

UNIVERSITY COLUMNS
Natchitoches, Louisiana

Financial Report

Years Ended June 30, 2017 and 2016

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(A Corporation of Certified Public Accountants)

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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, 2017 and 2016, 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

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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 University Columns as of June 30, 2017 and 2016, and the 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 April 3, 2018 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
April 3, 2018

BASIC FINANCIAL STATEMENTS

UNIVERSITY COLUMNS

Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 264,045	\$ 267,771
Rents and fees receivable, net	35,344	20,121
Cash - restricted	74,098	142,676
Accrued interest receivable	51,182	46,504
Prepaid expenses	<u>34,519</u>	<u>36,435</u>
	<u>459,188</u>	<u>513,507</u>
 CAPITAL ASSETS	 7,643,217	 7,625,776
Less: accumulated depreciation	<u>(4,570,231)</u>	<u>(4,348,727)</u>
	<u>3,072,986</u>	<u>3,277,049</u>
 OTHER ASSETS		
Due from affiliates	<u>6,232,532</u>	<u>5,073,942</u>
 TOTAL ASSETS	 <u>9,764,706</u>	 <u>8,864,498</u>
 CURRENT LIABILITIES		
Accounts payable	500,429	469,438
Intercompany accounts payable	104,547	147,279
Accrued interest payable	256,659	255,777
Deferred rent revenue	530	-
Due to affiliates	866,292	866,292
Security deposits	<u>75,063</u>	<u>60,018</u>
TOTAL LIABILITIES	<u>1,803,520</u>	<u>1,798,804</u>
 NET POSITION		
Net investment in capital assets	3,072,986	3,277,049
Unrestricted	<u>4,888,200</u>	<u>3,788,645</u>
Total net position	<u>\$ 7,961,186</u>	<u>\$ 7,065,694</u>

The accompanying notes are an integral part of this statement.

UNIVERSITY COLUMNS

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES		
Apartment rent	\$ 2,827,087	\$ 2,678,219
Fee income	63,480	90,435
Interest income	4,678	4,678
Miscellaneous	<u>39,478</u>	<u>38,027</u>
Total support and revenues	<u>2,934,723</u>	<u>2,811,359</u>
OPERATING EXPENSES		
Advertising	14,871	11,515
Bad debts	109,964	49,376
Contract services	213,830	187,852
Depreciation	221,502	213,153
Insurance	70,701	60,442
Interest expense	882	2,735
Management fee	138,119	142,295
Meals and entertainment	2,110	1,726
Miscellaneous	26,131	37,641
Office expense	4,408	3,842
Payroll taxes	30,442	33,207
Postage	272	331
Professional fees	35,614	33,020
Rent	406,862	388,023
Repair and maintenance	106,517	306,032
Salaries	369,055	334,088
Supplies	63,736	75,232
Telephone	15,383	15,245
Training	390	895
Travel	2,806	7,063
Utilities	<u>205,636</u>	<u>214,767</u>
	<u>2,039,231</u>	<u>2,118,480</u>
INCREASE IN NET POSITION	895,492	692,879
Total net position, beginning of year	<u>7,065,694</u>	<u>6,372,815</u>
Total net position, end of year	<u>\$ 7,961,186</u>	<u>\$ 7,065,694</u>

The accompanying notes are an integral part of this statement.

UNIVERSITY COLUMNS

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and users	\$ 2,805,459	\$ 2,747,354
Interest received	-	4,678
Payments to suppliers	(1,332,678)	(1,593,783)
Payments to employees and related benefits	(369,055)	(334,088)
Interest paid	-	(4,677)
Net cash provided by operating activities	<u>1,103,726</u>	<u>819,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(17,441)</u>	<u>(127,680)</u>
Net cash used by investing activities	<u>(17,441)</u>	<u>(127,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in notes due to affiliates	<u>(1,158,589)</u>	<u>(932,321)</u>
Net cash used by financing activities	<u>(1,158,589)</u>	<u>(932,321)</u>
Net decrease in cash and cash equivalents	(72,304)	(240,517)
CASH AND CASH EQUIVALENTS, beginning of year	<u>410,447</u>	<u>650,964</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 338,143</u>	<u>\$ 410,447</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 895,492	\$ 692,879
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debts	109,964	49,376
Depreciation	221,502	213,153
(Increase) decrease in:		
Rent and fees receivable	(125,186)	(57,349)
Prepaid expenses	1,916	(5,370)
Increase (decrease) in:		
Accounts payable	30,991	(78,967)
Intercompany accounts	(42,732)	5,074
Interest payable	(3,796)	(1,942)
Deferred rent revenue	530	(1,977)
Security deposits payable	15,045	4,607
Net cash provided by operating activities	<u>\$ 1,103,726</u>	<u>\$ 819,484</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	\$ 264,045	\$ 267,771
Cash - restricted	<u>74,098</u>	<u>142,676</u>
Total cash and cash equivalents	<u>\$ 338,143</u>	<u>\$ 410,447</u>

The accompanying notes are an integral part of this statement.

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>2017</u>	<u>2016</u>
Unrestricted:		
J. P. Morgan Chase - operating	\$ 200,279	\$ 254,343
J. P. Morgan Chase - rent receipts	63,767	13,428
Total unrestricted	<u>264,046</u>	<u>267,771</u>
Restricted:		
J.P. Morgan Chase - security deposits	74,098	142,676
Total restricted	<u>74,098</u>	<u>142,676</u>
Total cash and cash equivalents	<u>\$ 338,144</u>	<u>\$ 410,447</u>
	Bank Balance	Bank Balance
	<u>2017</u>	<u>2016</u>
Unrestricted:		
J. P. Morgan Chase - operating	\$ 297,510	\$ 404,141
J. P. Morgan Chase - rent receipts	60,438	54,218
Total unrestricted	<u>357,948</u>	<u>458,359</u>
Restricted:		
J. P. Morgan Chase - security deposits	74,098	91,901
Total restricted cash and cash equivalents	<u>74,098</u>	<u>91,901</u>
Total cash and cash equivalents	<u>\$ 432,046</u>	<u>\$ 550,260</u>

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 3 ACCOUNTS RECEIVABLE

Accounts Receivable is \$154,081 and the Bad Debt Allowance is \$(118,737) for the year ended June 30, 2017. Accounts Receivable is \$67,156 and the Bad Debt Allowance is \$(47,035) for the year ended June 30, 2016.

NOTE 4 CAPITAL ASSETS

Category	Cost	Estimated Useful Lives
Building	\$ 5,618,808	40 years
Streets, sidewalks and pool	656,520	40 years
Fences, gates and signs	227,379	15 years
Interior fixtures	209,995	5 years
Furniture and lighting	156,349	10 years
Equipment	732,895	10 years
Work in progress	41,271	
Total capital assets	7,643,217	
Less: Accumulated depreciation	(4,570,231)	
Net capital assets	\$ 3,072,986	

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.

NOTE 7 RELATED PARTY, DUE FROM AND DUE TO AFFILIATES

A loan procedure exists whereby, the complex cash flows, after the payment of percentage rent to the Lessor, are made available to support the payment of the Project Mortgage and Permitted Mortgages of other affiliated partnerships with interest at 10% per annum. As of June 30, 2017 and 2016 \$6,232,532 and \$5,073,942, respectively, is owed by affiliates under this loan procedure.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 7 RELATED PARTY, DUE FROM AND DUE TO AFFILIATES (Continued)

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, 2017 and 2016.

NOTE 8 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 9 SUBSEQUENT EVENTS

For the year ended June 30, 2017 University Columns has evaluated subsequent events through April 3, 2018, the date these financial statements were available to be issued.

NOTE 10 TAX STATUS

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

NOTE 11 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.

NOTE 12 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.

INTERNAL CONTROL AND COMPLIANCE



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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**

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* (Emeritus)

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise University Columns' basic financial statements, and have issued our report thereon dated April 3, 2018.

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.

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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
April 3, 2018

UNIVERSITY COLUMNS

Summary of Prior Year Findings
Year Ended June 30, 2017

There are no prior year audit findings.

UNIVERSITY COLUMNS

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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, 2017.

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, 2017.

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, 2017.