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LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

JUNE 30, 2011 AND 2010

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

HEARD, MCELROY, & VESTAL
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September 7, 2011

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Independent Auditors' Report

We have audited the accompanying statements of financial position of Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Tech University Foundation, Inc. as of June 30, 2011 and 2010, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2011, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Louisiana Tech University Foundation, Inc. The accompanying supplementary information, consisting of the schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Heard, McElroy & Vestal, LLC

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LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS	2011	2010
Cash and cash equivalents	10,433,400	8,628,550
Accounts receivable-Notes 11, 14 and 15	5,289,240	6,206,838
Contributions receivable, net-Note 6	1,774,474	1,036,822
Accrued interest receivable-Note 3	14,308	11,052
Investments-Notes 3 and 4	23,496,698	17,909,954
Fixed assets, net-Note 5	1,395,067	1,780,099
Other assets	235,207	227,955
Restricted assets-investments-Notes 3 and 4	37,676,660	31,714,866
Total assets	80,315,054	67,516,136
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	662,510	136,367
Accrued interest payable	27,802	30,478
Annuities liability-Note 13	228,023	229,031
Deferred revenue-Notes 11, 14 and 15	5,293,452	6,085,483
Deferred compensation-Note 9	-	136,997
Notes payable-Note 7	1,874,085	2,103,249
Bonds payable-Note 8	-	123,244
Due to Louisiana Tech University-Note 10	37,569,147	31,462,779
Total liabilities	45,655,019	40,307,628
Net assets:		
Unrestricted:		
Undesignated	4,164,576	4,345,616
Invested in capital assets, net of related debt	(479,018)	(446,394)
	3,685,558	3,899,222
Temporarily restricted-for specific purposes	12,243,808	4,510,902
Permanently restricted-endowment-Note 16	18,730,669	18,798,384
Total net assets	34,660,035	27,208,508
Total liabilities and net assets	80,315,054	67,516,136

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	180,720	8,580,328	600,579	9,361,627
Contributed services	897,946	-	-	897,946
Interest and dividends income	43,264	461,074	-	504,338
Lease income	-	5,917	-	5,917
Service charges	832,126	14,405	-	846,531
Realized and unrealized gains (losses) on investments, net	5,920	2,356,913	(19,205)	2,343,628
Other	137,960	1,444,878	70,911	1,653,749
	2,097,936	12,863,515	652,285	15,613,736
Net assets released from restrictions	5,130,609	(5,130,609)	-	-
Total revenues, gains and other support	7,228,545	7,732,906	652,285	15,613,736
Expenses:				
Instructional support	1,142,857	-	-	1,142,857
Academic support	26,010	-	-	26,010
Research	86,679	-	-	86,679
Institutional support	1,043,559	-	-	1,043,559
Student financial aid	321,190	-	-	321,190
Student services	162,292	-	-	162,292
Auxiliary	2,208,711	-	-	2,208,711
General administrative services	1,034,434	-	-	1,034,434
Fundraising	1,416,477	-	-	1,416,477
Total expenses	7,442,209	-	-	7,442,209
Assets dedicated to Louisiana Tech University, net-Note 16	-	-	720,000	720,000
Change in net assets	(213,664)	7,732,906	(67,715)	7,451,527
Net assets, beginning of year	3,899,222	4,510,902	18,798,384	27,208,508
Net assets-end of year	3,685,558	12,243,808	18,730,669	34,660,035

See accompanying notes to financial statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
111,692	4,941,405	2,608,755	7,661,852
715,366	-	-	715,366
51,644	415,745	-	467,389
-	41,809	-	41,809
846,300	-	-	846,300
(9,036)	1,180,293	10,778	1,182,035
169,523	1,608,420	21,411	1,799,354
1,885,489	8,187,672	2,640,944	12,714,105
7,497,103	(7,497,103)	-	-
9,382,592	690,569	2,640,944	12,714,105
934,695	-	-	934,695
49,422	-	-	49,422
112,971	-	-	112,971
1,450,022	-	-	1,450,022
293,584	-	-	293,584
123,202	-	-	123,202
4,390,279	-	-	4,390,279
1,274,922	-	-	1,274,922
1,126,511	-	-	1,126,511
9,755,608	-	-	9,755,608
-	-	720,000	720,000
(373,016)	690,569	1,920,944	2,238,497
4,272,238	3,820,333	16,877,440	24,970,011
3,899,222	4,510,902	18,798,384	27,208,508

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	7,451,527	2,238,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	406,763	1,046,219
Transfer of fixed assets	-	2,078,450
Net unrealized (gain) on long-term investments	(2,401,228)	(1,674,407)
Realized loss on sale of investments	57,600	492,372
(Increase) decrease in assets:		
Accounts receivable	917,598	(5,619,642)
Contributions receivable, net	(737,652)	(97,840)
Accrued interest receivable	(3,256)	1,257
Other assets	(7,252)	23,472
Increase (decrease) in liabilities:		
Accounts payable	526,143	78,257
Accrued interest payable	(2,676)	18,266
Annuities liability	(1,008)	(13,230)
Deferred revenue	(792,031)	5,797,013
Deferred compensation	(136,997)	60,695
Contributions restricted for long-term investment	(600,579)	(2,608,755)
Net cash provided by operating activities	4,676,952	1,820,624
Cash flows from investing activities:		
Purchases of fixed assets	(21,730)	(704,159)
Proceeds from sale of fixed assets	-	22,500
Purchases of investments	(6,333,366)	(4,009,179)
Proceeds on sale of investments	2,293,189	1,860,705
Increase in due to Louisiana Tech University	941,634	1,326,179
Net cash (used) by investing activities	(3,120,273)	(1,503,954)
Cash flows from financing activities:		
Contributions restricted for investment in endowment	600,579	2,608,755
Payments of notes payable	(229,164)	(273,705)
Payments of bonds payable	(123,244)	(475,901)
Proceeds from issuance of debt	-	672,790
Net cash provided by financing activities	248,171	2,531,939
Increase in cash and cash equivalents	1,804,850	2,848,609
Cash and cash equivalents-beginning of year	8,628,550	5,779,941
Cash and cash equivalents-end of year	10,433,400	8,628,550

See accompanying notes to financial statements.

1. Organization and Significant Accounting Policies

Organization
The Louisiana Tech University Foundation, Inc. (the Foundation) was organized to solicit, receive, hold, invest and transfer funds for the benefit of Louisiana Tech University (Louisiana Tech University). Additionally, the Foundation assists Louisiana Tech University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Louisiana Tech University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Louisiana Tech University. The Foundation is a separate legal entity and is not included as part of the reporting entity of Louisiana Tech University.

Significant Accounting Policies

Basis of accounting
The Foundation's financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America. Accordingly, they reflect revenues and related receivables when earned rather than when received and expenses and related payables when incurred rather than when paid.

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Financial statement presentation
The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

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

1. Organization and Significant Accounting Policies (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Net Assets Released from Restrictions
Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Investment Income
Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- increases in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets
With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment - Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents
Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

1. Organization and Significant Accounting Policies (Continued)

In-Kind Gifts
Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

Accounts Receivable
Accounts receivable consists of amounts due from outside parties. Management evaluates the collectibility and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

Investments
Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

Fixed Assets
Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from two to thirty years. The Foundation capitalizes expenditures in excess of $2,500 for fixed assets at cost.

Tax Status
The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and to determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

Funds Functioning as Endowment
The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment.

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

Reclassifications
Certain amounts in the fiscal year ended June 30, 2010 financial statements have been reclassified to the fiscal year ended June 30, 2011 presentation.

2. Cash and Cash Equivalents

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits, which is a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

3. Investments

Fair values and unrealized appreciation (depreciation) of investments at June 30, 2011 and 2010 are summarized as follows:

	2011			2010		
	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)
Held by investment custodians:						
Cash and cash equivalents	4,785,781	4,785,781	-	3,412,719	3,412,719	-
Certificates of deposit	685,000	688,196	3,196	685,000	691,666	6,666
Mutual funds	26,120,318	30,522,571	4,402,253	25,212,245	26,444,069	1,231,824
Government obligations and corporate bonds	11,179,910	11,482,384	302,474	8,102,283	8,470,033	367,750
Common stocks	10,026,735	12,996,920	2,970,185	9,791,598	9,912,076	120,478
Real estate held by the Foundation	673,430	673,430	-	673,430	673,430	-
	53,471,174	61,149,282	7,678,108	47,877,275	49,603,993	1,726,718
Accrued interest included in restricted investments	24,076	24,076	-	20,827	20,827	-
	53,495,250	61,173,358	7,678,108	47,898,102	49,624,820	1,726,718
Included on the Statement of Financial Position:						
Investments	21,132,063	23,496,698	2,364,635	17,446,923	17,909,954	463,031
Restricted assets-investments	32,363,187	37,676,660	5,313,473	30,451,179	31,714,866	1,263,687
	53,495,250	61,173,358	7,678,108	47,898,102	49,624,820	1,726,718

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2011 and 2010:

	2011			2010		
	Unrestricted	Temporarily and Permanently Restricted	Total	Unrestricted	Temporarily and Permanently Restricted	Total
Interest income	43,264	461,074	504,338	51,644	415,745	467,389
Net realized and unrealized gains (losses)	5,920	2,337,708	2,343,628	(9,036)	1,191,071	1,182,035
Total investment return	49,184	2,798,782	2,847,966	42,608	1,606,816	1,649,424

Of the bank balances, those funds not covered by federal deposit insurance were covered by collateral held by the pledging banks' trust department.

4. Fair Value of Financial Instruments

The Foundation adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 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),

4. **Fair Value of Financial Instruments** **(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, 2011 and 2010 are as follows:

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	4,809,857	-	-	4,809,857
Certificates of Deposit	688,196	-	-	688,196
Mutual Funds:				
Commodities	350,424	-	-	350,424
Domestic Blended	8,159,986	-	-	8,159,986
Domestic Fixed Income	11,708,066	-	-	11,708,066
Domestic Growth	1,101,372	-	-	1,101,372
Domestic Value	355,673	-	-	355,673
Foreign Blended	3,413,164	-	-	3,413,164
Foreign Fixed Income	1,718,250	-	-	1,718,250
Foreign Growth	1,399,035	-	-	1,399,035
Foreign Value	408,857	-	-	408,857
Natural Resources	579,131	-	-	579,131
Real Estate	584,576	-	-	584,576
Total Mutual Funds	29,778,534	-	-	29,778,534
Exchange Traded Funds	744,037	-	-	744,037
Government Obligations and Corporate Bonds	-	11,482,384	-	11,482,384
Common Stocks-Domestic	12,996,920	-	-	12,996,920
Real Estate	-	-	673,430	673,430
Total	49,017,544	11,482,384	673,430	61,173,358

4. Fair Value of Financial Instruments (Continued)

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	3,433,546	-	-	3,433,546
Certificates of Deposit	691,666	-	-	691,666
Mutual Funds:				
Commodities	491,341	-	-	491,341
Domestic Blended	6,994,843	-	-	6,994,843
Domestic Fixed Income	9,839,631	-	-	9,839,631
Domestic Growth	1,059,430	-	-	1,059,430
Domestic Value	361,485	-	-	361,485
Foreign Blended	2,071,795	-	-	2,071,795
Foreign Fixed Income	1,741,781	-	-	1,741,781
Foreign Growth	1,855,484	-	-	1,855,484
Foreign Value	495,266	-	-	495,266
Natural Resources	332,093	-	-	332,093
Real Estate	177,851	-	-	177,851
Total Mutual Funds	25,421,000	-	-	25,421,000
Exchange Traded Funds	1,023,069	-	-	1,023,069
Government Obligations and Corporate Bonds	-	8,470,033	-	8,470,033
Common Stocks-Domestic	9,912,076	-	-	9,912,076
Real Estate	-	-	673,430	673,430
Total	40,481,357	8,470,033	673,430	49,624,820

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

	2011	2010
Balance-July 1	673,430	1,204,430
Gains (losses) realized and unrealized	-	-
Purchases, issuances, and settlements	-	(531,000)
Transfers in and/or out of Level 3, net	-	-
Balance-June 30	673,430	673,430

5. Fixed Assets

A summary of the fixed assets at June 30, 2011 and 2010 follows:

	Depreciable Lives	2011	2010
Automobiles	2-3	141,738	141,738
Furniture, fixtures and equipment	3-10	3,274,291	3,252,561

5. Fixed Assets (Continued)

	Depreciable Lives	2011	2010
Engineering equipment	3-10	666,682	666,682
Real estate and other	-	136,557	136,557
* Leasehold improvements	30	-	4,161,555
		4,219,268	8,359,093
Less-accumulated depreciation		(2,824,201)	(6,578,994)
		1,395,067	1,780,099

Depreciation of $317,200 and $367,554 was recorded for the years ended June 30, 2011 and 2010, respectively.

*Consists of renovations to Tolliver Hall and the Ropp Center. Renovations were completed April 1, 2004 and were donated to Louisiana Tech University at the time the bonds were paid. Refer to Notes 7 and 8. Amortization of leasehold improvements was $89,563 and $678,665 for the years ended June 30, 2011 and 2010, respectively.

6. **Contributions Receivable**

Contributions receivable, net, is summarized as follows as of June 30, 2011 and 2010:

	2011	2010
Unconditional pledges expected to be collected in:		
Less than one year	-	39,878
One year to five years	136,063	1,069,169
More than five years	1,769,736	-
	1,905,799	1,109,047
Less-discount on future contributions receivable (discount rate of 0.78% and 1.27% in 2011 and 2010, respectively)	(2,665)	(3,140)
Less-allowance for uncollectible contributions receivable	(128,660)	(69,085)
Contributions receivable, net	1,774,474	1,036,822

7. **Notes Payable**

Notes payable consist of the following at June 30, 2011 and 2010:

	2011	2010
Notes payable to Regions Bank for renovations to Louisiana Tech University Fieldhouse, original amount of $1,125,000, interest at 1% under the Bank's Financial Corporation Commercial Base Rate Daily (2.25% at June 30, 2010), payable in 11 annual principal payments of $75,000, quarterly interest payments, and one final principal and interest payment of outstanding balance, matures March 18, 2018, secured by depository accounts. The note was paid in full during December 2010.	-	93,264

7. Notes Payable (Continued)

	2011	2010
Note payable to Community Trust Bank for construction of football stadium video board dated November 2, 2009, original amount of $2,050,000, variable rate interest at prime rate (3.25% at June 30, 2011 and 2010, respectively, not to exceed 5.75%), payable in nine semi-annual payments of $95,000, and one final payment of $1,461,960, matures July 15, 2014.	1,842,342	1,968,695
Note payable to GMAC for automobile, original amount of $41,290, interest at 5.75%, payable in 48 monthly payments of $967, matures June 2014.	31,743	41,290
	1,874,085	2,103,249

Notes payable maturities are as follows:

Year Ended June 30,	
2012	140,827
2013	145,734
2014	150,648
2015	1,436,876
2016 and thereafter	-
	1,874,085

Interest paid for the years ended June 30, 2011 and 2010 was $67,808 and $18,059, respectively.

8. Bonds Payable

Bonds payable at June 30, 2011 and 2010 are as follows:

	2011	2010
Revenue bonds payable at 5.7%, due in quarterly installments through August 15, 2010	-	123,244

In August 2000, the Foundation issued $3,791,183 in revenue bonds to fund renovations to Tolliver Hall and the Ropp Center as required under a lease agreement with Aramark. The bonds were issued with a 10-year term at an interest rate of 5.7% and with payments of $125,000 due quarterly. The bonds were paid in full during August 2010.

Interest paid for the years ended June 30, 2011 and 2010 on the revenue bonds was $1,756 and $24,099, respectively.

9. Deferred Compensation

The Foundation provides additional compensation to the President of Louisiana Tech University. Pursuant to an agreement between the Foundation and the President, such compensation is deferred. The deferred compensation is deposited by the Foundation in a trust for the President's benefit. Total

9. **Deferred Compensation** (Continued)

deferred compensation at June 30, 2011 and 2010 was $0 and $136,997, respectively. The agreement expired during the fiscal year and the balance of the deferred compensation was paid in January 2011. The President elected not to renew the agreement.

10. **Transactions with Louisiana Tech University**

Louisiana Tech University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Louisiana Tech University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to Louisiana Tech University. For the year ended June 30, 2011, contributed personnel costs and operating services were determined to be $895,355 and $2,591, respectively. For the year ended June 30, 2010, contributed personnel costs and operating services were determined to be $713,133 and $2,233, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

For the years ended June 30, 2011 and 2010, expenses totaling approximately $3,384,192 and $3,053,556, respectively, were paid directly to or for the benefit of Louisiana Tech University.

Funds administered by the Foundation on behalf of Louisiana Tech University are not commingled with funds belonging to the Foundation. Classified as amounts due to Louisiana Tech University at June 30, 2011 and 2010 is $37,569,147 and $31,462,779, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to Louisiana Tech University.

The Foundation has leases with Louisiana Tech University to provide parking for the campus. For the years ended June 30, 2011 and 2010, total lease income of $5,917 and $41,809 was received by the Foundation. As of the year ended June 30, 2011, the Foundation had sold all but one of these properties to the State of Louisiana for the benefit of Louisiana Tech University thus extinguishing the lease agreements. Future minimum payments due from Louisiana Tech University are as follows:

Year Ending June 30,	
2012	4,437

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

11. **Deferred Revenue**

During fiscal year ended June 30, 2000, the Foundation entered into an agreement with MBNA America Bank, N.A. (MBNA) for MBNA to provide financial service products to Louisiana Tech University undergraduate students, graduate students, alumni, and/or other potential participants. This agreement expired on April 30, 2005, and a new agreement became effective. Per the terms of the new agreement, MBNA guarantees royalties paid to the Foundation will be equal to or greater than $600,000 by the end of the full term of the new agreement expiring on April 30, 2012. Royalties of $100,000 were paid during the first year of the contract with the remaining $500,000 to be paid equally over the remaining six years of the contract. A payment of $83,333 was received under the agreement for the fiscal years ended June 30, 2011 and 2010.

11. **<u>Deferred Revenue</u> (Continued)**

Unrestricted revenue of $85,714 was recognized for the fiscal years ended June 30, 2011 and 2010. At June 30, 2011 and 2010, accounts receivable totaling $83,333 and $83,333, respectively, and deferred revenue of $71,428 and $157,143, respectively, were recorded related to this agreement.

12. **<u>Commitments</u>**

As of June 30, 2011 and 2010, there was approximately $210,715 and $145,714, respectively, in awarded but unpaid scholarships, which were funded subsequent to year-end.

13. **<u>Annuities Liability</u>**

The Foundation receives donations through split-interest agreements with contributors. These split-interest agreements specify that the donation is made in return for an individual or joint annuity for the remaining lives of the contributors. The difference between the fair market value of the assets received and liability under the annuity is recognized as revenue in the year received. Upon the death of the contributor, the remaining liability, if any, is recognized as revenue. The Foundation has received ten donations under such agreements that result in an annuities liability totaling $228,023 and $229,031 at June 30, 2011 and 2010, respectively. The liabilities were calculated using discount rates of 8.0%, 4.9%, 5.0%, 6.0%, and 3.25%.

14. **<u>Lease Purchase</u>**

During fiscal 2005, the Foundation entered into an agreement to lease property with option to purchase to the Board of Supervisors for the University of Louisiana System for the benefit of Louisiana Tech University. The property is the former parish library located at 509 West Alabama Avenue in Ruston, Louisiana. According to the terms of the lease purchase, the Board initially paid $50,000 to the Foundation in fiscal year 2005, with payments of $50,692 due annually for nine years beginning February 1, 2006. At June 30, 2011 and 2010, accounts receivable totaling $0 and $202,768 and deferred revenue totaling $0 and $31,063 were recorded related to this agreement. During the 2011 fiscal year, the Board paid off the lease in full to the Foundation.

15. **<u>Multimedia Sponsorship Rights</u>**

On August 28, 2008, the Foundation entered into an agreement with Louisiana Tech University ("University") for the exclusive promotion and management of multimedia sponsorships rights for Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019. The agreement indicates that the Foundation will contract with a third party company to sell multimedia sponsorship rights on behalf of Louisiana Tech University Athletics. As payment for rights granted under this agreement, the Foundation is required to pay the University an annual minimum fee of $200,000. Future minimum payments to the University related to this agreement are:

Year ended June 30,	
2012	200,000
2013	200,000
2014	200,000
2015	200,000
2016 and thereafter	800,000
	1,600,000

On November 25, 2008, the Foundation entered into an agreement with LA Tech Sports Properties, LLC ("Learfield"), a Missouri limited liability company owned by Learfield Communications, Inc. with respect to the licensing rights related to the promotion of Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019. As payment for the rights granted under this agreement, Learfield will pay the Foundation an annual minimum guaranteed payment of

15. Multimedia Sponsorship Rights (Continued)

$645,253 for the fiscal years 2011, 2012, and 2013, and payments of $655,253 each year for the remainder of the contract. A payment of $645,253 and $655,253 was received under this agreement for the fiscal years ended June 30, 2010 and 2009, respectively, and recorded as temporarily restricted other income. At June 30, 2011 and 2010, accounts receivable and deferred revenue of $5,222,024 and $5,897,277, respectively, were recorded related to this agreement using a net present value calculation with an average discount rate of 1.7%.

16. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Private endowed contributions received for professorships and chairs are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions. Once the match is received, the private endowed funds along with the matching endowed funds are transferred to the Due to Louisiana Tech University liability account. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal year ended June 30, 2011 is 3.50%. Prior state law dictated that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending. However, in June 2010, the state legislature passed the Uniform Prudential Management of Institutional Funds Act (UPMIFA). This act changed the law regarding spending in endowments, to allow in certain cases for a portion of the corpus to be spent.

The Foundation classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment fund net asset composition as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	-	842,465	18,798,384	19,640,849
Contributions	-	-	600,579	600,579
Income (loss) on long-term investments	-	334,158	-	334,158
Net appreciation/(depreciation)	-	2,059,228	(19,205)	2,040,023
Other income	-	6,250	70,911	77,161
Released from restriction	-	(833,741)	-	(833,741)
Due to Louisiana Tech University	-	-	(720,000)	(720,000)
Endowment net assets, June 30, 2011	-	2,408,360	18,730,669	21,139,029

16. Endowed Net Assets (Continued)

Endowment fund net asset composition as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	-	150,266	16,877,440	17,027,706
Contributions	-	-	2,608,755	2,608,755
Income (loss) on long-term investments	-	125,005	-	125,005
Net appreciation/(depreciation)	-	1,206,124	10,778	1,216,902
Other income	-	48,908	21,411	70,319
Released from restriction	-	(687,838)	-	(687,838)
Due to Louisiana Tech University	-	-	(720,000)	(720,000)
Endowment net assets, June 30, 2010	-	842,465	18,798,384	19,640,849

17. Cooperative Endeavor

The Foundation, in conjunction with the City of Ruston, was approved for a $2 million federal grant through the United States Department of Commerce. The grant is being used to help fund the Enterprise Campus Infrastructure Project, and more specifically, the Homer Street Corridor Project. The project began in the fall of 2010 and is expected to be completed in the fall of 2011. Receipts and disbursements are netted against each other and are not shown at gross values on the statement of activities. The project is improving the City of Ruston's property, which will indirectly benefit Louisiana Tech University as it has property that is located along Homer Street. The cost is not being recorded as a capital asset for the Foundation as the property is owned by the City of Ruston and the Foundation is acting in an agency capacity only. Total receipts and disbursements on the grant were $1,271,846 and $1,290,236, respectively, for the year ended June 30, 2011.

18. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through September 7, 2011 and noted no subsequent events.

SUPPLEMENTARY FINANCIAL INFORMATION

LOUISIANA TECH UNIVERSTIY FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
Department of Commerce				
Direct program:				
Economic Adjustment Assistance	11.307	2,000,000	1,271,846	1,290,236

The accompanying notes are an integral part of this schedule.

LOUISIANA TECH UNIVERSTIY FOUNDATION, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Tech University Foundation, Inc. and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.*

Louisiana Tech University Foundation, Inc. did not pass through any of its federal awards to a sub recipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

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September 7, 2011

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, 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 financial statements of the Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 7, 2011. 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 Louisiana Tech University Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the financial statements of the Foundation 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Heard, McElroy & Vestal, LLC

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September 7, 2011

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance
We have audited the compliance of Louisiana Tech University Foundation, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Louisiana Tech University Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Tech University Foundation, Inc.'s management. Our responsibility is to express an opinion on Louisiana Tech University Foundation, Inc.'s compliance based on our audit.

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

In our opinion, Louisiana Tech University Foundation, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance
The management of Louisiana Tech University Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Heard, McElroy & Vestal LLC

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Louisiana Tech University Foundation, Inc.
2. No material weaknesses relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of Louisiana Tech University Foundation, Inc. were disclosed during the audit.
4. The auditor's report on compliance for major federal award programs of Louisiana Tech University Foundation, Inc. expresses an unqualified opinion.
5. There are no audit findings relative to major federal award programs of Louisiana Tech University Foundation, Inc.
6. The programs tested as major programs included:

Program	CFDA No.
Economic Adjustment Assistance	11.307

7. The threshold for distinguishing Types A and B programs was $300,000.
8. Louisiana Tech University Foundation, Inc. was determined to not be a low-risk auditee.

B. Financial Statement Findings

No matters were reported.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

No matters were noted in the prior year.