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STATE OF LOUISIANA
LEGISLATIVE AUDITOR
OFFICE OF THE LEGISLATIVE AUDITOR
Baton Rouge, Louisiana
70801

FINANCIAL STATEMENTS
MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)
Years Ended June 30, 2008 and 2007
With Independent Auditors' Report

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

Release Date 9-10-08

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

We have audited the accompanying statements of financial position of the McNeese State University Foundation, a non-profit corporation, as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These statements are the responsibility of the management of the McNeese State University Foundation. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted 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 from 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 in the first paragraph present fairly, in all material respects, the financial position of the McNeese State University Foundation, at June 30, 2008 and 2007, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Foundation's basic financial statements. The supplemental information on page 17 is presented to meet the requirement from the University of Louisiana Systems and is not a required part of the basic financial statements of the McNeese State University Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 21, 2008
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,677,050	\$ 4,569,346
Unconditional promises to give	230,214	357,962
State matching receivable	480,000	520,000
Investments	45,508,189	45,195,631
Donated property	879,025	520,525
Property held for resale	<u>373,685</u>	<u>-</u>
Total assets	<u>\$ 51,148,163</u>	<u>\$ 51,163,464</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>LIABILITIES</u>		
Accounts payable	\$ 69,707	\$ 83,696
Funds held in custody	<u>4,588,096</u>	<u>4,206,799</u>
Total liabilities	4,657,803	4,290,495
<u>NET ASSETS</u>		
Unrestricted	4,602,030	4,832,962
Temporarily restricted	13,394,544	15,697,896
Permanently restricted	<u>28,493,786</u>	<u>26,342,111</u>
Total net assets	<u>46,490,360</u>	<u>46,872,969</u>
Total liabilities and net assets	<u>\$ 51,148,163</u>	<u>\$ 51,163,464</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 270,360	\$ 2,738,196	\$ 1,774,482	\$ 4,783,038
Investment earnings (loss), net of fees of \$176,000 for 2008 and \$208,000 for 2007	(313,005)	(975,657)	377,193	(911,469)
Rent	23,800	-	-	23,800
Fund raising	1,000	-	-	1,000
Donated equipment	-	-	-	-
Donated property	-	358,500	-	358,500
Other	10,204	-	-	10,204
Net assets released from restrictions: Satisfaction of program expenses	4,424,391	(4,424,391)	-	-
Total Revenue and Support	4,416,750	(2,303,352)	2,151,675	4,265,073
EXPENSES				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	3,897,916	-	-	3,897,916
Dedicated scholarships	374,028	-	-	374,028
Freshman awards	35,000	-	-	35,000
Professorship and endowed scholars	81,703	-	-	81,703
Named honor awards	10,408	-	-	10,408
Excellence awards	17,930	-	-	17,930
Early admissions scholarships	-	-	-	-
Graduate scholarships	885	-	-	885
In kind equipment distributions	4,950	-	-	4,950
Other distributions	1,571	-	-	1,571
Total grants paid	4,424,391	-	-	4,424,391
Supporting services:				
Management and general	128,487	-	-	128,487
Fund raising	94,804	-	-	94,804
Total support services	223,291	-	-	223,291
Total Expenses	4,647,682	-	-	4,647,682
CHANGE IN NET ASSETS	(230,932)	(2,303,352)	2,151,675	(382,609)
Net assets at beginning of period	4,832,962	15,697,896	26,342,111	46,872,969
NET ASSETS AT END OF PERIOD	\$ 4,602,030	\$ 13,394,544	\$ 28,493,786	\$ 46,490,360

The accompanying notes are an integral part of these statements.

Year Ended June 30, 2007

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 58,504	\$ 2,608,232	\$ 1,523,459	\$ 4,190,195
450,715	4,603,719	671,978	5,726,412
13,575	-	-	13,575
8,000	-	-	8,000
3,050	-	-	3,050
-	-	-	-
18,535	-	-	18,535
2,618,390	(2,618,390)	-	-
3,170,769	4,593,561	2,195,437	9,959,767
2,075,604	-	-	2,075,604
390,993	-	-	390,993
40,000	-	-	40,000
67,000	-	-	67,000
10,000	-	-	10,000
3,835	-	-	3,835
4,010	-	-	4,010
10,175	-	-	10,175
14,817	-	-	14,817
1,956	-	-	1,956
2,618,390	-	-	2,618,390
90,865	-	-	90,865
102,440	-	-	102,440
193,305	-	-	193,305
2,811,695	-	-	2,811,695
359,074	4,593,561	2,195,437	7,148,072
4,473,888	11,104,335	24,146,674	39,724,897
<u>\$ 4,832,962</u>	<u>\$ 15,697,896</u>	<u>\$ 26,342,111</u>	<u>\$ 46,872,969</u>

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (382,609)	\$ 7,148,072
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net (appreciation) depreciation in fair value of investments	2,864,109	(3,545,308)
Net realized gains on sales of investments	(2,096,367)	(1,901,816)
Contributions restricted for investment in endowment	(1,774,482)	(1,523,459)
Investment earnings restricted for investment in endowment	(377,193)	(671,978)
Change in unconditional promises to give	127,748	(200,005)
Change in accounts payable	(13,989)	52,936
	<u>(1,652,783)</u>	<u>(641,558)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(25,512,686)	(9,835,641)
Purchase of property held for resale	(373,685)	(30,571)
Proceeds from sale of investments	24,201,219	9,634,725
	<u>(1,685,152)</u>	<u>(231,487)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	1,774,482	1,523,459
Investment earnings attributable to funds held in custody	(226,036)	254,575
Investment earnings attributable to endowed funds	377,193	671,978
State matching funds received	520,000	160,000
	<u>2,445,639</u>	<u>2,610,012</u>
NET CHANGE IN CASH	(892,296)	1,736,967
CASH AT BEGINNING OF PERIOD	<u>4,569,346</u>	<u>2,832,379</u>
CASH AT END OF PERIOD	<u>\$ 3,677,050</u>	<u>\$ 4,569,346</u>

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Supplemental cash flow disclosures:		
Non-cash transactions:		
State match receivable credited to funds held in custody	<u>\$ 480,000</u>	<u>\$ 520,000</u>
Appreciation in fair value of investments attributable to funds held in custody	<u>\$ 231,167</u>	<u>\$ 193,410</u>
Donated property	<u>\$ 358,500</u>	<u>\$ -</u>

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The McNeese State University Foundation (the Foundation) is a not-for-profit organization which was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses and individuals located in southwest Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Additionally, the Foundation is required to present a statement of cash flows.

Contributions

In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation operated as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less. The foundation maintains deposit accounts with large, multi-state financial institutions. As of June 30, 2008, the Foundation's collected bank balances exceeded federally-insured limits by approximately \$631,559. The Foundation began participation in Louisiana Asset Management Pool (LAMP), a state-wide external investment pool, during the year ended June 30, 2004. Deposits with LAMP totaled \$2,109,011 and \$2,879,050 at June 30, 2008 and 2007. Such deposits are secured by an interest in the underlying investment pool, consisting of U.S. Treasury and agency securities, held by LAMP. The Foundation also has money-market holdings as part of its managed investment accounts. Such balances totaled \$1,238,322 and \$1,267,928 at June 30, 2008 and 2007, respectively, and are not secured.

Investments

Investments consist of U.S. Government securities and obligations, marketable debt and equity securities, mutual funds, and money market funds. The Foundation accounts for its investments in accordance with SFAS No. 124, *Accounting for Certain Investments by Not-for-Profit Organizations*. Accordingly, investments in these securities are reported at fair value. Fair value is determined using quoted market price of identical and similar securities. Investments are diversified across many types of securities as well as many different issuers primarily operating across the United States.

Donated investments are recorded at fair market value at date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation's current operations.

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated value at date of receipt. Donated properties are not used for Foundation operations.

Funds Held in Custody

The Foundation participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Program sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Foundation, establishes endowment funds, which are accumulated in accounts segregated from other Foundation funds. The state match constitutes 40% of the total endowment. The earnings on these funds are to be used for professorships. The Foundation considers donations received from donors into this fund to be permanently restricted net assets and all state matching funds as funds held in custody. The liability "Funds held in custody" represents the lesser of 40% of the fair value of the segregated accounts or the original state match amount plus required increases to cover inflation.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2008</u>	<u>2007</u>
Unrestricted promises to give	\$ 20,899	\$ 19,688
Restricted to departmental and scholarship funds	<u>209,315</u>	<u>338,274</u>
	<u>\$ 230,214</u>	<u>\$ 357,962</u>

Management considers unconditional promises to give to be fully collectible, therefore, no allowance for doubtful accounts is considered necessary. At such time as management determines an amount to be uncollectible, it is written off. Unconditional promises to give in the amount of \$31,865, as of June 30, 2008, were deemed uncollectible and written off. The total amount of unconditional promises to give at June 30, 2008 is expected to be collected as follows:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 75,814	229,012
One to five years	<u>154,400</u>	<u>128,950</u>
Total unconditional promises to give	<u>\$ 230,214</u>	<u>\$ 357,962</u>

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$2,177,108 and \$2,213,252 at June 30, 2008 and 2007. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

At June 30, 2008, the Foundation's investments, carried at fair value, consisted of the following:

	2008			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Certificates of deposit	\$ 84,674	\$ -	\$ -	\$ 84,674
Mutual funds	9,962,321	6,038,383	(1,184)	15,999,520
Corporate stock	29,292,152	2,867,788	(2,755,325)	29,404,615
Other	19,380	-	-	19,380
	<u>\$ 39,358,527</u>	<u>\$ 8,906,171</u>	<u>\$(2,756,509)</u>	<u>\$ 45,508,189</u>

At June 30, 2007, the Foundation's investments, carried at fair value, consisted of the following:

	2007			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Certificates of deposit	\$ 82,379	\$ -	\$ -	\$ 82,379
Mutual funds	10,457,250	4,008,966	(672,809)	13,793,407
Corporate stock	25,393,451	6,001,075	(94,873)	31,299,653
Other	20,192	-	-	20,192
	<u>\$ 35,953,272</u>	<u>\$ 10,010,041</u>	<u>\$ (767,682)</u>	<u>\$ 45,195,631</u>

Investment earnings included in the statement of activities was comprised of the following for the years ended June 30, 2008 and 2007:

	2008	2007
Interest and dividend income	\$ 405,048	\$ 279,288
Realized gains on sales of investments	1,547,592	1,901,816
Unrealized gain (loss) on investments	(2,864,109)	3,545,308
	<u>\$ (911,469)</u>	<u>\$ 5,726,412</u>

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

4. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
96.86 acre farm, Kinder, Louisiana	<u>358,500</u>	<u>-</u>
	<u>\$ 879,025</u>	<u>\$ 520,525</u>

The Foundation has agreed that both farms would be used primarily by the Agriculture Department of McNeese State University and would never be sold. The property in Westlake was originally valued at \$120,000 and after Hurricane Rita, the Foundation made capital improvements into the property for a total of \$50,525.

5. PROPERTY HELD FOR RESALE

Property held for resale consists of land located near the campus that was purchased for \$373,685. The University has reached a verbal agreement with the Foundation to purchase this land at some later time.

6. FUNDS HELD IN CUSTODY

Funds held in custody are the state matching funds totaling \$4,588,096 and \$4,206,799 as of June 30, 2008 and 2007. The Foundation has received matching funds of \$3,520,000 and \$3,000,000 from the State of Louisiana as of June 30, 2008 and 2007, under the professorship program detailed in Note 1. Additionally, there was a state match receivable of \$480,000 and \$520,000 at June 30, 2008 and 2007, respectively.

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

7. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2008	2007
Projects specified by donors	\$ 3,897,916	\$ 2,075,604
Dedicated scholarships	374,028	390,993
Freshman awards	35,000	40,000
Professorship awards	55,000	51,000
Named honor awards	10,408	10,000
Endowed scholars	26,703	16,000
Excellence awards	17,930	3,835
Early admissions scholarships	-	4,010
Graduate scholarships	885	10,175
In kind equipment distributions	4,950	14,817
Endowment distributions	1,571	1,956
	\$ 4,424,391	\$ 2,618,390

8. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2008 and 2007:

	2008	2007
Eminent Scholars/Endowed Professorships	\$ 6,882,143	\$ 6,310,199
Scholarships	11,285,720	9,494,310
H.C. Drew Institute	6,000,000	6,000,000
Other University Projects	4,325,923	4,537,602
	\$ 28,493,786	\$ 26,342,111

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Cash, cash equivalents, and unconditional promises to give. The carrying amounts reported in the statements of financial position for cash and cash equivalents approximate fair values because of the short maturities of those instruments. The fair value of unconditional promises to give is not considered to be significantly different from carrying value due to the small carrying value.

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

McNeese State University Foundation

NOTES TO FINANCIAL STATEMENTS

10. PROFESSORSHIP PROGRAM

As discussed in Note 1, funds representing the Eminent Scholars/Endowed Professorships program are segregated. The fair value of these funds was \$10,114,428 and \$9,213,425 at June 30, 2008 and 2007, respectively, compared to \$10,179,000 and \$8,800,000 in donations/state matching. Included in the value of these funds were cash and cash equivalents of \$373,809 and \$316,863 at June 30, 2008 and 2007, respectively.

11. TRANSACTIONS WITH THE UNIVERSITY

Pursuant to the affiliation agreement between the Foundation and the University, the University provides certain personnel services and usage of office space and equipment for Foundation operations. In return, the Foundation provides, solicits and manages funds for the benefit of the University.

A portion of the grants, such as scholarships and professorships, is paid directly to McNeese State University to be disbursed to final beneficiaries. Such expenses totaled \$523,948 and \$518,395 for the years ended June 30, 2008 and 2007. Additionally, accounts payable includes \$51,000 in program expenses payable to the University as of June 30, 2007.

12. COMMITMENTS

The Foundation committed \$585,000 to purchase a property near the McNeese State University campus in May 2009. As of June 30, 2008 no expenditures have been made in conjunction with this purchase.

13. CAPITAL CAMPAIGN

As of November 2006, the Foundation initiated a capital endowment campaign, known as "Building a Solid Foundation", to raise \$15 million by 2010. The Foundation plays a major leadership role in the fundraising efforts for the campaign.

SUPPLEMENTAL INFORMATION

MCNEESE STATE UNIVERSITY FOUNDATION

SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE
UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS

June 30, 2008

	<u>Beg Balance</u>	<u>Revenue</u>	<u>Expense</u>	<u>Ending Balance</u>
MSU Golf Team	\$ 44,370	\$ 48,280	\$ 32,670	\$ 59,980
Basketball	8,512	8,634	5,591	11,555
Baseball - Diamond Chapter	37,496	179,433	116,761	100,168
MSU Girl's Softball	9,980	26,475	33,604	2,851
Athletic Director	80	57,653	29,556	28,178
MSU Goalie Booster Chapter	23,862	21,660	32,473	13,049
MSU Track - General	16,565	58,660	43,047	32,178
MSU Volleyball	716	-	-	716
Dugout Chapter	4,006	13,763	12,846	4,923
MSU Basketball "Tip Off"	104,860	12,543	32,786	84,618
MSU Tennis Booster	3,472	500	2,599	1,373
Girl's Basketball Booster	373	39,337	27,030	12,680
MSU Football	73,565	59,539	72,968	60,136
McNeese Quarterback Chapter	26,294	32,310	51,253	7,350
Petrochem Athletic Assn	102,751	96,046	148,672	50,125
McNeese Cowboy Chapter	42,341	265,880	301,367	6,854
Dowell Fontenot Sports Medicine	5,286	5,648	5,917	5,017
Intramurals - I/O	71	400	459	13
MSU - Volleyball - General	10,297	43,900	6,483	47,714
MSU Athletics - Strength Dept	2,367	47,500	32,036	17,831
Tennis Camps	3,166	3,065	653	5,578
Fieldhouse Renovations	549,250	61,205	228,494	381,961
Sports Info Poster Acct	1,601	13,280	8,117	6,764
Athletic Mktg Fund	2,566	32,644	30,718	4,492
Football Field Turf Project	-	848,500	766,300	82,200
Cowboy Club General Sch. Fund	30,000	70,300	-	100,300
	<u>\$ 1,103,848</u>	<u>\$ 2,047,155</u>	<u>\$ 2,022,400</u>	<u>\$ 1,128,602</u>



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
McNeese State University Foundation

We have performed the procedures enumerated below, which were agreed to and requested by the University of Louisiana System, solely to assist them in evaluating the accounting records of the McNeese State University Foundation for the year ended June 30, 2008. McNeese State University Foundation's management is responsible for accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Verify that the Foundation did not make loans to or allocate any net earnings or assets to the benefit of its directors, officers, or other private persons. Any payments made to these persons were for reasonable compensation for services rendered or reimbursement for reasonable travel expenses.

Comment: *No exceptions noted*

2. Verify that the Foundation made no political contributions nor reimbursed any employee for politically-related expenses that would violate IRS guidelines for 501 (C)(3) organizations. Accordingly, the Foundation did not provide funds to or on behalf of university employees to endorse political parties or candidates, attend political fund-raisers, participate in lobbying activities, etc.

Comment: *No exceptions noted*

3. Verify that the Foundation preserved, in accordance with donor intent, the principal of any endowments, and disbursements from the expendable portion of those funds were made in compliance with donor intent and to eligible recipients or for eligible purposes.

Comment: *No exceptions noted*

4. Verify that donations were properly recorded in the accounting records in accordance with donor intent.

Comment: *No exceptions noted*

5. Verify that the Foundation did not deposit or hold public funds at any time during July 1, 2007 to June 30, 2008, except for 1) Endowed Chair and Endowed Professorships Program funds held in accordance with a Funds Management Agreement or 2) project funds held in accordance with a cooperative endeavor agreement.

Comment: *No exceptions noted*

6. Verify that all the contracts between the Foundation and any member of its Board of Directors, any member of the UL System of Supervisors, any UL System employee, or any university employee have been individually disclosed in the notes to the financial statements, regardless of the significance of the contract payments to total Affiliate expenses. The applicable Related Parties note includes the names of the parties to the contract, the services provided, the amount paid as of the date of the financial statements, and the maximum amount of the contract.

Comment: *No exceptions noted*

7. Verify that the funds for supplemental compensation and/or benefits for a UL System or University employee were paid to the System Office or University for disbursement to the employee: no supplemental payments were made directly to an employee unless specifically approved by the Board Office or University.

Comment: *No exceptions noted*

8. Verify on a quarterly basis, the Foundation reported to the UL System all single payments of \$1,000 or more made to on behalf of any individual university employee.

Comment: *Exception noted and client resubmitted the first quarter 2008 report to include two months that were overlooked in error.*

9. Verify a sample of disbursements less than \$1,000 made to or on behalf of university employees has been reviewed for compliance with the policies contained in the Affiliation Agreement, "Affiliate Funding and Administration."

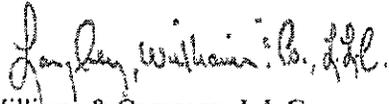
Comment: *No exceptions noted*

10. Verify that the accompanying financial statements include a supplementary schedule of all revenues, expenses and capitalized expenses made to or behalf of the university's intercollegiate athletics program. Verified that this schedule is fairly stated in relation to the financial statements taken as a whole.

Comment: *Report included in the financial statements*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Foundation, the University of Louisiana Systems, and the Board of Supervisors, and should not be used by anyone other than those specified parties.



Langley, Williams & Company, L.L.C.

Lake Charles, LA

August 21, 2008