

**LSU HEALTH SCIENCES FOUNDATION**  
**IN SHREVEPORT**  
**SHREVEPORT, LOUISIANA**  
**JUNE 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/22/06

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

# HEARD McELROY & VESTAL

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September 8, 2006

To the Board of Directors  
LSU Health Sciences Foundation in Shreveport  
Shreveport, Louisiana

## Independent Auditor's Report

We have audited the accompanying statement of financial position of the LSU Health Sciences Foundation in Shreveport as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 LSU Health Sciences Foundation in Shreveport as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the 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 financial statements of the LSU Health Sciences Foundation in Shreveport. 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.

*Heard, McElroy & Vestal, LLP*

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LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

ASSETS

Cash and cash equivalents	172,944
Pledge receivable	250,000
Investments-Note 3	31,326,787
Investments-Feist legacy-Note 10	26,060,674
Donated land and buildings	894,000
Equipment and furniture, less accumulated depreciation of \$33,634	6,555
Investment in real estate-Notes 7 and 8	2,680,602
Other assets	<u>281</u>
Total assets	<u>61,391,843</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	27,275
Payroll and related taxes payable	487
Deferred revenue-Note 9	506,997
Notes payable-Note 8	1,173,895
Due to LSU Medical Center Shreveport-Note 6	<u>3,578,830</u>
Total liabilities	5,287,484

Net assets:

Unrestricted	2,784,481
Temporarily restricted-Note 4	45,841,747
Permanently restricted-Note 5	<u>7,478,131</u>
Total net assets	<u>56,104,359</u>
Total liabilities and net assets	<u>61,391,843</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support, revenues and gains:</u>				
Contributions and grants	335,901	1,424,608	254,803	2,015,312
Contribution-Feist legacy	-	26,060,674	-	26,060,674
Income on investments	237,043	587,796	272,810	1,097,649
Net realized and unrealized gains (losses) on investments	(256,558)	(404,253)	425,167	(235,644)
Management fee income	399,297	-	-	399,297
Rental income	347,471	-	-	347,471
Total support, revenues and gains	<u>1,063,154</u>	<u>27,668,825</u>	<u>952,780</u>	<u>29,684,759</u>
<u>Net assets released from restrictions</u>	<u>2,052,907</u>	<u>(1,596,990)</u>	<u>(455,917)</u>	<u>-</u>
<u>Total support, revenues, gains and reclassifications</u>	<u>3,116,061</u>	<u>26,071,835</u>	<u>496,863</u>	<u>29,684,759</u>
<u>Expenses:</u>				
Management and general	1,985,657	-	-	1,985,657
Feist-Weiller Cancer Center	851,607	-	-	851,607
Grants and honorariums	89,300	-	-	89,300
Total expenses	<u>2,926,564</u>	<u>-</u>	<u>-</u>	<u>2,926,564</u>
<u>Increase in net assets</u>	<u>189,497</u>	<u>26,071,835</u>	<u>496,863</u>	<u>26,758,195</u>
<u>Net assets at beginning of period</u>	<u>2,594,984</u>	<u>19,769,912</u>	<u>6,981,268</u>	<u>29,346,164</u>
<u>Net assets at end of period</u>	<u>2,784,481</u>	<u>45,841,747</u>	<u>7,478,131</u>	<u>56,104,359</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

<u>Cash flows from operating activities:</u>	
Increase in net assets	26,758,195
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,388
Net realized and unrealized loss on long-term investments	235,644
Donated investments-Feist legacy	(26,060,074)
Decrease in other assets	1,619
(Decrease) in accounts payable	(60,684)
Increase in payroll taxes payable	131
(Decrease) in other payable	(22,813)
(Decrease) in deferred revenue	(12,268)
Increase in due to LSU Medical Center Shreveport	<u>469,295</u>
Net cash provided by operating activities	1,313,433
<u>Cash flows from investing activities:</u>	
Purchase of real estate and fixed assets	(696,236)
Purchase of investments-net	<u>(851,687)</u>
Net cash (used) by investing activities	(1,547,923)
<u>Cash flows from financing activities:</u>	
Proceeds from notes payable	600,000
Repayment of notes payable	<u>(214,405)</u>
Net cash provided by financing activities	<u>385,595</u>
<u>Net increase in cash and cash equivalents</u>	151,105
<u>Cash and cash equivalents at beginning of period</u>	<u>21,839</u>
<u>Cash and cash equivalents at end of period</u>	<u>172,944</u>
<u>Supplemental disclosure of cash flow information:</u>	
Cash paid for interest	<u>78,093</u>

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

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. Nature of Business.

The LSU Health Sciences Foundation in Shreveport 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 Medical Center Shreveport in its many endeavors by expanding the public's awareness of the Medical Center's many contributions to medical research, education of medical professionals, and quality health care, to develop and enhance financial support for the Medical Center, and provide the means through which financial support is received and administered.

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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

2. Summary of Significant Accounting Policies. (Continued)

- 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, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- f. The LSU Health Sciences Foundation in Shreveport qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.
- 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. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment and furniture are depreciated over an estimated useful life of five to seven years. Improvements to investments in real estate are depreciated over an estimated useful life of twenty years.

3. Investments.

As of June 30, 2006, the investments of all funds consisted of marketable securities and trust assets held in bank pools and brokerage accounts, which are recorded at market value, as detailed below:

	<u>Market Value</u>	<u>Cost</u>
Schwab Institutional Funds-Nonendowed Pool:		
Cash and money market funds	290,935	290,935
Fixed income-U.S. government obligations	3,261,818	3,415,412
Fixed income-CMO and asset backed securities	1,232,587	1,301,989
Accrued income	<u>42,006</u>	<u>42,006</u>
	<u>4,827,346</u>	<u>5,050,342</u>
Schwab Institutional Funds-Endowed Pool:		
Money market funds	54,430	54,430
Fixed income-U.S. government obligations	3,233,847	3,347,646
Fixed income-U.S. mortgage pools	430,342	449,223
Fixed income-CMO and asset backed securities	591,041	622,491
Domestic equities	5,167,635	4,379,008
International equities	1,355,798	1,049,972
Accrued income	<u>47,002</u>	<u>47,002</u>
	<u>10,880,095</u>	<u>9,949,772</u>

3. Investments. (Continued)

	<u>Market Value</u>	<u>Cost</u>
Feist Investments:		
Chase:		
Cash and cash equivalents	1,499,326	1,499,326
Fixed income-U.S. treasuries	1,294,423	1,324,293
Fixed income-U.S. government obligations	5,021,364	5,095,391
Accrued income	<u>65,852</u>	<u>65,852</u>
	7,880,965	7,984,862
Schwab Institutional Funds:		
Money market funds	250,841	250,841
Fixed income-U.S. treasuries	1,343,634	1,400,755
Accrued income	28,316	28,316
Fixed income-U.S. government obligations	1,563,397	1,582,948
Fixed income-U.S. mortgage pools	1,598,720	1,619,675
Fixed income-CMO/Asset backed	485,479	494,375
Equity funds	<u>2,467,994</u>	<u>2,495,828</u>
	<u>7,738,381</u>	<u>7,872,738</u>
Total Feist Investments	<u>15,619,346</u>	<u>15,857,600</u>
Total investments	<u>31,326,787</u>	<u>30,857,714</u>

The investments in the bank pools and the brokerage accounts were uninsured and were not collateralized, making a total of approximately \$31,300,000 in off-balance sheet risk at June 30, 2006. The possibility of loss exists if the investment funds holding uninsured deposits were to fail.

4. Temporarily Restricted Net Assets.

Temporarily restricted net assets consisted of the following as of June 30, 2006:

Feist Legacy	26,060,674
Feist-Weiller Investment Account	15,411,353
Feist-Weiller Cancer Center	40,436
Glass Flexible Spending	4,771
Mancini Lung Fund	19,600
McLarty: Research Sup Fund-Feist-Weiller	1,834
LSUMC Alumni Association	116,332
Med School Alumni Computer Lab Fund	114
Physiology/Granger Flex	27,187
Pharmacology/Dunn/Seminar Fund	17,615
Pharmacology/McMartin/Toxicology	2,841
Pharmacology/Dunn	2,608
Hematology/Burton Flex Residual	81,580
Urology/Venable Flex Residual	18,110
OB/GYN/London Improvement Fund	22,153
OB/GYN/London/Cravens Award	63,449

4. Temporarily Restricted Assets. (Continued)

Coalition for Women and Children's Health	230
Pediatrics/Neo Pramanik Flex	38,571
Pediatrics/Pramanik Flex Residual	86,829
Pediatrics/Pramanik ONY 1	51,733
Pediatrics/Hematology/Oncology Clinic	1,720
Cardiopulmonary Serv Continuing Ed	6,501
HR Project Care Workplace Literacy	210
Needy Student Fund	1,008
Amy Yates Memorial Award in Pediatrics	4,434
Junior League: Basic Needs	2,611
Susan Sewell Fund	1,318
Psychiatry Flexible Residual	16,432
Pathology Flexible Spending	2,786
Pulmonary/Payne Flexible Residual	6,892
Pulmonary/Payne/Video Award	1,207
Phys-biophy/Grisham Flex	86,111
Phys-biophy/Grisham Conference	11,233
Physiology/Alexander/Research	11,969
Rheumatology/Wolf Flex Residual	106,043
So Area Fibromyalgia Res Organ	3,866
Microbiology/O'Callaghan/Flex	17,116
ENT Flexible Spending	13,970
Feist-Chancellor Fund	289,602
CME/Chesson	32,649
Radiology/D'Agostino/Enrich	2,212
Radiology/Odita Scholarship Fund	328
Neurosurgery/Nanda Flex Residual	67,106
Neurosurgery Residency Support	27,924
Nephrology/Abreo Flex Residual	53,819
Surgery/McDonald/Trauma Fund	737
Surgery/Gebel/Transplant Res.	81,631
Surgery/Diabetic Limb Preservation Fund	4,895
Surgery/Zibari/Transplant Research	21,746
Vascular/Endovasc Surgery Program	1,526
Childhood Vascular Disorders	1,889
Trauma Surgery Flexible Spending	710
Aultman/Surgery Flexible Spending	1,269
Internal Medicine Interest Group	4,981
Gastroenterology/Jordan Flex Residual	1,217
Pulmonary/Conrad	9,724
M Echols Brain Research Fund	1,200
Biochemistry/Rhoads Feist 2	6,889
Cardiology/Reddy	25,792
Cardiology/Caskey/Education	375
Ghali/Cardio Flexible Residual	24
Hematology/Mills/Cancer Center	5,514
LSUMCS/Muslow Dean's Discretionary	798
Chancellor-Strategic Plan Fund	26,867
Dean's Academic Affairs	72,771
Neurology/Chesson Sleep Disorders Clinic	16,165

4. Temporarily Restricted Assets. (Continued)

Neurology/Jaffe/Flex Spending	8,989
Neurology/Parkinson's Resource	15,998
Neurology/Atlick Fund	14,800
Ward Professor/Brain Disease Research	6,628
Minagar's Flexible Residual Account	23,494
Neurology Resident Academic Spending	5,558
Family Medicine/LaRavia Alexandria	2,740
Family Medicine/Harper/Residual	2,984
Family Medicine/Givier/Monroe Program	3,557
Family Medicine/Fletcher/Obesity Discretionary	863
Family Medicine/Madden/Alexandria	(65)
Family Medicine/Pope/Educational Materials	14
Family Medicine/Harper/Educational Materials	375
Family Medicine/Educational Fund/Pope	2,056
Family Medicine/Diabetic Support Fund	147
Selber Endocrine/Levine Discretionary	24,117
Pediatrics/Hilman Cystic Fibrosis Fund	45,204
Pediatrics/Bocchini Reach Out & Read Program	7,681
Pediatrics/Wilson/CCRC	3,236
Pediatrics/Resident Fund	1,410
Joseph Lindsey Memorial Fund	80
Pediatric Allergy/Immunology Program	14,529
AH/McCullough/School Fund	3,462
AH/McCullough/Communication Disorders	25,247
AH/Children's Center Renovation Fund	98,431
SAHP Alumni Association	3,498
SAHP Cardiopulmonary Science	103
SAHP Clinical Lab Science	265
SAHP Occupational Therapy	176
SAHP Physician's Assistant	3,024
SAHP Physical Therapy	722
AH/Physician's Assistant/Student Account	2,594
AH/CPS Student Account	(4)
Emergency Room/Conrad Flex Residual	123
Oncology Transportation Program	596
Oncology Patient Support Funds	(66)
Nurse Administration/C Gay Assistance Fund	158
Health Sciences Library/Craig	21,213
McDonald Archive Account	1,455
Patient Relations	1,405
Bone Marrow Transportation Flex Spending	5,005
Medicine/Banks/Resident Account	2,290
Internal Medicine Chairman Program Fund	41
Emergency Medicine/Arnold	4,692
Poison Control Center Flexible	25,763
Medicine/Division of Research Education	1,264
Task Force on Health Literacy	3,500
Patient Care Services Flex Account	2,726
Oral Surgery/Ghail/Discretionary Spending	238,277
Oral/Maxillfacial Building Fund	8,140

4. Temporarily Restricted Assets. (Continued)

Orthopedic Surgery/Albright Discretionary	11,317
Orthopedic Rehabilitation ONE	14,431
Orthopedic Rehabilitation TWO	43,260
John Whitaker Visiting Professor	940
Neurosurgery/Nanda/Research	441,777
Legal Affairs/Employee Assistance	38,250
Anesthesiology/Cork/Resident Assistance	(15)
Anesthesiology Pain Fellowship Fund	736
Pediatrics/Bocchini/Children's Hospital	6,148
Pediatrics/Children's Hospital/Fund Raiser	13,932
Child Life Flexible Fund	8,319
Bocchini Memorial Fund	13,471
Burn Center Flexible Spending Account	8,782
PIWP/Ford/Monroe-EA Conway	1,365
OB/GYN/Wise/Monroe/Ea Conway	3,033
OB/GYN/Wise/Truly Award	3,660
John C. McDonald, M.D. Chair in Surgery Spending Account	70,875
Jack W. Pou, M.D. Chair in Otolaryngology Spending Account	82,139
Albert Sklar Professorship in Surgery Spending Account	7,170
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology Spending Account	122,487
Mary Louise and Ben Levy Professorship in Neurosurgery Spending Account	9,408
Paul R. Winder, M.D. Professorship in Dermatology Spending Account	8,706
H. Whitney Boggs, Jr. M.D. Professorship of Colon/Rectal Surgery Spending Account	4,626
Albert G. and Harriet G. Smith Professorship in Pathology Spending Account	9,493
Mollie E. Webb Endowed Spending Account	1,582
Albertson's Distinguished Professorship in Allied Health Science Spending Account	3,379
Carroll W. Feist Chair for the Study of Cancer Spending Account	138,144
Pulmonary/McNeely Endowment Spending Account	959
Urology/Womack Endowment Spending Account	17,062
Psychiatry/Frost Spending Account	92
Medicine/Gottlieb Endowment Spending Account	3,978
Dr. Y. S. Goel Student Scholarship Spending Account	1,359
Orthopedic Surgery/Albright Spending Account	61
Archibald Bell Nelson Professorship in Orthopaedics Spending Account	16,264
Neurology/Kelly/Professorship Spending Account	5,495
Joanna Gunning Magale Professorship in Neurology Spending Account	6,340
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery Spending Account	70,420
Selber Donated Land and Buildings	<u>890,000</u>
Total temporarily restricted net assets	<u>45,841,747</u>

5. Permanently Restricted Net Assets.

Permanently restricted net assets consisted of the following at June 30, 2006:

John C. McDonald, M.D. Chair in Surgery	757,249
Jack W. Pou, M.D. Chair in Otolaryngology	711,441

5. Permanently Restricted Net Assets. (Continued)

Albert Sklar Professorship in Surgery	74,554
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	723,173
Mary Louise and Ben Levy Professorship in Neurosurgery	74,469
Paul R. Winder, M.D. Professorship in Dermatology	79,216
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	70,538
Albert G. and Harriet G. Smith Professorship in Pathology	69,900
Randy Bryn Professorship in Pulmonology	75,026
W. R. Matthews, M.D. Professorship in Pathology	74,776
Albertson's Distinguished Professorship in Allied Health Sciences	70,526
Donald Mack, M.D. Professorship in Pediatric Oncology	68,110
Crawford Professorship in OB/GYN Resident Education	70,191
Crawford Professorship in GYN Surgery	70,191
Crawford Professorship in Resident Recruitment	67,807
B. E. Trichel, M.D. Professorship in Urology	69,181
Charles Knight Professorship in General Surgery	69,076
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	69,076
Carroll W. Feist Chair for the Study of Cancer	1,442,548
Archibald Bell Nelson Professorship in Orthopaedics	94,731
Joanna Gunning Magale Professorship in Neurology	81,168
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	732,431
Muslow Endowed Chair	224,355
Wolf Chair in Rheumatology	28,073
Brooks OB/GYN Endowed Professorship	5,786
Smith Chair of Spinal Treatment	120,507
Albright Chair in Orthopaedics	11,151
St. Martin Professorship in Pediatric Urology	77,749
Crawford Professorship in Continuing Education	63,649
Nathan Professorship in Head/Neck Cancer Studies	10,795
Khoury Professorship in Pediatrics	21,617
Holoubek Endowed Professorship in Medicine	62,048
Bean Professorship in Nephro and Transplant	11,354
Crawford Professorship #5	4,296
Mollie E. Webb Endowment	16,570
Comegys Library Endowment	144,136
G McCormick Award in Pathology	4,642
Pulmonary/Meneely Endowment	25,341
Urology/Womack Endowment	162,320
Psychiatry/Frost Endowment	704,166
OB/GYN/Crawford Endowment	5,317
Medicine/Gottlieb Endowment	38,563
Dr. Y. S. Goel Student Scholarship	110,395
Orthopedic Surgery/Albright	618
Neurology/Kelly/Professorship	<u>9,305</u>
Total permanently restricted net assets	<u>7,478,131</u>

6. Due to LSU Medical Center Shreveport.

The amount due to LSU Medical Center Shreveport represents the state match for the following chairs and professorships, which are being held and invested for the Medical Center by the LSU Medical Center Shreveport Foundation. The liability consists of the following at June 30, 2006:

John C. McDonald, M.D. Chair in Surgery	427,532
Jack W. Pou, M.D. Chair in Otolaryngology	427,097
Albert Sklar Professorship in Surgery	49,703
E. Earle Dilworth, M.D. Chair in Obstetrics and Gynecology	482,116
Mary Louise and Ben Levy Professorship in Neurosurgery	49,646
Paul R. Winder, M.D. Professorship in Dermatology	52,810
H. Whitney Boggs, Jr., M.D. Professorship of Colon and Rectal Surgery	47,026
Albert G. and Harriet G. Smith Professorship in Pathology	46,600
Randy Bryn Professorship in Pulmonology	42,456
W. R. Matthews, M.D., Professorship in Pathology	42,455
Albertson's Distinguished Professorship in Allied Health Sciences	47,018
Donald Mack, M.D. Professorship in Pediatric Oncology	42,444
Crawford Professorship in OB/GYN Resident Education	42,448
Crawford Professorship in GYN Surgery	42,448
Crawford Professorship in Resident Recruitment	42,443
B. E. Trichel, M.D. Professorship in Urology	42,445
Charles Knight Professorship in General Surgery	42,446
J. Woodfin Wilson, M.D. Professorship in Internal Medicine	42,446
Carroll W. Feist Chair for the Study of Cancer	961,698
Archibald Bell Nelson Professorship in Orthopaedics	63,154
Joanna Gunning Magale Professorship in Neurology	54,112
Jack W. Gamble, M.D. Chair in Oral/Maxillofacial Surgery	488,287
	<u>3,578,830</u>

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. The Foundation's intent is to ultimately transfer ownership of this property to the LSU Health Sciences Center either by sale or donation. At June 30, 2006, this property consists of:

Chevy Land property	250,000
St. Vincent Avenue property, less accumulated depreciation of \$5,281 on improvements of \$26,966	158,185
Yokem property	125,000
Sklar Phillips property	250,000
Caddo Exceptional School property	510,000
Yokem Body Shop property	118,930
Monsour property	235,238
Crawford property	79,656
Kings Highway property	261,000
Blood Center property	600,000
1341 Jennings Street	32,146
1328 Woodrow Street	60,447
	<u>2,680,602</u>

7. Investment in Real Estate. (Continued)

The Chevy Land, St. Vincent Avenue, Sklar Phillips, 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. Rental income under these noncancellable leases is due as follows:

2007	297,403
2008	109,515
2009	96,017
2010	96,017
2011	96,017
2012 and thereafter	<u>38,194</u>
	<u>733,163</u>

8. Notes Payable.

Notes payable consists of the following at June 30, 2006:

Note payable to Atelka, LLC, original amount of \$250,000, interest at 4.1%, due in consecutive monthly installments of \$4,615 including interest beginning December 15, 2001, due November 15, 2006, secured by investment in Chevyland real estate. 18,318

Note payable to Yokem Toyota, Inc., original amount of \$50,000, interest at 3.17%, due in four consecutive annual installments of \$13,506 (including interest) beginning on June 17, 2004, due June 17, 2007, secured by investment in Yokem Body Shop real estate. 13,091

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, secured by assignment of real estate leases and rents of the Caddo Exceptional School real estate. 361,515

Note payable to JP Morgan Chase Bank, original amount of \$276,000, interest at prime rate 6.25% at June 30, 2005, 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. 237,473

8. Notes Payable. (Continued)

Note payable to AmSouth 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, secured by investment in Blood Center real estate and assignment of real estate leases and rents of the Blood Center real estate.

Less-current portion

543,498
<u>1,173,895</u>
<u>(176,531)</u>
<u>997,364</u>

Notes payable maturities are as follows:

<u>Due In</u>	
2007	176,531
2008	153,003
2009	163,426
2010	174,557
2011	186,451
2012 and thereafter	<u>319,927</u>
	<u>1,173,895</u>

Included in management and general expense is \$78,093 in interest expense for the year ended June 30, 2006.

9. Contingency.

During the year ended June 30, 2005, the Foundation received funds from a donor for the possible construction of an Oral and Maxillofacial clinic. Subsequent to June 30, 2005, the Foundation determined that construction of the clinic is unlikely, and the Foundation is uncertain as to whether the donor's contribution will have to be refunded. Therefore, the Foundation has recorded a liability in the amount of \$506,997 as of June 30, 2006. Such amount is classified as deferred revenue in the statement of financial position.

10. 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 Foundation). 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.

Because of the difficulty in valuing certain assets in the Succession, the contribution will be recorded as received from the Succession. Approximately \$26,000,000 (principal-\$24,200,000 and income-\$1,800,000) was received from the Succession during the year ended June 30, 2006. The asset and revenue are reflected in the financial statements.

The bequest will be used for cancer research at the Feist-Weiller Cancer Center 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.

10. Feist Legacy. (Continued)

As of June 30, 2006, the investments from the Feist legacy consisted of marketable securities and trust assets held in an AmSouth brokerage account, which are recorded at market value, as detailed below:

	<u>Market Value</u>	<u>Cost</u>
Cash and money market funds	9,148,679	9,148,679
Fixed income-U.S. treasuries	7,976,970	7,976,970
Fixed income-U.S. government obligations	7,225,309	7,225,309
Fixed income-Municipal obligations	351,138	351,138
Equities-common stock	<u>1,358,578</u>	<u>1,358,578</u>
	<u>26,060,674</u>	<u>26,060,674</u>

OTHER FINANCIAL INFORMATION

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT  
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006

Relating to unrestricted expenses:

Salary expense	303,060
Employee benefit expense	18,240
Payroll taxes	22,455
Advertising and promotional expenses	2,048
Bank charges	16,313
Depreciation	4,388
Consulting services	44,499
Postage	11,620
Office expense	10,363
Telephone expense	3,557
Gifts and acknowledgments	937
Donor recognition expense	670
Printing	7,962
Travel	1,596
Meals and entertainment	972
Dues and subscriptions	2,928
Rent	2,285
Miscellaneous	3,636
Professional services	32,000
Fundraising	42,024
Interest expense	78,093
Real estate expense	39,739
Software	8,620
Employee excellence award expense	11,000
Grant program expense	79,150
Children's hospital campaign	<u>120,090</u>
Total unrestricted expenses	868,245

Relating to temporarily restricted expenses:

Admin Seferovic Fund	3,063
Allied Health	23,393
Anesthesiology	54,897
Cardiology	5,670
Chancellor	6,388
Continuing medical education	83,372
Dermatology	10,494
Ear, nose, throat	7,172
Emergency medicine	28,859
Endocrine	2,003
Family medicine	4,564
Library/archives	53,957

LSU HEALTH SCIENCES FOUNDATION IN SHREVEPORT  
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006

Relating to temporarily restricted expenses: (Continued)

LSU Medical Center Alumni Association	42,625
Medicine	22,438
Microbiology	3,241
Nephrology	7,969
Neurology	89,072
Neurosurgery	30,956
OB/GYN	6,528
Oncology	3,250
Orthopaedic	39,971
Otolaryngology	3,165
Patient care services	4,901
Pathology	11,495
Pediatrics	68,103
Pharmacology	4,689
Physiology	13,731
Psychiatry	40,213
Pulmonary	3,528
Radiology	9,371
Rheumatology	5,968
Student affairs	37,607
Surgery	221,156
Urology	2,287
Other	4,224
Foundation management fees	<u>23,057</u>
Total temporarily restricted expenses	983,377
<u>Relating to permanently restricted expenses:</u>	
Foundation management fees	<u>134,035</u>
Total permanently restricted expenses	<u>134,035</u>
Total management and general expenses	<u>1,985,657</u>