

NSU FACILITIES CORPORATION

Audits of Financial Statements

June 30, 2019 and 2018



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Independent Auditor's Report

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have audited the accompanying financial statements of NSU Facilities Corporation, a nonprofit organization, a component unit of the University of Louisiana System, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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 of material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NSU Facilities Corporation 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.

A handwritten signature in cursive script that reads "Lafocte".

A Professional Accounting Corporation

Houma, LA
September 24, 2019

NSU FACILITIES CORPORATION
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Lease Income Receivable	\$ 50,583	\$ 45,352
Accrued Interest Receivable	10,242	7,050
Total Current Assets	60,825	52,402
Non-Current Assets		
Investments - Debt Service Reserves	4,427,531	4,347,396
Investments - Bond Reserves	2,058,348	1,711,175
Property and Equipment, Net	47,315,612	50,802,053
Total Non-Current Assets	53,801,491	56,860,624
Total Assets	\$ 53,862,316	\$ 56,913,026
Liabilities and Net Deficit		
Current Liabilities		
Accounts Payable	\$ -	\$ 268,136
Accrued Interest Payable	316,762	214,778
Current Maturities of Long-Term Debt	2,145,000	2,090,000
Total Current Liabilities	2,461,762	2,572,914
Long-Term Liabilities		
Tax-Exempt Bonds Payable, Net	47,223,751	49,033,171
Taxable Bonds Payable, Net	2,829,526	3,056,954
Unamortized Swap Interest	144,454	151,320
Interest Rate Swap	10,376,000	7,972,000
Deferred Lease Income	5,555,996	5,879,785
Total Long-Term Liabilities	66,129,727	66,093,230
Total Liabilities	68,591,489	68,666,144
Net Deficit, Without Donor Restrictions	(14,729,173)	(11,753,118)
Total Liabilities and Net Deficit	\$ 53,862,316	\$ 56,913,026

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

NSU FACILITIES CORPORATION
Statements of Activities and Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019	2018
Changes in Net Deficit Without Donor Restrictions		
Revenues and Gains		
Lease Income	\$ 5,934,219	\$ 5,544,208
Interest Income	128,978	91,425
Gain on Interest Rate Swap	-	2,484,000
Total Revenues and Gains	6,063,197	8,119,633
Expenses and Losses		
Program Expenses		
Depreciation Expense	3,616,453	3,589,599
Maintenance and Repairs	59,493	264
Interest Expense	2,913,268	2,819,998
Professional and Legal Fees	13,263	236,431
Miscellaneous	264	2
Total Program Expenses	6,602,741	6,646,294
Management and General		
Professional and Legal Fees	32,511	38,525
Total Expenses	6,635,252	6,684,819
Loss on Interest Rate Swap	2,404,000	-
Loss on Debt Extinguishment	-	383,319
Total Expenses and Losses	9,039,252	7,068,138
Change in Net Assets Without Donor Restrictions	(2,976,055)	1,051,495
Net Deficit		
Beginning of the Year	(11,753,118)	(12,804,613)
End of the Year	\$ (14,729,173)	\$ (11,753,118)

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

NSU FACILITIES CORPORATION
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating activities:		
Change in Net Deficit	\$ (2,976,055)	\$ 1,051,495
Adjustments to Reconcile Change in Net Deficit to Net Cash		
Provided by Operating Activities		
Depreciation	3,616,453	3,589,599
Amortization of Bond Discount and Bond Issuance Costs	108,152	118,376
Loss (Gain) on Interest Rate Swap	2,404,000	(2,484,000)
Loss on Debt Extinguishment	-	383,319
Changes in Assets and Liabilities:		
Lease Income Receivable	(5,231)	5,439
Accrued Interest Receivable	(3,192)	4,835
Accrued Interest Payable	95,118	7,799
Deferred Lease Income	(323,789)	(329,804)
Prepaid Expenses	-	79,423
Net Cash Provided by Operating Activities	2,915,456	2,426,481
Cash Flows from Investing Activities		
Purchase of Investments	(434,221)	(4,532,702)
Proceeds from Sales and Maturities of Investments	6,913	5,098,544
Payments for Fixed Assets	(398,148)	(680,331)
Net Cash Used in Investing Activities	(825,456)	(114,489)
Cash Flows from Financing Activities		
Proceeds from Bond Issuance/Refinancing	-	10,605,000
Bond Payments/Redemption	(2,090,000)	(12,390,000)
Payment of Bond Issue Costs	-	(526,992)
Net Cash Used in Financing Activities	(2,090,000)	(2,311,992)
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents		
Beginning of Year	-	-
End of Year	\$ -	\$ -
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ 2,709,996	\$ 2,693,822

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Business

The NSU Facilities Corporation (the Corporation) is a nonprofit organization and was formed to promote, assist, and benefit the mission of Nicholls State University (the University) through the acquisition, construction, development, management, leasing as lessor or lessee, mortgaging and/or conveying student housing and facilities on the campus of the University.

The Corporation participated in bond issuances by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) who issued \$17,680,000 (Series 2007A), \$32,380,000 (Series 2007B), \$10,860,000 (Series 2010), \$1,975,000 (Series 2016A), \$4,000,000 (Series 2016B), and \$10,605,000 (Series 2017A) in revenue bonds which will be payable solely from the revenues of the Corporation. The bond proceeds are used to acquire, construct, develop, and renovate fixed assets.

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* requires inclusion of the Corporation's financial statements in the University of Louisiana System's financial statements.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments held restricted for debt service and other purposes under the bond indentures are stated at cost which approximates market value.

Basis of Presentation

The financial statement presentation is in accordance with the *Not-for-Profit Entities Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Corporation reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets for general use that are not subject to donor-imposed restrictions.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Corporation has no net assets with donor restrictions for the years ended June 30, 2019 and 2018.

Income Taxes

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Corporation's Form 990, Return of Organization Exempt from Income Tax, is generally subject to examination by the Internal Revenue Service for three years after the return was filed.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Corporation believes 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Revenue Recognition

Lease revenue consists of Base Rentals and Additional Rental. Base Rentals are determined by the annual debt service requirement of the Corporation and are accrued ratably over the lease. Additional Rentals consist of any and all expenses, of every nature, character, and kind whatsoever, incurred by the management, operation, ownership, and/or maintenance of the facilities. Additional Rentals are recorded as revenue when the related expense is incurred.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months except for short-term investments held in the Corporation's investment account, which are primarily held for investment in long-term assets or reserved for the payment of long-term debt. The carrying value of cash and cash equivalents is cost, which approximates fair value because of the short maturities of those financial instruments. The Corporation had no cash or cash equivalents at June 30, 2019 and 2018.

Fixed Assets and Depreciation

Fixed assets are recorded at cost and include interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred. The Corporation assesses its long-lived assets for impairment when indicators are identified, but at least annually. Historically, no other than temporary impairments have been identified. Depreciation is computed using the straight-line method over the estimated useful property lives as follows:

Infrastructure Improvements	16 - 18 Years
Building Improvements	22 - 23 Years
Buildings	10 - 32 Years
Construction in Progress	No depreciation taken

Depreciation expense totaled \$3,616,453 and \$3,589,599, for the years ended June 30, 2019 and 2018, respectively. Substantially all of the Corporation's fixed assets are pledged to secure long-term debt as discussed in Note 6.

Construction in Progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are available to be placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and under standability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The adoption of the ASU resulted in no reclassification of net assets.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled to for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Corporation does not believe the adoption of this standard will have a material impact on the financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Corporation is currently evaluating the impact of the adoption of this guidance on its financial statements.

Note 2. Investments - Bond Reserves

The funds held by the Bond Trustees consist of cash and money market investments. These short-term investments are stated at cost, which approximates market.

Under the terms of the various Trust Indentures or similar documents, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 2. Investments - Bond Reserves (Continued)

Investments consist of the following at June 30, 2019 and 2018:

	2019 Carrying Value	2018 Carrying Value
Investment - Bond Reserves		
Money Market Funds	\$ 2,058,348	\$ 1,711,175
Investment - Debt Services Reserves		
Money Market Funds	\$ 4,427,531	\$ 4,347,396

Investment return consists of interest income on short-term investments in the amounts of \$128,978 and \$91,425 for the years ended June 30, 2019 and 2018, respectively.

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2019 and 2018:

	2019	2018
Infrastructure Improvements	\$ 2,905,424	\$ 2,905,424
Building Improvements	7,019,698	6,896,959
Buildings	70,711,368	69,804,697
	80,636,490	79,607,080
Less: Accumulated Depreciation	(33,320,878)	(29,704,425)
	47,315,612	49,902,655
Construction in Progress	-	899,398
Property and Equipment, Net	\$ 47,315,612	\$ 50,802,053

Depreciation expense totaled \$3,616,453 and \$3,589,599 for the years ended June 30, 2019 and 2018, respectively.

Note 4. Ground Lease

The Corporation leases the land on which the facilities are located from the Board of Supervisors of the University of Louisiana System (the Board), pursuant to ground lease agreements commencing on May 1, 2006, August 1, 2007, February 1, 2016, and December 1, 2017. In connection with the issuance of the Series 2016A and Series 2016B bonds, the May 1, 2006 lease agreement was superseded by the February 1, 2016 lease agreement. Additionally, in connection with the issuance of the Series 2017A bonds, the August 1, 2007 lease agreement was superseded by the December 1, 2017 lease agreement. Lease payments of \$1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased or the Board exercises its option to purchase under the Facilities Lease.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 4. Ground Lease (Continued)

The Corporation leases the land and improvements on which the recreation center is located from the Board, pursuant to the ground lease agreement commencing on April 1, 2009. Lease payments of \$1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased. The lease may also terminate upon mutual agreement of the Corporation and the Board, or if the Board exercises its option to purchase under the Facilities Lease.

The Corporation leases facilities to the Board under facilities lease agreements (Facilities Leases), beginning May 1, 2006, August 1, 2007, December 1, 2010, February 1, 2016, and December 1, 2017. In connection with the issuance of the Series 2016A and Series 2016B bonds, the May 1, 2006 Facilities Lease Agreement was superseded by the February 1, 2016 Facilities Lease Agreement.

Note 5. Facilities Lease

Additionally, in connection with the issuance of the Series 2017A bonds, the August 1, 2007 Facilities Lease Agreement was superseded by the December 1, 2017 Facilities Lease Agreement. The rental payments under the Facilities Leases consist of Base Rentals and Additional Rentals.

Base Rentals are equal to the annual debt service payments due on the Corporation's long-term bonds and deposits to repair and replacement reserves as required under the bond indentures. Additional Rental consists of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation on behalf of the Board and/or by the Board or the University in the management, operation, ownership, and/or maintenance of the facilities. The Board shall be entitled to a credit against and reduction of each Base Rental payment in an amount equal to any amounts derived from accrued interest from the sale of the Bonds and/or surplus moneys, including investment earnings.

The leases include purchase options under which the Board may elect to purchase the leased facilities for an amount equal to the outstanding principal and interest due on the bonds plus any prepayment penalties and any other costs or charges which may become due as a result of the prepayment.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 5. Facilities Lease (Continued)

Minimum future lease revenues consist of Base Rental payments. Additional Rentals, which are based on any expenses incurred by the Corporation for operations or maintenance of the facilities other than payments required under the bond indentures, are considered contingent rentals because they are not fixed in the lease agreements. Contingent rentals of \$374,794 and \$370,185 are included in rental income for the years ended June 30, 2019 and 2018, respectively. Minimum rental payments to be received under non-cancelable operating leases over the next five years are as follows:

Year Ending June 30,	Amount
2020	\$ 5,566,389
2021	5,576,342
2022	5,573,383
2023	5,577,621
2024	5,579,543
Thereafter	<u>73,628,672</u>
Total	<u>\$ 101,501,961</u>

Note 6. Long-Term Debt

Bonds Payable

On August 23, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued \$17,680,000 of non-taxable Series 2007A Bonds and \$32,380,000 of non-taxable Series 2007B Bonds pursuant to an Indenture of Trust between the Issuer and the J. P. Morgan Trust Company, N.A.

The Series 2007A bonds were payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 1, 2024. As referenced below for the Series 2017A bonds, the Series 2007A bonds were refinanced in December 2017 and thus were no longer outstanding as of June 30, 2018. The 2007B bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 1, 2039. The average coupon rate of the Series 2007B bonds was 5.62% and 4.12% as of June 30, 2018 and 2017, respectively.

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the 2017A bonds to the Corporation. The proceeds were used to refund the 2008A bonds in the amount of \$9,130,000 and pay the cost of issuance of the Series 2017 Bonds.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Bonds Payable (Continued)

On December 1, 2010, the Issuer issued \$10,860,000 of non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the Issuer and Regions Bank (Regions).

Pursuant to loan documents between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds were used to finance a new recreation center and pay the cost of issuing the bonds.

The Series 2010 bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 1, 2041. The average coupon rate of the Series 2010 bonds was 4.61% as of June 30, 2019 and 2018.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and Regions, the Corporation grants to Regions first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to Regions its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to Regions to secure the bonds.

On February 1, 2016, the Issuer issued \$1,975,000 of non-taxable Series 2016A Bonds and \$4,000,000 of taxable Series 2016B bonds pursuant to an Indenture of Trust between the Issuer and Regions.

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the bonds to the Corporation. The proceeds are being used to redeem the Series 2006A and the Series 2006B bonds and pay for the cost of issuing the bonds.

The Series 2016A bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on April 1, 2025. The average coupon rate of the Series 2016A bonds was 2.30% as of June 30, 2019 and 2018. The 2016B bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on April 1, 2030. The average coupon rate of the Series 2016B bonds was 3.71% as of June 30, 2019 and 2018.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and Regions, the Corporation grants to Regions first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to Regions its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to Regions to secure the bonds.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Bonds Payable (Continued)

On December 1, 2017, the Issuer issued \$10,605,000 of non-taxable Series 2017A Bonds pursuant to an Indenture of Trust between the Issuer and Regions.

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the bonds to the Corporation. The proceeds are being used to redeem the Series 2007A bonds and pay for the cost of issuing the bonds.

The Series 2017A bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 30, 2024. The average coupon rate of the Series 2017A bonds were 2.86% as of June 30, 2019 and 2018.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and Regions, the Corporation grants to Regions first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to Regions its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to Regions to secure the bonds.

Long-term tax-exempt bonds are as follows at June 30, 2019:

June 30, 2019	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2007B	\$ 32,380,000	\$ 813,667	\$ 31,566,333
Series 2010	9,420,000	442,391	8,977,609
Series 2016A	1,295,000	38,628	1,256,372
Series 2017A	7,840,000	506,563	7,333,437
	<u>\$ 50,935,000</u>	<u>\$ 1,801,249</u>	49,133,751
Less Current Maturities			(1,910,000)
Tax-Exempt Bonds Payable, Net			<u><u>\$ 47,223,751</u></u>

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Bonds Payable (Continued)

Long-term tax-exempt bonds are as follows at June 30, 2018:

June 30, 2018	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2007B	\$ 32,380,000	\$ 876,081	\$ 31,503,919
Series 2010	9,645,000	460,613	9,184,387
Series 2016A	1,495,000	45,491	1,449,509
Series 2017A	9,280,000	519,644	8,760,356
	\$ 52,800,000	\$ 1,901,829	50,898,171
Less Current Maturities			(1,865,000)
Tax-Exempt Bonds Payable, Net			\$ 49,033,171

Long-term taxable bonds are as follows at June 30, 2019 and 2018:

June 30, 2019	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2016B	\$ 3,145,000	\$ 80,474	\$ 3,064,526
Less Current Maturities			(235,000)
Taxable Bonds Payable, Net			\$ 2,829,526

June 30, 2018	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2016B	\$ 3,370,000	\$ 88,046	\$ 3,281,954
Less Current Maturities			(225,000)
Taxable Bonds Payable, Net			\$ 3,056,954

Extinguishment of Debt

On December 8, 2017, the Corporation redeemed \$9,130,000 of Series 2007A bonds due in varying amounts through June 2024. The bonds were redeemed at face value and the transaction resulted in a loss of \$383,319. The bonds were redeemed with the proceeds of the Series 2017A bonds.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Maturities of Debt

Maturities of long-term debt at June 30, 2019 are as follows:

Year ending June 30:	Tax-Exempt Bonds Payable	Taxable Bonds Payable
2020	1,910,000	235,000
2021	1,975,000	245,000
2022	2,030,000	255,000
2023	2,095,000	265,000
2024	2,160,000	275,000
Thereafter	40,765,000	1,870,000
Total	\$ 50,935,000	\$ 3,145,000

Interest Rate Swap Agreement

Related Bonds: The Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) issued its \$32,380,000 Revenue Bonds (Nicholls State University Student Housing / NSU Facilities Corporation Project) Series 2007B Bonds (the Bonds), the proceeds of which were loaned to the Corporation. The Bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time. On December 8, 2017 the Bonds were remarketed from a variable rate demand bond secured by the existing Assured Guaranty bond insurance and a liquidity facility provided by Regions Bank in the form of a stand-by bond purchase agreement confirmed by a Federal Home Loan Bank-Atlanta letter of credit (the Liquidity Facility) to a bond secured by the existing Assured Guaranty bond insurance directly purchased by Regions Capital Advantage, Inc. The necessity of this remarketing was due to the termination of the Liquidity Facility securing the bonds.

Objective of the interest rate swap: In order to hedge interest rate exposure on the Bonds at the request of the Corporation, the Authority entered into an interest rate swap (the Swap) with Morgan Keegan Financial Products, Inc. (the Original Provider). The Swap was originally effective as of August 15, 2007 and was subsequently amended on June 20, 2008 as more fully described in the Master Agreement, Schedule to the Master Agreement, Replacement Transaction Agreement and Confirmation dated August 15, 2007 and the Amended Confirmation dated June 20, 2008 (the Original Swap Documents). In connection with the remarketing of the Bonds, and pursuant to the terms of the Replacement Transaction Agreement, the Original Provider has assigned its rights under the Original Swap Documents to Deutsche Bank AG, New York Branch (the Replacement Provider) and the Original Swap Documents were amended pursuant to an Amended and Restated Confirmation (the Amended and Restated Confirmation and, together with the Original Swap Documents, the Swap Documents) between the Authority and the Replacement Provider.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Interest Rate Swap Agreement (Continued)

Corporation Liable for Swap Payments: The Corporation is liable to the Authority to make Swap payments and Bond debt service payments pursuant to the terms of the transaction documents. Any amounts owed by the Authority to the Replacement Provider of the Swap are obligations of the Corporation. Payments to the Replacement Provider, included in the statements of activities as interest expense, totaled \$800,520 and \$731,956 for the years ended June 30, 2019 and 2018, respectively.

Terms: Under the amended terms of the Swap since December 9, 2017, the Authority pays a fixed rate of 5.622%, and the Replacement Provider pays a variable rate equal to 70% of the one month London Interbank Offered Rate (LIBOR) plus 1.50% beginning January 2, 2018 through June 1, 2039, all as more fully described in the Swap Documents.

Fair Value: The fair value of the Swap agreement was \$10,376,000 and \$7,972,000 in favor of the Replacement Provider for the years ended June 30, 2019 and 2018, respectively, as discussed in Note 7.

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2019, the Authority is not exposed to credit risk because the Swap has a negative fair value. However, should interest rates change and the fair value of the Swap becomes positive, the Authority would be exposed to credit risk in the amount of the Swap's fair value.

Basis Risk: Basis risk is the risk that arises when variable interest rates on a Swap and the associated debt are based on different indexes. Under the amended Swap, the floating rate paid to the Authority by the Replacement Provider is based on the same floating rate index as the Bonds (70% of one month LIBOR). Therefore, the Authority will not be exposed to basis risk on the amended Swap.

Termination Risk: The Authority or the Replacement Provider may terminate the Swap if the other party fails to perform under the terms of the contract. The Swap may be terminated if either party fails to make payment when due; breaches the Swap Documents; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the Swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination, the Swap has a negative fair value, the Authority would be liable to the Replacement Provider for a payment equal to the Swap's fair value.

Rollover Risk: Rollover risk is the risk that the Swap does not extend to the maturity of the associated debt. The Authority is not exposed to rollover risk because the Swap terminates in conjunction with the maturity of the associated bond. The Swap terminates on June 1, 2039, and the Bonds mature on June 1, 2039.

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Interest Rate Swap Agreement (Continued)

Interest Rate Risk: Interest rate risk is the risk that the interest rate will change over some interval while the Bonds are outstanding. The Authority has entered into this fixed rate Swap agreement to mitigate interest risk associated with the underlying variable rate bonds.

Note 7. Fair Value Measurement

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs in the three levels of this hierarchy are described as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The Corporation measures its interest rate swap derivative at fair value on a recurring basis. The fair value of the derivative is estimated as the present value of expected future cash flows, taking into account the type of security, its terms, and the projected yield based on future market rates for similar securities (Level 2 inputs).

NSU FACILITIES CORPORATION

Notes to Financial Statements

Note 7. Fair Value Measurement (Continued)

Recurring Fair Value Measurements (Continued)

The fair value of the interest rate swap derivative was a liability of \$10,376,000 and \$7,972,000 for the years ended June 30, 2019 and 2018, respectively. Consequently, the change in fair value resulted in an unrealized loss of \$2,404,000 for the year ended June 30, 2019 and an unrealized gain of \$2,484,000 for the year ended June 30, 2018. Unrealized gains are included in the statements of activities as revenues and gains, and unrealized losses are included in the statements of activities as expenses and losses.

Note 8. Concentrations of Risk

The Corporation received 100% of its Lease Income from Nicholls State University. The University's primary sources of funding for the lease payments are student fees for room and board, parking and other student assessments. The Legislature of the State of Louisiana and the Board of Supervisors of the University of Louisiana System have significant control over the future funding and operations of the University. Changes in funding or policy by these entities, which result in a significant decrease in student enrollment, could have a significant adverse impact on the Corporation.

The Corporation maintains its cash and short-term investments in money market mutual funds. These accounts are not insured. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. At June 30, 2019, the total amount of uninsured money market investments was approximately \$6,486,000.

Note 9. Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, although the Corporation has no financial assets available for general expenditure. All financial assets are restricted for debt service and construction costs. The Corporation's liquidity needs are funded by the University as expenses are incurred.

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 24, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements. Based on such evaluation, no events have occurred that, in the opinion of management, warrant recognition in the financial statements or disclosure in the notes to the financial statements as of June 30, 2019.