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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

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 9-12-07

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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, 2007, 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 2006 financial statements and, in our report dated September 5, 2006, 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, 2007, 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 17, 2007, 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 17 through 36 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.

Rebowe & Company

August 17, 2007

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(with comparative totals for 2006)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,431,982	\$ 1,132,077
Investments	5,916,186	3,703,133
Interest receivable	160,776	135,563
Unconditional promises to give, net	315,608	421,029
Note receivable, net	314,197	60,776
Cash restricted for debt service	101,855	100,396
Other receivables	3,607,639	1,140,624
Total current assets	11,848,243	6,693,598
Noncurrent Assets		
Investments	85,607,086	74,461,536
Unconditional promises to give, net	796,329	1,490,364
Note receivable, net	-	253,421
Deposits	-	3,838
Property and equipment, net	1,073,873	1,182,737
Land	315,467	415,467
Total noncurrent assets	87,792,755	77,807,363
Total assets	\$ 99,640,998	\$ 84,500,961
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,405,947	\$ 621,646
Bonds payable	75,000	75,000
Split-interest agreement	1,650	1,650
Total current liabilities	1,482,597	698,296
Noncurrent Liabilities		
Amounts held in custody for others	18,026,584	16,739,311
Bonds payable, net	1,722,954	1,796,364
Split-interest agreement	11,288	11,409
Total noncurrent liabilities	19,760,826	18,547,084
Total liabilities	21,243,423	19,245,380
Net Assets		
Unrestricted	1,701,604	425,731
Temporarily restricted	20,421,764	17,266,477
Permanently restricted	56,274,207	47,563,373
Total net assets	78,397,575	65,255,581
Total liabilities and net assets	\$ 99,640,998	\$ 84,500,961

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007
(with comparative totals for 2006)

	2007	2006
UNRESTRICTED NET ASSETS		
Unrestricted revenues and other support		
Contributions	\$ 39,163	\$ 222,175
Investment income – net	1,900,360	1,074,279
Rental income	-	23,891
Other income	6,883	9,110
	1,946,406	1,329,455
Net assets released from restrictions	7,046,481	6,989,144
Total unrestricted revenues and other support	8,992,887	8,318,599
Expenses		
Program services	6,252,137	5,737,089
General and administrative	1,093,189	2,170,463
Development	371,688	730,289
Total expenses	7,717,014	8,637,841
Increase (decrease) in unrestricted net assets	1,275,873	(319,242)
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted revenues and other support		
Contributions	5,808,160	5,604,568
Investment income – net	4,394,313	3,936,437
Other income	(704)	13,115
	10,201,769	9,554,120
Net assets released from restrictions	(7,046,481)	(5,405,726)
Increase (decrease) in temporarily restricted net assets	3,155,288	4,148,394
PERMANENTLY RESTRICTED NET ASSETS		
Permanently restricted revenues and other support		
Contributions	4,011,002	521,020
Investment income – net	4,947,104	721,364
Other income	(247,273)	579,714
	8,710,833	1,822,098
Net assets released from restrictions	-	(1,583,418)
Increase in permanently restricted net assets	8,710,833	238,680
Increase in net assets	13,141,994	4,067,832
Net assets at beginning of year	65,255,581	61,187,749
Net assets at end of year	\$ 78,397,575	\$ 65,255,581

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, 2007
(with comparative totals for 2006)

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Totals	
		General and Administrative	Development	2007	2006
Advertising	\$ 9,135	\$ 127,943	\$ -	\$ 137,078	\$ 62,845
Clinical trials, professional education and seminars	79,850	4,819	-	84,669	12,141
Community support	302,399	14,684	-	317,083	311,204
Conferences, meetings, and other travel	630,645	31,131	-	661,776	624,428
Depreciation and amortization	-	10,274	-	10,274	34,583
Dues and subscriptions	118,751	13,969	-	132,720	112,804
Equipment purchases	1,467,085	14,353	-	1,481,438	532,567
Fundraising expenses	14,852	-	11,981	26,833	29,909
Honoraria	37,133	-	-	37,133	13,155
Interest expense	-	75,794	-	75,794	59,878
Casualty loss - property	-	-	-	-	845,789
Meeting expenses	76,518	359	-	76,877	8,172
Miscellaneous	234,255	17,639	-	251,894	172,262
Occupancy	158,327	13,762	-	172,089	102,701
Other	1,912	669	-	2,581	5,716
Postage and shipping	16,996	22,707	-	39,703	39,820
Printing and publications	62,644	27,024	-	89,668	114,255
Professional fees and contract service payments	1,349,805	229,780	-	1,579,585	756,341
Promotional expenses and official functions	870,634	-	29,974	900,608	512,337
Provision for uncollectible accounts	-	-	-	-	170,132
Repairs and maintenance	4,402	-	-	4,402	133,544
Salaries and benefits	362,947	455,053	329,733	1,147,733	2,200,291
Scholarships	225,140	-	-	225,140	193,284
Supplies	228,707	33,229	-	261,936	290,234
Transfer of Endowment	-	-	-	-	1,299,449
	<u>\$ 6,252,137</u>	<u>\$ 1,093,189</u>	<u>\$ 371,688</u>	<u>\$ 7,717,014</u>	<u>\$ 8,637,841</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, 2007
(with comparative totals for 2006)

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 13,141,994	\$ 4,067,832
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	10,274	34,583
Provision for uncollectible promises to give and contribution receivable	862,270	697,340
Net change in discount on unconditional promises to give	(62,814)	(121,677)
Realized and unrealized gains on investments	(4,182,192)	(3,466,480)
Casualty loss - property	-	845,789
Donated property	-	(200,181)
Changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	(25,213)	28,549
(Increase) in other receivables	(2,467,015)	(869,118)
Increase (decrease) in accounts payable and accrued expenses	784,301	(153,055)
Decrease in split-interest agreement	(121)	(1,517)
Increase in funds held in custody	1,287,273	1,980,287
Decrease in deposits	3,838	1,190
Interest, dividends, and gains and losses restricted for reinvestment	(4,947,104)	(721,364)
Contributions permanently restricted by donors	(3,013,922)	(1,100,734)
Net cash provided by operating activities	1,391,569	2,307,040
Cash Flows From Investing Activities		
Purchase of investments	(34,971,582)	(21,041,520)
Proceeds from sales and maturities of investments	25,795,171	16,720,549
Payments received on capital lease	-	11,163
Change in cash restricted for debt service	(1,459)	(13,175)
Proceeds from sale of property	200,180	-
Purchase of property and equipment	-	(68,000)
Net cash used by investing activities	(8,977,690)	(4,390,983)
Cash Flows From Financing Activities		
Payments on bonds payable	(75,000)	(70,000)
Interest, dividends, and gains and losses restricted for reinvestment	4,947,104	721,364
Contributions permanently restricted by donors	3,013,922	1,100,734
Net cash provided by financing activities	7,886,026	466,502
Net increase (decrease) in cash and cash equivalents	299,905	(1,617,441)
Cash and Cash Equivalents		
Beginning of year	1,132,077	2,749,518
End of year	\$ 1,431,982	\$ 1,132,077
Supplemental data:		
Cash paid for interest	\$ 75,794	\$ 59,878

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, 2007

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, 2007

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) 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.

h) 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.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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.

j) 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, 2007 and 2006 was \$687,232 and \$1,151,531, respectively. A provision for uncollectible promises to give was recorded for the year ended June 30, 2007 and 2006 as an expense in the amount of \$-0- and \$170,132, respectively.

k) 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, 2007, all other furniture, equipment, and accounting software owned by the Foundation were purchased 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.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended June 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) 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.

n) 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, 2006, from which the summarized information was derived.

o) Cash Flow Statement

During the years ended June 30, 2007 and 2006, the Foundation had non-cash financing and investing activities as follows:

	2007	2006
Donation of land and building	\$ <u> -</u>	\$ <u>200,181</u>

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, 2007

NOTE 3 - RESTRICTIONS ON ASSETS (CONTINUED)

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.

Permanently restricted net assets released from restrictions during the year ended June 30, 2006 totaled \$1,583,418 and consisted of an Endowment of \$1,299,449 which was transferred to another University and pledges receivable deemed uncollectible totaling \$283,969.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Permanently restricted purposes	\$ 1,963,523	\$ 3,290,092
Less unamortized discount	(164,354)	(227,168)
Less allowance for uncollectible amounts	<u>(687,232)</u>	<u>(1,151,531)</u>
Net unconditional promises to give	<u>\$ 1,111,937</u>	<u>\$ 1,911,393</u>
Amount due in:		
Less than one year	\$ 602,736	\$ 421,029
One to five years	931,344	2,202,272
Over five years	<u>429,443</u>	<u>666,791</u>
Total	<u>\$ 1,963,523</u>	<u>\$ 3,290,092</u>

NOTE 5 - INVESTMENTS

As of June 30, 2007, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 4,090,098	\$ 3,775,665	\$ (314,433)
U.S. Government Agency bonds and notes	6,310,902	5,826,477	(484,425)
Corporate bonds and notes	3,401,482	3,134,715	(266,767)
Mutual funds and Other Equities	54,062,377	70,949,493	16,887,116
Hedge funds	2,800,246	3,686,535	886,289
Money Market/Certificate of Deposit	4,150,387	4,150,387	-
Total	<u>\$ 74,815,492</u>	<u>\$ 91,523,272</u>	<u>\$ 16,707,780</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 5 - INVESTMENTS (CONTINUED)

Investment return for the year ended June 30, 2007 is summarized as follows:

Interest and dividend income	\$ 7,059,585
Net gain	<u>4,182,192</u>
Total investment income	<u>\$11,241,777</u>

As of June 30, 2006, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 5,702,021	\$ 3,814,620	\$ (1,887,401)
U.S. Government Agency bonds and notes	2,998,028	4,770,571	1,772,543
Corporate bonds and notes	5,025,153	4,108,325	(916,828)
Mutual funds	49,015,690	62,177,663	13,161,973
Hedge Funds	2,500,000	2,890,031	390,031
Money Market/Certificate of Deposit	<u>403,459</u>	<u>403,459</u>	-
Total	<u>\$ 65,644,351</u>	<u>\$ 78,164,669</u>	<u>\$ 12,520,318</u>

Investment return for the year end June 30, 2006 is summarized as follows:

Interest and dividend income	\$ 2,265,600
Net gains	<u>3,466,480</u>
Total investment gain	<u>\$ 5,732,080</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 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 are added to investment principal and are not expendable in the future. No such stipulations are present at June 30, 2007.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 5 - INVESTMENTS (CONTINUED)

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 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 end 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 \$3,686,535 and \$2,890,031 at June 30, 2007 and 2006, 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>2007</u>	<u>2006</u>
Accounting software	\$ 49,646	\$ 49,646
Internet development software	12,380	12,380
Buildings	1,123,342	1,223,523
Less accumulated depreciation	<u>(111,495)</u>	<u>(102,812)</u>
Property and equipment, net	<u>\$1,073,873</u>	<u>\$1,182,737</u>
Land	<u>\$ 315,467</u>	<u>\$ 415,467</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 6 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense as of June 30, 2007 and 2006 was \$8,683 and \$32,992, respectively.

The Foundation purchased a building at 1933 Tulane Avenue on April 20, 2005 for \$196,821 of which \$100,440 was for land and \$96,381 was for the building. The building was heavily damaged on August 29, 2005 by Hurricane Katrina and had to be torn down.

The building owned and operated by the Foundation located at 2000 Tulane Avenue was heavily damaged on August 29, 2005 by Hurricane Katrina and is currently unoccupied. The uninsured loss on the buildings was estimated to be \$845,788. The Foundation has not yet determined when or if it will restore and reoccupy the building.

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 insured 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 \$18,026,584 and \$16,739,311 on June 30, 2007 and 2006, 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, 2007 and 2006 were \$137,078 and \$62,845, 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

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 10 - BONDS PAYABLE (CONTINUED)

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 2007 and 2006 amounted to approximately 4.0% and 3.2%, respectively. The bond issuance costs were \$35,000 to be amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for each of the fiscal years ended June 30, 2007 and 2006 was \$1,591.

Unamortized bond issuance costs at June 30, 2007 and June 30, 2006 were \$27,046 and \$28,636, respectively. Bonds payable, net at June 30, 2007 and 2006 were \$1,797,954 and \$1,871,364, respectively.

The bond proceeds were used to finance the renovation of the new building. Bond proceeds available at June 30, 2007 are held by a trustee in restricted cash accounts. Restricted cash at June 30, 2007 and 2006 totaled \$101,855 and \$100,396, respectively. Principal payments of \$75,000 and \$70,000 were made on the bond in the years ended June 30, 2007 and 2006, respectively. Interest was paid on the bonds in the amounts of \$75,794 and \$59,878 for the years ended June 30, 2007 and 2006, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2008	\$ 75,000
2009	80,000
2010	80,000
2011	85,000
2012	90,000
2013-2017	505,000
2018-2022	625,000
2023-2024	<u>285,000</u>
Total	<u>\$1,825,000</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 Company has made no advances during the year and has no outstanding balance on the line of credit as of June 30, 2007.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 12 - NOTE RECEIVABLE, NET

The Foundation purchased a building (1825 Tulane Avenue) for \$606,275 on September 4, 2002. On the same day, the Foundation entered into an agreement with the Louisiana State University Health Sciences Center to lease this building for a term of 3 years ending on September 4, 2005 with a monthly payment of \$18,500. On September 25, 2003, the Foundation entered into a supplemental agreement with the Louisiana State University Health Sciences Center to renegotiate the terms of the lease of this building for a term of 6 years and 2 months ending on August 5, 2009 with a monthly payment of \$7,597. The terms of the lease meet the criteria for a capital lease as defined by Statement of Financial Accounting Standards ("SFAS") Number 13. As a result, a note receivable was recorded in fiscal 2004 in the amount of \$747,175. Unearned interest income of \$140,900 was recorded and netted against the note receivable. The lease was suspended following Hurricane Katrina and no rental payments were made subsequent to Hurricane Katrina through June 30, 2007. Subsequent to June 30, 2007, the Louisiana State University Health Sciences Center has purchased the parking lot for the net balance of the note, \$314,197.

NOTE 13 - RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$27,238 and \$45,196 as of June 30, 2007 and 2006, respectively, which is included in salaries and benefits.

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 14 - SPLIT-INTEREST AGREEMENT

On June 15, 2004, the Foundation entered into a charitable gift annuity providing the Foundation a contribution of \$25,000 in cash. 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 \$1,650 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 (\$12,938 at June 30, 2006) is calculated using a discount rate of 6.0% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$1,650 for each of the years ended June 30, 2007 and 2006.

**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, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,431,982
Investments	5,916,186
Accounts receivable, net	3,607,639
Pledges receivable	315,608
Due from other campuses	-
Due from State Treasury	-
Due from Federal Government	-
Inventories	-
Deferred charges and prepaid expenses	-
Notes receivable	314,197
Other current assets	262,631
Total current assets	<u>11,848,243</u>

Noncurrent Assets

Restricted assets:

Cash and cash equivalents	-
Investments	-
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	85,607,086
Pledges receivable	796,329
Notes receivable	-
Capital assets, net	1,389,340
Assets under capital leases, net	-
Other noncurrent assets	27,046
Total noncurrent assets	<u>87,819,801</u>
Total assets	<u><u>99,668,044</u></u>

(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF NET ASSETS (CONTINUED)
For the Year Ended June 30, 2007

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,405,947
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	-
Bonds payable	75,000
Other current liabilities	1,650
Total current liabilities	1,482,597

Noncurrent Liabilities

Amounts held in custody for others	18,026,584
Compensated absences payable	-
Capital lease obligations	-
Claims and litigations	-
Notes payable	-
Contracts payable	-
Bonds payable	1,750,000
Other noncurrent liabilities	11,288
Total noncurrent liabilities	19,787,872
Total liabilities	21,270,469

NET ASSETS

Invested in capital assets, net of related debt	(435,660)
Restricted for:	
Nonexpendable	56,274,207
Expendable	20,421,764
Unrestricted	2,137,264
Total Net Assets	\$ 78,397,575

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
For the Year Ended June 30, 2007

OPERATING REVENUES

Student tuition and fees	\$	-
Less scholarship allowances		-
Net student tuition and fees		-
Gifts received by the foundations		5,847,323
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		6,883
Total operating revenues		5,854,206

OPERATING EXPENSES

Educational and general		
Instruction		-
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		-
Operation and maintenance of plant		-
Scholarships and fellowships		-
Auxiliary enterprises		-
Hospital		-
Other operating expenses		1,464,877
Total operating expenses		1,464,877
Operating income (loss)	\$	4,389,329

(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, 2007

NONOPERATING REVENUES AND (EXPENSES)

State appropriations	\$	-
Gifts		-
Net investment income (loss)		6,294,673
Interest expense		-
Payments to or on behalf of the university		(6,252,137)
Other nonoperating revenues (expenses)		(704)
Net nonoperating revenues (expenses)		41,832
Income before other revenues, expenses, gains, and losses		4,431,161
Capital appropriations		-
Capital gifts and grants		-
Additions to permanent endowments		8,710,833
Other additions, net		-
Extraordinary item - loss on impairment of capital assets		-
Increase (decrease) in net assets		13,141,994
Net assets at beginning of year		65,255,581
Net assets at end of year	\$	78,397,575

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

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)	1,391,569
Net cash provided by operating activities	<u>1,391,569</u>
Cash flows from non-capital financing activities	
State appropriations	-
Gifts and grants for other than capital purposes	-
Private gifts for endowment purposes	3,013,922
TOPS receipts	-
TOPS disbursements	-
Federal Family Education Loan Program receipts	-
Federal Family Education Loan Program disbursements	-
Other receipts (disbursements)	4,947,104
Net cash provided by noncapital financing sources	<u>7,961,026</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	200,180
Purchase of capital assets	-
Principal paid on capital debt and leases	(75,000)
Interest paid on capital debt and leases	-
Deposit with trustees	-
Other sources	-
Net cash used by capital financing activities	<u>125,180</u>

(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2007

Cash flows from investing activities	
Proceeds from sales and maturities of investments	\$ 25,795,171
Payments received on capital lease	-
Change in cash restricted for debt service	(1,459)
Interest received on investments	-
Purchase of investments	<u>(34,971,582)</u>
Net cash provided (used) by investing activities	<u>(9,177,870)</u>
Net increase (decrease) in cash and cash equivalents	<u>299,905</u>
Cash and cash equivalents at beginning of the year	<u>1,132,077</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,431,982</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities	
Operating income	\$ 13,141,994
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization expense	10,274
Provision for uncollectible promises to give and contributions receivable	862,270
Net change in discount on unconditional promises to give	(62,814)
Realized and unrealized gains on investments	(4,182,192)
Casualty loss - property	-
Donated property	-
Changes in assets and liabilities:	
Decrease in interest receivable	(25,213)
(Increase) decrease in other receivables	(2,467,015)
(Increase) decrease in inventories	-
(Increase) decrease in deferred charges & prepaid expenses	-
(Increase) decrease in notes receivable	-
(Increase) decrease in other assets	-
Increase (decrease) in accounts payable & accrued expenses	784,301
Increase (decrease) in deferred revenues	-
Decrease in split-interest agreement	(121)
Increase (decrease) in amounts held in custody for others	1,287,273
Increase (decrease) in deposits	3,838
Increase (decrease) in compensated absences	-
Contributions permanently restricted by donors	(7,961,026)
Increase (decrease) in other liabilities	-
Net cash provided by operating activities:	<u>\$ 1,391,569</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$	1,431,982
Accrued interest receivable		160,776
Investments		5,916,186
Accounts receivable, net		-
Unconditional promises to give, net		315,608
Inventories		-
Deferred charges and prepaid expenses		-
Notes receivable		314,197
Cash restricted for debt service		101,855
Other current assets		3,607,639
Total current assets		11,848,243

Noncurrent Assets

Restricted assets:		
Cash and cash equivalents		-
Investments		-
Accounts receivable, net		-
Notes receivable		-
Other		-
Investments		85,607,086
Unconditional promises to give		796,329
Notes receivable		
Property and equipment, net		1,389,340
Other noncurrent assets		27,046
Total noncurrent assets		87,819,801

Total assets	\$	99,668,044
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(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION (CONTINUED)
For the Year Ended June 30, 2007

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,405,947
Deferred revenues	-
Amounts held in custody for others	-
Compensated absences payable	-
Capital lease obligations	-
Current portion of notes payable	-
Current portion of bonds payable	75,000
Other current liabilities	1,650
Total current liabilities	<u>1,482,597</u>

Noncurrent Liabilities

Amounts held in custody for others	18,026,584
Compensated absences payable	-
Capital lease obligations, net of current portion	-
Notes payable, net of current portion	-
Bonds payable, net of current portion	1,750,000
Other noncurrent liabilities	11,288
Total noncurrent liabilities	<u>19,787,872</u>
Total liabilities	<u>21,270,469</u>

NET ASSETS

Unrestricted	1,701,604
Temporarily restricted	20,421,764
Permanently restricted	56,274,207
Total Net Assets	<u>78,397,575</u>

Total Liabilities and Net Assets	<u><u>\$ 99,668,044</u></u>
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THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Changes in unrestricted net assets:	
Contributions	\$ 39,163
Investment earnings	1,900,360
Service fees	-
Grants and contracts	-
Other revenues	6,883
Total unrestricted revenues	<u>1,946,406</u>
Net assets released from restrictions:	
Satisfaction of program expenses	7,046,481
Total unrestricted revenues and other support	<u>8,992,887</u>
Expenses:	
Amounts paid to benefit Louisiana State University for:	
Projects specified by donors	6,252,137
Projects specified by the Board of Directors	-
Other:	
Grants and contracts	-
Property Operations	-
Other	-
Total program expenses	<u>6,252,137</u>
Supporting services:	
Salaries and benefits	784,786
Occupancy	13,762
Office operations	97,313
Travel	31,131
Professional services	229,780
Dues and subscriptions	13,969
Meetings and development	30,333
Depreciation and amortization	10,274
Provision for uncollectible accounts	-
Merchandise expense	-
Loss on sale or impairment of assets	-
Other	253,529
Total supporting services	<u>1,464,877</u>
Total expenses	<u>7,717,014</u>
Increase/(decrease) in unrestricted net assets	<u><u>\$ 1,275,873</u></u>

(CONTINUED)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2007

Changes in temporarily restricted net assets:	
Contributions	\$ 5,808,160
Investment earnings	4,394,313
Other	(704)
Total temporarily restricted revenues	<u>10,201,769</u>
Net assets released from restrictions:	
Satisfaction of program expenses	<u>(7,046,481)</u>
Total net assets released from restrictions	<u>(7,046,481)</u>
Increase/(decrease) in temporarily restricted net assets	<u>\$ 3,155,288</u>
 Changes in permanently restricted net assets:	
Contributions	\$ 4,011,002
Investment earnings	4,947,104
Other	(247,273)
Total permanently restricted revenues	<u>8,710,833</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>\$ 8,710,833</u>
 Increase/(decrease) in net assets	
	\$ 13,141,994
Net assets at beginning of year	<u>65,255,581</u>
Net assets at end of year	<u><u>\$ 78,397,575</u></u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2007

	Balance 6/30/06	Prior Period Adjustment	Restated Balance 6/30/2006	Additions	Transfers	Retirements	Balance 6/30/2007
Capital assets not being depreciated							
Land	\$ 415,467	\$ -	\$ 415,467	\$ -	\$ -	\$ (100,000)	\$ 315,467
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not being depreciated	\$ 415,467	\$ -	\$ 415,467	\$ -	\$ -	\$ (100,000)	\$ 315,467
Other capital assets							
Infrastructure	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	1,223,523	-	1,223,523	-	-	(100,181)	1,123,342
Less accumulated depreciation	(49,469)	-	(49,469)	-	-	-	(49,469)
Total buildings	1,174,054	-	1,174,054	-	-	(100,181)	1,073,873
Equipment	62,026	-	62,026	-	-	-	62,026
Less accumulated depreciation	(53,343)	-	(53,343)	(8,683)	-	-	(62,026)
Total equipment	8,683	-	8,683	(8,683)	-	-	-
Library books	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-
Total library books	-	-	-	-	-	-	-
Total other capital assets	\$ -	\$ -	\$ 1,182,737	\$ (8,683)	\$ -	\$ (100,181)	\$ 1,073,873
Capital Asset Summary:							
Capital assets not being depreciated	\$ 415,467	\$ -	\$ 415,467	\$ -	\$ -	\$ (100,000)	\$ 315,467
Other capital assets, at cost	1,285,549	-	1,285,549	-	-	(100,181)	1,185,368
Total cost of capital assets	1,701,016	-	1,701,016	-	-	(200,181)	1,500,835
Less accumulated depreciation	(102,812)	-	(102,812)	(8,683)	-	-	(111,495)
Capital assets, net	\$ 1,598,204	\$ -	\$ 1,598,204	\$ (8,683)	\$ -	\$ (200,181)	\$ 1,389,340

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE
For the Year Ended June 30, 2007**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/06	(Redeemed) Issued	Principal Outstanding 6/30/07	Interest Rates	Interest Outstanding 6/30/07
Equipment & Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	01/01/02	\$ 2,035,000	\$ 1,900,000	\$ (75,000)	\$ 1,825,000	4.00%	\$ -

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Year Ended June 30, 2007

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 75,000	Variable	\$ 75,000
2009	80,000	Variable	80,000
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	-		-
TOTAL	<u>\$1,825,000</u>		<u>\$1,825,000</u>

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

Default interest rate is Prime Rate plus 2% per annum.

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, 2007

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, 2007, 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 : \$6,252,137

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, 2007**

System Note 2 on Foundation Cash

Cash & cash equivalents, per the Statement of Financial Position	\$ 1,431,982
Total cash deposits in excess of Federally insured limits at year end	\$ -
Did cash deposits exceed Federal insured limits anytime during the year ?	Yes
Number of active bank accounts	5

**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, 2007**

System Note 26. Amounts Held in Custody for Others

Entity

State matching funds managed for LSUHSC in New Orleans	\$18,026,584
Total Temporarily Restricted	<u>\$18,026,584</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, 2007

Note L. Bonds & notes payable & capital leases.

	Balance June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amounts Due Within One Year
Notes & bonds payable:					
Notes payable	\$ -	-	-	\$ -	-
Bonds payable	1,900,000	-	(75,000)	1,825,000	75,000
Total bonds and notes payable	1,900,000	-	(75,000)	1,825,000	75,000
Other liabilities:					
Compensated absences payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Amounts held in custody for others	16,739,311	1,287,273	-	18,026,584	-
Contracts payable	-	-	-	-	-
Total other liabilities	16,739,311	1,287,273	-	18,026,584	-
Total long-term liab	\$ 18,639,311	\$ 1,287,273	\$ (75,000)	\$ 19,851,584	\$ 75,000

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, 2007

Note P. Lessor Direct Financing Leases

<u>Composition of Lease</u>	<u>Date of Lease</u>	<u>Minimum Lease Payment Receivable</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
a. Office Space		\$ -	\$ -	\$ -
b. Equipment		-	-	-
c. Land	9/25/2003	364,654	(50,457)	314,197
Less amounts representing executory costs		(-)	(-)	(-)
Minimum lease payment receivable		364,654	(50,457)	314,197
Less allowance for doubtful accounts		(-)	(-)	(-)
Net minimum lease payments receivable		364,654	(50,457)	314,197
Estimated residual values of leased property		-	-	-
		364,654	(50,457)	314,197
Less unearned income		(-)	(-)	(-)
Net investment in direct financing leases		\$ 364,654	\$ (50,457)	\$ 314,197

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS
A PROFESSIONAL CORPORATION

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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, 2007, and have issued our report thereon dated August 17, 2007. 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 17, 2007

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

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, 2007.

B - Findings - Financial Statement Audit

There were no findings related to financial statements for the year ended June 30, 2007.

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2007**

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior year findings related to financial statements for the year ended June 30, 2006.

MANAGEMENT LETTER

A Management Letter was not issued for the year ended June 30, 2006.

**THE FOUNDATION FOR
THE LSU HEALTH SCIENCES CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2007**

There were no findings for the year ended June 30, 2007; therefore, a corrective action plan is not required.

**THE FOUNDATION FOR
LSU HEALTH SCIENCES CENTER**

AGREED-UPON PROCEDURES REPORT

For the Year Ended June 30, 2007

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REBOWE & COMPANY

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors, solely to assist you in demonstrating compliance with your Affiliation Agreement with Louisiana State University System for the year ended June 30, 2007. The Foundation for LSU Health Sciences Center's management is responsible for the Foundation's financial statements and accounting records. This engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures that were performed and the related findings, if any, are as follows:

PROCEDURE 1:

We verified that The Foundation for LSU Health Sciences Center complied with the following:

- A. The Foundation maintains a written policy regarding the handling and resolution of any audit findings, audit exceptions, and any misuse of funds and that a copy of this policy has been provided to the University.
- B. The Board of Directors of the Foundation has established and implemented policies governing all disbursements for administrative and operating expenses. The policies provide for sound and prudent business practices, the payment of reimbursements for ordinary, necessary and reasonable business expenses and the avoidance of conflicts-of-interest.

FINDINGS:

- A. No exceptions were noted.
- B. No exceptions were noted.

PROCEDURE 2:

We randomly selected twenty-five (25) disbursements and determined that they complied with the following:

- No supplemental compensation or benefit, as defined by paragraph A.2 in the Addendum to the Affiliation Agreement, has been paid directly to a University employee without approval by the President of the LSU System.
- Payments made to or on behalf of the University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's Dean, Vice Chancellor, or other equivalent administrative official.
- Payments for moving and relocation expenses of University employees covered by PM 69 have been approved by the President.
- There have been no payments made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee or other non-employee who is on University business) except for payments for which this prohibition does not apply as indicated in the Addendum to the Affiliation Agreement.
- No fines, forfeitures, or penalties of University employees have been paid.
- No gifts represented to be personally from a University employee have been made by the Affiliate nor has any University employee been reimbursed for the purchase of such a gift.
- No political contributions, which are prohibited by applicable Internal Revenue Service Regulations or state law, have been made or reimbursed.
- No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Foundation that the benefit to the individual University employee outweighs the benefit to the University. In accordance with paragraph B.5 of the Addendum, adequate procedures are in place to address doubtful situations.
- No payments have been made for any expense or reimbursement which would create, under all circumstances, a reasonable conclusion on behalf of the Foundation that the amount is extravagant or lavish beyond the appropriate University purpose. In accordance with paragraph B.6 of the Addendum, adequate procedures are in place to address doubtful situations.

- No funds have been disbursed in connection with contracts (or other agreements) between the Foundation and a University employee unless an exception has been approved by the President.
- Other payments to or on behalf of University employees, i.e. payments not specifically addressed above, have been made in accordance with specific approval of the President or written joint amendment or clarification of the Addendum.

FINDINGS:

No exceptions were noted.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the Board of Directors and management of the Foundation for LSU Health Sciences and the LSU Health Sciences Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Reboue & Company

August 17, 2007