

**PENNINGTON BIOMEDICAL RESEARCH**  
**FOUNDATION**



**2008 CONSOLIDATED FINANCIAL STATEMENTS**

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 11/25/09

**P&N** Postlethwaite  
& Netterville

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**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Pennington Biomedical Research Foundation  
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of the Pennington Biomedical Research Foundation and its subsidiary as of June 30, 2008 and 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Pennington Biomedical Research Foundation and its subsidiary as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Postlethwaite ; Netterville*

Baton Rouge, Louisiana  
October 16, 2008

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2008 AND 2007**

<b><u>ASSETS</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 9,305	\$ 125,507
Accounts receivable	42,002	18,107
Unconditional promises to give, net	112,401	316,919
Prepaid expenses	15,143	27,661
Office equipment (net of accumulated depreciation of \$904 and \$633 respectively)	2,491	724
Investments - unrestricted	2,806,629	2,363,934
Investments - temporarily restricted, permanently restricted, and funds held-in-custody	19,218,009	20,203,870
Investment in subsidiary	10,504	94,721
Annuity held by rabbi trust	847,219	788,772
Beneficial interest in split-interest agreement	690,243	-
<b>Total assets</b>	<b><u>\$ 23,753,946</u></b>	<b><u>\$ 23,940,215</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 299,401	\$ 325,920
Accrued expenses and other liabilities	25,533	25,968
Deferred revenues and deposits	83,200	27,910
Retirement obligation	847,219	788,772
Funds held-in-custody	6,112,695	6,543,370
<b>Total liabilities</b>	<b><u>7,368,048</u></b>	<b><u>7,711,940</u></b>
 <b><u>NET ASSETS</u></b>		
Unrestricted	1,388,752	1,700,585
Unrestricted - board designated	1,275,000	800,000
Temporarily restricted	5,565,511	6,263,134
Permanently restricted	8,156,635	7,464,556
<b>Total net assets</b>	<b><u>16,385,898</u></b>	<b><u>16,228,275</u></b>
 <b>Total liabilities and net assets</b>	 <b><u>\$ 23,753,946</u></b>	 <b><u>\$ 23,940,215</u></b>

The accompanying notes are an integral part of these statements.

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>SUPPORT AND REVENUES</u></b>				
Contributions	\$ 1,107,260	\$ 299,915	\$ 692,079	\$ 2,099,254
Research grants	-	387,009	-	387,009
Investment income	229,587	2,038	-	231,625
Management fee income	125,511	-	-	125,511
Other	26	789	-	815
	1,462,384	689,751	692,079	2,844,214
Net assets released by satisfaction of program restrictions	1,387,374	(1,387,374)	-	-
	2,849,758	(697,623)	692,079	2,844,214
<b><u>EXPENSES AND LOSSES</u></b>				
Program services	1,387,373	-	-	1,387,373
Management and general	517,503	-	-	517,503
Development	672,498	-	-	672,498
	2,577,374	-	-	2,577,374
Loss from subsidiary	109,217	-	-	109,217
<b><u>CHANGE IN NET ASSETS</u></b>	163,167	(697,623)	692,079	157,623
Net assets, beginning of period	2,500,585	6,263,134	7,464,556	16,228,275
<b><u>NET ASSETS, END OF PERIOD</u></b>	\$ 2,663,752	\$ 5,565,511	\$ 8,156,635	\$ 16,385,898

The accompanying notes are an integral part of these statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,478,941	\$ 806,183	\$ 600,535	\$ 2,885,659
-	304,840	-	304,840
438,580	1,624,363	-	2,062,943
138,607	-	-	138,607
3,036	-	-	3,036
<u>2,059,164</u>	<u>2,735,386</u>	<u>600,535</u>	<u>5,395,085</u>
1,383,314	(1,383,314)	-	-
<u>3,442,478</u>	<u>1,352,072</u>	<u>600,535</u>	<u>5,395,085</u>
1,390,874	-	-	1,390,874
389,016	-	-	389,016
444,399	-	-	444,399
<u>2,224,289</u>	<u>-</u>	<u>-</u>	<u>2,224,289</u>
33,355	-	-	33,355
1,184,834	1,352,072	600,535	3,137,441
1,315,751	4,911,062	6,864,021	13,090,834
<u>\$ 2,500,585</u>	<u>\$ 6,263,134</u>	<u>\$ 7,464,556</u>	<u>\$ 16,228,275</u>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			
	Program Services	Management and General	Development	Total
Bank charges	\$ 1,602	\$ 8,426	\$ -	\$ 10,028
Bad debt expense	-	100,000	-	100,000
Business development	-	9,929	211,983	221,912
Contributions/donations	500	-	-	500
Depreciation	-	271	-	271
Dues and subscriptions	2,491	9,803	4,158	16,452
Insurance	-	18,378	-	18,378
Investment expense	197,998	11,177	-	209,175
Lobbying/governmental relations	-	57,424	99	57,523
Meetings and symposiums	325,142	1,370	577	327,089
Miscellaneous	3,864	1,012	5,355	10,231
Payroll taxes and benefits	131,975	22,620	58,417	213,012
Postage	663	5,736	1,629	8,028
Printing	208	5,607	1,208	7,023
Professional fees	4,683	39,661	27	44,371
Repairs and maintenance	11,871	3,798	5,469	21,138
Research supplies and equipment	196,781	-	-	196,781
Salaries	456,527	156,326	367,538	980,391
Sponsorships	1,000	-	-	1,000
Supplies	5,711	5,701	2,899	14,311
Taxes	-	57,919	-	57,919
Telephone	-	1,259	2,283	3,542
Training	805	159	4,772	5,736
Travel	45,552	927	6,084	52,563
	\$ 1,387,373	\$ 517,503	\$ 672,498	\$ 2,577,374

The accompanying notes are an integral part of these statements.

2007

Program Services	Management and General	Development	Total
\$ 282	\$ 5,987	\$ -	\$ 6,269
-	-	-	-
8,892	7,759	118,320	134,971
200,000	-	-	200,000
-	271	-	271
3,741	8,461	4,251	16,453
-	4,789	-	4,789
175,824	4,721	-	180,545
-	57,090	-	57,090
238,105	2,962	305	241,372
3,173	7,001	888	11,062
95,487	22,627	30,999	149,113
-	4,971	335	5,306
-	2,915	255	3,170
52,491	23,268	2,750	78,509
8,512	9,944	4,634	23,090
182,770	-	-	182,770
399,924	151,640	267,642	819,206
-	-	-	-
343	8,007	1,377	9,727
-	63,013	-	63,013
-	1,117	2,088	3,205
-	1,544	2,649	4,193
21,330	929	7,906	30,165
<u>\$ 1,390,874</u>	<u>\$ 389,016</u>	<u>\$ 444,399</u>	<u>\$ 2,224,289</u>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 157,623	\$ 3,137,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss from investment in subsidiary	109,217	33,355
Depreciation	271	271
Bad debt expense	100,000	-
Realized gains on sales of investment securities	(784,236)	(747,213)
Unrealized loss (gain) on investment securities	1,088,148	(846,814)
Permanently restricted contributions	-	(600,535)
Changes in operating assets and liabilities:		
Accounts receivable	(23,894)	(4,990)
Unconditional promises to give	204,518	(204,352)
Prepaid expenses	12,518	(12,661)
Deferred tax asset	-	56,500
Accounts payable	(27,456)	68,784
Accrued expenses and other liabilities	501	11,503
Deferred revenues and deposits	55,290	(93,227)
Beneficial interest in split-interest agreement	(690,243)	-
Net cash provided by operating activities	202,257	798,062
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of office equipment	(2,038)	-
Member distributions (contributions)	(25,000)	120,000
Proceeds from sales of investments	12,509,527	8,540,824
Purchases of investments	(12,370,273)	(10,911,102)
Net cash used in investing activities	112,216	(2,250,278)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Permanently restricted contributions	-	600,535
Change in funds held-in-custody	(430,675)	969,209
Net cash provided by financing activities	(430,675)	1,569,744
Net increase (decrease) in cash and cash equivalents	(116,202)	117,528
Cash and cash equivalents at beginning of period	125,507	7,979
Cash and cash equivalents at end of period	\$ 9,305	\$ 125,507
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Cash paid during the year for income taxes	\$ 57,914	\$ 6,513

The accompanying notes are an integral part of these statements.

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies**

**Organization**

The Pennington Biomedical Research Foundation (the Foundation) is a non-profit charitable organization dedicated to providing the Pennington Biomedical Research Center (the Center) with individual, foundation and corporate support. The Center's mission is to improve health through research and education in nutrition and preventive medicine. As such, the Center has made many significant contributions to disease prevention, health, and longevity with particular focus on diabetes, cardiovascular disease, obesity, cancer and dementia.

During the year ended December 31, 1996, Pennington Discoveries, Inc. (PDI) was organized as a separate for-profit organization to commercialize and further develop technologies and other intellectual property originating from the Pennington Biomedical Research Center. In 2002, PDI entered into a partnership with NMCT USA, Inc. to form Pennington Management of Clinical Trials, LLC (PMCT). PDI is a 20% owner of PMCT. During the current fiscal year, PMCT discontinued its business operations and is currently liquidating its remaining assets.

**Consolidation**

The Foundation's consolidated financial statements include the accounts of Pennington Discoveries, Inc. a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Income Taxes**

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Pennington Discoveries, Inc. is a for-profit organization and is required to pay income taxes as determined by the Internal Revenue Code. As of June 30, 2008, Pennington Discoveries, Inc. had a net operating loss carryforward; therefore, there was no income tax payable recorded in the accompanying consolidated financial statements.

At June 30, 2008, the Foundation's subsidiary, Pennington Discoveries had a net operating loss (NOL) carryforward of approximately \$417,000 expiring in the years 2016 – 2026 from its operations. As of June 30, 2008 and 2007, the deferred tax asset created by net operating loss carryforwards was offset by a valuation allowance equal to the amount of the deferred tax asset given its realization is not probable. Deferred tax assets are subject to a valuation allowance if their realization is less than fifty percent probable.

**Reclassifications**

Certain amounts on the June 30, 2007 financial statements have been reclassified to conform with the June 30, 2008 financial statement presentation.

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 these estimates.

Deferred Revenues and Deposits

Deferred revenues and deposits include sponsorship revenues for various fundraising events, such as Soaring to New Heights, which have been received in advance of the events.

Investments

Investments consist of United States Government Agency obligations, mortgage and asset-backed securities, equities, money market funds, hedge funds, REITs and cash maintained in trust accounts. Investments owned by the Foundation with readily determinable fair values are stated at fair value based on quoted market prices and other observable market data. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers.

Realized gains and losses on dispositions are based on the net proceeds and the amortized cost of the securities sold, using the specific identification method, and are classified as temporarily restricted or unrestricted based on donor intent. These realized gains and losses flow through the Foundation's yearly activities. Investments received as gifts are initially recorded at fair value at the date of donation.

Cash Flow Statements

For purposes of the cash flow statements, cash and cash equivalents includes operating funds on deposit at various financial institutions.

Office Equipment

Office equipment is stated at historical cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using accelerated methods over the estimated useful lives.

Revenue Recognition

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

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenue in the period the promise is received. Promises to give are recorded at their realizable value if they are expected to be collected in one year or at fair value if they are expected to be collected in more than one year.

Statements of Functional Expenses

The costs of providing for the various programs and other activities of the Foundation have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting benefits based on management's estimates.

Concentrations of Credit Risk

The Foundation's investments are secured by SIPC (Securities Investor Protection Corporation) for up to \$60 million through insurance purchased by the investment company. However, the \$60 million of protection does not insure the quality of investments or protect against losses from fluctuating market values.

Split-interest Agreements

Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the present value of the expected cash flows to be received by the Foundation over the term of the agreement.

2. Retirement Contributions and Expense

The Foundation makes an annual contribution to the 403(b) retirement plan for eligible employees. The amount of the contribution is equal to 100% of an eligible employees' contribution up to 5% of annual compensation. Eligibility requirements are attainment of age 21 and full-time employment for one year. Contributions for the years ended June 30, 2008 and 2007 totaled approximately \$17,000 and \$13,000, respectively.

3. Investments

The investments of the Endowed Professorship Programs and the Endowed Chairs for Eminent Scholars Program are maintained and managed in brokerage accounts in compliance with the Board of Regent's investment policy.

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

3. Investments (continued)

Investments at fair value at June 30, 2008 and 2007 were comprised of the following:

	<u>2008</u>	<u>2007</u>
Equities	6,305,725	7,130,147
Domestic fixed income securities	5,804,058	4,988,648
Hedge fund of funds	4,171,465	3,649,872
Real estate investment trust	1,527,146	1,443,474
Money market funds	3,459,263	4,644,736
International fixed income securities	756,981	710,927
	<u>\$ 22,024,638</u>	<u>\$ 22,567,804</u>

Investment earnings were comprised of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest income	\$ 75,444	\$ 46,596
Dividends	460,093	422,320
Realized gains on sales of investments	784,236	747,213
Unrealized (loss) gains on investments	(1,088,148)	846,814
	<u>\$ 231,625</u>	<u>\$ 2,062,943</u>

4. Funds Held in Custody and Permanently Restricted Net Assets

Included in investments at June 30, 2008 and 2007, were funds held in custody at local banks, which represent funds contributed to the Foundation by private donors and matching funds received from the State of Louisiana.

The Endowed Chairs for Eminent Scholars Program requires a \$600,000 private donation and a matching \$400,000 gift from the State of Louisiana, making a total endowment of \$1,000,000 per program. The Eminent Scholars Program requires a \$60,000 private donation and a \$40,000 matching gift from the State of Louisiana, making a total endowment of \$100,000. Total funds held in custody were as follows:

	<u>2008</u>	<u>2007</u>
State Matching Funds	6,076,672	6,498,335
Other	36,023	45,035
	<u>\$ 6,112,695</u>	<u>\$ 6,543,370</u>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

4. Funds Held in Custody and Permanently Restricted Net Assets (continued)

Permanently restricted net assets consist of private donations and were as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Private donations	\$ 7,466,392	\$ 7,464,556
Beneficial interest in split interest agreement	690,243	-
	<u>\$ 8,156,635</u>	<u>\$ 7,464,556</u>

5. Unrestricted Net Assets-Board Designated

The Board of Directors of the Foundation designated \$1,275,000 and \$800,000 of its unrestricted fund balance as of June 30, 2008 and 2007, respectively, for use of future PBRC projects. These funds will remain within the Foundation and will be distributed to the Center at various times in the near future.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 were available for specific nutritional research programs and other nutritional research programs being conducted at the Pennington Biomedical Research Center.

	<u>2008</u>	<u>2007</u>
Endowed Chairs & Professorships	\$ 2,971,966	\$ 3,700,525
Specific Research Projects	421,108	423,033
Faculty Research Support	<u>2,172,437</u>	<u>2,139,576</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,565,511</u>	<u>\$ 6,263,134</u>

7. Net Assets Released From Restrictions

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes for the years ended June 30, 2008 and 2007, were as follows:

	<u>2008</u>	<u>2007</u>
Endowed Chairs & Professorships	\$ 729,906	\$ 575,102
Specific Research Projects	498,704	430,758
Faculty Research Support	<u>158,764</u>	<u>377,454</u>
Total Restrictions Released	<u>\$ 1,387,374</u>	<u>\$ 1,383,314</u>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. Investment in Joint Venture and Note Payable

Effective April 5, 2002, Pennington Discoveries, Inc. (PDI) became a member of Pennington Management of Clinical Trials, L.L.C. (Joint Venture). This limited liability company was formed for the purpose of conducting, managing and administering clinical trials in nutrition studies, studies pertaining to weight characteristics, and studies in the field of obesity and its associated diseases. PDI has a 20% interest in the Joint Venture and the other partner has an 80% interest. PDI and the Foundation are not obligated to fund any losses that exceed its cash contributions to the Joint Venture. For the years ended June 30, 2008 and 2007, a net loss was generated by the Joint Venture; therefore, the 20% of net loss was recorded in the accompanying consolidated financial statements. The Joint Venture had discontinued business operations as of June 30, 2008 and is currently liquidating its remaining assets.

Pertinent financial information for the Joint Venture as of and for the years ended June 30, 2008 and 2007 is as follows (unaudited):

<u>Balance sheet</u>	<u>2008</u>	<u>2007</u>
<u>Assets:</u>		
Cash	\$ 33,277	\$ 194,194
Accounts receivable, net	-	1,068,264
Other current assets	23,218	29,441
Property and equipment, net	<u>1,830</u>	<u>52,838</u>
Total assets	<u>\$ 58,325</u>	<u>\$ 1,344,737</u>
<u>Liabilities and members' equity:</u>		
Accounts payable and other liabilities	\$ 5,807	\$ 776,384
Billings in excess of costs and estimated earnings on uncompleted contracts	-	94,748
Members' capital	<u>52,518</u>	<u>473,605</u>
Total liabilities and members' capital	<u>\$ 58,325</u>	<u>\$ 1,344,737</u>
<u>Income statement</u>		
Contract revenue and other income	\$ 715,389	\$ 2,639,992
Cost of revenues	( 234,253)	( 1,309,393)
Other costs and expenses	<u>( 1,026,717)</u>	<u>( 1,497,168)</u>
Net income (loss)	<u>(\$ 545,581)</u>	<u>(\$ 166,569)</u>

9. Commitments

In 1999, the Foundation purchased an annuity to fund the retirement obligation of the former director of the Center. The annuity's value and corresponding retirement obligation was approximately \$847,000 at June 30, 2008 and \$789,000 at June 30, 2007.

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

10. Related Party Transactions

The Pennington Biomedical Research Foundation provides accounting services and administrative support to the Pennington Medical Foundation (PMF) and to PMCT. For the year ended June 30, 2008, PMF and PMCT paid the Foundation \$54,912 and \$16,160 respectively for accounting services. For the year ended June 30, 2007, PMF and PMCT paid the Foundation \$52,800 and \$39,801 respectively for accounting services. PMF provides office space and occupancy costs to the Foundation for its use at no explicit charge.

11. Unconditional Promises to Give

Unconditional promises to give at June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Promises to give expected to be collected in:		
Less than one year	\$ 67,000	\$ 266,003
One to five years	50,000	50,000
More than five years	<u>20,000</u>	<u>30,000</u>
	137,000	346,003
Less discount on promises to give	<u>( 24,599)</u>	<u>( 29,084)</u>
Net unconditional promises to give	<u>\$ 112,401</u>	<u>\$ 316,919</u>

The discount rate used in discounting unconditional promises to give was 4.70% as of June 30, 2008 and 5.00% as of June 30, 2007.

12. Split-Interest Agreements

The Foundation is the irrevocable beneficiary of a split-interest agreement, related to a charitable lead trust, under various terms and conditions. The funds are held and administered by an unrelated third party trustee. The Foundation's interest in the funds held by the trustee is measured at present value and is recorded at fair market value in the statement of financial position as a beneficial interest in split-interest agreement.

The discount rate used in the present value calculation for future payments is the prevailing rate of interest for similar types of high quality, fixed income investments. The discount rate used for 2008 was 6% and the remaining term of the agreement is approximately 21 years. Contribution revenue for the year ended June 30, 2008, the year that the agreement was established, was \$691,104. As of June 30, 2008, the fair market value of the beneficial interest was \$690,243. The Foundation received a distribution of \$861 for the year ended June 30, 2008.

As of June 30, 2008, trust distributions are expected to be received as follows:

Less than one year	\$ 39,593
One to five years	229,141
More than five years	<u>963,390</u>
	1,232,124
Less: Discount to net present value	<u>(541,881)</u>
Beneficial interest in split-interest agreement	<u>\$ 690,243</u>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**

**ASSETS**

	<u>Pennington Biomedical Research Foundation</u>	<u>Pennington Discoveries, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 847	\$ 8,458	\$ -	\$ 9,305
Accounts receivable	474,402	-	(432,400)	42,002
Unconditional promises to give, net	112,401	-	-	112,401
Prepaid expenses	15,143	-	-	15,143
Office equipment (net of accumulated depreciation of \$904)	2,491	-	-	2,491
Investments - unrestricted	2,806,629	-	-	2,806,629
Investments - temporarily restricted, permanently restricted, and funds held-in-custody	19,218,009	-	-	19,218,009
Investment in subsidiary	(413,438)	10,504	413,438	10,504
Annuity held by rabbi trust	847,219	-	-	847,219
Beneficial interest in lead trust	690,243	-	-	690,243
<b>Total assets</b>	<b>\$ 23,753,946</b>	<b>\$ 18,962</b>	<b>\$ (18,962)</b>	<b>\$ 23,753,946</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 299,401	\$ 432,400	\$ (432,400)	\$ 299,401
Accrued expenses and other liabilities	25,533	-	-	25,533
Deferred revenues and deposits	83,200	-	-	83,200
Retirement obligation	847,219	-	-	847,219
Funds held-in-custody	6,112,695	-	-	6,112,695
<b>Total liabilities</b>	<b>7,368,048</b>	<b>432,400</b>	<b>(432,400)</b>	<b>7,368,048</b>

**NET ASSETS**

Unrestricted	1,388,752	(413,438)	413,438	1,388,752
Unrestricted - board designated	1,275,000	-	-	1,275,000
Temporarily restricted	5,565,511	-	-	5,565,511
Permanently restricted	8,156,635	-	-	8,156,635
<b>Total net assets</b>	<b>16,385,898</b>	<b>(413,438)</b>	<b>413,438</b>	<b>16,385,898</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,753,946</b>	<b>\$ 18,962</b>	<b>\$ (18,962)</b>	<b>\$ 23,753,946</b>

**PENNINGTON BIOMEDICAL RESEARCH FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Pennington Biomedical Research Foundation</b>	<b>Pennington Discoveries, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b><u>SUPPORT AND REVENUES</u></b>				
Contributions	\$ 2,099,254	\$ -	\$ -	\$ 2,099,254
Research grants	387,009	-	-	387,009
Investment income	231,625	-	-	231,625
Management fee income	125,511	-	-	125,511
Other	815	-	-	815
	<u>2,844,214</u>	<u>-</u>	<u>-</u>	<u>2,844,214</u>
<b><u>EXPENSES AND LOSSES</u></b>				
Program services	1,387,373	-	-	1,387,373
Management and general	389,940	127,563	-	517,503
Development	672,498	-	-	672,498
	<u>2,449,811</u>	<u>127,563</u>	<u>-</u>	<u>2,577,374</u>
Loss from subsidiary	236,780	109,217	(236,780)	109,217
<b><u>CHANGE IN NET ASSETS</u></b>	157,623	(236,780)	236,780	157,623
Net assets, beginning of period	<u>16,228,275</u>	<u>(176,657)</u>	<u>176,657</u>	<u>16,228,275</u>
<b><u>NET ASSETS, END OF PERIOD</u></b>	<u>\$ 16,385,898</u>	<u>\$ (413,437)</u>	<u>\$ 413,437</u>	<u>\$ 16,385,898</u>