheet for approximately \$4 million. A statement of probable cost was obtained from an architect totaling \$7.4 million. The Foundation intends on negotiating with FEMA to secure further funding.

NOTE 18 – RESTATEMENT OF NET ASSETS

The Foundation's financial statements as of June 30, 2008 and 2007 contained an error, which resulted in improper classification of net assets and changes in net assets in the Foundation's Statement of Activities and Statement of Financial Position.

Beginning Net Assets:

The beginning net assets on the Statement of Activities have been restated to reflect the following changes:

	<u>Net Assets at July 1, 2007</u>	<u>Adjustment</u>	<u>Net Assets at July 1, 2007, Restated</u>
Unrestricted net assets	\$ 1,701,604	\$ 383,304	\$ 2,084,908
Temporarily restricted net assets	20,421,764	18,928,527	39,350,291
Permanently restricted net assets	<u>56,274,207</u>	<u>(19,311,831)</u>	<u>36,962,376</u>
Total	<u>\$ 78,397,575</u>	<u>\$ _____</u>	<u>\$ 78,397,575</u>

As a result of this change, only the classification of net assets is affected. Total net assets remain unchanged.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2009

NOTE 18 – RESTATEMENT OF NET ASSETS (CONTINUED)

Revenues:

The revenues on the Statement of Activities have been restated to reflect the following changes:

	Revenues as Previously Reported <u>June 30, 2008</u>	<u>Adjustment</u>	Revenues June 30, 2008, <u>Restated</u>
Change in unrestricted net assets	\$ (194,979)	\$ 21,546	\$ (173,433)
Change in temporarily restricted net assets	2,111,863	(3,145,706)	(1,033,843)
Change in permanently restricted net assets	<u>(2,162,407)</u>	<u>3,124,160</u>	<u>961,753</u>
Total	<u>\$ (245,523)</u>	<u>\$ -</u>	<u>\$ (245,523)</u>

As a result of this change, only the classification of revenues is affected. Total revenues are unchanged.

**SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA**

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 10,725
Investments	4,304,270
Accounts receivable, net	1,952,046
Pledges receivable	17,520
Due from other campuses	-
Due from State Treasury	-
Due from Federal Government	-
Inventories	-
Deferred charges and prepaid expenses	-
Notes receivable	-
Other current assets	93,304
Total current assets	<u><u>6,377,865</u></u>

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	-
Investments	-
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	72,496,948
Pledges receivable	22,927
Notes receivable	-
Capital assets, net	1,459,375
Assets under capital leases, net	-
Other noncurrent assets	23,863
Total noncurrent assets	<u><u>74,003,113</u></u>
Total assets	<u><u>\$ 80,380,978</u></u>

(CONTINUED)

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF NET ASSETS (CONTINUED)
For the Year Ended June 30, 2009**

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 340,331
Due to other campuses	-
Due to State Treasury	-
Due to Federal Government	-
Deferred revenues	-
Amounts held in custody for others	-
Compensated absences payable	-
Capital lease obligations	-
Claims and litigations	-
Notes payable	-
Contracts payable	-
Reimbursement Contracts payable	-
Bonds payable	80,000
Other current liabilities	6,795
Total current liabilities	<u>427,126</u>

Noncurrent Liabilities

Amounts held in custody for others	17,505,727
Compensated absences payable	-
Capital lease obligations	-
Claims and litigations	-
Notes payable	-
Contracts payable	-
Reimbursement Contracts payable	-
OPEB payable	-
Bonds payable	1,590,000
Other noncurrent liabilities	53,866
Total noncurrent liabilities	<u>19,149,593</u>
Total liabilities	<u>19,576,719</u>

NET ASSETS

Invested in capital assets, net of related debt	(210,625)
Restricted for:	
Nonexpendable	43,044,594
Expendable	19,185,496
Unrestricted	(1,215,206)
Total Net Assets	<u>\$ 60,804,259</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
For the Year Ended June 30, 2009

OPERATING REVENUES

Student tuition and fees	\$	-
Less scholarship allowances		-
Net student tuition and fees		-
Gifts received by the foundations		1,958,773
Endowment Income		-
Federal appropriations		-
Federal grants and contracts		-
State and local grants and contracts		-
Nongovernmental grants and contracts		-
Sales and services of educational departments		-
Hospital income		-
Auxiliary enterprise revenues, including revenues pledged as security for bond issues		-
Less scholarship allowances		-
Net auxiliary revenues		-
Other operating revenues		208,017
Total operating revenues		2,166,790

OPERATING EXPENSES

Educational and general		
Instruction		-
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		-
Operation and maintenance of plant		-
Depreciation		-
Scholarships and fellowships		-
Auxiliary enterprises		-
Hospital		-
Other operating expenses		1,301,220
Total operating expenses		1,301,220
Operating income (loss)	\$	865,570

(CONTINUED)

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2009**

NONOPERATING REVENUES AND (EXPENSES)

State appropriations	\$	-
Gifts		-
Federal nonoperating revenues (expenses)		-
Net investment income (loss)		(18,003,266)
Interest expense		-
Payments to or on behalf of the university		(5,109,360)
Other nonoperating revenues (expenses)		(221,202)
Net nonoperating revenues (expenses)		<u>(23,333,828)</u>
Income before other revenues, expenses, gains, and losses		<u>(22,468,258)</u>
Capital appropriations		-
Capital gifts and grants		-
Additions to permanent endowments		5,120,465
Other additions, net		-
Extraordinary item - loss on impairment of capital assets		-
Increase (decrease) in net assets		<u>(17,347,793)</u>
Net assets at beginning of year		78,152,052
Net assets at end of year	\$	<u><u>60,804,259</u></u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

Cash flows from operating activities	
Student tuition and fees	\$ -
Federal appropriations	-
Grants and contracts	-
Sales and services of educational departments	-
Hospital income	-
Auxiliary enterprise receipts	-
Payments for employee compensation	-
Payments for benefits	-
Payments for utilities	-
Payments for supplies and services	-
Payments for scholarships and fellowships	-
Loans to students	-
Collection of loans to students	-
Other receipts (disbursements)	(14,317,774)
Net cash used by operating activities	<u>(14,317,774)</u>
Cash flows from non-capital financing activities	
State appropriations	-
Gifts and grants for other than capital purposes	-
Private gifts for endowment purposes	13,762,904
TOPS receipts	-
TOPS disbursements	-
FEMA receipts	-
FEMA disbursements	-
Direct lending receipts	-
Direct lending disbursements	-
Federal Family Education Loan Program receipts	-
Federal Family Education Loan Program disbursements	-
Other receipts (disbursements)	-
Net cash used by noncapital financing sources	<u>13,762,904</u>
Cash flows from capital financing activities	
Proceeds from capital debt	-
Capital appropriations received	-
Capital grants and gifts received	-
Proceeds from sale of capital assets	-
Purchase of capital assets	(70,035)
Principal paid on capital debt and leases	(80,000)
Interest paid on capital debt and leases	-
Deposit with trustees	-
Other sources	-
Net cash provided by capital financing activities	<u>(150,035)</u>

(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2009

Cash flows from investing activities	
Proceeds from sales and maturities of investments	\$ 92,906,402
Change in cash restricted for debt service	5,201
Purchase of investments	<u>(92,731,037)</u>
Net cash provided (used) by investing activities	<u>180,566</u>
Net increase (decrease) in cash and cash equivalents	<u>(524,339)</u>
Cash and cash equivalents at beginning of the year	<u>535,064</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 10,725</u></u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities	
Operating income	\$(17,347,793)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization expense	1,591
Provision for uncollectible promises to give and contributions receivable	279,621
Net change in discount on unconditional promises to give	(53,964)
Realized and unrealized gains on investments	18,815,861
Changes in assets and liabilities:	
(Increase) decrease in interest receivable	165,468
(Increase) decrease in other receivables	496,988
(Increase) decrease in deferred charges & prepaid expenses	-
(Increase) decrease in other assets	-
Increase (decrease) in accounts payable & accrued expenses	(129,746)
Increase (decrease) in deferred revenues	-
Decrease in split-interest agreement	1,779
Increase (decrease) in amounts held in custody for others	(2,784,675)
Increase (decrease) in deposits	-
Increase (decrease) in compensated absences	-
Increase (decrease) in OPEB payable	-
Contributions permanently restricted by donors	(13,762,904)
Increase (decrease) in other liabilities	-
Net cash provided by operating activities:	<u><u>\$(14,317,774)</u></u>
Noncash Investing, Noncapital Financing, and Capital & Related Financing Transactions	
Capital appropriations	\$ -
Non-cash state appropriations for property	-
Net cash provided (used) by noncash investing	<u><u>\$ -</u></u>
Reconciliation of Cash & Cash Equivalents to the SNA	
Cash and cash equivalents classified as current assets	\$ 10,725
Cash and cash equivalents classified as noncurrent assets	-
	<u><u>\$ 10,725</u></u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 10,725
Restricted cash	-
Investments	4,304,270
Accrued interest receivable	-
Accounts receivable, net	-
Unconditional promises to give, net	17,520
Inventories	-
Deferred charges and prepaid expenses	-
Notes receivable, net	-
Cash restricted for debt service	93,304
Other current assets	1,952,046
Total current assets	<u>6,377,865</u>

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	-
Investments	-
Investments	72,496,948
Unconditional promises to give	22,927
Notes receivable, net	-
Property and equipment, net	1,459,375
Other noncurrent assets	23,863
Total noncurrent assets	<u>74,003,113</u>

Total assets	<u>\$ 80,380,978</u>
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(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION (CONTINUED)
For the Year Ended June 30, 2009

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 340,331
Deferred revenues	-
Amounts held in custody for others	-
Compensated absences payable	-
Capital lease obligations	-
Current portion of notes payable	-
Current portion of bonds payable	80,000
Other current liabilities	6,795
Total current liabilities	427,126

Noncurrent Liabilities

Amounts held in custody for others	17,505,727
Compensated absences payable	-
Capital lease obligations, net of current portion	-
Notes payable, net of current portion	-
Bonds payable, net of current portion	1,590,000
Other noncurrent liabilities	53,866
Total noncurrent liabilities	19,149,593
Total liabilities	19,576,719

NET ASSETS

Unrestricted	(1,425,831)
Temporarily restricted	19,185,496
Permanently restricted	43,044,594
Total Net Assets	60,804,259

Total Liabilities and Net Assets	\$ 80,380,978
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THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Changes in unrestricted net assets:

Contributions	\$ 9,169
Investment earnings	(3,535,664)
Service fees	-
Grants and contracts	-
Other revenues	208,017
Total unrestricted revenues	(3,318,478)
Net assets released from restrictions:	
Satisfaction of program expenses	6,391,752
Total unrestricted revenues and other support	3,073,274

Expenses:

Amounts paid to benefit Louisiana State University for:	
Projects specified by donors	5,109,360
Projects specified by the Board of Directors	-
Other:	
Grants and contracts	-
Property Operations	-
Other	-
Total program expenses	5,109,360

Supporting services:

Salaries and benefits	635,188
Occupancy	9,042
Office operations	49,648
Travel	5,225
Professional services	207,598
Dues and subscriptions	20,233
Meetings and development	11,107
Depreciation and amortization	1,591
Provision for uncollectible accounts	-
Loss on sale of assets	-
Other	361,588
Total supporting services	1,301,220
Total expenses	6,410,580

Increase/(decrease) in unrestricted net assets	\$ (3,337,306)
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(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2009

Changes in temporarily restricted net assets:	
Contributions	\$ 1,949,604
Investment earnings	(14,467,602)
Other	(221,202)
Total temporarily restricted revenues	<u>(12,739,200)</u>
Net assets released from restrictions:	
Satisfaction of program expenses	<u>(6,391,752)</u>
Total net assets released from restrictions	<u>(6,391,752)</u>
Increase/(decrease) in temporarily restricted net assets	<u>\$ (19,130,952)</u>
 Changes in permanently restricted net assets:	
Contributions	\$ 2,231,877
Investment earnings	-
Other	2,888,588
Total permanently restricted revenues	<u>5,120,465</u>
Net assets released from restrictions	
Transfer of Endowment and write off of uncollectible promises to give	<u>-</u>
Total net assets released from restrictions	<u>-</u>
Increase/(decrease) in permanently restricted net assets	<u>\$ 5,120,465</u>
 Increase/(decrease) in net assets	
Net assets at beginning of year	\$ 78,152,052
Net assets at end of year	<u>\$ 60,804,259</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2009

	Balance 6/30/2008	Prior Period Adjustment	Restated Balance 6/30/2008	Additions	Transfers	Retirements	Balance 6/30/2009
Capital assets not being depreciated							
Land	\$ 315,467	-	\$ 315,467	\$ -	-	\$ -	\$ 315,467
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not being depreciated	\$ 315,467	-	\$ 315,467	\$ -	-	\$ -	\$ 315,467
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements							
Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings							
1,123,342	1,123,342	-	1,123,342	-	-	-	1,123,342
Less accumulated depreciation	(49,469)	-	(49,469)	-	-	-	(49,469)
Total buildings	1,073,873	-	1,073,873	-	-	-	1,073,873
Equipment							
62,026	62,026	-	62,026	70,035	-	(62,026)	70,035
Less accumulated depreciation	(62,026)	-	(62,026)	-	-	62,026	-
Total equipment	-	-	-	70,035	-	-	70,035
Library books							
Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	\$ 1,073,873	-	\$ 1,073,873	\$ 70,035	-	\$ -	\$ 1,143,908
Capital Asset Summary:							
Capital assets not being depreciated	\$ 315,467	-	\$ 315,467	\$ -	-	\$ -	\$ 315,467
Other capital assets, at cost	1,185,368	-	1,185,368	70,035	-	(62,026)	1,193,377
Total cost of capital assets	1,500,835	-	1,500,835	70,035	-	(62,026)	1,508,844
Less accumulated depreciation	(111,495)	-	(111,495)	-	-	62,026	(49,469)
Capital assets, net	\$ 1,389,340	-	\$ 1,389,340	\$ 70,035	-	\$ -	\$ 1,459,375

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE
For the Year Ended June 30, 2009**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/08	(Redeemed) Issued	Principal Outstanding 6/30/09	Interest Rates	Interest Outstanding 6/30/09
Equipment & Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	01/01/02	\$ 2,035,000	\$ 1,750,000	\$ (80,000)	\$ 1,670,000	2.20%	\$ -

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Year Ended June 30, 2009**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 80,000	Variable	\$ 80,000
2011	85,000	Variable	85,000
2012	90,000	Variable	90,000
2013	95,000	Variable	95,000
2014	95,000	Variable	95,000
2015	100,000	Variable	100,000
2016	105,000	Variable	105,000
2017	110,000	Variable	110,000
2018	115,000	Variable	115,000
2019	120,000	Variable	120,000
2020	125,000	Variable	125,000
2021	130,000	Variable	130,000
2022	135,000	Variable	135,000
2023	140,000	Variable	140,000
2024	145,000	Variable	145,000
2025	-		-
2026	-		-
2027	-		-
2028	-		-
2029	-		-
2030	-		-
2031	-		-
2032	-		-
2033	-		-
2034	-		-
2035	-		-
2036	-		-
2037	-		-
2038	-		-
TOTAL	<u>\$ 1,670,000</u>		<u>\$ 1,670,000</u>

List the terms by which interest rate changes for variable-rate debt:

Default interest rate is Prime Rate plus 2%

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA
For the Year Ended June 30, 2009

Note A. 15 Component Units

1. A brief description of the component unit.

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

During the year ended June 30, 2009, the Foundation for LSU Health Sciences Center made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of : \$ 5,109,360

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

450A S. Claiborne Ave., New Orleans, LA 70112

(mailing address)

or from the foundation's website at: www.foundation.lsuhscc.edu

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

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2009**

System Note 26. Amounts Held in Custody for Others

Entity

State matching funds managed for LSUHSC in New Orleans	\$17,505,727
Total Temporarily Restricted	<u><u>\$17,505,727</u></u>

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)**

For the Year Ended June 30, 2009

Note 1. Bonds & notes payable & capital leases.

	Balance June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Amounts due within one year
Notes & bonds payable:					
Notes payable	-	-	-	-	-
Bonds payable	1,750,000		(80,000)	1,670,000	80,000
Total bonds and notes payable	1,750,000		(80,000)	1,670,000	80,000
Other liabilities:					
Compensated absences payable	-		-	-	-
Capital lease obligations	-		-	-	-
Claims and litigation payable	-		-	-	-
Amounts held in custody for others	20,290,402		(2,784,675)	17,505,727	-
Contracts payable	-		-	-	-
Reimbursement contracts payable	-		-	-	-
OPEB Payable	-		-	-	-
Total other liabilities	20,290,402		(2,784,675)	17,505,727	-
Total long-term liabilities	\$ 22,040,402	\$ -	\$ (2,864,675)	\$ 19,175,727	\$ 80,000

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2009

System Note 17. Restricted Net Assets - Component Units

	LSU Foundation	Tiger Athletic Foundation	UNO R & T Foundation	Pennington Medical Foundation	HSC N.O. Foundation
Temporarily restricted:					
Chairs and professorships					\$ 6,528,884
Scholarships and fellowships					
Specific academic and research projects					
Academic support					
Capital outlay and improvements					
Research support					
Institutional support					12,656,612
Faculty - salary supplements					
<i>Donor restrictions</i>					
Restricted contributions receivable					
Restricted accounts payable					
Building funds					
Educational studies program					
Total temporarily restricted	\$ -	\$ -	\$ -	\$ -	\$ 19,185,496
Permanently restricted					
Chairs and professorships					\$ 28,051,182
Scholarships and fellowships					
Specific academic and research projects					
Academic support					
Capital outlay and improvements					
Research support					
Institutional support					
Endowment Funds					14,993,412
Educational studies program					
Faculty - salary supplements					
Total permanently restricted	\$ -	\$ -	\$ -	\$ -	\$ 43,044,594

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

3501 N. Causeway Blvd. • Suite 810 • P.O. Box 6952 • Metairie, LA 70009
Phone (504) 837-9116 • Fax (504) 837-0123 • www.rebowe.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Foundation for the LSU Health Sciences Center
New Orleans, Louisiana

We have audited the financial statements of The Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects the Foundation'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 Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

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 Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Rebowe & Company

August 27, 2009

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

A - Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Foundation for the LSU Health Sciences Center.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Foundation for the LSU Health Sciences Center, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A Management Letter was not issued for the year ended June 30, 2009.

B - Findings - Financial Statement Audit

There were no findings related to financial statements for the year ended June 30, 2009.

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior year findings related to the financial statements for the year ended June 30, 2008.

MANAGEMENT LETTER

A Management Letter was not issued for the year ended June 30, 2008.

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2009**

There were no findings for the year ended June 30, 2009; therefore, a corrective action plan is not required.