

LSU MEDICAL SCHOOL – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

ERICKSEN KRENTEL & LA PORTE L.L.P.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
LSU Medical Alumni Association, Inc.
New Orleans, Louisiana

We have audited the accompanying financial statements of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (Alumni Association), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
April 4, 2014
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

April 4, 2014
New Orleans, Louisiana

Ericksen, Krentel & LaPorte LLP

Certified Public Accountants

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ <u>772,031</u>
Total current assets	<u>772,031</u>

PROPERTY AND EQUIPMENT:

Furniture, fixtures and equipment	11,710
Construction in progress	<u>5,500</u>
Total property and equipment	17,210
Less: accumulated depreciation	<u>(10,960)</u>
Net property and equipment	<u>6,250</u>
Total assets	<u>\$ 778,281</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Funds payable to Foundation	\$ <u>2,950</u>
Total current liabilities	<u>2,950</u>

NET ASSETS:

Temporarily restricted	466,996
Unrestricted	<u>308,335</u>
Total net assets	<u>775,331</u>
Total liabilities and net assets	<u>\$ 778,281</u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

UNRESTRICTED NET ASSETS:**Unrestricted Revenues and Gains:**

Contributions:	
Alumni and others	\$ 243,165
Special events	224,304
Investment income	<u>839</u>
Total unrestricted revenues	<u>468,308</u>

Net Assets Released From Restrictions:

Restrictions satisfied by payments	<u>155,506</u>
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Expenses:

Program services:	
Special events	260,009
Other program services	175,876
Support services:	
Depreciation and amortization expense	2,230
General and administrative	<u>48,996</u>
Total expenses	<u>487,111</u>

Increase in unrestricted net assets	136,703
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TEMPORARILY RESTRICTED NET ASSETS:

Net assets released from restrictions	(155,506)
Contributions	<u>280,185</u>
Increase in temporarily restricted net assets	124,679
Increase in net assets	261,382
Net assets, beginning of year	<u>513,949</u>
Net assets, end of year	<u><u>\$ 775,331</u></u>

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM (USED IN)**OPERATING ACTIVITIES:**

Increase in net assets	\$ 261,382
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:	
Depreciation	2,230
(Increase) decrease in:	
Receipt of donor specified contributions on behalf of Foundation	176,871
Transfer of contributions to Foundation	<u>(173,921)</u>
Net cash from operating activities	<u>266,562</u>

CASH FLOWS FROM (USED IN)**INVESTING ACTIVITIES:**

Payments on construction in progress	<u>(5,500)</u>
Net cash (used in) investing activities	<u>(5,500)</u>

CASH FLOWS FROM (USED IN)**FINANCING ACTIVITIES:**

Principal payments on line of credit	<u>(114,151)</u>
Net cash (used in) financing activities	<u>(114,151)</u>
Net increase in cash and cash equivalents	146,911
Cash and cash equivalents at beginning of year	<u>625,120</u>
Cash and cash equivalents at end of year	<u>\$ 772,031</u>

SUPPLEMENTAL CASH FLOW**DISCLOSURE:**

Interest paid	<u>\$ 1,287</u>
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**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (the Alumni Association) supports and promotes the research, educational and service work of the LSU School of Medicine – New Orleans (the School) and the LSU Health Sciences Center (the Center).

The Alumni Association began operations on December 3, 2003. It also acts as a fundraising arm, in an agency relationship, for the LSU Health Sciences Center. Alumni and corporate sponsor directed contributions collected for endowments are remitted to the LSU Health Sciences Center Foundation (the Foundation) to fund professorships, chairs, scholarships, awards, etc. Alumni and corporate sponsor directed contributions collected for dues, reunion expenses, certain professional education activities, and construction are maintained by the Alumni Association.

Basis of Accounting

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

Financial Statement Presentation

The financial statement presentation follows standards established for external financial reporting by not-for-profit organizations which requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions.

A description of the three net asset categories follows:

- **Unrestricted** – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** – Net assets whose use are limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of management pursuant to those stipulations.
- **Permanently Restricted** – Net assets whose use are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of management.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alumni Association considers certificates of deposit and all short-term, highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, less an allowance for accumulated depreciation. Additions, improvements, and betterments to property and equipment in excess of \$500 are capitalized.

Expenditures for maintenance, repairs, and improvements which do not materially extend the useful lives of the assets are charged to expense as incurred. When property and equipment are removed from service, the cost of the asset and the related accumulated depreciation are removed from the books, and any resulting gain or loss is credited to or charged against the current period's income.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated useful lives used in computing depreciation are as follows:

Furniture, fixtures and equipment	5 to 8 years
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The Alumni Association's depreciation expense for the year ended December 31, 2013 was \$2,230.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions that are met in the reporting period in which the contribution is made is reported as unrestricted contribution revenue.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Agency Transactions

The Alumni Association acts as the fundraising agent for the Center. In accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, donor directed contributions received on behalf of the Center and subsequently transferred to the Foundation are not reported as revenue and expenses in the accompanying consolidating financial statements.

Income Taxes

The Alumni Association is a nonprofit organization exempt from federal and state income tax under Internal Revenue Code Section 501(c)(3).

The Alumni Association's evaluation as of December 31, 2013 revealed no tax positions that would have a material impact on the financial statements. The 2010 through 2013 tax years remain subject to examination by the IRS. The Alumni Association does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Use of Estimates

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

Date of Management Review

Management has evaluated subsequent events through April 4, 2014, which is the date the financial statements were available to be issued.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

(2) LINE OF CREDIT

The Alumni Association maintained a secured \$200,000 line of credit with Campus Federal Credit Union, due July 2, 2014, and bearing interest at 5%. During the year ended December 31, 2013, this line of credit was paid-off and closed.

Total interest expense on the line of credit for the year ended December 31, 2013 was \$1,287.

(3) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, as an agent for the Center, the Alumni Association collected cash contributions of \$176,871 and remitted \$173,921 to the Foundation. Accordingly, the Alumni Association owes the Center \$2,950 at December 31, 2013.

The Center and the School provide space and office equipment to the Alumni Association at no cost. These costs have not been determined for the year ended December 31, 2013, and will not be reimbursed to the Center or to the School.

(4) CONCENTRATION OF CREDIT RISK

The Alumni Association maintains its cash in bank deposit accounts at local financial institutions. The balances at times may exceed federally insured limits. At December 31, 2013, the balance exceeded the insured limit by \$62,242.

(5) RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following activities at December 31, 2013:

	<u>Temporarily Restricted:</u>
Isidore Cohn Student Learning Center	\$ 29,362
Alumni Affairs	363,315
Murphey Memorial Fund	3,578
Alumni Affairs – Oliver	3,565
Alumni Affairs – Narayanan Scholarship	1,925
Alumni Affairs – Nobles	4,725
AZAR	6,500
Dean	12,496
Class of '76	14,197
Center for Advanced Practice	<u>27,333</u>
Total	<u>\$ 466,996</u>

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

(6) LEASE AGREEMENT AND CONSTRUCTION COMMITMENT

In December 2013, the Alumni Association entered into a Lease Agreement for Construction of Improvements to Clinical Sciences Building with the LSU Board of Supervisors (LSU). The agreement calls for the Alumni Association to lease a portion of a building at 533 Bolivar Street, New Orleans, Louisiana in order to facilitate a \$1,900,000 rehabilitation construction project. The agreement also calls for the leasehold improvements under this project to be donated back to LSU after completion of construction. The Alumni Association will seek contributions through a capital campaign from its members and corporate sponsors to fund this project which will also include certain medical equipment. Including the cost and installation of the medical equipment, the total project cost is expected to be approximately \$2,500,000. As of the date of this report, \$1,309,478 in purchase commitments have been signed.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE WITH LSU AFFILIATION AGREEMENT

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
New Orleans, Louisiana

Compliance

We have audited the LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s compliance with the Affiliation Agreement and its Addendum dated July 1, 2009 (LSU Affiliation Agreement) between this entity and the Board of Supervisors of LSU and Agricultural and Mechanical College. Compliance with the agreement is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with the 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 noncompliance with the LSU Affiliation Agreement occurred. An audit includes examining, on a test basis, evidence about the Organization'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 of the Organization's compliance with the LSU Affiliation Agreement.

In our opinion, the LSU School of Medicine – New Orleans Medical Alumni Association, Inc. complied in all material respects, with the LSU Affiliation Agreement for the year ended December 31, 2013.

Internal Control Over Compliance

The management of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of the LSU Affiliation Agreement. In planning and performing our audit, we considered LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s internal control over compliance with the LSU Affiliation Agreement in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s internal control over compliance with the LSU Affiliation Agreement.

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
April 4, 2014
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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, detect and correct noncompliance 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 there is a reasonable possibility that material noncompliance with a type of compliance requirement of an agreement will not be prevented, or detected and corrected, on a timely basis.

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 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 audit committee, management, Board of Directors, Board of Supervisors of LSU and Agricultural and Mechanical College and is not intended to be and should not be used by anyone other than these specified parties.

April 4, 2014
New Orleans, Louisiana

Ericksen, Krentel & Laporte LLP

Certified Public Accountants