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**Pennington Medical Foundation
Baton Rouge, Louisiana
December 31, 2007**

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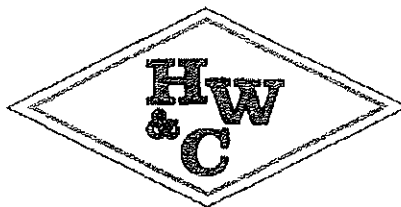
Release Date 6/4/08

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PLEVY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

April 23, 2008

Independent Auditor's Report

The Officers and Board of Trustees
Pennington Medical Foundation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the

Pennington Medical Foundation
A Non-Profit Organization
Baton Rouge, Louisiana

as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennington Medical Foundation as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Pennington Medical Foundation
Statements of Financial Position
December 31, 2007 and 2006

A s s e t s	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$132,549	\$65,124
Investments	95,202,901	98,580,736
Accounts receivable	19,125	18,562
Accrued investment income	61,913	197,961
Accrued royalties	36,390	19,539
Prepaid insurance	<u>63,169</u>	<u>61,084</u>
	95,516,047	98,943,006
 Assets Held in Trust	 4,998,722	 4,959,272
 Property and Equipment, Net	 41,242,565	 42,581,839
 Other Assets		
Bond issuance costs, net	<u>586,565</u>	<u>607,513</u>
 <u>Total assets</u>	 <u>142,343,899</u>	 <u>147,091,630</u>
 L i a b i l i t i e s a n d N e t A s s e t s		
Current Liabilities		
Bonds payable, current maturities	200,000	90,000
Line of credit	850,100	1,640,100
Accounts payable	914,386	740,467
Unamortized bond premium, current maturities	41,907	41,907
Accrued interest payable	<u>1,108,633</u>	<u>1,110,437</u>
	3,115,026	3,622,911
 Long-Term Liabilities		
Bonds payable, less current maturities	44,885,000	45,085,000
Unamortized bond premium, less current maturities	<u>1,131,463</u>	<u>1,173,370</u>
	46,016,463	46,258,370
 Net Assets		
Unrestricted	43,619,508	47,249,997
Unrestricted - designated	<u>49,592,902</u>	<u>49,960,352</u>
	93,212,410	97,210,349
 <u>Total liabilities and net assets</u>	 <u>142,343,899</u>	 <u>147,091,630</u>

The accompanying notes are an integral part of these statements.

Pennington Medical Foundation
 Statements of Activities
 Years Ended December 31, 2007 and 2006

<u>Unrestricted</u>	<u>2007</u>	<u>2006</u>
Revenue		
Investment	\$4,859,868	\$14,264,947
Rental	<u>169,689</u>	<u>175,603</u>
<u>Total revenue</u>	<u>5,029,557</u>	<u>14,440,550</u>
Expenses		
Program services	7,974,027	7,009,269
General and administrative	<u>1,053,469</u>	<u>879,326</u>
<u>Total expenses</u>	<u>9,027,496</u>	<u>7,888,595</u>
Change in Net Assets	(3,997,939)	6,551,955
Net Assets		
Beginning of year	<u>97,210,349</u>	<u>90,658,394</u>
End of year	<u>93,212,410</u>	<u>97,210,349</u>

The accompanying notes are an integral part of these statements.

Pennington Medial Foundation
Statements of Functional Expenses
Years Ended December 31, 2007 and 2006

	<u>December 31, 2007</u>			<u>December 31, 2006</u>		
	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total</u>
Contracts and supplements	\$2,796,050	\$33,744	\$2,829,794	\$2,138,209	\$32,301	\$2,170,510
Pennington Biomedical						
Research Center projects	300,054		300,054	210,833		210,833
Operating services	117,621		117,621	116,231		116,231
Professional fees	23,945	901,774	925,719	9,634	695,901	705,535
Office expense	5,445	11,751	17,196	9,297	19,671	28,968
Soverance tax		20,179	20,179		28,596	28,596
Foreign taxes		62,455	62,455		56,898	56,898
Depreciation expense	1,560,827		1,560,827	1,508,903		1,508,903
General development	11,148	9,291	20,439	3,583	11,786	15,369
Recruitment	11,876		11,876	25,558		25,558
Travel	81,127	351	81,478	75,352	31	75,383
Insurance	139,009		139,009	106,033	28,693	134,726
Bond related costs	10,600		10,600	4,829		4,829
Equipment	248,733	12,079	260,812	91,018	3,538	94,556
Supplies	243,097		243,097	207,883	189	208,072
Interest	2,283,414		2,283,414	2,220,076		2,220,076
Residence Center	130,303		130,303	174,980		174,980
Conferences/symposium				105,401		105,401
Miscellaneous	<u>10,778</u>	<u>1,845</u>	<u>12,623</u>	<u>1,449</u>	<u>1,722</u>	<u>3,171</u>
	<u>7,974,027</u>	<u>1,053,469</u>	<u>9,027,496</u>	<u>7,009,269</u>	<u>879,326</u>	<u>7,888,595</u>

The accompanying notes are an integral part of these statements.

Pennington Medial Foundation
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Change in net assets	(\$3,997,939)	\$6,551,955
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,560,827	1,508,903
Realized gains on investments	(5,686,575)	(6,283,064)
Unrealized depreciation or (appreciation) on investments	3,405,022	(5,460,690)
Bond premium amortization	(41,907)	(41,906)
Bond issuance cost amortization	20,948	20,948
Changes in operating assets and liabilities		
Accounts receivable	(563)	29,367
Accrued interest	136,048	(145,017)
Accrued royalties	(16,851)	25,620
Prepaid expenses	(2,085)	(14,206)
Deferred bond issuance cost		(628,462)
Accounts payable	173,919	(949,210)
Accrued interest payable	<u>(1,804)</u>	<u>1,110,437</u>
<u>Net cash provided (used) by operating activities</u>	<u>(4,450,960)</u>	<u>(4,275,325)</u>
Cash Flows From Investing Activities		
Fixed asset additions	(221,553)	(2,924,947)
Purchase of investments	(9,554,051)	(24,553,279)
Proceeds from sale of investments	15,213,439	29,741,006
Increase in assets held in trust	<u>(39,450)</u>	<u>(1,228,379)</u>
<u>Net cash provided by investing activities</u>	<u>5,398,385</u>	<u>1,034,401</u>
Cash Flows From Financing Activities		
Payment on bonds payable	(90,000)	(44,830,000)
Payment on notes payable	(790,000)	(740,000)
Proceeds from bonds payable		46,432,183
Proceeds from notes payable		<u>2,380,100</u>
<u>Net cash provided (used) by financing activities</u>	<u>(880,000)</u>	<u>3,242,283</u>
Net Increase in Cash	67,425	1,359
Cash and Cash Equivalents, beginning of year	<u>65,124</u>	<u>63,765</u>
Cash and Cash Equivalents, end of year	<u><u>132,549</u></u>	<u><u>65,124</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u><u>2,218,283</u></u>	<u><u>1,977,016</u></u>

The accompanying notes are an integral part of these statements.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 1-Summary of Accounting Policies

A. Nature of Operations

The Pennington Medical Foundation (the Foundation) is a non-profit organization created in 1980 exclusively for scientific purposes in constructing and equipping the Pennington Biomedical Research Center (the Center), a campus of the Louisiana State University System. The Foundation provides financial support, in conjunction with the Pennington Biomedical Research Foundation (the Research Foundation), for medical research conducted at the Center.

B. 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.

C. Basis of Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Foundation is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Foundation has been limited by donors (a) to later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions permanently limiting the Foundation's use of the asset. The Foundation does not have any temporarily or permanently restricted net assets.

D. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The Foundation utilizes various investment instruments which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the balance sheet.

E. Cash and Cash Equivalents

The Foundation considers all funds on deposit at financial institutions to be cash equivalents.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note I-Summary of Accounting Policies (Continued)

F. Investments

The Foundation has adopted Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (SFAS No. 124). Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income is reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

G. Property and Equipment

Property and equipment are capitalized at cost. Maintenance and repair expenditures are expensed as incurred. Depreciation is computed using straight line and accelerated methods over the estimated useful lives of 5 to 39 years.

H. Bond Issuance Costs

Unamortized bond issuance costs are recorded as other assets on the balance sheet and are being amortized over the life of the bond. The bond issuance cost amortized in 2007 and 2006 was \$20,949.

I. Bond Premium

Unamortized bond premium is included in bonds payable on the balance sheet and is being amortized over the life of the bond. The bond premium amortized in 2007 and 2006 was \$41,907.

J. 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. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

K. Capitalized Interest

The Foundation follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. In 2007, the total interest incurred was \$2,283,414, none of which was capitalized. In 2006, the total interest incurred was \$2,262,016 of which \$41,940 was capitalized.

L. Functional Expenses

Functional expenses are allocated between program services and supporting services, which include fund-raising, merchandise, and general and administrative. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 1-Summary of Accounting Policies (Continued)

M. Reclassification

Certain reclassifications have been made to the 2006 financial statements to conform with classifications used in 2007. The reclassifications had no effect on changes in net assets or net assets.

Note 2-Investments

Investments at December 31, 2007 and 2006 are comprised of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	\$64,317,723	\$68,997,544	\$75,506,271	\$86,830,036
Fixed Income -				
International Fund	9,686,397	10,849,691		
Meridian Diversified Fund	7,451,838	11,032,205	7,451,838	9,857,809
Mineral interest		236,909		888,978
Louisiana Fund I	205,000	169,475	130,000	89,344
Themelios Fund	125,000	98,235		
Money market funds	<u>3,818,842</u>	<u>3,818,842</u>	<u>914,569</u>	<u>914,569</u>
	<u>85,604,800</u>	<u>95,202,901</u>	<u>84,002,678</u>	<u>98,580,736</u>

Investment earnings are comprised of the following for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest income	\$222,516	\$394,886
Dividends	2,110,826	1,747,662
Realized gains on		
Sales of investments	5,686,575	6,283,064
Unrealized gains (losses)		
On investments	(3,405,022)	5,460,690
Royalty income	<u>244,973</u>	<u>378,645</u>
	<u>4,859,868</u>	<u>14,264,947</u>

Note 3-Assets Held in Trust

Assets held in trust totaled \$4,998,722 and \$4,959,272 at December 31, 2007 and 2006, respectively. The majority of these funds is pledged as the Debt Service Reserve Fund for Series 2006 Bonds. The remainder is pledged for the design, construction and equipping of the Population Science Building.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 4-Property and Equipment

The following schedule shows the changes in property and equipment for the years ended December 31, 2007 and 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retire- ments</u>	<u>Ending Balance</u>
<u>December 31, 2007</u>					
Property and Equipment					
Infrastructure	\$304,410				\$304,410
Less accumulated depreciation	<u>(71,753)</u>	<u>(\$37,584)</u>			<u>(109,337)</u>
<u>Total infrastructure</u>	<u>232,657</u>	<u>(37,584)</u>			<u>195,073</u>
Buildings	44,193,468	200,000			44,393,468
Less accumulated depreciation	<u>(3,140,028)</u>	<u>(1,135,898)</u>			<u>(4,275,926)</u>
<u>Total buildings</u>	<u>41,053,440</u>	<u>(935,898)</u>			<u>40,117,542</u>
Equipment	3,554,775	21,554			3,576,329
Less accumulated depreciation	<u>(2,259,033)</u>	<u>(387,346)</u>			<u>(2,646,379)</u>
<u>Total equipment</u>	<u>1,295,742</u>	<u>(365,792)</u>			<u>929,950</u>
Property and Equipment, Net	<u><u>42,581,839</u></u>	<u><u>(1,339,274)</u></u>			<u><u>41,242,565</u></u>
<u>December 31, 2006</u>					
Property and Equipment					
Infrastructure	214,460	89,950			304,410
Less accumulated depreciation	<u>(41,619)</u>	<u>(30,134)</u>			<u>(71,753)</u>
<u>Total infrastructure</u>	<u>172,841</u>	<u>59,816</u>			<u>232,657</u>
Buildings	41,950,199	2,243,269			44,193,468
Less accumulated depreciation	<u>(2,078,603)</u>	<u>(1,061,425)</u>			<u>(3,140,028)</u>
<u>Total buildings</u>	<u>39,871,596</u>	<u>1,181,844</u>			<u>41,053,440</u>
Equipment	2,963,397	591,728		(\$350)	3,554,775
Less accumulated depreciation	<u>(1,842,039)</u>	<u>(417,344)</u>		<u>350</u>	<u>(2,259,033)</u>
<u>Total equipment</u>	<u>1,121,358</u>	<u>174,384</u>		<u>--</u>	<u>1,295,742</u>
Property and Equipment, Net	<u><u>41,165,795</u></u>	<u><u>1,416,044</u></u>		<u><u>--</u></u>	<u><u>42,581,839</u></u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$1,560,827 and \$1,508,903, respectively.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 5-Bonds Payable

A summary of the Foundation's bond transactions during 2007, are as follows:

	<u>2006</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2007</u> <u>Balance</u>
Series 2006 Bond	\$45,175,000		\$90,000	\$45,085,000
Less current maturities				<u>200,000</u>
Bond payable, less current maturities				<u>44,885,000</u>

The bonds were issued with a premium of \$1,257,183 and a fixed interest rate of 4.92%. The bonds are secured by a security interest in the Foundation's assets. Principal on the bonds is due in annual payments on July 1st, and interest is due in bi-annual payments on January 1st and July 1st.

A summary of the Foundation's bond transactions during 2006, are as follows:

	<u>2005</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2006</u> <u>Balance</u>
Series 2001A Bond	\$37,150,000		\$37,150,000	
Series 2001B Bond	2,335,000		2,335,000	
Series 2005 Bond	5,345,000		5,345,000	
Series 2006 Bond	<u> </u>	<u>\$45,175,000</u>	<u> </u>	<u>\$45,175,000</u>
	<u>44,830,000</u>	<u>45,175,000</u>	<u>44,830,000</u>	45,175,000
Less current maturities				<u>90,000</u>
				<u>45,085,000</u>

The Foundation paid its Series 2001A, Series 2001B, and Series 2005 Bonds in full with the proceeds from its Series 2006 Bonds of \$45,175,000 and a line of credit. The bonds were issued with a premium of \$1,257,183 and a fixed interest rate of 4.92%. The bonds are secured by a security interest in the Foundation's assets. Principal on the bonds is due in annual payments on June 30th, and interest is due in bi-annual payments on January 1st, and July 1st.

The following schedule shows future principal amounts due:

2008	\$200,000
2009	1,085,000
2010	1,130,000
2011	1,175,000
2012	1,225,000
2013 and future years	40,270,000

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 6-Line of Credit

The Foundation has a uninsured \$2,500,000 line of credit due on demand of which \$850,100 and \$1,640,100 was drawn as of December 31, 2007 and 2006, respectively. The variable interest rate was 5.89% and 6.55% at December 31, 2007 and 2006, respectively.

The following schedule shows the changes in the line of credit for the years ended December 31, 2007 and 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
December 31, 2007	<u>\$1,640,100</u>		<u>\$790,000</u>	<u>\$850,100</u>
December 31, 2006	<u>—</u>	<u>\$2,380,100</u>	<u>(740,000)</u>	<u>1,640,100</u>

Note 7-Net Assets Unrestricted - Designated

Unrestricted net assets designated by the Board of Trustees as of December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Series 2006 Bond	\$45,085,000	\$45,175,000
Series 2006 Debt	850,100	1,640,100
Maintenance Reserves	<u>3,657,802</u>	<u>3,145,252</u>
	<u>49,592,902</u>	<u>49,960,352</u>

Note 8-Rental Operations

The Foundation leases the Basic Science Building to the Pennington Biomedical Research Center under an operating lease which expires in 2036 or when the related debt for the building is paid in full. The lease requires an annual payment of \$100 and monthly payments of \$8,213. The Foundation rents out the Residence Center to visiting faculty and potential recruits of the Center. Rental terms and amounts vary depending on the nature of the usage. Revenue from the rental operations amounted to \$169,689 and \$175,603 for the years ended December 31, 2007 and 2006, respectively.

Note 9-Related Party Transactions

The Foundation paid architectural services in the amount of \$200,000 and \$303,164 to a trustee of the Foundation for the years ended December 31, 2007 and 2006, respectively.

The Foundation paid Pennington Biomedical Research Foundation a monthly fee of \$4,193 for accounting services and administrative support for the years ended December 31, 2007 and 2006.

Pennington Medical Foundation
Notes to Financial Statements
December 31, 2007

Note 10-Concentrations of Credit Risk

The Foundation maintains its cash in deposit accounts at a financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The balances at times may exceed federally insured limits. At December 31, 2007, the Foundation's deposits exceeded the insured limit by \$34,168.

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

Note 11-Fair Values of Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, and cash equivalents. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments. The carrying values of investments reported in the statement of financial position are equal to the estimated fair values of those investments. The fair values of investments are based on quoted market prices for those or similar investments.

Bonds payable. The carrying values of bonds payable reported in the statement of financial position are equal to the estimated fair values of the bonds payable. The fair values of the bonds payable have been based upon market quotations for similar debt instruments or estimated using discounted cash flow analysis based upon the Foundation's current incremental borrowing rates for similar types of borrowing arrangements.

Note 12-Commitments

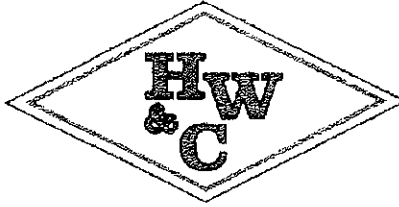
The Foundation has an agreement to invest an additional \$295,000 in the Louisiana Fund I venture capital partnership.

The Foundation has an agreement to invest an additional \$375,000 in the Themelios venture capital partnership.

Supplementary Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008
April 23, 2008

**Independent Auditor's Report
on Supplementary Information**

To the Officers and Board of Trustees
Pennington Medical Foundation
Baton Rouge, Louisiana

Our report on our audit of the basic financial statements of the Pennington Medical Foundation for 2007 appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, in the format presented, is not a required part of the basic financial statements, but is supplementary information required by the Louisiana State University System. This 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.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Pennington Medical Foundation
Statement of Net Assets
December 31, 2007

A s s e t s

Current Assets	
Cash and cash equivalents	\$132,549
Investments	95,202,901
Accounts receivable, net	19,125
Pledges receivable	-
Due from other campuses	-
Due from State Treasury	-
Inventories	-
Deferred charges and prepaid expenses	63,169
Notes receivable	-
Other current assets	<u>98,303</u>
Total current assets	<u>95,516,047</u>
Noncurrent Assets	
Restricted assets:	
Cash and cash equivalents	4,998,722
Investments	-
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	-
Pledges receivable	-
Capital assets, net	41,242,565
Assets under capital leases, net	-
Other noncurrent assets	<u>586,565</u>
Total noncurrent assets	<u>46,827,852</u>
Total assets	<u>142,343,899</u>

L i a b i l i t i e s

Current Liabilities	
Accounts payable and accrued liabilities	2,023,019
Due to other campuses	-
Due to State Treasury	-
Deferred revenues	-
Amounts held in custody for others	-
Compensated absences payable	-
Capital lease obligations	-
Notes payable	850,100
Contracts payable	-
Bonds payable	200,000
Other current liabilities	<u>41,907</u>
Total current liabilities	<u>3,115,026</u>
Noncurrent Liabilities	
Amounts held in custody for others	-
Compensated absences payable	-
Capital lease obligations	-
Notes payable	-
Contracts payable	-
Bonds payable	44,885,000
Other noncurrent liabilities	<u>1,131,463</u>
Total noncurrent liabilities	<u>46,016,463</u>
Total liabilities	<u>49,131,489</u>

N e t A s s e t s

Invested in capital assets, net of related debt	(5,015,805)
Restricted for:	-
Nonexpendable	-
Expendable	-
Unrestricted	<u>98,228,215</u>
Total net assets	<u>93,212,410</u>
Total liabilities and net assets	<u>142,343,899</u>

Pennington Medical Foundation
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2007

Operating Revenues		
Student tuition and fees		-
Less scholarship allowances		-
Net student tuition and fees		<u>-</u>
Gifts received by the foundations		-
Endowment income (component units only)		-
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		<u>-</u>
Other operating revenue		<u>\$169,689</u>
Total operating revenues		<u>169,689</u>
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		<u>2,795,367</u>
Total operating expenses		<u>2,795,367</u>
Operating income (loss)		
Nonoperating Revenues and (Expenses)		
State appropriations		-
Gifts		-
Net investment income (loss)		4,859,868
Interest expense		(2,283,414)
Payments to or on behalf of the university		(3,948,715)
Other nonoperating revenues (expenses)		-
Net nonoperating revenues (expenses)		<u>(1,372,261)</u>
Income before other revenues, expenses, gains, and losses		
Capital appropriations		-
Capital gifts and grants		-
Additions to permanent endowments		-
Other additions, net		<u>-</u>
Increase (decrease) in net assets		(3,997,939)
Net assets at beginning of year		<u>97,210,349</u>
Net assets at end of year		<u>93,212,410</u>

Note A. 15 Component Units

Each component unit should provide the following:

1. A brief description of the component unit.

The Pennington Medical Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: Pennington Biomedical Research 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 December 31, 2007, the Pennington Medical Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$3,948,715.

Complete financial statements for the Pennington Medical Foundation can be obtained from:

Chief Financial Officer
6400 Perkins Road
Baton Rouge, LA 70808

The Pennington Medical Foundation 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.

Pennington Medical Foundation
Schedule of Capital Assets (Schedule includes capital leases)

	Balance 12/31/2006	Prior Period Adjustment	Restated Balance 12/31/2006	Additions	Transfers	Retirements	Balance 12/31/2007
Capital assets not being depreciated							
Land	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Livestock	--	--	--	--	--	--	--
Construction in progress	--	--	--	--	--	--	--
Total capital assets not being depreciated	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other capital assets							
Infrastructure	304,410	--	304,410	(37,384)	--	--	304,410
Less accumulated depreciation	(71,753)	--	(71,753)	(37,384)	--	--	(109,337)
Total infrastructure	<u>232,657</u>	<u> </u>	<u>232,657</u>	<u> </u>	<u> </u>	<u> </u>	<u>195,073</u>
Depreciable land improvements	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total land improvements	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Buildings	44,193,468	--	44,193,468	200,000	--	--	44,393,468
Less accumulated depreciation	(3,140,029)	--	(3,140,029)	(1,135,897)	--	--	(4,275,926)
Total buildings	<u>41,053,439</u>	<u> </u>	<u>41,053,439</u>	<u> </u>	<u> </u>	<u> </u>	<u>40,117,542</u>
Equipment	3,554,775	--	3,554,775	21,554	--	--	3,576,329
Less accumulated depreciation	(2,259,032)	--	(2,259,032)	(387,346)	--	--	(2,646,378)
Total equipment	<u>1,295,743</u>	<u> </u>	<u>1,295,743</u>	<u> </u>	<u> </u>	<u> </u>	<u>929,951</u>
Library books	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total library books	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other capital assets	<u>42,581,839</u>	<u> </u>	<u>42,581,839</u>	<u> </u>	<u> </u>	<u> </u>	<u>41,242,566</u>
Capital Asset Summary:							
Capital assets not being depreciated	--	--	--	--	--	--	--
Other capital assets, at cost	48,053,003	--	48,053,003	221,554	--	--	48,274,557
Total cost of capital assets	48,053,003	--	48,053,003	221,554	--	--	48,274,557
Less accumulated depreciation	(5,471,164)	--	(5,471,164)	(1,560,827)	--	--	(7,031,991)
Capital assets, net	<u>42,581,839</u>	<u> </u>	<u>42,581,839</u>	<u> </u>	<u> </u>	<u> </u>	<u>41,242,566</u>

Note 1. Bonds & notes payable & capital leases.

	Balance December 31, 2006	Additions	Reductions	Balance at December 31, 2007	Amounts due within one year
UNIVERSITY					
Bond, Notes Payable and Capital Leases					
Bonds payable	\$ --	\$ --	\$ --	\$ --	\$ --
Notes payable	--	--	--	--	--
Capital lease obligations	--	--	--	--	--
Total bonds, notes and capital leases	--	--	--	--	--
Other Liabilities					
Amounts held in custody for others	--	--	--	--	--
Compensated absences payable	--	--	--	--	--
Contracts payable	--	--	--	--	--
Total other liabilities	--	--	--	--	--
Total long-term liabilities	--	--	--	--	--
COMPONENT UNITS					
Bond, Notes Payable and Capital Leases					
Bonds payable	45,175,000	--	90,000	45,085,000	200,000
Notes payable	1,640,100	--	790,000	850,100	850,100
Capital lease obligations	--	--	--	--	--
Total bonds, notes and capital leases	<u>46,815,100</u>	--	<u>880,000</u>	<u>45,935,100</u>	<u>1,050,100</u>
Other Liabilities					
Amounts held in custody for others	--	--	--	--	--
Compensated absences payable	--	--	--	--	--
Contracts payable	--	--	--	--	--
Total other liabilities	--	--	--	--	--
Total long-term liabilities	<u>46,815,100</u>	--	<u>880,000</u>	<u>45,935,100</u>	<u>1,050,100</u>
COMBINED TOTAL					
Bond, Notes Payable and Capital Leases					
Bonds payable	45,175,000	--	90,000	45,085,000	200,000
Notes payable	1,640,100	--	790,000	850,100	850,100
Capital lease obligations	--	--	--	--	--
Total bonds, notes and capital leases	<u>46,815,100</u>	--	<u>880,000</u>	<u>45,935,100</u>	<u>1,050,100</u>
Other Liabilities					
Amounts held in custody for others	--	--	--	--	--
Compensated absences payable	--	--	--	--	--
Contracts payable	--	--	--	--	--
Total other liabilities	--	--	--	--	--
Total long-term liabilities	<u>46,815,100</u>	--	<u>880,000</u>	<u>45,935,100</u>	<u>1,050,100</u>

Note P. Capital Leases

CAMPUSES AND COMPONENT UNITS COMPLETE THE APPROPRIATE SECTION

<u>UNIVERSITY CAPITAL LEASES</u>					
Nature of Lease	<u>Date of Lease</u>	University	<u>Last payment date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
		gross amount of leased assets (historical cost)			
a. Office space	--	\$ --	--	\$ --	\$ --
b. Equipment	--	--	--	--	--
c. Land	--	--	--	--	--
Total assets under capital lease		<u> </u>		<u> </u>	<u> </u>

<u>PENNINGTON MEDICAL FOUNDATION CAPITAL LEASES</u>					
Nature of Lease	<u>Date of Lease</u>	University	<u>Last payment date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
		gross amount of leased assets (historical cost)			
a. Office space	--	\$ --	--	\$ --	\$ --
b. Equipment	--	--	--	--	--
c. Land	--	--	--	--	--
Total assets under capital lease		<u> </u>		<u> </u>	<u> </u>

Note P. Lease Payments

CAMPUSES AND COMPONENT UNITS COMPLETE THE APPROPRIATE SECTION

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2007.

<u>YEAR ENDING DECEMBER 31</u>	<u>Future minimum lease payment</u>		
	<u>Universities</u>	<u>Component Units</u>	<u>Total</u>
2008	\$ --	\$ --	\$ --
2009	--	--	--
2010	--	--	--
2011	--	--	--
2012	--	--	--
2013-2017	--	--	--
2018-2022	--	--	--
2023-2027	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
Total minimum lease payments	--	--	--
Less: amounts representing executory costs	--	--	--
Net minimum lease payments	--	--	--
Less: amounts representing interest	--	--	--
Present value - net minimum lease payments	--	--	--

Note P. Lessor Direct Financing Leases

CAMPUSES AND COMPONENT UNITS COMPLETE THE APPROPRIATE SECTION

UNIVERSITY <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>
Office space	--	\$ --	\$ --	\$ --
Equipment	--	--	--	--
Land	--	--	--	--
		--	--	--
Less amounts representing executory costs		(--)	(--)	(--)
Minimum lease payment receivable		--	--	--
Less allowance for doubtful accounts		(--)	(--)	(--)
Net minimum lease payments receivable		--	--	--
Estimated residual values of leased property		--	--	--
		--	--	--
Less unearned income		(--)	(--)	(--)
Net investment in direct financing leases		<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

COMPONENT UNIT (S) <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>
Office space	--	\$ --	\$ --	\$ --
Equipment	--	--	--	--
Land	--	--	--	--
		--	--	--
Less amounts representing executory costs		(--)	(--)	(--)
Minimum lease payment receivable		--	--	--
Less allowance for doubtful accounts		(--)	(--)	(--)
Net minimum lease payments receivable		--	--	--
Estimated residual values of leased property		--	--	--
		--	--	--
Less unearned income		(--)	(--)	(--)
Net investment in direct financing leases		<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land or building, etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2005 were

\$ --	for office space
\$ --	for equipment
\$ --	for land

Note P. Future Minimum Lease Receivables

CAMPUSES AND COMPONENT UNITS COMPLETE THE APPROPRIATE SECTION

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of December 31, 2007.

<u>YEAR ENDING</u>	<u>Future minimum lease payment</u>		
	<u>Universities</u>	<u>Component Unit(s)</u>	<u>Total</u>
2007	\$ --	\$ --	\$ --
2008	--	--	--
2009	--	--	--
2010	--	--	--
2011	--	--	--
2012-2016	--	--	--
2017-2021	--	--	--
2022-2027	--	--	--
Total	--	--	--

Note Q. Restricted Net Assets - Component Unit

Please add new types of restrictions as needed.

Pennington Medical Foundation

Temporarily restricted:

Chairs and professorships	--
Scholarships and fellowships	--
Specific academic and research projects	--
Academic support	--
Capital outlay and improvements	--
Research support	--
Institutional support	--
Bond restrictions	--
Donor restrictions	--
Restricted contributions receivable	--
Artifacts	--

Total temporarily restricted	\$ _____	--
------------------------------	----------	----

Permanently restricted:

Chairs and professorships	--
Scholarships and fellowships	--
Specific academic and research projects	--
Academic support	--
Capital outlay and improvements	--
Research support	--
Institutional support	--
Endowment funds	--
Faculty - salary supplements	--

Total temporarily restricted	\$ _____	--
------------------------------	----------	----

Note T. Prior Year Restatement of Net Assets

CAMPUSES AND COMPONENT UNITS COMPLETE THE APPROPRIATE SECTION

The following adjustments were made to restate beginning net assets for December 31, 2007.

	Beginning net assets, 12/31/2007, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, 12/31/2007, <u>as restated</u>
System	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>
Components Unit(s)	<u>97,210,349</u>	<u> --</u>	<u>97,210,349</u>
Total	<u>\$97,210,349</u>	<u>\$ --</u>	<u>\$97,210,349</u>

Explanation: (list below)

N/A

SCHEDULE I-A COMPONENT UNIT

STATE OF LOUISIANA

Louisiana State University System
Pennington Medical Foundation
SCHEDULE OF BONDS PAYABLE
 December 31, 2007

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 12/31/06</u>	<u>(Redeemed) Issued</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Rates</u>	<u>Interest Outstanding to Maturity 12/31/07</u>
<u>Pennington Medical Foundation Series 2006 Debt</u>	04/01/06	<u>\$45,175,000</u>	<u>\$45,175,000</u>	<u>(\$90,000)</u>	<u>\$45,085,000</u>	4.92%	<u>\$34,315,655</u>
Total		<u>45,175,000</u>	<u>45,175,000</u>	<u>(90,000)</u>	<u>45,085,000</u>		<u>34,315,655</u>

SCHEDULE 1-B COMPONENT UNIT

STATE OF LOUISIANA

Pennington Medical Foundation

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
December 31, 2007

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 12/31/04^g</u>	<u>Issued (Redeemed)</u>	<u>Principal Outstanding 12/31/05</u>	<u>Interest Rates</u>	<u>Interest Outstanding 12/31/05</u>
	--	\$ --	\$ --	\$ --	\$ --	--	\$ --
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
	--	--	--	--	\$ --	--	--
Total		<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>		<u>\$ --</u>

J. SCHEDULE I-C COMPONENT UNIT

STATE OF LOUISIANA

Louisiana State University System
Pennington Medical Foundation
SCHEDULE OF NOTES PAYABLE
December 31, 2007

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 12/31/06</u>	<u>Principal (Redeemed) Issued</u>	<u>Principal Outstanding 12/31/07</u>	<u>Interest Rates</u>	<u>Interest Outstanding to Maturity 12/31/07</u>
	03/15/06	\$2,380,100	\$1,640,100	(\$790,000)	\$850,100	5.89%	\$25,035
	--	--	--	--	--	--	--
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	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
Total		<u>\$2,380,100</u>	<u>\$1,640,100</u>	<u>(\$790,000)</u>	<u>\$850,100</u>		<u>\$25,035</u>

SCHEDULE 2-A COMPONENT UNIT

Pennington Medical Foundation

SCHEDULE OF BONDS PAYABLE AMORTIZATION
December 31, 2007

Fiscal Year	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008		\$200,000	\$2,217,265	\$2,417,265
2009		1,085,000	2,209,265	3,294,265
2010		1,130,000	2,165,865	3,295,865
2011		1,175,000	2,120,665	3,295,665
2012		1,225,000	2,073,665	3,298,665
2013		1,285,000	2,012,415	3,297,415
2014		1,350,000	1,948,165	3,298,165
2015		1,415,000	1,880,665	3,295,665
2016		1,485,000	1,809,915	3,294,915
2017		1,560,000	1,735,665	3,295,665
2018		1,640,000	1,657,665	3,297,665
2019		1,720,000	1,575,665	3,295,665
2020		1,805,000	1,489,665	3,294,665
2021		1,895,000	1,399,415	3,294,415
2022		1,990,000	1,304,665	3,294,665
2023		2,090,000	1,205,165	3,295,165
2024		2,195,000	1,100,665	3,295,665
2025		2,305,000	990,915	3,295,915
2026		2,420,000	875,665	3,295,665
2027		2,540,000	754,665	3,294,665
2028		2,665,000	627,665	3,292,665
2029		2,800,000	494,415	3,294,415
2030		2,940,000	354,415	3,294,415
2031		3,085,000	207,415	3,292,415
2032		345,000	53,165	398,165
2033		360,000	32,260	392,260
<u>2034</u>		<u>380,000</u>	<u>18,620</u>	<u>398,620</u>
Total		<u>45,085,000</u>	<u>34,315,655</u>	<u>79,400,655</u>

Schedule 2-A (Component Unit)

SCHEDULE 2-B COMPONENT UNIT

Pennington Medical Foundation

SCHEDULE OF NOTES PAYABLE AMORTIZATION
December 31, 2007

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$850,100	\$25,035	\$875,135
2008	--	--	--
2009	--	--	--
2010	--	--	--
2011 - 2015	--	--	--
2016 - 2020	--	--	--
2021 - 2025	--	--	--
2026 - 2030	--	--	--
2031 - 2035	--	--	--

SCHEDULE 2-C COMPONENT UNIT

Pennington Medical Foundation

SCHEDULE OF CAPITAL LEASE AMORTIZATION
December 31, 2007

<u>Fiscal Year</u> <u>Ending</u>	<u>Beginning</u> <u>Balance</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2007	--	--	--	--	--
2008	--	--	--	--	--
2009	--	--	--	--	--
2010	--	--	--	--	--
2011 - 2015	--	--	--	--	--
2016 - 2020	--	--	--	--	--
2021 - 2025	--	--	--	--	--
2026 - 2030	--	--	--	--	--
2031 - 2035	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>

SCHEDULE 2-D COMPONENT UNIT

Pennington Medical Foundation

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
December 31, 2007

Fiscal Year	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2007		--	--
2008		--	--
2009		--	--
2010		--	--
2011		--	--
2012		--	--
2013		--	--
2014		--	--
2015		--	--
2016		--	--
2017		--	--
2018		--	--
2019		--	--
2020		--	--
2021		--	--
2022		--	--
2023		--	--
2024		--	--
2025		--	--
2026		--	--
2027		--	--
2028		--	--
2029		--	--
2030		--	--
2031		--	--
2032		--	--
2033		--	--
2034		--	--
2035		--	--
		-----	-----
Total		=====	=====