

NSU FACILITIES CORPORATION

Audits of Financial Statements

June 30, 2018 and 2017



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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), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 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, 2018 and 2017, 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.

Prior Period Financial Statements

The financial statements, as of and for the year ended June 30, 2017, were audited by other auditors, whose report, dated September 12, 2017, expressed an unmodified opinion on those statements.

A Professional Accounting Corporation

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

Houma, LA
August 31, 2018

NSU FACILITIES CORPORATION
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Investment - Bond Reserves	\$ 1,711,175	\$ 1,658,022
Lease Income Receivable	45,352	50,791
Prepaid Expenses	-	79,423
Accrued Interest Receivable	7,050	11,885
Total Current Assets	1,763,577	1,800,121
Restricted for Debt Service:		
Investment - Debt Service Reserves	4,347,396	4,966,391
Fixed Assets		
Infrastructure Improvements	2,905,424	2,905,424
Building Improvements	6,896,959	6,896,959
Buildings	69,804,697	69,640,855
Total Property and Equipment	79,607,080	79,443,238
Less Accumulated Depreciation	(29,704,425)	(26,114,826)
Net Fixed Assets	49,902,655	53,328,412
Construction in Progress	899,398	125,738
Total Fixed Assets	50,802,053	53,454,150
Total Assets	\$ 56,913,026	\$ 60,220,662
Liabilities and Net Assets (Deficit)		
Current Liabilities:		
Accounts Payable	\$ 268,136	\$ 10,965
Accrued Interest Payable	214,778	200,113
Current Maturities of Long-Term Debt	2,090,000	1,935,000
Total Current Liabilities	2,572,914	2,146,078
Long-Term Liabilities:		
Tax-Exempt Bonds Payable, Net	49,033,171	50,781,040
Taxable Bonds Payable, Net	3,056,954	3,274,382
Unamortized Swap Interest	151,320	158,186
Interest Rate Swap	7,972,000	10,456,000
Deferred Lease Income	5,879,785	6,209,589
Total Long-Term Liabilities	66,093,230	70,879,197
Total Liabilities	68,666,144	73,025,275
Net Assets (Deficit), Unrestricted	(11,753,118)	(12,804,613)
Total Liabilities and Net Assets (Deficit)	\$ 56,913,026	\$ 60,220,662

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

NSU FACILITIES CORPORATION
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets:		
Revenues and Gains:		
Lease Income	\$ 5,544,208	\$ 5,907,752
Interest Income	91,425	146,562
Gain on Interest Rate Swap	2,484,000	4,254,000
Total Revenues	8,119,633	10,308,314
Expenses and Losses:		
Depreciation Expense	3,589,599	3,570,443
Maintenance and Repairs	264	109,787
Interest Expense	2,819,998	2,706,110
Professional and Legal	274,956	528,521
Miscellaneous	2	-
Total Expenses	6,684,819	6,914,861
Loss on Debt Extinguishment	383,319	-
Total Expenses and Losses	7,068,138	6,914,861
Change in Unrestricted Net Assets	1,051,495	3,393,453
Net Assets (Deficit):		
Beginning of the Year	(12,804,613)	(16,198,066)
End of the Year	\$ (11,753,118)	\$ (12,804,613)

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

NSU FACILITIES CORPORATION
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating activities:		
Change in Net Assets	\$ 1,051,495	\$ 3,393,453
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,589,599	3,570,443
Amortization of Bond Discount and Bond Issuance Costs	118,376	131,111
(Gain) Loss on Interest Rate Swap	(2,484,000)	(4,254,000)
Loss on Debt Extinguishment	383,319	-
Changes in Assets and Liabilities:		
Lease Income Receivable	5,439	(7,869)
Accrued Interest Receivable	4,835	(11,118)
Accrued Interest Payable	7,799	(196,721)
Deferred Lease Income	(329,804)	(325,740)
Prepaid Expenses	79,423	(6,198)
Total Adjustments	<u>1,374,986</u>	<u>(1,100,092)</u>
Net Cash Provided by Operating Activities	<u>2,426,481</u>	<u>2,293,361</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(4,532,702)	(379,100)
Proceeds from Investments	5,098,544	634,700
Payments for Fixed Assets	<u>(680,331)</u>	<u>(693,961)</u>
Net Cash Used in Investing Activities	<u>(114,489)</u>	<u>(438,361)</u>
Cash Flows from Financing Activities:		
Proceeds from Bond Issuance/Refinancing	10,605,000	-
Bond Payments/Redemption	(12,390,000)	(1,855,000)
Payment of Bond Issue Costs	<u>(526,992)</u>	<u>-</u>
Net Cash Used in Financing Activities	<u>(2,311,992)</u>	<u>(1,855,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents		
Beginning of Year	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	<u>\$ 2,693,822</u>	<u>\$ 2,582,572</u>

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

NSU FACILITIES CORPORATION

Note 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.

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 statement 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.

Unrestricted Net Assets

None of the Corporation's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

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.

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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2018 and 2017.

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. 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 \$3,589,599 and \$3,570,443, for the years ended June 30, 2018 and 2017, respectively. Substantially all of the Corporation's fixed assets are pledged to secure long-term debt as discussed in Note 5.

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 placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Corporation's borrowings, offset by the investment income earned on the related tax-exempt bond proceeds. Total interest incurred for the years ended June 30, 2018 and 2017 was \$2,819,998 and \$2,706,110, respectively, all of which was charged to expense.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 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, 2019, 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.

Investment income is generally reported as a change in net assets. Investment income on the proceeds of tax-exempt bonds is reported as a change in net assets to the extent it exceeds capitalized interest on the related project.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 2. Investments - Bond Reserves (Continued)

Investments consist of the following at June 30:

	2018 Carrying Value	2017 Carrying Value
Investment - Bond Reserves		
Money Market Funds	\$ 1,711,175	\$ 1,658,022
Investment - Debt Services Reserves		
Money Market Funds	\$ 4,347,396	\$ 1,690,440
Guaranteed Investment Contract		
Natixis Funding Corp 4.213%	-	3,275,951
	\$ 4,347,396	\$ 4,966,391

Investment return consists of interest income on short-term investments in the amounts of \$91,425 and \$146,562 for the years ended June 30, 2018 and 2017, respectively.

Note 3. 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.

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 failure to commence construction of the project within three years, 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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 4. 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.

Minimum future lease revenues consist of Base Rental payments. Additional Rentals are considered contingent rentals because they are not fixed in the lease agreements. Contingent rentals of \$370,185 and \$372,498 are included in rental income for the years ended June 30, 2018 and 2017, 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
2019	\$ 5,574,058
2020	5,566,389
2021	5,576,342
2022	5,573,383
2023	5,577,621
Thereafter	79,208,216
Total	<u>\$ 107,076,009</u>

Note 5. 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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

Bonds Payable (Continued)

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. The average coupon rate of the Series 2007A bonds was 4.3839% as of June 30, 2017. 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 5.622% and 4.122% 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 bonds to the Corporation. The proceeds are being used to finance the demolition of four existing housing facilities and a university police building, the renovation of La Maison du Bayou, Calecas Hall and Ellender Hall, the development and construction of approximately 606 new suite configuration on-campus student housing beds and related facilities, the acquisition by the Corporation of a leasehold interest in 408 existing apartment beds on campus, the defeasance of the prior bonds associated therewith, currently outstanding in the amount of \$15,720,000, funding a deposit to the Debt Service Reserve Fund, paying capitalized interest on the Series 2007 Bonds and paying the cost of issuance of the Series 2007 Bonds.

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 4.611% as of June 30, 2018 and 2017.

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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

Bonds Payable (Continued)

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 2.3% as of June 30, 2018 and 2017. 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, 2018 and 2017.

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 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, 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

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

Bonds Payable (Continued)

Long-term tax-exempt bonds are as follows at June 30, 2018 and 2017:

June 30, 2018	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2007A	\$ -	\$ -	\$ -
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
	<u>\$ 52,800,000</u>	<u>\$ 1,901,829</u>	50,898,171
Less Current Maturities			<u>(1,865,000)</u>
Tax-Exempt Bonds Payable, Net			<u>\$ 49,033,171</u>

June 30, 2017	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2007A	\$ 10,435,000	\$ 408,942	\$ 10,026,058
Series 2007B	32,380,000	928,829	31,451,171
Series 2010	9,860,000	478,835	9,381,165
Series 2016A	1,690,000	52,354	1,637,646
Series 2017A	-	-	-
	<u>\$ 54,365,000</u>	<u>\$ 1,868,960</u>	52,496,040
Less Current Maturities			<u>(1,715,000)</u>
Tax-Exempt Bonds Payable, Net			<u>\$ 50,781,040</u>

Long-term taxable bonds are as follows at June 30, 2018 and 2017:

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			<u>(225,000)</u>
Taxable Bonds Payable, Net			<u>\$ 3,056,954</u>

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

Bonds Payable (Continued)

June 30, 2017	Bond Principal	Unamortized Discount and Issuance Costs	Net Bonds Payable
Series 2016B	\$ 3,590,000	\$ 95,618	\$ 3,494,382
Less Current Maturities			(220,000)
Taxable Bonds Payable, Net			<u>\$ 3,274,382</u>

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.

Maturities of Debt

Maturities of long-term debt at June 30, 2018 are as follows:

Year ending June 30:	Tax-Exempt Bonds Payable	Taxable Bonds Payable
2019	\$ 1,865,000	\$ 225,000
2020	1,910,000	235,000
2021	1,975,000	245,000
2022	2,030,000	255,000
2023	2,095,000	265,000
Thereafter	<u>42,925,000</u>	<u>2,145,000</u>
Total	<u>\$ 52,800,000</u>	<u>\$ 3,370,000</u>

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

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 NSU Facilities Corporation (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 Duetsche 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.

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.

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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 5. Long-Term Debt (Continued)

Interest Rate Swap Agreement (Continued)

Fair Value: The fair value of the Swap agreement was \$7,972,000 and \$10,456,000 in favor of the Replacement Provider for the years ended June 30, 2018 and 2017, respectively.

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2018, 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.

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.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 6. 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).

The fair value of the interest rate swap derivative totaled \$7,972,000 and \$10,456,000 for the years ended June 30, 2018 and 2017, respectively. In relation, the gain on the interest rate swap derivative amounted to \$2,484,000 and \$4,254,000 for the years ended June 30, 2018 and 2017, respectively.

NSU FACILITIES CORPORATION

Note to Financial Statements

Note 7. Current Vulnerability Due to Certain Concentrations

Substantially all of the Corporation's revenues are generated through the lease of student housing and other facilities to 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.

Note 8. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 31, 2018, 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.

**NSU FACILITIES CORPORATION
THIBODAUX, LOUISIANA**

Schedule of Representations

June 30, 2018



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LaPorte, APAC
304 Corporate Blvd. | Suite E
Houma, LA 70360
985.851.2433 | Fax 985.851.2606
LaPorte.com

Independent Accountant's Report

The Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have examined management of NSU Facilities Corporation's assertion that the accompanying Schedule of Representations for the year ended June 30, 2018 is presented in accordance with the requirements of the Board of Supervisors of the University of Louisiana System. NSU Facilities Corporation's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the accompanying Schedule of Representations for the year ended June 30, 2018 is presented in accordance with the requirements of the Board of Supervisors of the University of Louisiana System is fairly stated, in all material respects.

This report is intended solely for the information and use of NSU Facilities Corporation and the Board of Supervisors of the University of Louisiana System and is not intended to be and should not be used by anyone other than those specified parties.

A Professional Accounting Corporation

Houma, LA
September 24, 2018

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance
RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

NSU FACILITIES CORPORATION
Schedule of Representations
For the Year Ended June 30, 2018

Representation # 1
Board of Directors

- a) Officers and members of the corporation's Board of Directors, with a brief biography of each and the expiration of their term is as follows:

Board Member	Term	Term Expires	Office Held
Mr. Jerry Ledet	5 Years	July 8, 2020	Secretary - Treasurer
Mr. Joseph Kolwe	5 Years	July 8, 2020	Chairperson
Mr. Henry J. Lafont, Jr.	5 Years	July 8, 2021	Vice-Chairperson
Mrs. Brenda Haskins	5 Years	July 8, 2022	Board Member
Mr. Terry P. Braud, Jr.	5 Years	January 29, 2020	Board Member

Mr. Jerry Ledet – President and Chief Executive Officer of Synergy Bancshares, Inc. Mr. Ledet lives in Thibodaux and is a graduate of Nicholls State University and the Graduate School of Banking of the South. He has and currently serves on several civic organization and professional boards.

Mr. Joseph Kolwe – A Certified Public Accountant licensed to practice public accounting in the State of Louisiana. His office is located in Thibodaux and he has practiced public accounting since 1983. Mr. Kolwe is a 1973 Accounting graduate of Nicholls State University.

Mr. Henry J. Lafont, Jr. – Practicing attorney for nearly 39 years, and former Associate Professor at Nicholls State University for 15 years. Mr. Lafont is a 1976 graduate of Nicholls State University with a B.A. in History and a 1979 graduate of the Louisiana State University Law Center.

Mrs. Brenda Haskins – Executive Director of Auxiliary Services at Nicholls State University. Mrs. Haskins is a graduate of Oklahoma State University. She has worked at Nicholls State University for 35 years in Student Affairs and Finance and Administration. She was the first recipient of the Presidential Award for Professional Staff at Nicholls.

Mr. Terry P. Braud, Jr. – Vice President for Finance and Administration at Nicholls State University. Mr. Braud is a graduate of Nicholls State University. He is also a Certified Public Accountant licensed to practice public accounting in the State of Louisiana. He was previously an employee and officer in a privately held energy related company for 27 years before assuming his role at Nicholls State University in 2016.

- b) A schedule of board meetings held during the year ended June 30, 2018, is as follows:

November 10, 2017
June 5, 2018

NSU FACILITIES CORPORATION
Schedule of Representations
For the Year Ended June 30, 2018

Representation # 2
Corporate and/or Statutory Responsibilities

- a) No changes were made to the Articles of Incorporation or the Bylaws during the current fiscal year.
- b) The federal income tax return, Form 990, for the year ended June 30, 2018 will be filed by its due date by LaPorte, A Professional Accounting Corporation, as part of their engagement agreement.
- c) The NSU Facilities Corporation has filed the appropriate registration with the Louisiana Secretary of State during the 2017-2018 fiscal year and is currently in good standing.
- d) The Corporation deposited and/or held the following public funds during the year under audit:
The only funds held by the Corporation directly relating to the University are on deposit with the Trustee for payment of Series 2007A, Series 2007B, Series 2010, Series 2016A, Series 2016B, and Series 2017A bonds.

Representation # 3
Contracts

- a) All lease, lease-back, financing (bond covenants, trustee agreements, etc.), and/or any other agreements that NSU Facilities Corporation has with the Board of Supervisors for the University of Louisiana System on behalf of Nicholls State University are as follows:
 - 1. Ground and Buildings Lease Agreement dated August 1, 2007.
 - a. First Amendment to Ground and Buildings Lease Agreement dated February 25, 2008.
 - b. Second Amendment to Ground and Buildings Lease Agreement dated October 1, 2009.
 - 2. Agreement to Lease with Option to Purchase dated August 1, 2007.
 - a. First Amendment to Agreement to Lease with Option to Purchase dated February 25, 2008.
 - b. Second Amendment to Agreement to Lease with Option to Purchase dated October 1, 2009.
 - 3. Ground and Facilities Lease Agreement dated April 1, 2009.
 - a. First Amendment to Ground and Facilities Lease Agreement dated December 1, 2010.
 - 4. Agreement to Lease with Option to Purchase dated April 1, 2009.
 - a. First Amendment to Agreement to Lease with Option to Purchase dated December 1, 2010.
 - 5. Ground and Facilities Lease Agreement dated February 1, 2016.
 - 6. Agreement to Lease with Option to Purchase dated February 1, 2016.
 - 7. Ground and Buildings Lease Agreement dated December 1, 2017.
 - 8. Agreement to Lease with Option to Purchase dated December 1, 2017.
- b) All debt service payments on Series 2007A, Series 2007B, Series 2010, Series 2016A, Series 2016B, and Series 2017A Bonds have been made timely to the Trustee.
- c) There were no payments due the University.
- d) All payments for debt service have been deposited in a timely manner and in the appropriate reserve accounts when collected.

NSU FACILITIES CORPORATION
Schedule of Representations
For the Year Ended June 30, 2018

Representation # 4
Relationship to University

- a) Series 2007A, Series 2007B, Series 2010, Series 2016A, Series 2016B, and Series 2017A Bonds - The ground lease, facilities lease (bond covenants, trustee agreements, etc.), and agreements with the Board of Supervisors for the University of Louisiana System and Nicholls State University are disclosed in the notes to the financial statements.

There are no contracts between the Corporation and any member of its Board of Directors, any member of the University of Louisiana System Board of Supervisors, any University of Louisiana System employee, or any university employee.

- b) There have been no payments for supplemental compensation and/or benefits for a University of Louisiana System or University employee paid during the fiscal year being audited.

Representation # 5
Repair and Replacement Reserve Accounts

- a) Funding:
1. Series 2010 - Funded annually by University, beginning one year from project completion. First deposit was made July 2015. Funds are held by NSU Facilities Corporation.
 2. Series 2016A – Consists of amounts previously held in connection with the Series 2006A bonds. No annual payments required. Funds are held by Nicholls State University.
 3. Series 2016B – Funded annually by the University. Unexpended funds previously held in connection with the Series 2006B bonds were transferred to the Series 2016B reserve account. Funds are held by NSU Facilities Corporation.
 4. Series 2017 – Consists of amounts previously held in connection with the Series 2007 bonds. Funded annually by the University. Funds are held by NSU Facilities Corporation.
- b) All required contributions to the Reserve accounts have been made as scheduled.
- c) Balances as of June 30, 2018:

Funded and held by University:

Series 2016A - \$284,000

Funded by NSU Facilities Corporation and held by Trustee:

Series 2010 - \$679,194

Series 2016B - \$437,216

Series 2017A - \$587,852