

**University of Louisiana
Monroe Facilities, Inc.**

**Independent Auditors' Reports and
Financial Statements**

**As of and For the Years Ended
June 30, 2019 and 2018**

**UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
University of Louisiana Monroe Facilities, Inc.
Monroe, LA 71209

Report on the Financial Statements

We have audited the accompanying financial statements of University of Louisiana Monroe Facilities, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 Organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Louisiana Monroe Facilities, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules, the Schedule of Functional Expenses on page 41, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer on page 42, as required by the Louisiana Legislative Auditor; and the Schedule of Revenues, Expenses, and Capitalized Expenditures Made to or on Behalf of ULM's Intercollegiate Athletics Program on page 43, are presented for purposes of additional analysis and are 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 audits 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.

Little & Associates, LLC

Monroe, Louisiana
August 21, 2019

FINANCIAL STATEMENTS

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents - Restricted	\$ 9,492,071	\$ 10,249,642
Accounts Receivable, Net of Allowance for Doubtful Accounts	87,058	21,111
Due From ULM - Student Rent Collections	558,081	288,108
Due From ULM - Other	151,500	-
Grant Receivable - GOSHEP	-	157,258
Total Current Assets	<u>10,288,710</u>	<u>10,716,119</u>
RESTRICTED ASSETS		
Cash and Cash Equivalents - Noncurrent	<u>6,202,228</u>	<u>6,376,415</u>
Total Restricted Assets	<u>6,202,228</u>	<u>6,376,415</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>60,108,863</u>	<u>62,446,962</u>
TOTAL ASSETS	<u>\$ 76,599,801</u>	<u>\$ 79,539,496</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts Payable - Operations	\$ 583,568	\$ 589,400
Deferred Revenues - Student Rents & Other	531,148	523,565
Contracts & Retainage Payable	249,213	765,717
Accrued Interest Payable	198,803	202,033
Due to ULM - Transfers	590,000	-
Current Portion of Long-Term Debt	3,455,000	3,055,000
Total Current Liabilities	5,607,732	5,135,715
LONG-TERM LIABILITIES		
Notes Payable, Net of Unamortized Debt Issuance Costs	64,069,825	65,316,049
Less: Current Portion of Long-Term Debt	(3,455,000)	(3,055,000)
Total Notes Payable, net of Current Portion	60,614,825	62,261,049
Total Long-Term Liabilities	60,614,825	62,261,049
TOTAL LIABILITIES	66,222,557	67,396,764
NET ASSETS		
Net Assets Without Donor Restrictions	10,377,244	12,142,732
Total Net Assets	10,377,244	12,142,732
TOTAL LIABILITIES AND NET ASSETS	\$ 76,599,801	\$ 79,539,496

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Student Rent Income	\$ 8,490,214	\$ 8,327,639
Facilities Rents (Student Fees)	2,177,472	3,164,442
Contributions - Brown Stadium	-	650,000
Contributions - International House	167,591	9,375
GOHSEP Grant Income	-	157,258
Other Income	37,334	288,935
Total Operating Revenues	<u>10,872,611</u>	<u>12,597,649</u>
OPERATING EXPENSES		
Program	5,686,624	5,338,247
Supporting Services:		
Management and General	49,141	34,189
Total Operating Expenses	<u>5,735,765</u>	<u>5,372,436</u>
Change in Net Assets From Operations	<u>5,136,846</u>	<u>7,225,213</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	163,567	99,335
Interest Expense	(1,864,475)	(1,730,893)
Bond Related Fees	(11,000)	(11,000)
Fraud Loss - Note 15	(59,201)	-
Transfer / Donation of Funds to the University of Louisiana at Monroe	<u>(5,131,225)</u>	<u>(590,000)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,902,334)</u>	<u>(2,232,558)</u>
Change in Net Assets Before Realized / Unrealized Gains (Losses)	<u>(1,765,488)</u>	<u>4,992,655</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Net Assets Without Donor Restrictions <u>2019</u>	Net Assets Without Donor Restrictions <u>2018</u>
Change in Net Assets	<u>(1,765,488)</u>	<u>4,992,655</u>
Net Assets, Beginning of Year	<u>12,142,732</u>	<u>7,150,077</u>
Net Assets, End of Year	<u>\$ 10,377,244</u>	<u>\$ 12,142,732</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,765,488)	\$ 4,992,655
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:		
Transfer of Property and Equipment	4,541,225	-
Depreciation Expense	2,477,707	2,098,870
Amortization Expense - Debt Issuance Costs	84,174	72,102
(Increase) Decrease in Receivables	(65,947)	(1,312)
(Increase) Decrease in Amount Due from ULM	(421,473)	(114,043)
(Increase) Decrease in Amount Grant Receivable - GOSHEP	157,258	(157,258)
Increase (Decrease) in Accounts Payable	(5,833)	155,741
Increase (Decrease) in Due to ULM - Transfers	590,000	-
Increase (Decrease) in Deferred Revenue	7,583	(137,640)
Increase (Decrease) in Accrued Interest Payable	(3,230)	(4,549)
Net Cash Provided (Used) by Operating Activities	5,595,976	6,904,566
Cash Flows from Investing Activities		
Payments for Property and Equipment Acquisition and Construction	(5,197,336)	(9,840,790)
Net Cash Provided (Used) by Investing Activities	(5,197,336)	(9,840,790)
Cash Flows from Financing Activities		
Proceeds from Issuance of Long Term Debt	2,000,000	-
Principal Payments on Debt	(3,260,000)	(2,860,000)
Payments of Debt Issuance Costs	(70,398)	-
Net Cash Provided (Used) by Financing Activities	(1,330,398)	(2,860,000)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (931,758)	 (5,796,224)
Cash and Cash Equivalents at Beginning of Year	16,626,057	22,422,281
Cash and Cash Equivalents at End of Year	\$ 15,694,299	\$ 16,626,057

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid During The Year For Interest:		
Paid (Net of \$168,271 and \$315,160 Capitalized in 2019 and 2018)	\$ 1,615,260	\$ 1,348,180
Total	\$ 1,615,260	\$ 1,348,180
 Cash and Cash Equivalents are Presented as Follows in the Statement of Financial Position:		
Current Assets:		
Cash and Cash Equivalents - Restricted	9,492,071	10,249,642
Restricted Assets:		
Cash and Cash Equivalents - Noncurrent	6,202,228	6,376,415
Total	\$ 15,694,299	\$ 16,626,057
 <u>Schedule of Noncash Investing/Financing Activities</u>		
Acquisition of Property and Equipment Through the Incurrence of Liabilities	\$ 249,213	\$ 765,717

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION

ULM Facilities, Inc. (the “Facilities”), a non-profit corporation, was organized under the laws of the State of Louisiana on February 27, 2004. The Facilities was formed for the benefit of the University of Louisiana at Monroe (“ULM”) and its principal purpose is to coordinate, construct, and finance the development of facilities on the campus of ULM and to oversee the management of such facilities. Certain operations are regulated by the Board of Supervisors for the University of Louisiana System (the “Board”), the Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”), and Regions Bank (the “Trustee”) through the provisions of ground and buildings lease agreements, facilities lease agreements, loan and assignment agreements, and trust indentures, including amendments and supplements, as applicable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Facilities are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Basis of Presentation

In accordance with Financial Accounting Standard Board Accounting Standards Codification (FASB ASC) 958, the Facilities is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions). Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets of the Facilities are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Facilities. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

All net assets of the Facilities at June 30, 2019 were considered to be net assets without donor restrictions.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Facilities, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Facilities' year ended June 30, 2019 and thereafter and must be applied on a retrospective basis. The Facilities adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Contributions

In accordance FASB ASC 958-205, "Not For Profit Entities-Revenue Recognition", contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence of donor-imposed restrictions. The Corporation has elected to recognize restricted contributions which are released from the restriction in the same year as unrestricted contributions.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Facilities considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Liquidity and Availability of Resources

The Facilities' financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019
Cash and Cash Equivalents	\$ 9,492,071
Accounts Receivable, Net of Allowance for Doubtful Accounts	87,058
Due From ULM – Student Housing Rental Collections	558,081
Total	<u>\$ 10,137,210</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Resources (Continued)

The Facilities has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. None of the financial assets are subject to donor or other contractual restrictions. Accordingly all such funds are available to meet the cash needs of the Facilities in the next 12 months. In addition, the Facilities may maintain funds in a reserve for replacement. These funds are used for the benefit of the students and/or the Facilities. Such funds are not considered by the Facilities to have donor-restrictions.

Fair Value Measurements

Investments are reported at fair value in the Organization's financial statements. Fair value represents the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into levels:

Level 1- quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2- observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3- unobservable inputs are used when little or no market is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. See Note 4 for further illustration.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. Accounts receivable consists of the amount due from students for housing rental and the amount due on the Laundry Room Lease. At June 30, 2019 and 2018, the accounts receivable for student rents totaled \$94,435 and \$26,229, respectively, and the amount due under the Laundry Room Lease agreement totaled \$850 and \$3,275, respectively. The allowance for doubtful accounts totaled \$8,227 and \$8,393 at June 30, 2019 and 2018, respectively. The allowance for doubtful accounts for student rent receivables is estimated by applying a historical percentage to the rents receivable due from former students. The receivables due from student rents are considered to be past due when they are still owed as of the fourteenth class day of each semester. These receivables are deemed uncollectible once the student is no longer enrolled at ULM and are charged-off if there is no activity for a three-year period from the date they are deemed uncollectible.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment, and Depreciation

Project costs clearly associated with the acquisition, development, and construction/renovation of buildings, structures, and site improvements are capitalized. Indirect project costs that relate to several projects are capitalized and allocated to the projects to which the costs relate. Indirect costs that do not clearly relate to projects under development or construction, including general and administrative expenses, are charged to expense as incurred. Interest related to the development and construction of a project is allocated to the project's cost through the date of substantial completion of the project. Furniture, fixtures, equipment, and site improvements are recorded at acquisition cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The Facilities capitalizes additions of property and equipment in excess of \$1,000 cost or fair value, if donated. Depreciation is provided for in amounts sufficient to relate the cost or fair value of depreciable assets to operations computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings and Renovations	19-39
Furniture, Fixtures, & Equipment	5-7
Site Improvements	4-20
Campus Parking	14

Improvements that materially prolong the useful lives of assets are capitalized, while expenditures for normal maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

Debt Issuance Costs

Debt issuance costs are being amortized over the lives of the debt using the effective interest method. Debt issuance costs are reported net of accumulated amortization of \$387,872 and \$303,698 as of June 30, 2019 and 2018, respectively, and are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Student Rent Income

Student Rent Income is derived primarily from student rentals of the housing facilities and is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases for student housing are operating leases and do not exceed twelve months in duration.

Student Fees

Student Fees consists of a portion of the Student Health Center Fees, Student Union Fees, Student Success Center Fees, Athletic Facility Fees, Student Activity Enhancement Fees, Vehicle Fees, and Brown Stadium Student Support Fees, which are charged, as applicable, to the students at the time of enrollment in ULM. The Facilities

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Fees (Continued)

records Student Fees in income at the time such fees are received by the Facilities. The Student Fees received from ULM are considered to be “rents” in accordance with the terms of each Agreement to Lease with Option to Purchase as described in Note 8 – Ground and Facilities Lease Agreements.

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Functional Allocation of Expenses

The costs of the Facilities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program services and support services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Professional Services	Time and Effort

Income Taxes

The Facilities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2010, the Facilities adopted certain provisions of FASB ASC 740, *Income Taxes*. The Facilities believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Facilities’ Federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS

The Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) has had several bond issues, the proceeds of which have been loaned to the Facilities. The provisions of the various Trust Indentures and Loan and Assignment Agreements between the Facilities and the Authority require the Facilities to establish various trust funds with the Trustee which are restricted in use for, among other things, debt service, capital projects, renovations, and operations. The Trust funds are included in cash and cash equivalents in the statements of financial position.

Replacement Funds

In accordance with the provisions of the Trust Indentures for the Series 2004A & 2004B, the Series 2006 and the Series 2014 Student Success Center bond issues, the Facilities is required to fund Replacement Funds on an annual basis. The Replacement Funds are to be used to (i) fund the cost of replacing any worn out, obsolete,

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
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NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS (CONTINUED)

Replacement Funds (Continued)

inadequate, unsuitable or undesirable property, furniture, fixtures, or equipment placed upon or used in connection with those facilities which were funded through bond proceeds and (ii) maintain such facilities and to make all alterations, repairs, restorations, and replacements to such facilities as and when needed to preserve the facilities in good working order, condition, and repair.

Funds in the Replacement Funds may, with the consent of the bondholders, also be used to pay debt service on the bonds in the event there are insufficient funds in the Debt Service Fund and Debt Service Reserve Fund on the date such payment of debt service is due.

The Series 2004A & 2004B Trust Indenture and the Series 2004C & 2004D Trust Indenture require the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2006. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2019 and 2018, the Replacement Fund balance totaled \$2,843,069 and \$3,010,690, respectively.

The Series 2007 Trust Indenture, which was refunded during the year ended June 30, 2015 by the Series 2014 Student Success Center bond issue, requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2009. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2019 and 2018, the Replacement Fund balance totaled \$233,001 and \$269,199, respectively.

The total amount required to be contributed annually to the Replacement Funds is \$771,086. As of June 30, 2019 and 2018, the Replacement Funds were adequately funded.

The Series 2016 Student Center Project trust indenture required an up front funding of the Replacement Reserve Account. At June 30, 2019 and 2018, the Series 2016 Replacement Reserve Account totaled \$596,400 and \$585,661, respectively.

The Series 2017 Brown Stadium Project trust indenture required an up front funding of a Maintenance Reserve Account in the amount of \$352,773. At June 30, 2019 and 2018, the Series 2017 Maintenance Reserve Account totaled \$362,895 and \$356,032, respectively.

Debt Service Reserve Funds

The Facilities maintains Debt Service Reserve Funds for the Series 2004A debt, the Series 2004C debt (Series 2004), and the Series 2014 debt. Moneys in each of the Debt Service Reserve Funds will be used to pay the amounts due on the related debt but only to the extent that there are not sufficient funds in the Receipts Fund to pay such amounts. As of June 30, 2019 and 2018, the Series 2004A Debt Service Fund totaled \$1,133,471 and \$1,127,178, the Series 2004C Debt Service Reserve Fund totaled \$1,033,392 and \$1,027,655, and the Series 2014 Debt Reserve Fund totaled \$70 and \$55, respectively.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
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NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS

Cash and Cash Equivalents consists of various short term investments maintained by the Bond Trustee in certain trust accounts and are stated at fair value. At June 30, 2019 and 2018, Cash and Cash Equivalents held in Investments with the trustee consisted of the following:

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level I)	Unrealized Gain/(Loss)
<u>June 30, 2019</u>			
Fidelity Institutional Treasury Portfolio C1 I			
Cash and Cash Equivalents Held In Investments – Current	\$ 870,370	\$ 870,370	\$ –
Total Fidelity Institutional Treasury Portfolio C1 I	<u>\$ 870,370</u>	<u>\$ 870,370</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio C1 II			
Cash and Cash Equivalents Held In Investments – Current	\$ 311,095	\$ 311,095	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>362,895</u>	<u>362,895</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio C1 II	\$ 673,990	\$ 673,990	\$ –
Fidelity Institutional Treasury Portfolio C1 III			
Cash and Cash Equivalents Held In Investments – Current	\$ 889,570	\$ 889,570	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>5,839,333</u>	<u>5,839,333</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio C1 III	<u>\$ 6,728,903</u>	<u>\$ 6,728,903</u>	<u>\$ –</u>
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	<u>\$ 8,273,263</u>	<u>\$ 8,273,263</u>	<u>\$ –</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
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NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (CONTINUED)

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level I)	Unrealized Gain/(Loss)
<u>June 30, 2018</u>			
Fidelity Institutional Treasury Portfolio C1 I			
Cash and Cash Equivalents Held In Investments – Current	\$ 791,041	\$ 791,041	\$ –
Total Fidelity Institutional Treasury Portfolio C1 I	<u>\$ 791,041</u>	<u>\$ 791,041</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio C1 II			
Cash and Cash Equivalents Held In Investments – Current	\$ 1,086,420	\$ 1,086,420	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>356,032</u>	<u>356,032</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio C1 II	\$ 1,442,452	\$ 1,442,452	\$ –
Fidelity Institutional Treasury Portfolio C1 III			
Cash and Cash Equivalents Held In Investments – Current	\$ 818,887	\$ 818,887	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>6,020,383</u>	<u>6,020,383</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio C1 III	<u>\$ 6,839,270</u>	<u>\$ 6,839,270</u>	<u>\$ –</u>
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	<u>\$ 9,072,763</u>	<u>\$ 9,072,763</u>	<u>\$ –</u>

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NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (CONTINUED)

Realized gains and losses from securities sold are recorded on the specific identified cost basis. The following schedule summarizes the investment return included in interest income in the statements of activities for the years ended June 30, 2019 and 2018.

	2019	2018
Interest/Dividend Income	\$ 9,794	\$ 6,544
Net Realized and Unrealized Gains/(Losses)	–	–
Total Investment Returns	\$ 9,794	\$ 6,544

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment are comprised of the following:

	2019	2018
Buildings and Renovations	\$ 70,846,046	\$ 71,944,320
Furniture, Fixtures, & Equipment	7,082,372	8,726,113
Site Improvements	4,025,709	4,025,709
Total Depreciable Property	81,954,127	84,696,142
Less: Accumulated Depreciation	(28,454,268)	(26,294,468)
Net Depreciable Property	53,499,859	58,401,674
Land	135,918	–
Construction-in-Progress	6,473,086	4,045,288
Net Property and Equipment	\$ 60,108,863	\$ 62,446,962

At June 30, 2019, all of the Facilities’ property and equipment, net of construction in progress, land, and buildings held for future development, was leased to the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, in accordance with the facility lease agreements discussed in Note 8 to the financial statements.

NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) issued \$33,365,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004A) and \$1,845,000 in Taxable Variable Rate Revenue Bonds (Series 2004B). On December 8, 2004, the Authority issued \$32,515,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004C) and \$1,165,000 in Taxable Variable Rate Revenue Bonds (Series 2004D). The proceeds of the bond issues were loaned to ULM Facilities, Inc. for the following purposes: (i) to demolish eight (8) existing dormitories on the campus of the University of Louisiana at Monroe, (ii) to design, develop, and construct new on-campus student housing and to renovate and

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T (Continued)

refurbish existing on-campus student housing, (iii) to design, develop, and construct a new on-campus student infirmary, (iv) to expand and renovate ULM's student center, (v) to pay off housing-related debt in the amount of \$1,178,926, and (vi) to fund various reserves and to pay bond issuance costs. The Series 2004A and Series 2004B bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2004. The Series 2004C and 2004D bond proceeds were loaned to the Facilities pursuant to a First Amendment to Loan and Assignment Agreement by and between the Facilities and the Authority dated December 1, 2004. During the year ended June 30, 2009, the indebtedness represented by the Series 2004B Bonds and Series 2004D Bonds was paid in full.

On December 1, 2009, the Authority and Regions Bank entered into the Second Supplemental Trust Indenture whereby the Series 2004C bonds totaling \$32,240,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds -Series 2004C bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004C-T in the amount of \$2,240,000. As detailed in the Second Supplemental Trust Indenture, the Series 2004C bonds and the Series 2004C-T bonds are referred to as "Bank Rate Bonds". The Series 2004C bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the "Bank Rate"), and the Series 2004C-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the "Taxable Bank Rate").

On January 1, 2010, the Authority and Regions Bank entered into the Third Supplemental Trust Indenture whereby the Series 2004A bonds totaling \$33,365,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds -Series 2004A bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004A-T in the amount of \$3,365,000. As detailed in the Third Supplemental Trust Indenture, the Series 2004A bonds and the Series 2004A-T bonds are referred to as "Bank Rate Bonds". The Series 2004A bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the "Bank Rate"), and the Series 2004A-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the "Taxable Bank Rate").

On November 1, 2012, the Authority and Regions Bank entered into an Amended and Restated Trust Indenture, which amends and restates in its entirety all previous amendments to the Trust Indenture (The First Supplemental Indenture, The Second Supplemental Indenture and the Third Supplemental Indenture – The Prior Indenture). The amendment is in connection with the refinancing and reissuance of the Series 2004 Bonds and the conversion of the 2004A-T Bonds and the 2004C-T Bonds into Bank Rate Bonds, on which the interest is exempt from federal income taxation. The current interest rate on the Bank Rate Bonds is 2.92% per annum, which is fixed for a period of 10 years.

The principal and interest payments on the loans are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the Facilities' obligations under the Loan and Assignment Agreement, as amended, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the each Amended and Restated Agreement to Lease With Option to Purchase between the Facilities and the Board of Supervisors for the University of Louisiana System, all rents and receipts derived from occupancy of the on-campus facilities, and any and all additional revenues received by the Facilities. As of June 30, 2019 the terms of the loans are as follows:

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T (Continued)

	<u>UNDERLYING BONDS</u>	
	Series 2004A Bonds	Series 2004C Bonds
Annual Interest Rate	Bank Rate	Bank Rate
	2.92%	2.92%
Interest Payments Due	Monthly	Monthly
Principal Payments Due	November 1	November 1
Commencing	11/01/2014	11/01/2014
Maturity Date	11/01/2034	11/01/2035
Principal Balance Due At 06/30/2019	\$27,455,000	\$25,695,000
Principal Balance Due At 06/30/2018	\$28,670,000	\$26,650,000
	<u>2019</u>	<u>2018</u>
Note Payable – Series 2004A Bonds	\$ 27,455,000	\$ 28,670,000
Less: Unamortized Debt Issuance Costs	(784,341)	(818,073)
Note Payable – Series 2004A Bonds, Net	<u>\$ 26,670,659</u>	<u>\$ 27,851,927</u>
	<u>2019</u>	<u>2018</u>
Note Payable – Series 2004C Bonds	\$ 25,695,000	\$ 26,650,000
Less: Unamortized Debt Issuance Costs	(573,553)	(594,138)
Note Payable – Series 2004C Bonds, Net	<u>\$ 25,121,447</u>	<u>\$ 26,055,862</u>

Note Payable - Series 2014 Athletic Facilities Project

On June 30, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,845,000 in Revenue and Refunding Bonds (Series 2014 Athletic Facilities Project). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) refund its Promissory Note dated March 11, 2011, in favor of Regions Bank in the original amount of \$2,000,000, (ii) financing football field improvements and (iii) to pay bond issuance costs. The Series 2014 Athletic Facilities Project bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 30, 2014.

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2014 Athletic Facilities Project (Continued)

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.92% per annum and matures on June 11, 2024. Principal and interest is payable on the loan each September 11, December 11, March 11, and June 11 commencing September 11, 2014, in accordance to the amortization schedule included in the bond closing documents. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 18, 2011, along with all amendments, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Scoreboards, Athletic Facilities Upgrades & Electronic Display Boards. The principal balance due on the Note Payable – Series 2014 Athletic Facilities Project Bonds totaled \$1,000,000 and \$1,180,000 at June 30, 2019 and 2018, respectively.

	2019	2018
Note Payable – Series 2014 Athletic Facilities Project	\$ 1,000,000	\$ 1,180,000
Less: Unamortized Debt Issuance Costs	(27,825)	(32,834)
Note Payable – Series 2014 Athletic Facilities Project, Net	\$ 972,175	\$ 1,147,166

Note Payable - Series 2014 Student Success Center

On July 9, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,645,000 in Revenue Bonds (Series 2014 Student Success Center). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) to refund all or a portion of the Prior Bonds, (Series 2007), issued for the development, construction and equipping of the Clarke M. Williams Student Success Center (the “Student Success Center”), related facilities, and other campus improvements at the University; and (ii) to pay bond issuance costs. The Series 2014 Student Success Center bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 30, 2014.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 3.14% per annum and matures on October 1, 2026. Interest is payable on the loan on April 1st and October 1st of each year and principal is payable on October 1st of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated October 25, 2007, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Success Center, all rents, issues, receipts and profits derived from the use or occupancy of the Student Success Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Success Center. The principal balance due on the Note Payable – Series 2014 Student Success Center Bonds totaled \$1,145,000 and \$1,270,000 at June 30, 2019 and 2018, respectively.

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2014 Student Success Center (Continued)

	2019	2018
Note Payable – Series 2014 Student Success Center	\$ 1,145,000	\$ 1,270,000
Less: Unamortized Debt Issuance Costs	(35,521)	(39,405)
Note Payable – Series 2014 Student Success Center, Net	\$ 1,109,479	\$ 1,230,595

Note Payable - Series 2016 Student Event Center Project

On March 1, 2016 the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$6,000,000 in Revenue Bonds (Series 2016). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the purpose of acquiring, designing, developing, constructing, renovating and reconstructing of the existing natatorium on the campus of the University and the construction of a spirit group practice area, as well as a large events center to accommodate recruitment events, student events, parties, weddings and conferences (the “Student Event Center”); and (ii) to pay bond issuance costs. The Series 2016 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated March 1, 2016.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.62% per annum and matures on June 20, 2036. Interest is payable on the loan on March 1st and September 1st of each year and principal is payable on June 30th of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 1, 2016, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Event Center Project, all rents, issues, receipts and profits derived from the use or occupancy of the Student Event Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Event Center. The principal balance due on the Note Payable – Series 2016 Bonds totaled \$5,370,000 and \$5,590,000 at June 30, 2019 and 2018, respectively.

	2019	2018
Note Payable – Series 2016 Student Event Center Project	\$ 5,370,000	\$ 5,590,000
Less: Unamortized Debt Issuance Costs	(104,282)	(108,554)
Note Payable – Series 2016 Student Event Center Project, Net	\$ 5,265,718	\$ 5,481,446

Note Payable - Series 2017 and 2018 Brown Stadium Project

On June 1, 2017 the Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) issued \$4,000,000 in Revenue Bonds (Series 2017). The proceeds of the bond issue were loaned to the Facilities. for the purpose of acquiring, designing, developing, constructing, renovating and

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2017 and 2018 Brown Stadium Project (Continued)

the reconstructing of Brown Stadium and parking adjacent thereto, on the campus of the University (*“Brown Stadium”*); and (ii) to pay bond issuance costs. The Series 2017 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2017. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated June 1, 2017, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Brown Stadium Project, all rents, issues, receipts and profits derived from the use or occupancy of Brown Stadium, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to Brown Stadium.

On August 1, 2018, the Authority and Regions Bank entered into the First Supplemental Trust Indenture; whereby the Authority issued \$2,000,000 in Revenue Bond Series 2018 on a parity with the Series 2017 Bonds. The Series 2018 bond proceeds were loaned to the Facilities pursuant to the Supplemental Loan and Assignment Agreement dated August 1, 2018 that supplements and amends the Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2017. Under the Supplemental Indenture, the Series 2018 bond proceeds were loaned to the Facilities for the purpose of (i) financing a portion of renovating, rehabilitating, and constructing the improvements to Brown Stadium and parking adjacent thereto on the campus and (ii) paying costs of issuance of the Series 2018 Bonds.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the Facilities’ obligations under the Supplemental Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the supplemented and amended Agreement to Lease With Option to Purchase dated August 1, 2018, between the Facilities and the Board of Supervisors for the University of Louisiana System. The provisions and terms, as supplemented and amended, shall have the same meaning as the original Agreement to Lease With Option to Purchase dated June 1, 2017. As of June 30, 2019, the terms of the loans are as follows:

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2017 and 2018 Brown Stadium Project (Continued)

UNDERLYING BONDS

	Series 2017 Brown Stadium Project	Series 2018 Brown Stadium Project		
Annual Interest Rate	2.75%	3.56%		
Interest Payments Due	Semiannually	Semiannually		
Principal Payments Due	June 1	June 1		
Commencing	6/1/2017	12/1/2018		
Maturity Date	6/1/2027	6/1/2027		
Principal Balance Due At 06/30/2019	\$3,285,000	\$1,795,000		
Principal Balance Due At 06/30/2018	\$3,645,000	\$0		
			<u>2019</u>	<u>2018</u>
Note Payable – Series 2017 Brown Stadium Project			\$ 3,285,000	\$ 3,645,000
Less: Unamortized Debt Issuance Costs			(86,471)	(95,947)
Note Payable – Series 2017 Brown Stadium Project, Net			<u>\$ 3,198,529</u>	<u>\$ 3,549,053</u>
			<u>2019</u>	<u>2018</u>
Note Payable – Series 2018 Brown Stadium Project			\$ 1,795,000	\$ –
Less: Unamortized Debt Issuance Costs			(63,182)	(–)
Note Payable – Series 2018 Brown Stadium Project, Net			<u>\$ 1,731,818</u>	<u>\$ –</u>

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Aggregate Maturities of Long-Term Debt

The aggregate maturities of long-term debt for each of the next five years and in five-year increments thereafter, based on interest rates in effect at June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Fixed Rate Interest</u>	<u>Totals</u>
2020	3,455,000	1,871,738	5,326,738
2021	3,665,000	1,762,621	5,427,621
2022	3,880,000	1,654,455	5,534,455
2023	3,865,000	1,541,431	5,406,431
2024	3,870,000	1,430,744	5,300,744
2025-2029	18,465,000	5,447,277	23,912,277
2030-2034	19,520,000	2,746,058	22,266,058
2035-2039	9,025,000	255,426	9,280,426
	<u>\$ 65,745,000</u>	<u>\$ 16,709,749</u>	<u>\$ 82,454,749</u>

The total amount of interest costs incurred for the year ended June 30, 2019, totaled \$2,032,746, of which \$1,864,475 was charged to expense.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Facilities has demand deposits held in trust, as well as separately from the trust, by Regions Bank. The Facilities also has short-term investments (cash equivalents) in various funds containing U. S. Treasury securities, which are held in trust by Regions Bank. The short-term investments, totaling \$8,273,263 [at fair value (Level 1 inputs – quoted prices in active markets for identical assets) and at cost], are collateralized by U.S. Treasury securities and are uninsured and thus, are exposed to credit risk. The demand deposits, in total, are insured by the Federal Deposit Insurance Corporation in an amount up to \$250,000 per financial institution. The Facilities had uninsured deposit balances totaling \$7,171,036 at June 30, 2019. The Facilities maintains its cash with a high quality financial institution which the Facilities believes limits these risks.

Although the Facilities does not require collateral to support financial instruments subject to credit risk, they obtained pledged securities from Regions Bank in an effort to mitigate this risk. As of June 30, 2019, pledged securities amounted to \$9,312,887, which provides adequate coverage to mitigate the exposure of the uninsured deposits. The Facilities has concentrations of credit risk relevant to its receivables for student rents and the laundry contract.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS

Student Housing, Student Health Center, and Student Union

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Ground and Buildings Lease Agreement (the “Ground Lease”) on June 1, 2004. Under the terms of the Ground Lease, the Board leases certain tracts of land and buildings owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing certain existing facilities and renovating, developing, and constructing student housing and related facilities, a student union and an infirmary. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and leases back the student housing and related facilities, student union, and infirmary from the Facilities for the support, maintenance, and benefit of the Board and ULM. See Facilities Lease below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the student housing and related facilities have been paid or have been deemed to have been paid in full.

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Agreement to Lease With Option to Purchase (the “Facilities Lease”) on June 1, 2004. Under the terms of the Facilities Lease, the Facilities leases the student housing and related facilities to the Board, and the Board agrees, upon completion of renovation and construction of the student housing and related facilities, to accept possession of such housing and facilities. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use and occupancy of the student housing and facilities. The base rental is due on the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the reserve funding requirements of the Indentures. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the student housing and related facilities.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date that all amounts owed under the Indentures have been paid.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Success Center

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the “Ground Lease”) on October 25, 2007. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing and/or renovating certain existing buildings and developing, constructing, and equipping the Clarke M. Williams Student Success Center, related facilities, and other campus improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the Clarke M. Williams Student Success Center, related facilities, and other campus improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) October 25, 2032, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the Clarke M. Williams Student Success Center, related facilities, and other campus improvements have been paid or have been deemed to have been paid in full.

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on October 25, 2007. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the Clarke M. Williams Student Success Center, related facilities, and other campus improvements to the Board, and the Board agrees, upon completion of construction of such projects to accept possession of the projects.

Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground Lease Agreement (the “Ground Lease”) on March 18, 2011. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the following purposes: (i) to install scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) to install chair-back seating in Malone Stadium; (iii) to construct dugouts at the softball field and the soccer field; and (iv) to install two electronic display boards. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the electronic display boards, scoreboards, seating, and dugouts as set forth in the Facilities Lease described below. On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to the Ground Lease Agreement, for the purpose of extending the term of the ground lease.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) June 30, 2024, or (ii) the date on which the loan issued on behalf of the Facilities to pay for the construction of the facilities has been paid or has been deemed to have been paid in full.

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on March 18, 2011. Under the terms of the Facilities Lease, the Facilities will lease, upon completion of installation and/or construction, to the Board the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. The Board agrees, upon completion of installation and/or construction, to accept possession of the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. Under the terms of the Facilities Lease, the Board is required to pay a base rental to the Facilities for the use of the scoreboards, chair-back seating, dugouts, and electronic display boards. The base rental is due quarterly, on the 1st day of the month preceding the next interest and principal payment date, in an amount equal to the amount necessary to pay the principal and interest due and payable on the loan on the following principal payment date. In addition to the base rental, the Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the scoreboards, chair-back seating, dugouts, and electronic display boards. On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to Agreement to Lease With Option to Purchase (the “Facilities Lease”), for the purpose of extending the term of the facilities lease.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards (Continued)

Facilities Lease Agreement (Continued)

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) June 30, 2024, or (ii) the date that all amounts owed under the loan have been paid.

Doppler Radar Project

Cooperative Endeavor Agreement

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) and the University of Louisiana at Monroe Foundation, Inc. (the “Foundation”), whereas it is the desire of the parties to develop a Doppler radar facility to be maintained and operated by the University on land owned by the Foundation. Under the terms of the Agreement, the University and the Foundation agreed to terminate the existing lease, between the two parties, on 2.84 acres, conditioned upon the Facilities and the Foundation entering into a three-year lease with option to purchase and suspensive contract (the “Facilities Lease”) to buy and sell the 2.84 acres in question. The Facilities Lease between the Facilities and the Foundation will facilitate the development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 Federal Grant (the Grant”). Upon completion of construction of the Doppler radar project, all of the Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

The term of the Cooperative Endeavor Agreement shall be for three (3) years beginning on May 1, 2014, and ending on April 30, 2017 or upon completion of the construction of the Doppler radar facility, whichever occurs first.

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell.

During the year ended June 30, 2019, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its right, title and interest in the Doppler Radar Facility to the Board on behalf of the University. The donation terminated the Cooperative Endeavor Agreement, the Lease with Option to Purchase Agreement and the Suspensive Contract to Buy and Sell on the property as of the date of the donation.

Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell

On May 1, 2014, the Facilities (the “lessee”) entered into a Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell (the “Lease”) with the University of Louisiana at Monroe Foundation, Inc. (the “Foundation”) to lease 2.94 acres of property (including the 10,500 square foot Agriculture/Mechanical building located thereon). The Facilities Lease between the Facilities and the Foundation will facilitate the

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Doppler Radar Project (Continued)

Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell (Continued)

development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 Federal Grant (the Grant”). Upon completion of construction of the Doppler radar project, all of the Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

Upon completion of the Doppler radar project (the Facilities), as described in the Cooperative Endeavor Agreement, all of the Facilities’ right, title and interest have been assigned to the University, lessee shall begin paying monthly lease payments in the amount of \$1,990. The term of the Lease shall be for three (3) years beginning on January 1, 2019 and ending on December 31, 2022. The lessee will pay all utilities, taxes, required insurance and maintenance on the facilities throughout the term of the Lease.

In addition, under the terms of the Lease, the Facilities have an exclusive right of an option to purchase the Facilities for a period of three (3) years from January 1, 2019. The purchase price, if the option is exercised, shall be \$215,000. All lease payments made under the lease agreement will be applied to and deducted from the purchase price at closing.

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell.

As of June 30, 2019 and 2018, cumulative grant proceeds in the amount of \$2,338,578 and \$2,181,320, respectively, had been received for the Doppler radar project.

During the year ended June 30, 2019, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its right, title and interest in the Doppler Radar Facility to the Board on behalf of the University. The donation terminated the Cooperative Endeavor Agreement, the Lease with Option to Purchase Agreement and the Suspensive Contract to Buy and Sell on the property as of the date of the donation.

International Student Facility

Ground Lease Agreement

On May 1, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into a Ground Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

International Student Facility (Continued)

Ground Lease Agreement (Continued)

facilitate and oversee the construction, furnishing and equipping of the International Student Facility, to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$1,000,000 and all costs are to be paid entirely with privately donated funds.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one (1) year term beginning on May 1, 2014 and ending on the earlier of (i) April 30, 2015, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Due to cost overruns on the project, Facilities had elected to keep the International Student Facility on the balance sheet, under fixed assets, until additional funds could be raised from private donors.

During the year ended June 30, 2019, the Facilities executed an Act of Donation (the "donation") with the Board of Supervisors for the University of Louisiana System (the "Board"), on behalf of the University of Louisiana Monroe (the "University"), irrevocably donating all of its right, title and interest in the International Student Facility to the Board on behalf of the University. The donation terminated the Ground Lease Agreement and the Cooperative Endeavor Agreement on the property as of the date of the donation.

Cooperative Endeavor Agreement

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the "University") and the University of Louisiana Monroe Foundation, Inc. (the "Foundation"), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project on land leased under the Ground Lease. The Foundation will facilitate incremental draw payments through the Facilities, which will contract directly with the contractors and vendors.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on August 1, 2014 and will end on the earlier of (i) July 31, 2015, or (ii) the date of the opening of the Center. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest in the Center shall immediately transfer and vest in the Board.

Due to cost overruns on the project, Facilities had elected to keep the International Student Facility on the balance sheet, under fixed assets, until additional funds could be raised from private donors.

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NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

International Student Facility (Continued)

Cooperative Endeavor Agreement (Continued)

During the year ended June 30, 2019, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its right, title and interest in the International Student Facility to the Board on behalf of the University. The donation terminated the Ground Lease Agreement and the Cooperative Endeavor Agreement on the property as of the date of the donation.

The project was completed in 2015, with a \$241,119 contribution by the Facilities, necessitated by an overage in project completion costs. In consideration for this contribution, the University had committed to reimburse the Facilities its \$241,119 contribution as additional funds become available and/or donations are received. As of June 30, 2019, the University has reimbursed the Facilities \$89,619 with a balance due of \$151,500.

Student Event Center

Ground Lease Agreement

On March 1, 2016, the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into an Amended and Restated Ground and Buildings Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the acquisition, designing, developing, constructing, renovating and reconstructing the Student Event Center, to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$7,000,000 and all costs are to be paid from funds derived from the issuance of the Series 2016 Tax Exempt Bonds and other funds provided by the corporation.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on March 1, 2016 and ending on the earlier of (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Agreement to Lease with Option to Purchase

On March 1, 2016 the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into an Amended and Restated Lease with Option to Purchase (the “Facilities Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Facilities will facilitate and oversee the construction and development of the entire Student Event Center project (the “Student Event Center”) on land leased under the Ground Lease and will lease the Land and the Student Event Center back to the Board. Under the terms of the

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Event Center (Continued)

Agreement to Lease with Option to Purchase (Continued)

Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Facilities also includes an irrevocable Option allowing the Board purchase the “Facilities” interest in the Student Event Center for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on March 1, 2016 and ending on the earlier of (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Student Event Center shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Brown Stadium

Ground and Buildings Lease Agreement

On June 1, 2017, the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into a Ground and Buildings Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain to Brown Stadium and parking adjacent thereto (“*Brown Stadium*”), to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$ 4,000,000 and all costs are to be paid from funds derived from the issuance of the Series 2017 Tax Exempt Bonds and other funds provided by the corporation.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Brown Stadium (Continued)

Ground and Buildings Lease Agreement (Continued)

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on June 1, 2017 and ending on the earlier of (i) June 1, 2027 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Agreement to Lease with Option to Purchase

On June 1, 2017 the Facilities and the Board of Supervisors for the University of Louisiana System (the "Board"), on behalf of the University of Louisiana at Monroe (the "University"), entered into an Amended and Restated Lease with Option to Purchase (the "Facilities Lease") whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Facilities will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain to Brown Stadium and parking adjacent thereto ("*Brown Stadium*"), on land leased under the Ground Lease and will lease the Land and "Brown Stadium" back to the Board. Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of "Brown Stadium". The base rental is due semi-annually on the 5th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Maintenance Reserve Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned project. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Support Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Facilities also includes an irrevocable Option allowing the Board to purchase the "Facilities" interest in "Brown Stadium" for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on June 1, 2017 and ending on the earlier of (i) June 1, 2027 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest in the Center shall immediately transfer and vest in the Board, including but not limited to all project warranties.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Malone Stadium Treatment Room Project

Ground and Facilities Lease Agreement

On December 1, 2017, the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into a Ground and Facilities Lease Agreement (the “Ground Lease”) whereby the Board will lease the land, including the stadium, owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will construct, design, test, survey, and equip an area of Malone Stadium into a new athletic treatment facility (“Treatment Room”). As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$ 1,081,689. The University will not incur any debt as a result of this project. Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on December 1, 2017, and will expire when a substantial completion document is signed, and all construction is completed. At that time, the Facilities will donate all improvements to the Board.

During the year ended June 30, 2019, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its right, title and interest in the Malone Stadium Treatment Room to the Board on behalf of the University. The donation terminated the Ground and Facilities Lease Agreement on the property as of the date of the donation.

Wally Jones Golf Complex

Ground and Facilities Lease Agreement

On February 1, 2019 the Facilities and the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), entered into a Ground and Facilities Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the entire construction project. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$860,000. The Facilities will fund the project. Upon completion of the project and assignment of all of the Facilities’ interest in the facilities to the Board, the Board shall pay the Facilities \$300,000.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one (1) year term beginning on May 10, 2019 and ending on the earlier of (i) May 9, 2020, or (ii) the date of substantial completion of the Wally Jones Golf Complex (the “Expiration Date”). Upon the expiration date of the Ground Lease, all of the Facilities’ right, title and interest in the facilities shall immediately and automatically terminate and shall be assigned, transferred to and vested in the Board.

Cooperative Endeavor Agreement

On June 1, 2019 the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Wally Jones Golf Complex (Continued)

Cooperative Endeavor Agreement

at Monroe (the “University”) and the University of Louisiana Monroe Athletic Foundation, Inc. (the “Foundation”), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project.

The Facilities will receive, review and approve all construction payment request and forward to the Foundation. The Foundation will remit funds to the Facilities for payment to contractors and vendors. The Foundation will not be involved in the construction project. The Facilities will work with the Foundation in an administrative capacity to pay contractors and vendors with funds provided by the Foundation.

The Ground Lease and this Cooperative Endeavor Agreement will expire at the end of one year of the date of opening of the Wally Jones Golf Complex, whichever occurs first. Upon expiration of the Ground Lease and all payments have been made by the Foundation to the Facilities for the project, the Facilities shall assign all of its interest in the project to the Board, and the University shall then pay the Facilities \$300,000.

The term of this Cooperative Endeavor Agreement shall be for one (1) year beginning on June 1, 2019 and will end on the earlier of (i) May 31, 2020, or (ii) the date of opening of the Wally Jones Golf Complex. This agreement may be extended or terminated by mutual written agreement of the parties. Once the Cooperative Endeavor Agreement terminates, all of the Foundation’s and Facilities’ right, title and interest in the Wally Jones Golf Complex shall immediately transfer and vest with the Board, including but not limited to all warranties.

Future Minimum Lease Payments and Rentals

Ground Lease Agreements

The future minimum lease payments under ground leases (operating leases) as of June 30, 2019, are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 6
2021	5
2022	5
2023	5
2024	5
Thereafter	<u>43</u>
Total Minimum Lease Payments	<u>\$ 69</u>

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Future Minimum Lease Payments and Rentals (Continued)

Facilities Lease Agreements

As discussed above, each facilities lease agreement between the Facilities and the Board contains a base rental and an additional rental. The base rental amount is equal to the amount necessary to pay the principal and interest due on each loan as such principal and interest is payable. The additional rental is to be received for expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the leased facilities. Due to the contingent nature of the additional rental, the future minimum rentals under the facilities leases (operating leases) as of June 30, 2019, are reported utilizing the base rental and, therefore, are equivalent to the aggregate maturities of long-term debt as indicated in Note 6 to the financial statements.

NOTE 9 – LAUNDRY ROOM LEASE

On February 10, 2005, the Facilities and Caldwell & Gregory, Inc. (“CGI”) entered into a Laundry Room Lease Agreement, which was subsequently amended to reflect an effective date of July 15, 2006. Under the terms of the lease agreement, CGI has agreed to install, maintain, and service coin-operated drying and laundry equipment on the campus of ULM. In addition, CGI has agreed to pay the Facilities 85% of all revenues over a \$33.50 average per machine per month. The payments are to be made at a rate of \$850 per month with an accounting and a settlement to be made on an annual basis. During the year ended June 30, 2018, Facilities and CGI entered into a new ten year lease agreement, with modified terms. The new lease agreement is effective July 1, 2018, and will automatically renew under the same terms, conditions, and length unless cancelled by either party not less than 30 days and not more than 180 days prior to the expiration of the then current term.

The future minimum lease payments under the Laundry Room Lease as of June 30, 2019, are as follow:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 10,200
2021	10,200
2022	10,200
2023	10,200
2024	10,200
Thereafter	<u>40,800</u>
Total Minimum Lease Payments	<u>\$ 91,800</u>

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NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 – RELATED PARTY TRANSACTIONS

Due To ULM – Reimbursable Expenses

The Facilities reimburses ULM for certain operating expenses resulting from ULM's management of the Facilities various properties. The amount of reimbursable expenses totaled \$3,145,601 and \$3,204,041 for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the Facilities owed \$571,770 and \$574,734, respectively, to ULM for reimbursable expenses, which has been included in Accounts Payable – Operations.

Due From ULM – Other

As discussed in Note 8, the Facilities contributed \$241,119 to the International Student Facility development. The University has committed to reimburse the Facilities its contribution as additional funds become available and/or donations are received. As of June 30, 2019, the University has reimbursed the Facilities \$89,619, with a balance due of \$151,500.

Due From ULM – Student Housing Rental Collections

The Facilities is due rents and application fees collected by the University in the amount of \$558,081.

NOTE 11 – CONSTRUCTION IN PROGRESS AND COMMITMENTS

On December 3, 2014, the Facilities entered into a contract with Enterprise Electronics Corporation for construction services to be provided in connection with the construction of the Doppler Radar. The contract is a fixed fee contract in the amount of \$2,081,415 plus approved change orders. As of June 30, 2019 and 2018, the amount expended on this project was \$0 and \$2,538,885, respectively. During the year ended June 30, 2018, the project was completed and capitalized into fixed assets. At June 30, 2018, contracts payable for the project was \$157,258. During the year ended June 30, 2019, the Doppler Radar Facility was assigned to the University.

On January 24, 2019, the Facilities purchased property located at 3906 DeSiard Street for \$131,118. Subsequent to year end, the Facilities purchased two additional properties located at 3914 DeSiard Street in the amount of \$125,000 and 3918 DeSiard Street in the amount of \$200,000.

During the year ended June 30, 2019, the Facilities entered into a ground and facilities lease agreement with the Board of Supervisors for the University of Louisiana System (the "Board"), on behalf of the University of Louisiana at Monroe (the "University"), for the purpose of developing and constructing a Golf House on land owned by the Board and located on the Campus of the University. In addition to the ground and facilities lease agreement, the Facilities contracted with Bing Bishop Construction Company, Inc. for construction services in connection with the construction of the Wally Jones Golf Complex. At June 30, 2019, contracts payable for the project were \$190,012. Subsequent to year end, additional expenditures were incurred in the amount of \$156,967.

During the year ended June 30, 2018, the Student Event Center project incurred additional expenditures in the amount of \$4,234,189. The project was completed and capitalized into fixed assets during the year ended June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11 – CONSTRUCTION IN PROGRESS AND COMMITMENTS (CONTINUED)

During the year ended June 30, 2017, the Facilities entered into a ground lease and a facilities lease agreement with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), for the purpose of acquiring, designing, developing, constructing and renovating the reconstruction of Brown Stadium and parking adjacent thereto (“Brown Stadium”), on property leased from the Board, and upon completion to be leased back to the Board. In connection with the “Brown Stadium” project, the Facilities contracted with various professionals required to complete the project. For the years ended June 30, 2019 and 2018, expenditures incurred on the project were \$2,238,130 and \$3,612,736 and are included in construction in progress, respectively. At June 30, 2019 and 2018, contracts payable for the project were \$59,201 and \$600,180, respectively.

During the year ended June 30, 2018, the Facilities entered into a ground and facilities lease agreement with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana at Monroe (the “University”), for the purpose of constructing, designing, testing, surveying, and equipping an area of Malone Stadium into a new athletic treatment facility (“Treatment Room”), on property leased from the Board. Upon substantial completion, and completion of project, the Facilities will donate all improvements to the Board. In connection with the Treatment Room project, the Facilities contracted with various professionals required to complete the project. As of June 30, 2018, expenditures incurred on the project were \$113,067 and are included in construction in progress. At June 30, 2019 and 2018, contracts payable for the project was \$0 and \$8,279, respectively. During the year ended June 30, 2019, additional expenditures in the amount of \$964,144 were incurred. The project was completed and all improvements were donated to the Board on behalf of the University during the year ended June 30, 2019.

NOTE 12 – TRANSFER OF FUNDS

On March 1, 2013 The Authority and Regions Bank entered into the “First Supplemental Trust Indenture”. Article 2 of this agreement changed Section 4.8(a)(ix) of the Amended and Restated Indenture in its entirety to reads as follows: “(ix) Annually on November 1 of each year beginning November 1, 2012, any amounts remaining in the Receipts Fund after the payment required to be made to the Replacement Fund in excess of the amounts necessary to make payments from the Receipts Fund required by this Section 4.8 on such November 1 may be transferred, at the written direction of the Chief Business Officer of the Division of Business Affairs for the University or the President of the University, to the University or the Corporation”. Pursuant to this agreement, \$0 and \$590,000 were transferred to the University for the years ended June 30, 2019 and 2018. As of June 30, 2019, the Facilities accrued \$590,000 to be transferred to the University per the terms of the agreement. Subsequent to year end, the transfer was paid to the University in the amount of \$590,000 from the Receipts Fund.

NOTE 13 – DOPPLER RADAR PROJECT – HAZARD MITIGATION GRANT PROGRAM

The Facilities entered into a Grant Agreement between the State of Louisiana Governor’s Office of Homeland Security and Emergency Preparedness (“GOHSEP”) for the purpose of funding the construction and development of the Doppler Radar Project. Under the grant agreement, the Federal Emergency Management Agency (the “Grantor”) has provided federal funds to the Facilities (the “Sub-Grantee”) through GOHSEP’s Hazard Mitigation Program. The total grant award was \$3,077,900. As of June 30, 2019 and 2018, cumulative

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

**NOTE 13 – DOPPLER RADAR PROJECT – HAZARD MITIGATION GRANT PROGRAM
(CONTINUED)**

grant proceeds in the amount of \$2,338,578 and \$2,181,320, respectively, had been received for the Doppler Radar Project. As of June 30, 2019 and 2018, GOHSEP owed grant funds in the amount of \$0 and \$157,258, respectively, to the Facilities.

NOTE 14 – OTHER INCOME

During the year ended June 30, 2018, the Facilities received a settlement check for a full and final settlement between Facilities and JPI in connection with the Phase I and Phase II lawsuit. This amount is included in other income/expense on the statement of activities.

NOTE 15 – FRAUD LOSS

During June 2019, the Facilities wired payment for a contractor's invoice in the amount of \$59,201. At the end of July 2019, the Facilities was contacted by the vendor that their payment had not been received. It was later discovered that their email had been compromised and that the email from which the payment was processed was fraudulent and that they had not received the payment. Since discovery of the loss, the Facilities has aggressively pursued recovery of the funds, but as of the report date, no significant progress has been made toward recovery of the funds.

NOTE 16 – RECLASSIFICATION

Certain accounts in the prior year's financial statements have been reclassified to conform to the current year's financial statements presentation.

NOTE 17 – SUBSEQUENT EVENTS

The Facilities' management has evaluated subsequent events through August 21, 2019, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Program Services	Supporting Services Management and General	Total	Program Services	Supporting Services Management and General	Total
Bad Debts	\$ 10,808	\$ -	\$ 10,808	\$ 263	\$ -	\$ 263
Bank Charges	1,101	-	1,101	1,039	-	1,039
Depreciation	2,477,707	-	2,477,707	2,098,870	-	2,098,870
Insurance	8,270	11,950	20,220	7,730	11,517	19,247
Maintenance and Repairs	5,219	-	5,219	6,776	-	6,776
Management Fees	3,145,601	-	3,145,601	3,204,041	-	3,204,041
Postage	26	-	26	-	-	-
Professional Fees	16,091	37,191	53,282	25,481	22,672	48,153
Taxes and License Expense	8,772	-	8,772	9,244	-	9,244
Utilities	13,029	-	13,029	(15,197)	-	(15,197)
	<u>\$ 5,686,624</u>	<u>\$ 49,141</u>	<u>\$ 5,735,765</u>	<u>\$ 5,338,247</u>	<u>\$ 34,189</u>	<u>\$ 5,372,436</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2019

No compensation, benefits or other payments are paid to an agency head or chief executive officer.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**SCHEDULE OF REVENUES, EXPENSES, AND
CAPITALIZED EXPENDITURES MADE TO OR ON BEHALF OF
ULM'S INTERCOLLEGIATE ATHLETICS PROGRAM**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
Capital Expenditures Paid To or On Behalf of ULM's Intercollegiate Athletics Program	<u>\$ 3,314,996</u>