6110

LSU HEALTH SCIENCES FOUNDATION

IN SHREVEPORT AND SUBSIDIARIES

***SHREVEPORT*, LOUISIANA**

JUNE 30, 2009 AND 2008

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

SHREVEPORT, LOUISIANA

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October 30, 2009

The Board of Directors
LSU Health Sciences Foundation in Shreveport
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of the LSU Health Sciences Foundation in Shreveport and Subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consolidated 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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Health Sciences Foundation in Shreveport and Subsidiaries as of June 30, 2009 and 2008, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiaries. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of LSU Health Sciences Foundation in Shreveport and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy + Vestal, LLP

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LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

ASSETS	2009	2008
Cash	627,823	533,507
Accounts receivable	484,245	399,874
Pledges receivable	121,509	78,000
Investments-pools-Note 3	32,307,816	35,617,821
Investments-Feist Legacy-Note 4	42,287,332	40,596,479
Investments-Burton Legacy-Note 5	5,105,185	-
Beneficial interest in estate-Note 5	-	6,233,949
Equipment and furniture, less accumulated depreciation of $38,410 and $37,666, respectively	6,802	7,742
Investment in real estate-Notes 7 and 8	5,070,167	4,547,617
Other assets	1,503	1,295
Total assets	86,012,382	88,016,284
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	50,774	70,974
Payroll and related taxes payable	-	1,603
Other payable	26,319	-
Notes payable-Note 8	687,076	851,058
Due to LSU Health Sciences Center Shreveport-Note 9	4,434,649	4,722,672
Total liabilities	5,198,818	5,646,307
Net assets:		
Unrestricted	11,296,171	11,123,793
Temporarily restricted-Note 10	60,932,903	62,017,863
Permanently restricted-Note 11	8,584,490	9,228,321
Total net assets	80,813,564	82,369,977
Total liabilities and net assets	86,012,382	88,016,284

The accompanying notes are an integral part of the consolidated financial statements.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains:				
Contributions and grants	820,835	5,208,105	1,175,983	7,204,923
Income on investments	414,477	2,097,065	388,698	2,900,240
Net realized and unrealized gains (losses) on investments	(1,366,338)	(5,271,052)	(1,743,470)	(8,380,860)
Management fee income	1,049,820	-	-	1,049,820
Rental income	153,026	-	-	153,026
Total support, revenues and gains	1,071,820	2,034,118	(178,789)	2,927,149
Net assets released from restrictions	3,584,120	(3,119,078)	(465,042)	-
Total support, revenues, gains and reclassifications	4,655,940	(1,084,960)	(643,831)	2,927,149
Expenses:				
Management and general	2,792,754	-	-	2,792,754
Feist-Weiller Cancer Center	1,533,753	-	-	1,533,753
Grants and honorariums	157,055	-	-	157,055
Total expenses	4,483,562	-	-	4,483,562
Change in net assets	172,378	(1,084,960)	(643,831)	(1,556,413)
Net assets at beginning of period	11,123,793	62,017,863	9,228,321	82,369,977
Net assets at end of period	11,296,171	60,932,903	8,584,490	80,813,564

The accompanying notes are an integral part of the consolidated financial statements.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
6,616,896	7,492,505	1,082,611	15,192,012
257,823	2,807,828	270,809	3,336,460
(95,900)	(2,026,714)	(469,287)	(2,591,901)
1,004,629	-	-	1,004,629
168,083	-	-	168,083
7,951,531	8,273,619	884,133	17,109,283
2,704,163	(2,199,594)	(504,569)	-
10,655,694	6,074,025	379,564	17,109,283
2,157,457	-	-	2,157,457
1,646,318	-	-	1,646,318
79,595	-	-	79,595
3,883,370	-	-	3,883,370
6,772,324	6,074,025	379,564	13,225,913
4,351,469	55,943,838	8,848,757	69,144,064
11,123,793	62,017,863	9,228,321	82,369,977

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	(1,556,413)	13,225,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,674	3,311
Net realized and unrealized loss on long-term investments	8,380,860	2,591,901
Donation of investment in real estate to LSU Health Sciences Center Shreveport	154,140	-
(Increase) in accounts receivable	(84,371)	(397,019)
(Increase) decrease in pledges receivable	(43,509)	172,000
Decrease (increase) in beneficial interest	6,233,949	(6,233,949)
(Increase) in other assets	(208)	(144)
(Decrease) increase in accounts payable	(20,200)	27,877
(Decrease) increase in payroll taxes payable	(1,603)	1,296
Increase in other payable	26,319	-
(Decrease) in refundable donation	-	(506,997)
(Decrease) increase in due to LSU Health Sciences Center Shreveport	(288,023)	369,019
Net cash provided by operating activities	12,810,615	9,253,208
Cash flows from investing activities:		
Purchase of real estate and fixed assets	(685,424)	(122,238)
Purchase of investments-net	(11,866,893)	(8,555,773)
Net cash (used) by investing activities	(12,552,317)	(8,678,011)
Cash flows from financing activities:		
Repayment of notes payable	(163,982)	(150,389)
Net cash (used) by financing activities	(163,982)	(150,389)
Net increase in cash	94,316	424,808
Cash at beginning of period	533,507	108,699
Cash at end of period	627,823	533,507
Supplemental disclosure of cash flow information:		
Cash paid for interest	49,036	64,170

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Business.

The consolidated financial statements include the LSU Health Sciences Foundation in Shreveport and its wholly-owned subsidiaries - Foundation Property, LLC; Foundation General Holdings, LLC; and Intermodal Transit Facility, LLC. All significant intercompany accounts and transactions, except for management fees, have been eliminated in consolidation.

The LSU Health Sciences Foundation in Shreveport (the Foundation) is a public, nonprofit corporation formed in 1997 and governed by a board of directors. The organization's goal is to support, enhance, and assist the LSU Health Sciences Center Shreveport (the Center) in its many endeavors by expanding the public's awareness of the Center's many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Center, and provide the means through which financial support is received and administered.

Foundation Property, LLC and Foundation General Holdings, LLC were formed in July 2006. Foundation Property, LLC was formed to hold all real estate previously acquired by the Foundation, and Foundation General Holdings, LLC was formed to hold all new acquisitions of real estate.

Intermodal Transit Facility, LLC was formed in March 2007 to purchase property and construct an intermodal transit oriented facility as a ride link for the City of Shreveport's SporTran passengers and the Center's patients, employees, students, and customers. Intermodal Transit Facility, LLC entered into a Cooperative Endeavor Agreement with the City of Shreveport which governed the use of $1,235,949 of Section 5309 Federal Transit Administration funds earmarked as an 80% match for construction of the intermodal transit facility. In order to receive these grant funds, Intermodal Transit Facility, LLC was required to provide a match equal to 20% of the project cost. In addition, Intermodal Transit Facility, LLC was required to pay the City of Shreveport an administrative fee in the amount of 10% of the total FTA grant funds used for the project. Construction of the intermodal transit facility was completed in June 2009, and the total cost of the facility including the purchase of property and administrative fees of $1,609,160 is reflected as an investment in real estate in the consolidated financial statements. For the years ended June 30, 2009, and 2008, $507,624 and $88,322, respectively, of grant income has been recorded for Intermodal Transit Facility, LLC and is reflected as temporarily restricted contributions and grants in the consolidated financial statements. A summary of the project's activity follows:

Year Ended June 30,	Capitalized Expenditures	Expensed Expenditures	Capitalized Administrative Fees	Total Project Cost	Less Grant Income	Intermodal's Match Plus Admin. Fees
2007	748,749	-	59,900	808,649	598,999	209,650
2008	110,402	-	8,832	119,234	88,322	30,912
2009	630,515	4,016	50,762	685,293	507,624	177,669
	1,489,666	4,016	119,494	1,613,176	1,194,945	418,231

2. Summary of Significant Accounting Policies.

a. The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its 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 as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Foundation's operations functionally between management and general expenses, Feist-Weiller Cancer Center expenses, and grants and honorariums.

b. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

e. For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions.

f. The LSU Health Sciences Foundation in Shreveport qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Foundation Property, LLC; Foundation General Holdings, LLC; and Intermodal Transit Facility, LLC are single-member LLCs and are considered disregarded entities for tax purposes. Therefore, no provision for income taxes has been made in the financial statements. The Foundation elected in fiscal year ended June 30, 2009 to defer until fiscal year ended June 30, 2010 the provisions of FASB Interpretation 48, "Accounting for Uncertainties in Income Taxes." It has not adopted any uncertain tax positions with respect to those amounts reported in its fiscal years ended June 30, 2009 and 2008 financial statements.

2. Summary of Significant Accounting Policies. (Continued)

g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

h. Equipment and furniture are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of five to seven years.

i. Investments in real estate are stated at cost if purchased and at fair market value at date of donation if donated less accumulated depreciation on any improvements. Depreciation of improvements is calculated using the straight-line method over an estimated useful life of fifteen to twenty years.

j. Certain amounts in the fiscal year ended June 30, 2008 financial statements have been reclassified to conform to the fiscal year ended June 30, 2009 presentation.

3. Investments-Pools.

Investments-pools are presented below with their respective market values and costs as of June 30, 2009 and 2008.

	2009		2008	
	Market Value	Cost	Market Value	Cost
Unrestricted Pool				
Fixed Income:				
CF Multi-Strategy Bond Investors, LLC	476,948	460,823	-	-
Total Fixed Income	476,948	460,823	-	-
Equity:				
CF Multi-Strategy Equity Investors, LLC	913,343	846,880	-	-
Total Equity	913,343	846,880	-	-
Total Unrestricted Pool	1,390,291	1,307,703	-	-
Nonendowed Pool				
Fixed Income:				
Chase Money Market	1,317,085	1,317,085	-	-
CFI Core Plus Bond Fund	4,499,294	4,877,939	4,455,960	4,655,195
Evergreen Institutional Money Mkt Cls 1	-	-	260,986	260,986
Total Fixed Income	5,816,379	6,195,024	4,716,946	4,916,181
Total Nonendowed Pool	5,816,379	6,195,024	4,716,946	4,916,181
Feist Endowed Pool				
Equity:				
CF Multi-Strategy Equity Investors LLC	7,372,923	10,553,011	11,308,763	11,523,653
Total Equity	7,372,923	10,553,011	11,308,763	11,523,653
Fixed Income:				
Chase Money Market	6,119	6,119	-	-
CF Multi-Strategy Bond Investors, LLC	5,226,376	5,833,648	6,080,157	6,283,987
Evergreen Institutional Money Mkt Cls 1	-	-	5,959	5,959
Total Fixed Income	5,232,495	5,839,767	6,086,116	6,289,946
Total Feist Endowed Pool	12,605,418	16,392,778	17,394,879	17,813,599
Future Endowment Pool				
Equity:				
CF Multi-Strategy Equity Investors LLC	977,845	918,105	-	-
Total Equity	977,845	918,105	-	-

3. Investments-Pools. (Continued)

	2009		2008	
	Market Value	Cost	Market Value	Cost
Fixed Income:				
CF Multi-Strategy Bond Investors, LLC	513,181	498,688	-	-
Total Fixed Income	513,181	498,688	-	-
Total Future Endowment Pool	1,491,026	1,416,793	-	-
General Endowed Pool				
Equity:				
CF Multi-Strategy Equity Investors LLC	599,881	1,039,327	1,524,637	1,553,609
Total Equity	599,881	1,039,327	1,524,637	1,553,609
Fixed Income:				
Chase Money Market	586,278	586,278	-	-
CF Multi-Strategy Bond Investors, LLC	661,308	741,871	819,672	847,151
Evergreen Institutional Money Mkt Cls 1	-	-	6,260	6,260
Total Fixed Income	1,247,586	1,328,149	825,932	853,411
Total General Endowed Pool	1,847,467	2,367,476	2,350,569	2,407,020
BRSF Pool				
Equity:				
CF Multi-Strategy Equity Investors, LLC	5,317,392	7,317,414	7,263,311	7,408,888
Total Equity	5,317,392	7,317,414	7,263,311	7,408,888
Fixed Income:				
Chase Money Market	1,666	1,666	-	-
CFI Core Plus Bond Fund	3,838,177	4,172,130	3,890,373	4,062,206
Evergreen Institutional Money Mkt Cls 1	-	-	1,743	1,743
Total Fixed Income	3,839,843	4,173,796	3,892,116	4,063,949
Total BRSF Pool	9,157,235	11,491,210	11,155,427	11,472,837
Total Investments-pool	32,307,816	39,170,984	35,617,821	36,609,637

The investments in the pools were uninsured and were not collateralized, making a total of approximately $32,300,000 and $35,600,000 in off-balance sheet risk related to investment pools at June 30, 2009 and 2008, respectively. The possibility of loss exists if the investment funds holding uninsured deposits were to fail.

4. Feist Legacy.

Carroll W. Feist died on July 29, 2005. His Will and codicils created ambiguities with respect to the identity of the universal legatee. The proper universal legatee was either Louisiana State University or The LSU Health Sciences Foundation in Shreveport. The parties compromised and agreed that Mr. Feist's Will should be interpreted so that the universal legatee is the Foundation. The parties entered into a written agreement whereby the management details of the legacy from Mr. Feist were outlined.

The bequest will be used for cancer research at the LSU Health Sciences Center, Shreveport, Louisiana. After appropriate approvals, the Foundation may spend income of the Feist account up to a maximum in any one fiscal year of $1,000,000. Principal may also be spent after appropriate approvals have been obtained.

Because of the difficulty in valuing certain assets in the Succession, the contribution will be recorded as the assets are received from the Succession. Distributions received from the Succession and recorded as contributions since inception are as follows:

4. Feist Legacy. (Continued)

Year Ended June 30,	Income	Principal	Total Distributions
2006	2,312,389	23,557,148	25,869,537
2007	1,144,781	5,683,039	6,827,820
2008	2,728,319	3,648,281	6,376,600
2009	2,086,779	1,168,221	3,255,000
	8,272,268	34,056,689	42,328,957

As of June 30, 2009 and 2008, the investments from the Feist Legacy consisted of marketable securities and trust assets held in a Regions Bank brokerage account, which are detailed below:

	2009		2008	
	Market Value	Cost	Market Value	Cost
Cash and money market funds	2,695,046	2,695,046	1,888,426	1,888,426
Fixed income-U.S. treasuries	-	-	510,665	498,438
Fixed income-U.S. government agencies	10,021,812	9,985,769	17,565,822	17,460,301
Fixed income-Federal Home Loan Mortgage Corporation pools	4,276,811	4,163,546	3,306,319	3,299,523
Fixed income-municipals	1,611,776	1,586,242	-	-
Fixed income-corporates	6,315,643	6,450,810	7,238,068	7,314,397
Fixed income-miscellaneous	1,977,530	2,000,000	1,195,044	1,250,000
Equities	15,180,440	16,362,534	7,300,294	7,874,682
International equities	-	-	1,370,297	1,505,012
Accrued income	208,274	208,274	221,544	221,544
	42,287,332	43,452,221	40,596,479	41,312,323

Following is a summary of the transactions on the Feist Legacy for the years ended June 30, 2009 and 2008. All of the activity is reflected in the Foundation's accompanying consolidated financial statements as of and for the years ended June 30, 2009 and 2008.

	2009			2008
	Income	Principal	Total Market Value	Total Market Value
Net asset balances at beginning of year	8,398,492	32,492,712	40,891,204	34,291,263
Activity during the year:				
Distributions from Succession	2,086,779	1,168,221	3,255,000	6,376,600
Interest and dividend income	349,276	-	349,276	232,028
Bond interest income	1,347,555	-	1,347,555	1,623,099
Realized loss	-	(1,453,389)	(1,453,389)	(82,265)
Unrealized loss	-	(449,045)	(449,045)	(918,741)
Management fees	(298,389)	(298,389)	(596,778)	(563,982)
Other expenses	(84,351)	-	(84,351)	(66,798)
Transfer to spending account	(818,000)	-	(818,000)	-
Net asset balances at end of year	10,981,362	31,460,110	42,441,472	40,891,204
Consists of:				
Above investments			42,287,332	40,596,479
Checking account			307,500	444,031
Management fees and other payable			(153,360)	(149,306)
Total net assets at end of year			42,441,472	40,891,204

4. Feist Legacy. (Continued)

In addition to the above, there are undistributed assets in the Succession totaling approximately $18,400,000 (principal - $18,400,000 and income $-0-) as of June 30, 2009. As stated above, such assets will be reflected in the Foundation's financial statements when distributed by the Succession and received by the Foundation.

5. Burton Legacy.
The Foundation was the beneficiary of the Residuary Estate of Cleveland C. Burton. Mr. Burton died on February 22, 2008, and the fair value of his estate was recorded as an unrestricted contribution during the year ended June 30, 2008. The fair value of the Foundation's interest in the estate as of June 30, 2008, $6,233,949, was classified as a beneficial interest in estate in the statement of financial position. The Foundation took possession of the assets during the year ended June 30, 2009, and the assets were then classified as investments-Burton Legacy in the statement of financial position. As of June 30, 2009, the investments from the Burton Legacy consisted of marketable securities held in a J.P. Morgan brokerage account, which are detailed below:

	2009		2008	
	Market Value	Cost	Market Value	Cost
JP Morgan				
Cash:				
JP Morgan Deposit Sweep Premier	1,275,270	1,275,270	-	-
Income Cash	7,958	7,958	-	-
Total Cash	1,283,228	1,283,228	-	-
Equities:				
Banks	66,300	149,310	-	-
Capital Equipment	88,240	170,460	-	-
Consumer Cyclical	11,017	6,783	-	-
Energy	1,010,345	1,322,550	-	-
Health Care	62,040	76,920	-	-
Industrial Commodities	25,620	45,535	-	-
Mutual Funds	389,573	404,335	-	-
Other Utilities	163,290	183,780	-	-
Real Estate Investment Trusts	411,828	553,644	-	-
Telephone Utilities	162,956	219,366	-	-
Total Equities	2,391,209	3,132,683	-	-
Fixed Income:				
Municipal Obligations	202,216	200,458	-	-
Mutual Funds	1,100,209	1,014,102	-	-
US Fixed Income-Corporate	128,323	141,250	-	-
Total Fixed Income	1,430,748	1,355,810	-	-
Total Investments-Burton Legacy	5,105,185	5,771,721	-	-

6. Fair Value Measurements.
The Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," as of July 1, 2008. SFAS No. 157 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

6. Fair Value Measurements. (Continued)

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2009 are as follows:

	Level 1	Level 2	Level 3	Fair Value
June 30, 2009:				
Cash and Accrued Income	6,097,696	-	-	6,097,696
CFI Core Plus Bond Fund	516,117	7,680,392	140,962	8,337,471
CF Multi-Strategy Bond Investors, LLC	-	6,877,812	-	6,877,812
CF Multi-Strategy Equity Investors, LLC	378,894	14,652,725	149,765	15,181,384
Regions-Equities	15,180,440	-	-	15,180,440
Regions-Fixed Income Funds	1,977,530	-	-	1,977,530
Regions-Fixed Income	-	22,226,042	-	22,226,042
JP Morgan-Equities	2,391,210	-	-	2,391,210
JP Morgan-Fixed Income Funds	1,100,209	-	-	1,100,209
JP Morgan-Other Fixed Income	-	330,539	-	330,539
	27,642,096	51,767,510	290,727	79,700,333

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance-July 1, 2008	688,721
Accrued Discount (Premium)	(92)
Gains (losses) realized and unrealized	(87,334)
Purchases, issuances, and settlements	(204,363)
Transfers in and/or out of Level 3, net	(106,205)
Balance-June 30, 2009	290,727

7. Investment in Real Estate.

During the fiscal year ended June 30, 2002, the Foundation began purchasing property adjacent to and near the LSU Health Sciences Center Shreveport. The Foundation's intent is to ultimately transfer ownership of this property to the LSU Health Sciences Center Shreveport either by sale or donation. On occasion, the Foundation has also received donations of property. At June 30, 2009 and 2008, the Foundation's investment in real estate consists of:

	2009	2008
Chevy Land property	250,000	250,000
St. Vincent Avenue property, less accumulated depreciation of $-0- and $7,977, respectively, on improvements of $163,466	-	155,489

7. Investment in Real Estate. (Continued)

	2009	2008
Yokem property	125,000	125,000
Sklar Phillips property	251,589	250,000
Caddo Exceptional School property	510,000	510,000
Yokem Body Shop property	118,930	118,930
Monsour property	235,238	235,238
Crawford property	79,656	79,656
Kings Highway property	261,000	261,000
Blood Center property	600,000	600,000
Selber property held for sale	890,000	890,000
1341 Jennings Street	35,896	35,896
1328 Woodrow Street	60,447	60,447
1345 Jennings Street	44,031	44,031
Chicora property	4,000	4,000
Intermodal Transit Facility property, less accumulated depreciation of $4,780 and $-0-, respectively, on improvements of $860,411	1,604,380	927,930
	5,070,167	4,547,617

During the fiscal year ended June 30, 2009, the Foundation donated the St. Vincent Avenue property to the LSU Health Sciences Center Shreveport.

The Caddo Exceptional School and Blood Center properties are currently leased by the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College. The Kings Highway property is leased by various businesses. The 1328 Woodrow Street property is leased by a student. Rental income under noncancellable leases is due as follows:

2010	151,150
2011	123,404
2012	80,151
2013	6,660
2014	-
	361,365

8. Notes Payable.
Notes payable consists of the following at June 30, 2009 and 2008:

	2009	2008
Note payable to JP Morgan Chase Bank, original amount of $510,000, interest at the "Eurodollar Rate," due in consecutive monthly installments of $4,250, plus interest beginning July 15, 2003 with unpaid principal and interest due in full on June 15, 2008. On February 10, 2006, refinanced $378,250, interest at a fixed rate 6.85%, due in consecutive monthly installments of $5,475, including interest beginning February 15, 2006 with unpaid principal and interest due in full on June 15, 2013, unsecured.	226,647	274,820

8. Notes Payable. (Continued)

	2009	2008
Note payable to JP Morgan Chase Bank, original amount of $276,000, interest at prime rate due in consecutive monthly installments of $2,836 including interest beginning August 23, 2004 with unpaid principal and interest due in full on July 23, 2009. On February 10, 2006, refinanced $248,044, interest at a fixed rate 6.85%, due in consecutive monthly installments of $3,529 including interest beginning February 23, 2006 with unpaid principal and interest due in full on June 15, 2013, unsecured.	151,572	182,222
Note payable to Regions Bank, original amount of $600,000, interest at 6.38%, due in consecutive monthly installments of $8,875 including interest beginning September 17, 2005, with unpaid principal and interest due in full on August 17, 2012. On June 30, 2009, refinanced $308,857, interest at a fixed rate 5.85%, due in consecutive monthly installments of $8,164 including interest beginning August 1, 2009 with unpaid principal and interest due in full on January 1, 2013, secured by investment in Blood Center real estate and assignment of real estate leases and rents of the Blood Center real estate.	308,857	394,016
	687,076	851,058
Less-current portion	(159,905)	(163,426)
	527,171	687,632

Notes payable maturities are as follows:

Due In	
2010	159,905
2011	177,493
2012	189,122
2013	160,556
2014	-
	687,076

Included in management and general expense is $49,036 and $64,170 in interest expense for the years ended June 30, 2009 and 2008, respectively.

9. Due to LSU Health Sciences Center Shreveport.
The amount due to LSU Health Sciences Center Shreveport represents the state match for the following chairs and professorships, which are being held and invested for the Center by the LSU Health Sciences Foundation in Shreveport. The liability consists of the following at June 30:

	2009	2008
John C. McDonald, M.D. Chair in Surgery	409,930	486,329
Jack W. Pou, M.D. Chair in Otolaryngology	409,686	485,832
Albert Sklar Professorship in Surgery	45,811	56,583
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	462,847	549,099

9. Due to LSU Health Sciences Center Shreveport. (Continued)

	2009	2008
Mary Louise and Ben Levy Professorship in Neurosurgery	43,630	56,509
Paul R. Winder, M.D. Professorship in Dermatology	50,669	60,108
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	42,462	53,524
Albert G. and Harriet G. Smith Professorship in Pathology	43,086	53,029
Randy Bryn, M.D. Professorship in Pulmonology	37,579	48,272
W. R. Matthews, M.D. Professorship in Pathology	40,266	48,271
Albertson's Distinguished Professorship in Allied Health Sciences	44,921	53,515
Robert E. Wolf, M.D. Professorship in Rheumatology	33,238	40,000
Donald Mack, M.D. Professorship in Pediatric Oncology	40,672	48,259
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education	40,471	48,263
Edward J. Crawford, Jr., M.D. Professorship in GYN Surgery	40,674	48,263
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Recruitment	38,901	48,258
Burdette E. Trichel, M.D. Professorship in Urology	40,673	48,260
Charles D. Knight, Sr. Professorship in General Surgery	39,956	48,261
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	40,673	48,261
Eugene St. Martin Professorship in Urology	38,366	45,515
Edward J. Crawford Professorship in Continuing Education	38,364	45,513
George Khoury & Donald Mack, M.D. Professorship in Pediatric Oncology	32,275	38,578
Joe E. Holoubek Professorship in Medicine	38,364	45,513
Thomas Norris, M.D. Professorship in Orthopedic Resident Support	32,169	38,578
E. Earle Dilworth, M.D. Professorship in OB/GYN Excellence	32,169	38,578
Mrunalini Shah and Bipin, M. D. Professorship in Anesthesiology Education	32,102	38,578
James A. Ardoin, M.D. Professorship in OB/GYN	32,047	38,578
Brad and Kay McPherson Professorship in Child Psychiatry	33,230	40,000
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Resident Education	33,220	40,000
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Recruitment	33,220	40,000
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Oncology Education	33,220	40,000
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Reproductive Endocrinology	33,220	40,000
Edward J. Crawford, Jr., M.D. Professorship in OB/GYN Faculty Enhancement	33,220	40,000
Edward Jr. Crawford, Jr., M.D. Professorship in OB/GYN Technology Enhancement	33,220	40,000
Carroll W. Feist Chair for the Study of Cancer	919,632	1,094,878
Archibald Bell Nelson Professorship in Orthopaedics	60,602	71,899
Joanna Gunning Magale Professorship in Neurology	51,278	61,600
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	468,586	555,968
YK Reddy Professorship in Allergy and Immunology	40,000	-
Stafford and Marianne Comegys Professorship in Medical Library Science	40,000	-
Juneau Chair in Transplantation Surgery	400,000	-
	4,434,649	4,722,672

10. Temporarily Restricted Net Assets.

Temporarily restricted net assets consisted of the following as of June 30, 2009 and 2008:

	2009	2008
Feist Legacy	42,441,472	40,891,204
Feist-Weiller Investment Account	12,546,459	15,839,035
Feist-Weiller Cancer Center	324,787	162,314
LSUMC Alumni Association	136,134	125,725
Casillas Allergy/Immuno Fund	117,014	47,152
Feist-Chancellor Fund	289,602	289,602
CME/Chesson	178,278	143,539
Neurosurgery/Nanda Flex Residual	79,696	117,301
Oral Surgery/Ghali/Discretionary Spending	158,372	181,072
Neurosurgery/Nanda/Research	341,333	344,722
Jack W. Pou, M.D. Chair in Otolaryngology Spending	216,183	168,775
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology Spending	266,088	216,906
Carroll W. Feist Chair for the Study of Cancer Spending	361,342	268,039
C Feist Legacy Spending	818,000	-
Jack W. Gamble M.D. Chair in Oral/Maxillofacial Surgery Spending	176,987	127,358
Selber Donated Land and Buildings	-	890,000
Other	2,481,156	2,205,119
Total temporarily restricted net assets	60,932,903	62,017,863

11. Permanently Restricted Net Assets.

Permanently restricted net assets consisted of the following at June 30, 2009 and 2008:

	2009	2008
John C. McDonald, M.D. Chair in Surgery	624,327	782,229
Jack W. Pou, M.D. Chair in Otolaryngology	585,695	733,829
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	591,676	740,737
Gail and Donnie Juneau Chair in Transplantation	599,760	-
Carroll W. Feist Chair for the Study of Cancer	1,194,135	1,494,497
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	606,989	759,505
Muslow Endowed Chair	403,359	470,203
Smith Chair of Spinal Treatment	449,962	470,932
Comegys Library Endowment	275,899	284,247
Urology/Womack Endowment	145,396	172,594
Psychiatry/Frost Endowment	630,494	748,464
Dr. Y. S. Goel Student Scholarship	103,580	121,668
Anil Nanda Neurosurgery Endowment	198,000	-
Other	2,175,218	2,449,416
Total permanently restricted net assets	8,584,490	9,228,321

12. Retirement Plan.

Effective January 1, 2004, the Foundation established a retirement plan for the purpose of purchasing annuity contracts for its employees pursuant to Section 403(b) of the Internal Revenue Code of 1986, as amended. Management determines annual contributions. Employees were able to contribute a

12. Retirement Plan. (Continued)

portion of their annual compensation. During the year ended June 30, 2008, management identified an operational violation of the plan. Upon discovery of the violation, management consulted with legal counsel and filed a formal correction statement with the Internal Revenue Service. The plan was terminated effective December 31, 2007. The Foundation's contributions to the plan were $-0- and $84,407 (including $64,410 of catch-up contributions and $10,803 of lost earnings) for the years ended June 30, 2009 and 2008, respectively.

13. Subsequent Event.

By Act 20 of the State of Louisiana Legislature, the Foundation was awarded $10 million, payable from the State General Fund, for planning and construction of a children's hospital. These funds are considered as having been appropriated directly to the Office of Facility Planning and Control, Division of Administration to be administered under the terms of a cooperative endeavor agreement. The children's hospital will be a public-private partnership between the LSU Health Sciences Center at Shreveport and the Shriners Hospital.

OTHER FINANCIAL INFORMATION

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Relating to unrestricted expenses:		
Salary expense	530,319	407,562
Employee benefit expense	9,800	88,713
Payroll taxes	39,155	32,057
Advertising and promotional expenses	3,855	3,711
Bank charges	7,572	7,890
Depreciation	9,674	3,311
Consulting services	108,644	84,891
Postage	4,803	7,806
Office expense	19,324	9,933
Telephone expense	3,921	3,200
Donations of property	154,140	-
Gifts and acknowledgments	289	898
Donor recognition expense	206	283
Printing	11,836	10,358
Travel	5,169	1,516
Meals and entertainment	3,611	3,607
Dues and subscriptions	4,715	6,046
Rent	8,765	6,395
Miscellaneous	66,199	13,378
Professional services	101,038	177,382
Fundraising	33,292	158,376
Interest expense	49,036	64,170
Software	28,657	9,461
Employee excellence award expense	10,792	10,307
Children's hospital campaign	1,872	-
Chancellor search expense	134,544	109,278
Wellness events	10,230	-
Insurance	88,669	750
Repairs and maintenance	11,866	-
Utilities	4,499	5,492
Taxes	8,313	902
Environmental clean-up	153,556	-
Total unrestricted expenses	1,628,361	1,227,673
Relating to temporarily restricted expenses:		
Admissions	6,711	6,634
Allied Health	23,276	72,502
Alumni affairs	59,941	42,329
Anesthesiology	33,088	31,135
Biochemistry	77	573
Cardiology	17,957	3,868
Cardiopulmonary	3,940	-
Chancellor	7,228	4,905
Continuing medical education	22,528	22,195
Dermatology	-	488

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Relating to temporarily restricted expenses: (Continued)		
E. A. Conway	3,709	165
Emergency medicine	8,538	9,032
Endocrinology	2,135	3,292
Family medicine	29,929	41,738
Foundation	5,297	3,604
Health sciences library	19,987	7,807
Human resources management	36	1,190
Legal affairs	-	2,350
Medical library	114	-
Medicine	3,500	-
Microbiology	2,230	1,949
Nephrology	3,332	7,532
Neurology	285,626	52,596
Neurosurgery	52,104	62,734
Nursing administration	10,453	5,717
OB/GYN	12,064	12,335
Oncology	-	1,380
Oral/maxiofacial	119,087	116,428
Orthopaedic	30,996	26,687
Ortho surgery	3,865	3,210
Otolaryngology	4,370	-
Patient relations	1,300	281
Pathology	13,049	26,551
Pediatrics	99,878	58,719
Pharmacology	8,133	2,241
Physiology	9,129	16,534
Psychiatry	26,628	32,771
Pulmonary	4,304	3,001
Radiology	13,413	10,217
Rheumatology	5,300	4,860
Social services	3,514	2,681
Student affairs	1,231	-
Surgery	42,716	83,375
Urology	1,093	1,874
Foundation management fees	22,932	12,777
Total temporarily restricted expenses	1,024,738	800,257
Relating to permanently restricted expenses:		
Academic affairs	-	23
Oral/maxiofacial	8,000	-
Surgery – head/neck	-	28
Rheumatology	-	3,987
Foundation management fees	131,655	125,489
Total permanently restricted expenses	139,655	129,527
Total management and general expenses	2,792,754	2,157,457

OTHER REPORTS

HEARD
McELROY
& VESTAL
LLP
CERTIFIED PUBLIC ACCOUNTANTS

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October 30, 2009

The Board of Directors
LSU Health Sciences Foundation in Shreveport
Shreveport, Louisiana

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*

We have audited the consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiaries as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a 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. We consider the following deficiency to be a significant deficiency in internal control.

HMV
A Professional Services Firm
Shreveport • West Monroe
hmv@hmvcpa.com E-mail
www.hmvcpa.com Web Address

Transfer of Properties

Observation
During our testing of investments in real estate, we noted that all real estate purchased by the Foundation prior to the formation of Foundation Property, LLC had been properly transferred to the Foundation Property, LLC general ledger. We also noted that the lease agreements related to the properties had been transferred from the Foundation to Foundation Property, LLC. However, we noted that two of the promissory notes had not been updated to reflect Foundation Property, LLC as the primary obligor.

Recommendation
We recommend that all promissory notes be updated to reflect Foundation Property, LLC as the primary obligor.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

This report is intended solely for the information of management, the board of directors, and the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy + Vestal, LLP

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

We have audited the consolidated financial statements of the LSU Health Sciences Foundation in Shreveport and Subsidiaries as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the consolidated financial statements as of June 30, 2009 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

   Internal Control – One significant deficiency was noted, which was not a material weakness.

   Compliance – No material noncompliance was noted.

b. Federal Awards – Not applicable.

Section II - Financial Statement Findings

No matters were reported.

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT AND SUBSIDIARIES

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2009

The prior year significant deficiency related to the reconciliation of contributions was cured in the current year.

The prior year significant deficiency related to the transfer of properties was partially corrected in the current year by completing the legal transfer of all lease agreements related to the properties from the Foundation to Foundation Property, LLC and updating one of the promissory notes to reflect Foundation Property, LLC as the primary obligor. The updating of all promissory notes to reflect Foundation Property, LLC as the primary obligor is a repeat finding in the current year.