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UNIVERSITY OF NEW ORLEANS FOUNDATION

Financial Statements and Schedules

December 31, 2011

With Independent Auditors' Report Thereon

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of New Orleans Foundation

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the Foundation) as of December 31, 2011, and the related statements of activities and cash flows for the six months then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011, and its changes in net assets and cash flows for the period 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 June 22, 2012, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel: 504.569.2978
One Galleria Blvd., Suite 2100 • Metairie, LA 70001 • Tel: 504.837.5990 • Fax: 504.834.3609

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 on pages 20 – 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
June 22, 2012

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Financial Position

As of December 31, 2011

Assets		
Current assets:		
Cash and cash equivalents	$	2,798,012
Restricted assets:		
Cash and cash equivalents		6,137,095
Unconditional promises to give, net		478,312
Accounts receivable		728,628
Grants receivable		42,146
Inventories		12,650
Deferred charges and prepaid expenses		40,214
Total current assets		10,237,057
Noncurrent assets:		
Restricted assets:		
Investments		56,099,249
Unconditional promises to give, net		640,116
Real estate, net		12,510,515
Property and equipment, net		425,507
Other noncurrent assets		113,416
Total noncurrent assets		69,788,803
Total assets	$	80,025,860
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$	1,960,746
Amounts held in custody for others		493,826
Compensated absences payable		160,654
Current portion of capital lease obligations		51,116
Current portion of bonds payable		153,000
Other current liabilities - due to University		260,489
Total current liabilities		3,079,831
Noncurrent liabilities:		
Amounts invested for others		16,842,894
Capital lease obligations, net of current portion		473,717
Bonds payable, net of current portion		698,000
Total noncurrent liabilities		18,014,611
Total liabilities		21,094,442
Net assets:		
Unrestricted		13,493,419
Temporarily restricted		16,045,736
Permanently restricted		29,392,263
Total net assets		58,931,418
Total liabilities and net assets	$	80,025,860

The accompanying notes are an integral part of this financial statement.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Activities

For the six months ended December 31, 2011

Changes in unrestricted net assets:	
Unrestricted revenue and support	
Contributions	$ 89,436
Grants	67,831
Investment loss, net	(552,119)
Service fees	308,482
Service fees - R&T Foundation	558,532
Other income	441,269
Total unrestricted revenue and support before net assets released from restrictions	913,431
Net assets released from restrictions:	
Net assets released from restrictions	2,349,334
Total unrestricted revenue and support	3,262,765
Expenses:	
Program operations	1,795,606
Property operations	294,716
Total program expenses	2,090,322
Supporting services	
Salaries and benefits	699,320
Dues and subscriptions	22,301
Meetings	6,934
Travel	13,577
Office operations	30,131
Professional services	258,169
Depreciation and amortization	261,821
Other	10,421
Total supporting services	1,302,674
Total expenses	3,392,996
Decrease in unrestricted net assets	(130,231)
Changes in temporarily restricted net assets:	
Restricted revenue and support	
Contributions	838,419
Investment loss, net	(1,177,223)
Other income	70,103
Total temporarily restricted revenue and support before net assets released from restrictions/transfers	(268,701)
Net assets released from restrictions/transfers:	
Net assets released from restrictions	(2,349,334)
Transfers	(500)
Decrease in temporarily restricted net assets	(2,618,535)
Changes in permanently restricted net assets:	
Contributions	106,947
Investment income, net	3,930
Service fees	3,100
Total permanently restricted revenue and support before net assets released from transfers	113,977
Net assets released from transfers	
Transfers	500
Increase in permanently restricted net assets	114,477
Change in net assets	(2,634,289)
Net assets, at beginning of year	61,565,707
Net assets, at end of year	$ 58,931,418

The accompanying notes are an integral part of this financial statement.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Cash Flows

For the six months ended December 31, 2011

Cash flows from operating activities:		
Change in net assets	$	(2,634,289)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization		261,821
Realized gain on investments, net		(1,097,937)
Unrealized gain on investments, net		3,668,240
Restricted long-term contributions pledged		(2,500)
Recovery of bad debt expense		7,487
Changes in assets and liabilities:		
Accounts receivable		912,985
Other assets		(7,027)
Accounts payable, accrued liabilities, and other liabilities		(336,173)
Net cash provided by operating activities		772,607
Cash flows from investing activities:		
Capitalized costs of improvements to real estate, property, and equipment		(84,832)
Proceeds from sales of investments, net		1,426,074
Change in amounts invested for others - noncurrent, net		(760,407)
Net cash provided by investing activities		580,835
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes		10,278
Repayment of bonds payable and capital lease obligation		(169,696)
Net cash used in financing activities		(159,418)
Increase in cash		1,194,024
Cash and cash equivalents including restricted cash at beginning of year		7,741,083
Cash and cash equivalents including restricted cash at end of year	$	8,935,107
Composition of cash and cash equivalents:		
Unrestricted - cash and cash equivalents	$	2,798,012
Restricted - cash and cash equivalents		6,137,095
	$	8,935,107
SUPPLEMENTAL NON-CASH FLOW DISCLOSURE:		
Cash paid during the year for interest	$	48,344

The accompanying notes are an integral part of this financial statement.

(1) Summary of Significant Accounting Policies

(a) *History and Organization*

The University of New Orleans Foundation (the Foundation), a registered non-profit corporation in Louisiana, was established in 1984 with a mission of serving the University of New Orleans (the University) by raising private sector funds for the advancement of the University.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below. Effective January 1, 2012, the Foundation changed its fiscal year end from June 30, 2012 to December 31, 2012.

(b) *Financial Statement Presentation*

The Foundation follows the provisions for not-for-profit organizations and includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- 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 the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

(c) *Cash and Cash Equivalents*

For the purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

(d) *Unconditional Promises to Give*

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectability.

(e) *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

(1) Summary of Significant Accounting Policies (continued)

(e) Investments (continued)

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

(f) Real Estate

Real estate is held for investment, development or sale purposes and is recorded at cost or fair market value on the date acquired. Depreciation of real estate (excluding land) is calculated on the straight-line basis ranging from 28.5 years to 40 years.

(g) Property and Equipment

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on the date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from 3 years to 7 years for vehicles and equipment to 40 years for buildings.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

(h) Impairment of Long-Lived Assets

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the six months ended December 31, 2011.

(1) Summary of Significant Accounting Policies (continued)

(i) Amounts Invested for Others and Amounts Held for Others

Amounts invested for others represent funds held in trust for others. These amounts are not owned by the Foundation (see Note 10). The Foundation considers unexpended income from these funds as amounts invested for others. In addition, the Foundation administers the financial assets and maintains the financial records of other entities affiliated with the University, which are amounts held for others and not owned by the Foundation (see Note 12).

(j) Restricted and Unrestricted Revenue

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

Service fee revenue primarily relates to fees earned by the Foundation for managing the investments on behalf of the University and providing services to University affiliated entities. Service fee revenue is recognized on a quarterly basis as a percentage of the investment balances. In addition, service fee revenue is recognized for administrative services provided to the University of New Orleans Research and Technology Foundation (R&T Foundation) (see Note 12).

(k) Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year. Total supporting services expenses related to fundraising for the six months ended December 31, 2011 was $250,007.

(l) Income Taxes

Income taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Foundation has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Foundation. The Foundation's tax returns for the period ended December 31, 2011, and the years ended June 30, 2011, 2010, and 2009 remain open and subject to examination by taxing authorities. The Foundation's tax return for the period ended December 31, 2011 has not yet been filed.

(1) Summary of Significant Accounting Policies (continued)

(m) 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. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

(2) Investments

Investments are reported in the accompanying statement of financial position as noncurrent investments of $56,099,249 at December 31, 2011.

Investments, stated at fair value, are composed of the following at December 31, 2011:

Fixed income	$ 10,908,521
Stocks	9,347,972
Mutual funds	32,101,013
International stocks	2,096,276
REITs	1,645,467
	$ 56,099,249

Investment loss is reported net of investment expenses in the accompanying financial statements. Net investment loss is comprised of the following for the six months ended December 31, 2011:

Interest and dividend	$ 989,275
Realized gains, net	1,097,937
Unrealized losses, net	(3,668,240)
Investment related expenses	(144,384)
	$ (1,725,412)

(3) Unconditional Promises to Give

Unconditional promises to give are included in the financial statements as unconditional promises to give and revenue of the appropriate net asset categories. Contributions receivable are expected to be realized in the following period:

In one year or less	$ 478,312
Between one year and five years	1,041,986
	1,520,298
Less:	
Present value discount (5%)	(204,500)
Allowances for uncollectible pledges	(197,370)
	$ 1,118,428

(3) Unconditional Promises to Give (continued)

Contributions receivable have the following restrictions:		
Temporarily restricted by donor imposed stipulations for university programs, activities, and building construction	$	954,299
Endowment for university programs and activities		164,129
	$	1,118,428

Unconditional promises to give are reported in the accompanying statement of financial position as current promises of $478,312 and noncurrent promises of $640,116 at December 31, 2011.

(4) Real Estate

As of December 31, 2011, the Foundation held several real estate properties totaling $12,510,515. The following is a summary of the properties at December 31, 2011.

In November 1993, the Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans originally valued at approximately $2.4 million that has a net book value at December 31, 2011 of $2.2 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. Prior to Hurricane Katrina which struck the metropolitan area in August 2005, the University and other state agencies occupied approximately 78% of the building, nonprofits occupied 3% and small and/or minority businesses occupied the remaining 19% in a business incubator for new and growing businesses. As a result of hurricane related damages, the building has been vacant since fiscal year 2005 – 2006. All repairs have been funded by insurance. The property was classified as held for sale at June 30, 2009, and remains held for sale at December 31, 2011.

On December 30, 1994, the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for $3.2 million, which was entirely financed by a local bank. The seller of the properties is leasing back a portion of the available space to use as corporate offices for $33,472 per month through December 2009, with occupancy continuing through 2019. Most of the remainder of the property is being used for the Ogden Museum of Southern Art ("Ogden Museum") and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)(3) corporation created to operate and support the Ogden Museum.

The Ogden Museum project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the University land held for the Ogden Museum development with a carrying value of $322,025 and funds totaling $2,418,000 representing amounts previously collected from donors to fund the Museum's development. Goldring Hall opened on August 23, 2003.

(4) Real Estate (continued)

The Patrick F. Taylor Memorial Library ("Taylor Library") phase of the Ogden Museum is being financed with private funds. Through December 31, 2011, the Foundation had expended $4,573,236 in construction related costs to renovate this historic building. A separate board to govern the Ogden Museum, (the "Museum Board"), is functioning, and the Foundation is no longer funding or operating the Museum. Pursuant to an operating agreement between the Foundation and the Museum Board, the Foundation makes the Taylor Library available to the Museum Board for completion of renovations by the Museum Board. As a result of delays in obtaining additional contributions to fund improvements and further delays due to Hurricane Katrina, which caused the Ogden Museum to suspend operations for approximately six months, no additional expenditures were made on the Taylor Library from 2003 to 2007. The Taylor Library, however, partially opened to the public for exhibitions in fiscal 2007, and renovations commenced again during fiscal 2008.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation contingent on completion of an appropriate Museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden Museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by fiscal 2007, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall is then operational.

As of December 31, 2011, the Taylor Library remains incomplete. Due to the conditional nature of the gift and the Foundation's policy on capitalizing art collections, no amount has been recorded in the financial statements related to this gift.

During November 2003, the Foundation entered into an agreement to lease certain real estate located between Goldring Hall and the Taylor Library to a third party for no rental payments for ten years. The Foundation intended to make this real estate available to the Museum Board in order for the Museum Board to build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. Work on the tunnel commenced in fiscal year 2008. The Foundation retains and makes available to the Museum Board a right of access to the tunnel portion of the property. Since the Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of $400,923 was written-off at June 30, 2004.

In July 2001, the Foundation purchased from a private company a 108,000 square foot building in support of the University of New Orleans film program and named the building the Robert E. Nims Center for Entertainment Arts (the "Nims Center") in honor of its primary benefactor. The property was purchased for approximately $1.8 million, which was entirely financed through the issuance of bonds (see Note 6). The Foundation has entered into a cooperative endeavor agreement with the University, whereby the University reimburses the Foundation approximately $200,000 annually for the use of the Nims Center from July 1, 2000 through June 30, 2016.

(4) Real Estate (continued)

In August 2005, the Foundation acquired by donation a 73,152 square foot building adjacent to the Nims Center which was originally valued at approximately $1.5 million. The donor donated one-half of the building to the Foundation and irrevocably pledged the transfer and donation of the other half of the building to the Foundation at the end of the lease term. As of December 30, 2011, the donation is complete and the remaining one-half of the donation was transferred from temporarily restricted net assets to unrestricted net assets as the lease term had ended.

Real estate held for investment, development, or sale consisted of the following at December 31, 2011:

Technology Enterprise Center (held for sale)	$	4,091,361
Nims Center		5,777,057
Lee Circle Properties:		
Taylor Library- construction in progress		4,575,873
Land and commercial buildings		1,719,700
		16,163,991
Less accumulated depreciation		(3,653,476)
	$	12,510,515

Depreciation expense on real estate for the six months ended December 31, 2011 was $246,321.

(5) Property and Equipment

Property and equipment consisted of the following as of December 31, 2011:

Land	$	129,000
Buildings and related improvements		231,788
Equipment		1,152,513
Vehicles		20,757
		1,534,058
Less accumulated depreciation		(1,108,551)
	$	425,507

Depreciation expense on property and equipment for the six months ended December 31, 2011 was $14,385.

The property and assets shown above are owned by the Foundation, but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

(6) Bonds Payable

Bonds payable consisted of the following as of December 31, 2011:

Bond payable to a bank, interest payable semi-annually, principal payable in annual installments ranging from $153,000 to $188,000. A portion of the principal balance totaling $153,000 bears interest at 5.3%. The remaining portion bears interest at a variable rate. These bonds are secured by land and building related to the Nims Center (see Note 4).	$	851,000
Less amounts payable currently		(153,000)
Long-term portion	$	698,000

Annual maturities of debt are as follows:

Year Ending		Amount
2012	$	153,000
2013		161,000
2014		170,000
2015		179,000
2016		188,000
Total	$	851,000

Interest expense related to notes and bonds payable during the six months ended December 31, 2011 was $26,394.

(7) Capitalized Leases

The Foundation leases building equipment under long-term leases. Future minimum payments for capitalized leases as of December 31, 2011, are as follows:

Year Ending		Amount
2012	$	78,449
2013		78,449
2014		78,449
2015		78,449
2016		78,449
Thereafter		233,265
Total minimum lease payments		625,510
Less amount representing interest		(100,677)
Present value of minimum lease payments		524,833
Less amounts payable currently		(51,116)
Long-term portion	$	473,717

At December 31, 2011 the net book value recorded under capital lease amounted to:

Building equipment	$	968,627
Less accumulated amortization		(499,701)
	$	468,926

(7) Capitalized Leases (continued)

The related building equipment is a component of the University of New Orleans Technology Enterprise Center (see Note 4).

Interest expense related to the capital lease during the six months ended December 31, 2011 was $21,950. Depreciation and amortization expense in the Statement of Activities includes $1,114 on the capital lease for the six months ended December 31, 2011.

(8) Net Assets

Temporarily and permanently restricted net assets are restricted to the following at December 31, 2011:

Temporarily restricted:		
Building funds	$	2,661,714
Scholarships		1,184,447
Faculty- salary supplements		953,456
Research		3,538,964
Educational studies program		4,113,555
Departmental development		3,593,600
Total temporarily restricted	$	16,045,736
Permanently restricted:		
Scholarships	$	3,259,644
Faculty- salary supplements		3,694,200
Research		10,008,071
Educational studies program		10,986,889
Departmental development		1,443,459
Total permanently restricted	$	29,392,263

(9) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring program related expenses satisfying the restricted purposes specified by donors for the period ended December 31, 2011.

(10) The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships

One of the Foundation's primary objectives is to raise and manage funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts.

(10) The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships (continued)

Endowed professorships are established at $100,000 and endowed chairs at $1,000,000, with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Funds are pooled for investment purposes in the Foundation, but the State's 40% match is recognized as a liability to the University under the caption "Amounts invested for others."

The amount invested for others in noncurrent liabilities at December 31, 2011, that was attributable to the Eminent Scholars Program, was $16,842,894.

(11) Program Expenses

Program expenses during the six months ended December 31, 2011, were incurred for:

	Program Support	Property Operations	Total Expenses
Transfers to University/Alumni	$ 710,973	$ 86,207	$ 797,180
Interest expense	-	48,344	48,344
Contract services	313,771	23,440	337,221
Official functions	154,825	1,187	156,012
Personnel costs	91,320	-	91,320
Property maintenance and rent	22,170	23,946	46,116
Office supplies and services	80,693	144	80,837
Professional fees	279,006	4,327	283,333
Utilities	1,862	81,108	82,970
Other miscellaneous expenses	140,986	26,013	166,999
	$ 1,795,606	$ 294,716	$ 2,090,322

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(12) Related Party Transactions

The Foundation administers the financial assets and maintains the financial records of the UNO International Alumni Association, the Privateer Athletic Foundation, the UNO Property and Housing Development Foundation, and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounted to $493,826 at December 31, 2011. This amount represents funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses. The Foundation also provides certain services to the University. Reimbursements paid to the University included in expenses for 2011 are $701,728. At December 31, 2011, funds due to the University totaled $260,489.

(12) Related Party Transactions (continued)

Additionally, the Foundation provides certain accounting and administrative services to the R&T Foundation, which is an affiliated entity. Included in revenue related to these service fees for 2011 totaled $558,532. At December 31, 2011, funds due from the R&T Foundation totaled $405,850.

(13) Fair Value Measurements

The Financial Accounting Standard Board ("FASB") authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Fixed income instruments and corporate stocks: Valued at the closing price reported on the active market price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of shares held at period end.

International stocks and REITs: Valued at the fair value of quoted prices for identical securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

(13) Fair Value Measurements (continued)

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2011. There have been no changes in the methodologies used at December 31, 2011.

	Level 1	Level 2	Level 3	Total
Fixed income bonds	$ -	$ 10,908,521	$ -	$ 10,908,521
Small cap stocks	1,601,970	-	-	1,601,970
Large cap stocks	7,746,002	-	-	7,746,002
Mutual funds:				
Small cap	4,986,445	-	-	4,986,445
Large cap	6,865,080	-	-	6,865,080
International equity	3,041,420	-	-	3,041,420
Commidities stocks	732,306	-	-	732,306
REITS	3,310,607	-	-	3,310,607
Hedge fund of funds	4,623,931	-	-	4,623,931
Domestic fixed income	6,042,662	-	-	6,042,662
International fixed income	2,498,562	-	-	2,498,562
International stocks	2,096,276	-	-	2,096,276
REITs	-	1,645,467	-	1,645,467
Total assets at fair value	$ 43,545,261	$ 12,553,988	$ -	$ 56,099,249

(14) Endowment Net Assets

In accordance with the requirements established by the FASB for endowment funds, the Foundation shall provide information about the net assets of its endowment funds. The Foundation's Board of Directors (the Board) is of the belief that they have a strong fiduciary duty to manage the assets of the University of New Orleans' endowments in the most prudent manner possible. The Board recognizes the intent is to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If the intent is not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions and preservation of the fund.

In accordance with the Foundation's policy, the Foundation spends annually up to 5% of the latest five year fair market value average for Board of Regents matched endowments. The Foundation spends annually between 3% - 7% of the latest three year fair market value average for general endowments. The date used to determine the fair market value is December 31 of each calendar year. No amounts are spent from general endowment funds until the corpus of such endowment reaches $25,000 and these funds have been invested for a minimum of one year.

The Board of Regents matched endowments do not receive spending allocations until the Board of Regents matches the private donation and the fund is invested for a minimum of one year.

(14) Endowment Net Assets (continued)

The goals and objectives of the Foundation's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to new generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year. The strategies employed to achieve these objectives for the Board of Regents matching endowment is to follow the Board of Regents guidelines on investing the funds. The general endowments follow a strategy of guidelines of asset benchmarks and setting investment guidelines for allowed and prohibited investments and transactions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or State requires the Foundation to retain as a fund of perpetual duration. The Foundation had a decline in the fair market value of certain endowments of $761,648, which has reduced the value of these endowments to be below corpus at December 31, 2011. The unrealized loss on this endowment was funded from unrestricted net assets at December 31, 2011.

The composition of the Foundation's endowments by net asset class as of December 31, 2011 is:

	Unrestricted - Board Designated	Temporarily Restricted - Donor Restricted	Permanently Restricted - Donor Restricted	Total
Endowment net assets, beginning of year	$ 4,810,148	$ 9,745,518	$ 29,277,786	$ 43,833,452
Investment income	65,286	576,872	-	642,158
Net appreciation (depreciation), both (realized and unrealized)	(218,873)	(1,767,214)	3,520	(1,982,567)
Total	(153,587)	(1,190,342)	3,520	(1,340,409)
Contributions	-	-	110,957	110,957
Subtotal	(153,587)	(1,190,342)	114,477	(1,229,452)
Program expenses	(69,510)	(624,543)	-	(694,053)
Management expenses	(43,390)	(238,100)	-	(281,490)
Other changes	-	398	-	398
Endowment net assets, end of year	$ 4,543,661	$ 7,692,931	$ 29,392,263	$ 41,628,855

(15) Concentrations of Risk and Contingencies

Funds on deposits in financial institutions exceeded FDIC insurance limits by $1,236,422 at December 31, 2011. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to $250,000 for interest bearing accounts and unlimited coverage for non-interest bearing accounts; in the event of a failure of the institution, the FDIC is not obligated to pay uninsured deposits.

The Foundation is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position.

(16) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 22, 2012, and determined that there were no subsequent events requiring disclosure.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedules

December 31, 2011

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 1 - Privateer Athletic Foundation

Schedule of Revenue, Support, and Expenses

For the six months ended December 31, 2011

Revenue and support		
Program revenues	$	12,382
Contributions and bequests		63,106
Total revenue and support		75,488
Expenses		
Program support		92,775
Total expenses		92,775
Deficiency of revenues over expenses	$	(17,287)

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 2 - University of New Orleans
International Alumni Association
Schedule of Revenue, Support, and Expenses

For the six months ended December 31, 2011

Revenue and support		
Program revenues	$	26,557
UNOF contribution support		104,235
Contributions and bequests		47,484
Total revenue and support		178,276
Expenses		
Program support		97,696
General and administrative		58,508
Fundraising		15,071
Total expenses		171,275
Excess of revenues over expenses	$	7,001

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 3 - University of New Orleans Property
and Housing Development Foundation
Schedule of Financial Position

As of December 31, 2011

Assets

Accounts receivable	$	56,717
Real estate held for investment, net		2,211,143
Other assets		198
Total assets	$	2,268,058

Liabilities and Net Assets

Accounts payable	$	719
Note payable		621,038
Due to others		1,977
Total liabilities		623,734
Net assets		1,644,324
Total liabilities and net assets	$	2,268,058

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 4 - University of New Orleans
Property and Housing Development Foundation
Schedule of Revenue, Support, and Expenses

For the six months ended December 31, 2011

Revenue and support		
Contributions	$	17,500
Rental income		47,127
Miscellaneous income		159
Total revenue and support		64,786
Expenses		
Program support		48,034
General and administrative		40,703
Interest expense		12,185
Total expenses		100,922
Excess of revenues over expenses	$	(36,136)

See accompanying independent auditors' report.

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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*

To the Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of the University of New Orleans Foundation (a nonprofit organization) (the Foundation) as of and for the six months ended December 31, 2011 and have issued our report thereon dated June 22, 2012. 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

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 Foundation'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.

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel: 504.569.2978
One Galleria Blvd., Suite 2100 • Metairie, LA 70001 • Tel: 504.837.5990 • Fax: 504.834.3609

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements 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 management, the Board, and the State of Louisiana Legislative Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

June 22, 2012
Metairie, Louisiana

P&N