

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

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 10/10/07

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** (a non-profit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended June 30, 2007. These financial statements are the responsibility of the management of the **Foundation**. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana
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In accordance with Government Auditing Standards, we have also issued a report dated August 25, 2007 on our consideration of **the Foundation** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 taken as a whole. The supplemental information included in the report (shown on pages 28 through 36) is presented for the purpose of additional analysis and is not a required part of the financial statements of **the Foundation**. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2007

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

ASSETS

Current Assets

Cash and cash equivalents	\$ 548,446
Investments	22,365,159
Accounts receivable, net	809,447
Other current assets	<u>1,500</u>

Total current assets 23,724,552

Non-current Assets

Investments	1,514,947
Property and equipment, net	85,871,564
Prepaid bond insurance, net	587,186
Costs of bond issuance, net	<u>510,057</u>

Total non-current assets 88,483,754

Total assets 112,208,306

LIABILITIES

Current Liabilities

Accounts payables and accrued liabilities	758,981
Deferred revenues	3,070
Amounts held in custody for others	58,154
Interest payable	1,137,695
Current portion for notes payable	166,368
Other current liabilities	<u>19,343</u>

Total current liabilities 2,143,611

Non-current liabilities

Bonds payable, long-term	38,500,000
Premium on sale of bonds	1,400,442
Notes payable, net of current portion	<u>7,316,169</u>

Total non-current liabilities 47,216,611

Total liabilities 49,360,222

NET ASSETS

Unrestricted-invested in capital assets, net of related debt	38,488,585
Unrestricted	<u>24,359,499</u>

Total net assets 62,848,084

Total liabilities and net assets \$ 112,208,306

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

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
STATEMENT OF ACTIVITIES
JUNE 30, 2007**

Revenues and Support:

Contributions	\$ 15,000
Investment earnings	1,481,215
Grants and contracts	2,826,462
Property operation (Note 13 and 14)	5,684,106
Other revenues	<u>582,136</u>
 Total unrestricted revenues and other support	 <u>10,588,919</u>

Expenses:

Amounts paid to benefit University of New Orleans for:
Projects specified by the Board of Directors

Other:

Grants and contracts	2,378,551
Property operations	3,948,307
International Programs	1,023,322
Student housing	<u>1,760,885</u>

Total Other Expenses 9,111,065

Supporting services:

Salaries and benefits	152,876
Travel	4,815
Professional services	588,640
Depreciation	2,145,118
Other	<u>296,551</u>

Total supporting services 3,188,000

Total expenses 12,299,065

Increase / (decrease) in unrestricted net assets (1,710,146)

Net assets at beginning of year 64,558,230

Net assets at end of year \$ 62,848,084

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

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Management and General	International Programs	Research and Technology Park	Information Technology Center	Advanced Technology Center	Center for Energy Resource Management	Student Housing	Technology Transfers/ Grants and Contracts	Total
Travel	\$ 3,645	\$ 6,257	\$ -	\$ -	\$ -	\$ -	-	\$ 9,781	\$ 19,683
Advertising	-	-	-	-	-	-	-	-	-
Amortization & Depreciation	2,145,118	-	-	-	-	-	8,525	-	2,153,643
Interest Expense	13,988	-	-	62,864	588,287	-	1,752,214	-	2,417,353
Rentals & Leases	17,556	-	-	82,606	-	-	-	110,885	211,047
Membership Dues	2,571	-	-	1,078	410	-	-	-	4,059
Telephone	11,442	-	193	6,139	52,787	11,595	-	3,850	86,006
Supplies	5,423	-	602	70,375	11,453	14,784	-	4,703	107,341
Equipment	1,960	55,226	28	8,194	22,170	744	-	1,216	89,538
Accounting & Auditing Fees	33,000	-	-	-	-	-	-	3,422	36,422
Salary Expense	155,144	-	-	151,148	60,689	48,840	-	85,946	501,767
Cultivation - Donations	2,200	-	-	-	-	-	-	100	2,300
Legal	36,724	-	-	-	-	-	-	75,607	112,331
Contract Services	518,916	101,980	154,753	1,053,575	13,506	22,581	-	1,826,039	3,691,350
Fees & Registrations	1,875	1,756	-	-	-	-	-	488	4,118
Official Functions	50,742	78,090	-	-	-	-	-	6,943	135,775
Transfer to University/affiliates	115,300	-	-	-	-	-	-	105,074	220,374
Contract Cleaning	-	-	-	260,062	41,485	59,944	-	-	361,491
Repairs & Maintenance	-	-	144,000	45,053	3,897	13,592	-	-	206,542
Security	-	-	676	5,004	593	-	-	-	6,273
Other Expenses	72,397	780,013	94,139	272,081	159,343	109,247	148	144,498	1,631,866
Utilities	-	-	21,728	119,060	158,997	-	-	-	299,785
Total Expenses	\$ 3,188,000	\$ 1,023,322	\$ 416,120	\$ 2,137,240	\$ 1,113,618	\$ 281,327	\$ 1,760,886	\$ 2,378,552	\$ 12,299,064

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

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Cash Flows from Operating Activities</u>	
Change in net assets	\$ (1,710,146)
Adjustments to reconcile change in net assets to net cash Provided (used) by operating activities:	
Depreciation and amortization, expense	2,121,100
Amortization of deferred equipment reimbursement	(2,445)
Amortization of discount on notes payable	91,546
(Increase) decrease in accounts and grants receivable, net	836,271
(Increase) decrease in other assets	(736,446)
Increase (decrease) in accounts and interest payable	584,940
Increase (decrease) in deferred revenues	(335,627)
Increase (decrease) in deferred charges	1,039
Increase (decrease) in amounts held in custody for others	7,150
Increase (decrease) other liabilities	<u>332</u>
Net cash provided by operating activities	<u>857,614</u>
<u>Cash Flows Used in Investing Activities</u>	
Increase in construction-in-progress	20,482,567
Proceeds from sales and maturities of investments	<u>(19,380,216)</u>
Net cash used in investing activities	<u>(39,862,783)</u>
<u>Cash Flows from Financing Activities</u>	
Proceeds from sale of bonds	39,900,442
Principal paid on bonds	(790,000)
Principal paid on notes	<u>(155,860)</u>
Net cash provided by financing activities	<u>38,954,582</u>
Net increase (decrease) in cash and cash equivalents	<u>(50,587)</u>
Cash and cash equivalents at the beginning of the year	<u>599,033</u>
Cash and cash equivalents at the end of the year	<u>\$ 548,446</u>

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

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - Organization:

The University of New Orleans Research and Technology Foundation, Inc. (the Foundation) was organized on March 3, 1997 as a non-profit organization to accomplish the following purposes:

- A. As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the "University") and the Louisiana State University System ("the LSU System");
- B. To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world;
- C. To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- D. To promote the development of high technology industries and research in Louisiana;
- E. To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization, Continued:

- F. To increase employment opportunities in Louisiana;
- G. To promote research and development in Louisiana;
- H. To promote cooperation between the public and private sector with respect to research and development;
- I. To attract nationally prominent scientists and researchers to the University;
- J. To maximize research capabilities in Louisiana;
- K. To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;
- L. To exercise all such powers and authority as may be necessary for the accomplishment of the objects and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **the Foundation** are included in this category. **The Foundation** has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of **the Foundation**, and therefore, **the Foundation's** policy is to record these net assets as unrestricted. Also, **the Foundation** considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receive and sacrifice something of approximately equal value.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 2 - Summary of Significant Accounting Policies , Continued:

Basis of Reporting, Continued

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At June 30, 2007, the Foundation had \$62,848,084 in unrestricted net assets, of which \$38,488,585 was invested in capital assets, net of related debt. There were no temporary or permanently restricted net assets.

Fixed Assets

Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Depreciation of the buildings and office furniture and equipment is provided using the straight-line method over the estimated useful life of the fixed assets which is forty (40) and five (5) years, respectively. Equipment acquired under capital leases are depreciated over the life of the equipment which is five (5) years.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all investments purchased with a maturity of three months or less to be cash equivalents.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Deferred Charges/Deferred Reimbursement

Deferred charges represent software and labor costs incurred for the installation of the data processing equipment. Deferred reimbursements represent amounts received from a third party for the reimbursement of aforementioned deferred charges. Such costs and reimbursements are being amortized over five years. Amortization income, which is net of the amortization expense, totaled \$1,039 at June 30, 2007. The amortization of the reimbursement totaled \$2,445 at June 30, 2007.

Bond Issuance Costs

Bond issuance costs incurred in relationship to the bond indebtedness has been capitalized and amortized over the life of the bond liability which range from two years to thirty years. Amortization expense for the year ended June 30, 2007 totaled \$15,614.

Note Payable

During the year ended December 31, 1999, the Foundation received a non-interest bearing loan in the amount of \$1,500,000. The present value concept was utilized to determine the initial amount of the discount (\$1,011,313) which is amortized over the life of the loan utilizing the interest method. The balance of the discount at June 30, 2007 totaled \$454,396.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - Cooperative Endeavor Agreements:

University of New Orleans/
Avondale Maritime Technology Center of Excellence

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (the University), the University of New Orleans Research and Technology Foundation, Inc. (the Foundation), and Avondale Industries, Inc. entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of fifteen years, and from one-to-seven additional five year periods.

The Agreement and related amendment provided for the use of annually appropriated State funds and the corporate guarantee by Avondale of certain financial obligations incurred by the Foundation for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U.S. Department of Navy vessels which will provide a substantial economic benefit to the State. The Foundation and Avondale represented that the economic benefit occurring as a result of the payment or performance of the State's obligation will equal or exceed the value of the State's obligations.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Cooperative Endeavor Agreements, Continued:

University of New Orleans/
Avondale Maritime Technology Center of Excellence, Continued

Obligations

Avondale donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility including a laboratory and support area (the Facility) for the UNO School of Naval Architecture and Marine Engineering has been built on such property by **the Foundation** and is sub-leased to Avondale. Also, **the Foundation** has equipped the facility and leased such equipment to Avondale.

- Contract and other contracts. Furthermore Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting initially 12,000 square feet was increased to 21,000 square feet in the Facility subleased by Avondale from **the Foundation**.
- In the event the costs of the project required to be expended by **the Foundation** in constructing the facility and acquiring the equipment exceed the amounts paid by the State, Avondale will pay to **the Foundation** the amounts required for **the Foundation** to fulfill the obligations to construct and equip the facility.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 4 - Income Taxes:

The Foundation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 5 - Fixed Assets:

Fixed assets consist of the following at June 30, 2007:

<u>Description</u>	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/07</u>
Land improvements	\$ 258,573	\$ -0-	\$ -0-	\$ 258,573
Building-Avondale	12,754,737	-0-	-0-	12,754,737
Building and Parking Garage-Navy Facilities	56,323,276	-0-	-0-	56,323,276
Building-Advanced Technology Center	9,004,555	-0-	-0-	9,004,555
Construction-in-Progress	822,531	20,482,566	-0-	21,305,097
Office furniture and equipment	6,480,674	-0-	-0-	6,480,674
Equipment acquired under capital leases	10,537,258	-0-	-0-	10,537,258
Tenant Improvements	217,980	-0-	-0-	217,980
Accumulated depreciation	<u>(28,889,486)</u>	<u>2,121,100</u>	<u>-0-</u>	<u>(31,010,586)</u>
Net fixed assets	<u>\$ 67,510,098</u>	<u>\$ 22,603,666</u>	<u>\$ -0-</u>	<u>\$ 85,871,564</u>

NOTE 6 - Investments:

Investments consist of the following:

Short-term investments	\$ 3,726,146
Certificate of deposit	<u>1,514,947</u>
Total	<u>\$ 5,241,093</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Receivables:

Receivables consist of the following:

Accounts receivable	\$ 96,042
Grants receivable	259,944
Due from affiliates	<u>453,461</u>
Total	\$ <u>809,447</u>

Due from affiliates represents amounts due from the University of New Orleans and University of New Orleans Foundation.

NOTE 8 - Amounts Held in Custody for Others:

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. At June 30, 2007, security deposits totaled \$58,154.

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 9 - Fair Value of Financial Instruments:

The estimated fair value of all significant instrument amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents and deposits with trustees - **The Foundation** considers the carrying amounts of these financial instruments to be fair value.
- Equipment reimbursement receivable - **The Foundation** considers the carrying amount of the financial instrument to be fair value.
- Investments - The fair value for federal mortgage notes equals the related cost plus amortized discount.
- Bonds Payable and Notes Payable - The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

The carrying value and estimated fair values of the **Foundation's** financial instruments at June 30, 2007 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 548,446	\$ 548,446
Accounts receivable	549,503	549,503
Grants receivable	259,944	259,944
Due from affiliates	453,461	453,461
Investments	22,365,159	22,365,159
Bonds payable	39,900,442	39,900,442
Notes payable	7,936,933	7,936,933
Interest payable	654,283	654,283

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 10 - Notes Payable:

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest with the first annual payment due October 1, 2000 and continuing through October 1, 2014. The payments are conditioned upon the establishment of a \$500,000 operating reserve. At June 30, 2007 the operating reserve was not funded. Each annual payment shall be equal to 87.35% of the net cash flow relative to the Advanced Technology Center for the immediate preceding fiscal year. The unamortized discount relative to the note totaled \$454,396 at June 30, 2007, which is recorded as a reduction of the note payable and an increase in interest expense.

On October 19, 1999, the Foundation entered into a Loan Agreement with a local bank. The balance of the loan at June 30, 2007 was \$6,548,949. The loan bears an interest rate of 7.25% with annual payment beginning in 2001 and continuing through January 19, 2011.

The following is a summary of notes payable at June 30, 2007:

Louisiana Public Facilities Authority	
Principal amount	\$ 1,387,984
Unamortized discount	<u>(454,396)</u>
Sub-total	933,588
Local bank	<u>6,548,949</u>
Total	<u>\$ 7,482,537</u>

At June 30, 2007, the current and non-current portion of notes payable totaled \$166,368 and \$7,316,169, respectively.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Bonds Payable:

On October 20, 1999, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$24,950,000 of Revenue Refunding Bonds (Series 1999) to the **Foundation**. The proceeds of the Bonds were used to refund certain existing indebtedness incurred with respect to financing the construction and equipping of the UNO/Avondale Maritime Technology Center of Excellence and paying the costs of issuance of the Series 1999 bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 4.50% to 5.00% per annum. The final installment of the outstanding bonds in the amount of \$790,000 was paid during the year ended June 30, 2007.

On August 8, 2006, the Louisiana Public Facilities Authority issued \$38,500,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the **Foundation**. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of resident facilities for use by the University of New Orleans, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds will also be utilized to pay the costs associated with the issuance of the bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.75% to 5.25% per annum. The outstanding bonds, which were purchased at a premium and accrued interest, are required to be repaid as follows for the next five years and thereafter:

2008	\$ -0-
2009	135,000
2010	175,000
2011	215,000
2012	275,000
2013-2037	<u>37,700,000</u>
Total	<u>\$ 38,500,000</u>

Bond funds totaling \$ 18,639,003 have been deposited with the bond trustee at June 30, 2007. The bonds were issued at a premium, which totaled \$1,423,848 at the bond issuance date. The premium will be amortized over the life of the bonds. The total amount of premium amortized during the year ended June 30, 2007 totaled \$23,406.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Ground Leases:

On May 16, 1997, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, acting on behalf of the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the University of New Orleans Research and Technology Foundation, Inc. (the Foundation). The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation who will in turn develop construct, maintain, operate, manage and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years with annual rent totaling \$100. At the expiration of the lease, the facilities and all furniture, fixtures, equipment and furnishings permanently affixed to the facilities shall become the property of the University.

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation. Such agreement was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property and three acres of land on the University of New Orleans East Campus that are located in Orleans Parish to the Foundation who will develop, construct, maintain, operate, manage and/or lease improvements on such land. Prior to entering into the ground lease agreement with the Foundation, the University, the State of Louisiana and the U. S. Department of Commerce invested \$3,923,191 in the infrastructure of the site, which improved the Foundation's ability to sub-lease the property to tenants. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by the Foundation.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Property, Facility and Equipment Lease Agreements:

UNO/Avondale Maritime Technology Center of Excellence

On May 16, 1997, the **Foundation** and Avondale Industries, Inc. entered into a sub-lease agreement which provides for Avondale Industries, Inc. to lease from the **Foundation**, the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement during the first twelve years (1997-2008) provides for Avondale Industries, Inc. to pay as rental the sum of \$100,000 per year by September 1 of each year provided that the State has made the annual appropriation provided for in the Cooperative Endeavor Agreement. Beginning September 1, 2009 and for each year thereafter during the term of the sub-lease, rent in the amount of \$100,000 is due and payable by September 1st of each year without regard to the State Appropriation.

On January 15, 1998, April 14, 1999 and on July 3, 2000, the **Foundation** entered into a sub-lease agreement and amended lease modifications, respectively with the United States of America (the Government) to lease from the **Foundation**, approximately 300,000 square feet of administrative space, 700 hard surface parking spaces, and 15.71 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms with the annual rent for the premises and maintenance services of \$1.00 and \$2,203,259, respectively.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Related Party Transaction:

University of New Orleans Foundation

The University of New Orleans Foundation provides certain payroll management functions, as well as office space, meeting space, utilities, and use of all office furniture and equipment to the Foundation for a nominal monthly fee. The Foundation has paid \$429,343 to the University of New Orleans Foundation for the aforementioned services.

NOTE 15 - Concentration of Credit Risk:

The Foundation maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Balances in excess of FDIC insurance at June 30, 2007 were \$462,890.

NOTE 16 - Contingency:

The City property tax assessor has assessed the Foundation with real estate property taxes, interest and penalties for certain buildings owned by the Foundation in the total amount of \$4,746,877 as of August 2004. The Foundation believes that it is entitled to property tax exemptions under present law and jurisprudence due to its non-profit status and due to the use of these buildings to further the non-profit goals of the Foundation. The Foundation is engaged in ongoing discussions with the assessor. If necessary, the Foundation is prepared to litigate this issue. Although, the Foundation believes that it has adequate defenses against the assessment, if not successful, the assessment, interest and penalties may have a significant impact on the financial condition of the Foundation. The Foundation's counsel is unable to predict the eventual outcome of this matter or the potential loss contingencies, if any, to which the Foundation may be subject.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.
New Orleans, Louisiana

Our report on our audit of the financial statements of the **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The other supplementary information which is prepared in accordance with accounting principles generally accepted in the United States of America and is not a required part of the financial statements has also been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2007

UNIVERSITY OF NEW ORLEANS
 RESEARCH AND TECHNOLOGY FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. Department of Defense</u>			
<i>Research and Development Cluster</i>			
Awards From A Pass-Through Entity			
<u>Pass-Through: Science and Engineering Association Navy Human Capital</u>	12.GS-10F-0221K	0128	\$ <u>42,780</u>
<u>Pass-Through: Agiltron Incorporated Molecular Design of Particle Surfaces</u>	12.F49620-02-C-0060		<u>5,632</u>
Total U. S. Department of Defense			<u>48,412</u>
<u>U.S. Department Commerce</u>			
<i>Research and Development Cluster</i>			
<i>Direct Award</i>			
Pontchartrain Restoration Program	11.463		<u>73,201</u>
Total U. S. Department of Commerce			<u>73,201</u>

UNIVERSITY OF NEW ORLEANS
 RESEARCH AND TECHNOLOGY FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Or Other Number</u>	<u>Pass-Through Entity's Number</u>	<u>Activity</u>
<u>U.S. National Aeronautics and Space Administration</u>			
<u>Research and Development Cluster</u>			
<u>Direct Awards</u>			
The Development of Innovative Advanced Composite Manufacturing Technologies	43.NCC8223		\$ <u>662,590</u>
Total U.S. National Aeronautics and Space Administration			
<u>U.S. Environmental Protection Agency</u>			
<u>Research and Development Cluster</u>			
<u>Direct Award</u>			
Lake Pontchartrain Basin Restoration Program	66.X976433010		810,989
Total U.S. Environmental Protection Agency			
Total Expenditures of Federal Awards			\$ <u>1,595,192</u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the **Foundation** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NOTE 2 - Sub-recipients:

Of the federal expenditures presented in the Schedule, the **Foundation** provided \$ 1,510,333 to various sub-recipients under the various grant awards.

OTHER SUPPLEMENTARY INFORMATION

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$	548,446
Investments		22,365,159
Accounts receivable, net		809,447
Other current assets		1,500
Total current assets		23,724,552

Noncurrent Assets

Investments		1,514,947
Capital assets, net		85,871,564
Prepaid Bond Insurance Expense		587,186
Cost of Bond Issuance		510,057
Total noncurrent assets		88,483,754
Total assets		112,208,306

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities		758,981
Deferred revenues		3,070
Amounts held in custody for others		58,154
Interest Payable		1,137,695
Notes payable		166,368
Other current liabilities		19,343
Total current liabilities		2,143,611

Noncurrent Liabilities

Bonds payable, net		39,900,442
Notes payable		7,316,169
Total noncurrent liabilities		47,216,611

Total liabilities

49,360,222

NET ASSETS

Invested in capital assets, net of related debt		38,488,585
Unrestricted		24,359,499
Total Net Assets	\$	62,848,084

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Gifts received by the foundations	\$ 15,000
Federal grants and contracts	1,593,264
State and local grants and contracts	1,128,497
Nongovernmental grants and contracts	104,703
Other operating revenues	<u>6,266,240</u>
Total operating revenues	<u>9,107,704</u>

OPERATING EXPENSES

Other operating expenses	<u>5,569,429</u>
Total operating expenses	<u>5,569,429</u>
Operating income (loss)	<u>3,538,275</u>

NONOPERATING REVENUES AND (EXPENSES)

Net investment income (loss)	1,481,215
Interest expense	(2,377,895)
Payments to or on behalf of the university	<u>(4,351,741)</u>
Net nonoperating revenues (expenses)	<u>(5,248,421)</u>
 Increase (decrease) in net assets	 (1,710,146)
 Net assets at beginning of year, restated	 <u>64,558,230</u>
 Net assets at end of year	 <u><u>\$ 62,848,084</u></u>

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

ORGANIZATION

The University of New Orleans Research and Technology Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: University of New Orleans. 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 University of New Orleans Research and Technology Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$4,351,741.

Complete financial statements for the University of New Orleans Research and Technology Foundation can be obtained from: 2000 Lakeshore Drive, New Orleans, Louisiana, 70148

The University of New Orleans Research and Technology 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.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

	Balance 6/30/2006	Prior Period Adjustment	Restated Balance 6/30/2006	Additions	*Transfers	**Retirements	Balance 6/30/2007
Capital assets not being depreciated							
Land	\$ -	-	\$ -	-	-	-	-
Non-depreciable land improvements	258,573	-	258,573	-	-	-	258,573
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	822,531	-	822,531	20,482,566	-	-	21,305,097
Total capital assets not being depreciated	\$ 1,081,104	\$ -	\$ 1,081,104	\$ 20,482,566	\$ -	\$ -	\$ 21,563,670
Depreciable land improvements	217,980	-	217,980	-	-	-	217,980
** Less accumulated depreciation	(17,334)	-	(17,334)	(22,935)	-	-	(40,269)
Total land improvements	200,646	-	200,646	(22,935)	-	-	177,711
Buildings	78,082,568	-	78,082,568	-	-	-	78,082,568
** Less accumulated depreciation	(11,898,708)	-	(11,898,708)	(2,087,488)	-	-	(13,986,196)
Total buildings	66,183,860	-	66,183,860	(2,087,488)	-	-	64,096,372
Equipment	17,017,932	-	17,017,932	-	-	-	17,017,932
** Less accumulated depreciation	(16,973,444)	-	(16,973,444)	(10,677)	-	-	(16,984,121)
Total equipment	44,488	-	44,488	(10,677)	-	-	33,811
Total other capital assets	\$ 66,428,994	\$ -	\$ 66,428,994	\$ (2,121,100)	\$ -	\$ -	\$ 64,307,894
Capital Asset Summary:							
Capital assets not being depreciated	\$ 1,081,104	\$ -	\$ 1,081,104	\$ 20,482,566	\$ -	\$ -	\$ 21,563,670
Other capital assets, at cost	95,318,480	-	95,318,480	-	-	-	95,318,480
Total cost of capital assets	96,399,584	-	96,399,584	20,482,566	-	-	116,882,150
Less accumulated depreciation	(28,889,486)	-	(28,889,486)	(2,121,100)	-	-	(31,010,586)
Capital assets, net	\$ 67,510,098	\$ -	\$ 67,510,098	\$ 18,361,466	\$ -	\$ -	\$ 85,871,564

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amounts due within one year
Bonds & notes payable:					
Bonds payable	\$ 790,000	\$ 38,500,000	\$ 790,000	\$ 38,500,000	\$ -
Notes payable**	7,546,851	-	64,314	7,482,537	166,368
Total bonds, notes and capital leases	<u>8,336,851</u>	<u>38,500,000</u>	<u>854,314</u>	<u>45,982,537</u>	<u>166,368</u>
Other liabilities:					
Amounts held in custody for others	51,004	7,150	-	58,154	58,154
Total other liabilities	<u>51,004</u>	<u>7,150</u>	<u>-</u>	<u>58,154</u>	<u>58,154</u>
Total long-term liabilities	<u>\$ 8,387,855</u>	<u>\$ 38,507,150</u>	<u>\$ 854,314</u>	<u>\$ 46,040,691</u>	<u>\$ 224,522</u>

**One of the notes payable is a noninterest bearing note, which resulted in a discount being recorded and amortized annually.

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding		Interest Rates	Interest Outstanding 6/30/07
			6/30/06	(Redeemed) Issued		
Louisiana Local Government - Environmental Facilities and Community Development Authority	10/20/99	\$ 24,950,000	\$ 790,000	\$ (790,000)	5%	\$ -
Louisiana Public Facilities Authority Revenue Bonds - Student Housing Project	8/8/06	38,500,000	-	38,500,000	3.75% - 5.25%	654,283
Total		\$ 63,450,000	\$ 790,000	\$ 37,710,000		\$ 654,283

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE:

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
Louisiana Public Facilities Authority	10/19/99	1,500,000	\$ 1,387,984	\$ -	\$ 1,387,984	0.00%	\$ -
LPFA Unamortized Discount ***			\$ (545,942)	\$ 91,546	\$ (454,396)		
Whitney Bank	10/19/99	7,350,000	6,704,809	(155,860)	6,548,949	7.25%	14,508
Total		\$ 8,850,000	\$ 7,546,851	\$ (64,314)	\$ 7,482,537		\$ 14,508

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
NOTES TO OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE AMORTIZATION

Fiscal Year				
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 166,368	\$ 562,146	\$ 728,514	
2009	180,339	542,056	722,395	
2010	194,051	520,666	714,717	
2011	208,803	502,642	711,445	
2012	223,522	483,035	706,557	
2013	241,677	460,342	702,019	
2014	1,193,641	411,647	1,605,288	
2015	279,826	363,739	643,565	
2016	300,159	343,406	643,565	
2017	323,925	319,640	643,565	
2018	348,554	295,011	643,565	
2019	375,056	268,508	643,564	
2020	409,821	240,644	650,465	
2021	434,209	209,355	643,564	
2022	467,224	176,340	643,564	
2023	502,950	140,815	643,765	
2024	540,712	102,852	643,564	
2025	582,089	61,476	643,565	
2026	<u>509,611</u>	<u>17,574</u>	<u>527,185</u>	
TOTAL	<u>\$ 7,482,537</u>	<u>\$ 6,021,894</u>	<u>\$ 13,504,431</u>	

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BOND AMORTIZATION:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 1,962,849	\$ 1,962,849
2009	135,000	1,962,849	2,097,849
2010	175,000	1,957,449	2,132,449
2011	215,000	1,950,886	2,165,886
2012	275,000	1,942,824	2,217,824
2013	340,000	1,931,824	2,271,824
2014	405,000	1,918,224	2,323,224
2015	480,000	1,897,974	2,377,974
2016	550,000	1,878,174	2,428,174
2017	625,000	1,855,074	2,480,074
2018	705,000	1,828,511	2,533,511
2019	785,000	1,797,844	2,582,844
2020	870,000	1,763,500	2,633,500
2021	970,000	1,717,825	2,687,825
2022	1,075,000	1,666,900	2,741,900
2023	1,180,000	1,610,463	2,790,463
2024	1,295,000	1,548,513	2,843,513
2025	1,415,000	1,480,525	2,895,525
2026	1,540,000	1,406,238	2,946,238
2027	1,675,000	1,325,388	3,000,388
2028	1,815,000	1,237,450	3,052,450
2029	1,980,000	1,142,163	3,122,163
2030	2,085,000	1,038,213	3,123,213
2031	2,190,000	928,750	3,118,750
2032	2,305,000	813,775	3,118,775
2033	2,415,000	704,288	3,119,288
2034	2,545,000	577,500	3,122,500
2035	2,675,000	443,888	3,118,888
2036	2,815,000	303,450	3,118,450
2037	2,965,000	155,656	3,120,656
TOTAL	<u>\$ 38,500,000</u>	<u>\$ 42,748,967</u>	<u>\$ 81,248,967</u>



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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

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.

We have audited the financial statements of the **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** as of and for the year ended June 30, 2007, and have issued our report thereon dated August 25, 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 **University of New Orleans Research and Technology Foundation, Inc.**'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 **University of New Orleans Research and Technology Foundation, Inc.**'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **University of New Orleans Research and Technology Foundation, Inc.**'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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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
(CONTINUED)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 grants, 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.

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
(CONTINUED)

This report is intended solely for the information and use of management, the Board of Directors, others within **University of New Orleans Research and Technology Foundation, Inc.**'s management and 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 for the State of Louisiana as a public document.

Bruno + Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
University of New Orleans
Research and Technology Foundation, Inc.

Compliance

We have audited the compliance of **University of New Orleans Research and Technology Foundation, Inc. (the Foundation)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. **The Foundation's** major federal program is identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal program is the responsibility of **the Foundation's** management. Our responsibility is to express an opinion on **the Foundation's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards; issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the Foundation's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **the Foundation's** compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

In our opinion, **the Foundation** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of **the Foundation** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **the Foundation's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the Foundation** internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2007

UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE I - Summary of the Independent Auditors' Results

1. Type of report issued on the financial statements. Unqualified Opinion.
2. Did the audit disclose any reportable conditions in internal control. No.
3. Were any of the reportable conditions material weaknesses. No.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization. No.
5. Did the audit disclose any reportable conditions in internal control over major programs. No.
6. Were any of the reportable conditions in internal control over major programs material weaknesses. No.
7. Type of report issued on compliance for major programs. Unqualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a). No.
9. The following is an identification of major programs:

CFDA or
Contract Number

Various

Name of
Federal Program

Research and Development
Cluster

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE I - Summary of the Independent Auditors' Results, Continued

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530.
No

**UNIVERSITY OF NEW ORLEANS
RESEARCH AND TECHNOLOGY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE II - Financial Statement Findings

None noted.

SCHEDULE III - Federal Awards Findings

None noted.