

UNIVERSITY COLUMNS
Natchitoches, Louisiana

Financial Report

Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

The Board of Directors
University Columns
Natchitoches, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of University Columns, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which comprise the basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of University Columns as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2019 on our consideration of the University Column's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University Column's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Column's internal control over financial reporting and compliance.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

May 6, 2019

BASIC FINANCIAL STATEMENTS

UNIVERSITY COLUMNS

Statements of Net Position
June 30, 2018 and 2017

ASSETS		2018	2017
CURRENT ASSETS			
Cash and cash equivalents		\$ 496,387	\$ 264,045
Rents and fees receivable, net		28,988	35,344
Cash - restricted		75,899	74,098
Accrued interest receivable		55,859	51,182
Prepaid expenses		<u>35,173</u>	<u>34,519</u>
		<u>692,306</u>	<u>459,188</u>
CAPITAL ASSETS			
		7,649,028	7,643,217
Less: accumulated depreciation		<u>(4,798,551)</u>	<u>(4,570,231)</u>
		<u>2,850,477</u>	<u>3,072,986</u>
OTHER ASSETS			
Due from affiliates		<u>7,329,964</u>	<u>6,232,532</u>
		<u>10,872,747</u>	<u>9,764,706</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		682,993	500,429
Intercompany accounts payable		104,680	104,547
Accrued interest payable		255,646	256,659
Deferred rent revenue		44,522	530
Due to affiliates		866,292	866,292
Security deposits		<u>14,000</u>	<u>75,063</u>
TOTAL LIABILITIES		<u>1,968,133</u>	<u>1,803,520</u>
NET POSITION			
Net investment in capital assets		2,850,477	3,072,986
Unrestricted		<u>6,054,137</u>	<u>4,888,200</u>
		<u>\$ 8,904,614</u>	<u>\$ 7,961,186</u>
TOTAL NET POSITION		<u>\$ 8,904,614</u>	<u>\$ 7,961,186</u>

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

UNIVERSITY COLUMNS

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUES		
Apartment rent	\$ 2,856,086	\$ 2,827,087
Fee income	144,332	63,480
Interest income	5,829	4,678
Miscellaneous	<u>33,576</u>	<u>39,478</u>
Total support and revenues	<u>3,039,823</u>	<u>2,934,723</u>
OPERATING EXPENSES		
Advertising	8,933	14,871
Bad debts	28,804	109,964
Contract services	186,894	213,830
Depreciation	228,321	221,502
Insurance	70,427	70,701
Interest expense	138	882
Management fee	151,476	138,119
Meals and entertainment	1,807	2,110
Miscellaneous	33,211	26,131
Office expense	2,860	4,408
Payroll taxes	30,927	30,442
Postage	786	272
Professional fees	28,671	35,614
Rent	516,431	406,862
Repair and maintenance	102,527	106,517
Salaries	372,647	369,055
Supplies	45,002	63,736
Telephone	20,138	15,383
Training	288	390
Travel	9,001	2,806
Utilities	<u>257,106</u>	<u>205,636</u>
Total operating expenses	<u>2,096,395</u>	<u>2,039,231</u>
INCREASE IN NET POSITION	943,428	895,492
NET POSITION, beginning of year	<u>7,961,186</u>	<u>7,065,694</u>
NET POSITION, end of year	<u>\$ 8,904,614</u>	<u>\$ 7,961,186</u>

The accompanying notes are an integral part of these statements.

UNIVERSITY COLUMNS

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and users	\$ 3,023,279	\$ 2,805,459
Interest received	1,152	-
Payments to suppliers	(1,282,319)	(1,332,678)
Payments to employees and related benefits	(403,574)	(369,055)
Interest paid	<u>(1,151)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,337,387</u>	<u>1,103,726</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(5,812)</u>	<u>(17,441)</u>
Net cash used by investing activities	<u>(5,812)</u>	<u>(17,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in notes due from affiliates	<u>(1,097,432)</u>	<u>(1,158,589)</u>
Net cash used by financing activities	<u>(1,097,432)</u>	<u>(1,158,589)</u>
Net increase (decrease) in cash and cash equivalents	234,143	(72,304)
CASH AND CASH EQUIVALENTS, beginning of year	<u>338,143</u>	<u>410,447</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 572,286</u>	<u>\$ 338,143</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 943,428	\$ 895,492
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	228,321	221,502
(Increase) decrease in:		
Rent and fees receivable	6,356	(15,222)
Accrued interest receivable	(4,677)	(4,678)
Prepaid expenses	(654)	1,916
Increase (decrease) in:		
Accounts payable	182,564	30,991
Intercompany accounts	133	(42,732)
Interest payable	(1,013)	882
Deferred rent revenue	43,992	530
Security deposits payable	<u>(61,063)</u>	<u>15,045</u>
Net cash provided by operating activities	<u>\$ 1,337,387</u>	<u>\$ 1,103,726</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents, end of year		
Cash - unrestricted	\$ 496,387	\$ 264,045
Cash - restricted	<u>75,899</u>	<u>74,098</u>
Total cash and cash equivalents	<u>\$ 572,286</u>	<u>\$ 338,143</u>

The accompanying notes are an integral part of these statements.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

University Columns provides student housing to students on the campus of Northwestern State University, Natchitoches, Louisiana. University Columns apartment complex is managed under contract by Campus Living Villages Fund (Campus), a student housing organization based in Australia. All personnel employed in the leasing, management, maintenance and operation of University Columns are employees of Campus.

Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of University Columns. There are no component units of University Columns.

Fund Accounting

The accounts of University Columns are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net assets, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or regulations. University Columns is presented in the accompanying financial statements as follows:

PROPRIETARY FUND –

The focus of Enterprise fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Enterprise fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of University Columns are leases and rents. The operating cost of the enterprise fund is all costs associated with the operation of University Columns. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balance of any

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Management used unrestricted assets only when restricted assets are fully depleted.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounts refers to “when” transactions are recorded regardless of the measurement focus applied.

The Enterprise fund utilized an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by University Columns.

Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset’s carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

Use of Estimates

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

NOTE 2 CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Unrestricted:		
J. P. Morgan Chase - operating	\$ 493,925	\$ 200,279
J. P. Morgan Chase - rent receipts	2,462	63,766
Total unrestricted	<u>496,387</u>	<u>264,045</u>
Restricted:		
J.P. Morgan Chase - security deposits	<u>75,899</u>	<u>74,098</u>
Total restricted	<u>75,899</u>	<u>74,098</u>
Total cash and cash equivalents	<u>\$ 572,286</u>	<u>\$ 338,143</u>
	Bank Balance	Bank Balance
	<u>2018</u>	<u>2017</u>
Unrestricted:		
J. P. Morgan Chase - operating	\$ 584,818	\$ 297,510
J. P. Morgan Chase - rent receipts	2,462	60,438
Total unrestricted	<u>587,280</u>	<u>357,948</u>
Restricted:		
J. P. Morgan Chase - security deposits	<u>66,699</u>	<u>74,098</u>
Total restricted cash and cash equivalents	<u>66,699</u>	<u>74,098</u>
Total cash and cash equivalents	<u>\$ 653,979</u>	<u>\$ 432,046</u>

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Notes to Financial Statements

NOTE 3 RENTS AND FEES RECEIVABLE

	2018	2017
Rents and fees receivable, gross	\$ 98,304	\$ 154,081
Allowance for bad debt	<u>(69,316)</u>	<u>(118,737)</u>
Rents and fees receivable, net	<u>\$ 28,988</u>	<u>\$ 35,344</u>

NOTE 4 CAPITAL ASSETS

Category	2018 Cost	2017 Cost	Estimated Useful Lives
Building	\$ 6,099,638	\$ 6,057,186	40 years
Streets, sidewalks and pool	705,610	705,610	40 years
Fences, gates and signs	243,898	243,036	15 years
Furniture and fixtures	159,279	155,511	5-10 years
Equipment	436,001	436,001	5-10 years
Office equipment	4,602	4,602	5 years
Work in progress	-	41,271	
Total capital assets	<u>7,649,028</u>	<u>7,643,217</u>	
Less: Accumulated depreciation	<u>(4,798,551)</u>	<u>(4,570,231)</u>	
Net capital assets	<u>\$ 2,850,477</u>	<u>\$ 3,072,986</u>	

NOTE 5 RELATED PARTY TRANSACTIONS

A monthly management fee of 5% of gross revenues is paid to a related part as compensation for running the daily operations of the apartment complex. The amount recorded as due to related parties includes costs paid on behalf of the complex by related parties for management fees, expenses and construction.

NOTE 6 COMMITMENTS

Campus has built and operates the apartment complex on land leased from Northwestern State University of Louisiana at Natchitoches. The lease expires on September 1, 2034. The annual rent is equal to an annual base rent of \$1,000 plus an amount equal to 25% of the fund's net cash flow as defined in the ground lease agreement. Additionally, an annual rental of 5% of the net cash flow is to be paid to the improvements owner, an organization in connection with the project. All furniture, fixtures and equipment permanently affixed to the land become the property of Northwestern State University at Natchitoches, Louisiana upon expiration of the lease. However, at any time during the term of the lease, Northwestern State University at Natchitoches, Louisiana, has the right to purchase the complex at a purchase price as defined in the ground lease agreement.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 7 RELATED PARTY, DUE FROM AND DUE TO AFFILIATES

A procedure exists whereby, the cash flows of University Columns, after the payment of rent to the Lessor (See Note 6), are made available to support the payment of the Project Mortgage and Permitted Mortgages of other affiliated partnerships. As of June 30, 2018 and 2017 \$7,329,964 and \$6,232,532, respectively, is owed by affiliates.

The Complex is a co-obligor with other affiliated entities on notes and accrued interest to an affiliate and is a contingent beneficiary or is contingently liable on such notes. Once the note is current, any excess cash flow is made available as loans to support the payment of the notes of other affiliated companies. The amount of outstanding principal on the note is \$866,292 at June 30, 2018 and 2017.

NOTE 8 FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by University Columns in estimating fair values of financial instruments as disclosed herein:

Cash and interest-bearing deposits—The carrying amount of cash and short-term instruments approximate their fair value.

Accounts receivables and other current assets—These items are recorded at amounts that approximate fair value due to their short term nature.

Accounts Payable and other accrued liabilities—These items are recorded at amounts that approximate fair value due to their short term nature.

Long-term debt—The carrying amounts of all long-term debt instruments approximate fair value.

NOTE 9 TAX STATUS

University Columns falls under Louisiana Revised Statute Title 17 Education. Accordingly, no provision is required for income taxes.

NOTE 10 CONCENTRATION OF CREDIT RISK

University Columns maintains its cash in bank deposit accounts at a high credit quality financial institution. The balances at times exceed federally insured limits.

NOTE 11 SUBSEQUENT EVENTS

For the year ended June 30, 2018 University Columns has evaluated subsequent events through May 6, 2019, the date these financial statements were available to be issued.

NOTE 12 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

Dr. James Henderson was the Agency Head during the audit period and did not receive any compensation, benefits or other payments from University Columns.

INTERNAL CONTROL AND COMPLIANCE



**DARNALL SIKES
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
University Columns
Natchitoches, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of University Columns, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise University Columns' basic financial statements, and have issued our report thereon dated May 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered University Columns' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Columns' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Columns' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
May 6, 2019

UNIVERSITY COLUMNS

Summary of Prior Year Findings
Year Ended June 30, 2018

There are no prior year audit findings.

UNIVERSITY COLUMNS

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on University Columns' financial statements as of and for the year ended June 30, 2018.

Deficiencies and Material Weaknesses in Internal Control - Financial Reporting

No deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.

Material Noncompliance - Financial Reporting

No instances of noncompliance were noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2018.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no deficiencies or material weaknesses in internal control over financial reporting or instances of material noncompliance noted during the audit.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the fiscal year ended June 30, 2018.