INNOVATIVE STUDENT FACILITIES, INC.

(Audited Financial Statements and Other Information)

RUSTON, LOUISIANA

JUNE 30, 2021 AND 2020

INNOVATIVE STUDENT FACILITIES, INC.

RUSTON, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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September 30, 2021

The Board of Directors
Innovative Student Facilities, Inc.
Ruston, Louisiana

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Innovative Student Facilities, Inc., (a non-profit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Student Facilities, Inc. as of June 30, 2021 and 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of Innovative Student Facilities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovative Student Facilities, Inc.'s internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

INNOVATIVE STUDENT FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS	2021	2020
Cash and cash equivalents	35,461,354	56,319,158
Accounts receivable	239,518	-
Prepaid bond cost	2,724,509	2,847,780
Other prepaid expenses	7,750	-
Deferred loss on bond refinancing	117,992	127,068
Construction in progress	23,297,080	2,616,190
Property, plant, and equipment, net of accumulated depreciation	108,180,681	111,487,736
Total assets	170,028,884	173,397,932
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	239,517	-
Accrued interest payable	1,638,149	1,333,434
Deferred revenue – Louisiana Tech University	644,696	644,696
Notes payable – LDNR	1,213,311	-
Bonds payable, net of premium/discount	153,997,586	157,478,635
Total liabilities	157,733,259	159,456,765
Net assets:		
Without donor restrictions:		
Designated by Board for specific purpose	(3,144,729)	(1,881,832)
With donor restrictions:		
Restricted for specific purpose	15,440,354	15,822,999
Total net assets	12,295,625	13,941,167
Total liabilities and net assets	170,028,884	173,397,932

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

INNOVATIVE STUDENT FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Rent income	8,071,206	229,610	8,300,816
Gifts and grants income	-	-	-
Accretion of bond premium	401,049	-	401,049
Other income	221,006	-	221,006
Investment income	48,420	-	48,420
Total revenue	8,741,681	229,610	8,971,291
Net assets released from restrictions	612,255	(612,255)	-
Expenses:			
Amortization of bond discount and prepaid bond costs	132,347	-	132,347
Depreciation expense	3,796,572	-	3,796,572
Interest expense	6,075,659	-	6,075,659
Maintenance expense	612,255	-	612,255
Contribution to Louisiana Tech University	-	-	-
Total expenses	10,616,833	-	10,616,833
Change in net assets	(1,262,897)	(382,645)	(1,645,542)
Net assets-beginning of year	(1,881,832)	15,822,999	13,941,167
Net assets-end of year	(3,144,729)	15,440,354	12,295,625

2020		
Without Donor Restrictions	With Donor Restrictions	Total
7,604,013	229,610	7,833,623
-	-	-
322,283	-	322,283
-	-	-
80,799	-	80,799
8,007,095	229,610	8,236,705
597,844	(597,844)	-
102,324	-	102,324
3,796,571	-	3,796,571
4,272,966	-	4,272,966
597,844	-	597,844
-	-	-
8,769,705	-	8,769,705
(164,766)	(368,234)	(533,000)
(1,717,066)	16,191,233	14,474,167
(1,881,832)	15,822,999	13,941,167

INNOVATIVE STUDENT FACILITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2020	
	Program Services	Management and General	Program Services	Management and General
Amortization	132,347	-	102,324	-
Depreciation	3,796,572	-	3,796,571	-
Interest	6,075,659	-	4,272,966	-
Maintenance	612,255	-	597,844	-
Total expenses	10,616,833	-	8,769,705	-

INNOVATIVE STUDENT FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Rent income	8,300,816	7,833,623
Gifts and grants income	-	-
Other expenses	(7,750)	-
Other income	221,006	-
Investment income	48,420	80,799
Interest paid on bonds	(5,770,945)	(4,119,166)
Maintenance expense	(612,255)	(597,844)
Deferred revenue-Louisiana Tech University	-	415,085
Net cash provided by operating activities	2,179,292	3,612,497
Cash flows from investing activities:		
Capital expenditures (including capitalized interest)	(21,170,407)	(2,616,190)
Increase in prepaid bond cost	-	(993,500)
Net cash (used) by investing activities	(21,170,407)	(3,609,690)
Cash flows from financing activities:		
Repayment of bonds payable	(3,080,000)	(2,905,000)
Issuance of refinancing bonds	-	-
Issuance of new bonds	-	49,145,000
Net premium on bond issuance, net	-	2,606,449
Proceeds from notes payable – LDNR	1,376,811	-
Repayments in notes payable – LDNR	(163,500)	-
Net cash provided (used) by financing activities	(1,866,689)	48,846,449
Net increase (decrease) in cash and cash equivalents	(20,857,804)	48,849,256
Cash and cash equivalents-beginning of year	56,319,158	7,469,902
Cash and cash equivalents-end of year	35,461,354	56,319,158
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	(1,645,542)	(533,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in accounts receivable	(239,518)	-
(Increase) in other prepaid expenses	(7,750)	-
Amortization of prepaid bond costs	123,271	93,247
Amortization of bond discount	-	-
Accretion of bond premium	(401,049)	(322,283)
Amortization of deferred loss on bond refinancing	9,076	9,076
Depreciation of property, plant, and equipment	3,796,572	3,796,571
Increase in accounts payable	239,517	-
Increase in accrued interest payable	304,715	153,800
Increase in deferred revenue – Louisiana Tech University	-	415,086
Contribution to Louisiana Tech University	-	-
Net cash provided by operating activities	2,179,292	3,612,497

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

1. Organization and Significant Accounting Policies

Nature of Activities

Innovative Student Facilities, Inc. (the "Corporation") was formed July 1, 2003 to acquire, construct, develop, manage, lease as lessor or lessee, mortgage and/or convey student housing and other facilities (the "Facilities") on the campus of Louisiana Tech University (the "University"). The construction projects are funded by Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") Revenue Bonds. The proceeds of the bonds have been loaned by the Authority to the Corporation pursuant to a Loan and Assignment Agreement dated July 1, 2003 and September 1, 2007 and are to be used for (1) financing the cost of acquiring immovable property to be purchased by the Board; (2) financing a portion of the cost of the development, design, construction and equipping of the Facilities; (3) paying capitalized interest on the Bonds; (4) funding a debt service reserve fund; (5) paying the costs of issuance of the Bonds, including the premium for the Financial Guaranty Insurance Policy; and (6) payment for construction of new facilities and repairs and maintenance to existing facilities.

The Corporation will lease the land upon which the Facilities are constructed for $1 per year from the Board of Supervisors for the University of Louisiana System (the "Board") pursuant to the Ground Lease Agreements dated July 1, 2003, September 1, 2007 and June 1, 2016. Upon completion of construction, the Board will lease back the Facilities from the Corporation pursuant to the Agreements to Lease with Option to Purchase (the "Facilities Lease") dated July 1, 2003 and September 1, 2007. In accordance with the Facilities Lease, the Board, on behalf of the University, will pay Rental to the Corporation in an amount sufficient to pay debt service and related expenses on the Bonds. The Facilities Lease is a triple net lease, and the Board agrees that the Rental shall be an absolute net return to the Corporation free and clear of any expenses, charges, taxes or set offs whatsoever of any kind, character or nature; the Board shall bear responsibility for the payment of all costs and expenses associated with the ownership, operation and maintenance of the Facilities. Under no circumstances will the Corporation be required to make any payments on the Board's behalf or assume any monetary obligation of the Board under the Facilities Lease.

The Corporation entered into an agreement with the State of Louisiana, Louisiana Tech University, the Louisiana Tech University Corporation, Inc. and the Louisiana Tech Student Fund 2020 during the fiscal year ended June 30, 2015 to be the custodian of funds procured for the construction of the south end zone project for Joe Aillet Stadium (the "Athletic Facilities Project"). The Corporation will be charged with the payment of all invoices related to the construction, and the accounting for the same. Funds contributed to the Corporation by the above listed entities are maintained in separate cash accounts and are accounted for by the Corporation's staff and recorded as gifts and grants income until such time as the funds are expended for the construction. In addition to the contributed funds, the Corporation also issued Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds for the purpose of additional financing of the Athletic Facilities Project, see Note 6 for further details of the bond issue.

On June 1, 2016, the Board of Directors approve the issuance of bonds with the Louisiana Local Government Environmental Facility and Community Development Authority Taxable Subordinate Revenue Bonds, (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2016B pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950,

1. Organization and Significant Accounting Policies (Continued)

as amended. The bonds are issued in order to enable Innovative Student Facilities, Inc., a Louisiana non-profit corporation to provide financing for the acquisition, design, development, construction, renovation, and reconstruction of certain student housing and parking facilities on the campus of Louisiana Tech University and for paying the costs of issuance of the related bonds. As with previous bonds, the Corporation has leased the property from the Board of Supervisors for the University of Louisiana System pursuant to a Ground and Buildings Lease Agreement also dated June 1, 2016.

As of August 16, 2016, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of bonds through the Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2016A pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to, and for the purpose of, acquiring, designing, developing, constructing, renovating, and reconstructing certain student housing facilities and parking on the main campus of Louisiana Tech University; and for paying the cost of issuance of the related bonds, including but not limited to premiums for a bond insurance policy and a debt service reserve fund surety policy. The Corporation has leased the property upon which the facilities will be constructed from the Board of Supervisors for the University of Louisiana System pursuant to the Amended and Restated Agreement to Lease with Option to Purchase dated August 1, 2016.

As of May 1, 2020, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of additional bonds through the Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2020 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to, and for the purpose of, acquiring, designing, developing, constructing, renovating, and reconstructing certain student housing facilities and parking on the main campus of Louisiana Tech University; and for paying the cost of issuance of the related bonds, including but not limited to premiums for a bond insurance policy and a debt service reserve fund surety policy. The Corporation has leased the property upon which the facilities will be constructed from the Board of Supervisors for the University of Louisiana System pursuant to the Amended and Restated Agreement to Lease with Option to Purchase dated May 1, 2020.

Effective April 11, 2020, Innovative Student Facilities, Inc. ("Borrower") entered into a Disbursement Agreement, Revolving Loan Program ("Program") between the Louisiana Public Facilities Authority ("Lender"), the Louisiana Department of Natural Resources ("Department") and Hancock Whitney Bank ("Escrow Agent") whereas Lender and Department will loan $1,730,615 in two (2) promissory notes to the Borrower. Innovative Student Facilities, Inc. will be required to submit to the Department, for its approval, requisitions for the disbursement of loan proceeds from the Escrow Agent will be disbursed in a "draw-down" manner. The Escrow Agent has established the "LPFA Louisiana Department of Natural Resources Flex-Fund Revolving Loan Program Escrow Fund", under which it will establish the Innovative Student Facilities Inc. Series A Project Account and the Innovative Student Facilities, Inc. Series B Project Account in the total sum of $1,200,775 and $529,840, respectively. Series A Project expenditures will be to replace the existing lighting fixtures in the Thomas Assembly Center, exterior concourse lighting, and parking and roadway areas with new, more energy efficient, LED lighting. The Series B Project will be for the installation of air-cooled electric chillers at the Co-Generation Plant and install of two (2) high efficiency condensing boilers for building heating. All repayments of principal, interest, and servicing fees will be paid directly to the Escrow Agent, as agent for the Lender.

1. **<u>Organization and Significant Accounting Policies</u>** **(Continued)**

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America.

Financial Statement Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for specific purpose and operations. The Corporation's policy is to designate unrestricted donor funds at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. The Corporation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of 2021 and 2020, the Corporation's net assets with donor restrictions are restricted for funding various maintenance expenses.

Net Assets Released from Restrictions
Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Functional Allocation of Expenses
The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the program services and management and general expenses.

Cash Equivalents
For financial statement purposes, the Corporation considers all deposits in money market funds to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Organization and Significant Accounting Policies (Continued)

Tax-Exempt Status

Innovative Student Facilities, Inc. qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Corporation is required to file an annual information return. The Corporation is also required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they are tax exempt entities. The Corporation must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax exempt entities, the Corporation must assess whether they have any tax positions associated with unrelated business income subject to income tax. The Corporation does not expect their positions to change significantly over the next twelve months, and any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Corporation files U.S. federal Form 990 for informational purposes. The Corporation's federal income tax returns for the tax years 2017 and after will remain subject to examination by the Internal Revenue Service.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard is effective for fiscal years beginning after December 31, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Corporation is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Corporation has not yet selected a transition method, nor have they determined the effect of the standard on their ongoing financial reporting.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Corporation is currently evaluating the potential impact of adopting this guidance on its financial statements.

1. Organization and Significant Accounting Policies (Continued)

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017 and requires the use of the retrospective transition method. The Corporation has adopted the standard and the changes are reflected within these consolidated financial statements.

2. Liquidity and Availability

Cash and cash equivalents consist of money market funds collateralized by U.S. Treasury securities in the amount of $35,461,354 at June 30, 2021 and $56,319,158 at June 30, 2020. These funds are exposed to custodial credit risk because the money market funds are uninsured and collateralized with securities held by the trust department of Argent Trust and Bank of New York Mellon Trust.

3. Bond Premium/Discount and Prepaid Bond Costs

The Series 2013, 2015, and 2016A Bonds were issued to include some additional prepaid bond costs, including but not limited to, bond issuance premium (discount), underwriter's discount, and other costs. These costs are being amortized over the life of the bond on the straight-line basis. Net amortization expense related to the prepaid bond cost, and discounts recorded in the statement of activities totaled $132,347 and $102,323 for the years ended June 30, 2021 and 2020, respectively.

Net accretion income related to the bond issuance premiums recorded in the statement of activities totaled $401,049 and $322,283 for the years ended June 30, 2021 and 2020, respectively.

4. Construction in Progress

Phase 2020 Construction (2020 Series):

Construction in progress consisted of construction costs completed through the date of the financial statements on the Corporation's new construction on the University's campus. The scope of the construction included the design, engineering, construction and completion of a 620-bed apartment style development in six (6) different unit configurations. The newly constructed beds will be in apartment and suite-style configurations of two, three and four bedroom unites with semi-private and private bathrooms. The project will include the construction of eleven (11) new student housing buildings at four (4) separate campus sites. A total of 1,000 on-campus parking spaces will be developed as part of the constructed facilities. The facilities will also include the renovation of Dudley Hall, Aswell Hall and Adams Hall. At least five percent (5.0%) of the total units are handicapped accessible. The construction costs in progress for the Series 2020 project were $22,409,786 and $2,616,190 as of June 30, 2021 and 2020, respectively.

LDNR Construction Financing (LDNR Series A and Series B):

During fiscal year ended June 30, 2021, construction in progress consisted of construction costs completed through the date of the financial statements on the Corporation's replacement of existing structures and equipment on the University's campus. The scope of the construction included the design, engineering, construction and completion Series A Project replacing the existing lighting fixtures in the Thomas Assembly Center, exterior concourse lighting, and parking and roadway areas with new, more energy efficient, LED lighting; and the Series B Project will be for the installation of air-cooled electric chillers at the Co-Generation Plant and install of two (2) high efficiency condensing boilers for building heating. The construction costs in progress for the LDNR Project were $887,294 as of June 30, 2021.

5. **Property, Plant, and Equipment**

Property, plant, and equipment are depreciated using the straight-line method. Land improvements are depreciated over 20 years, buildings over 40 years, and furniture, fixtures, and equipment over 10 years. At June 30, 2021 and 2020, property, plant, and equipment are comprised of the following:

	2021	2020
Land	3,900,016	3,900,016
Land improvements	7,156,124	7,156,124
Buildings	108,566,742	108,077,225
Furniture, fixtures, and equipment	2,220,135	2,220,135
Recreational facilities	13,688,500	13,688,500
Track and tennis facilities	1,868,726	1,868,726
Construction in progress	23,297,080	2,616,190
	160,697,323	139,526,916
Less-accumulated depreciation	(29,219,562)	(25,422,990)
Net property, plant, and equipment	131,477,761	114,103,926

Depreciation expense of $3,796,572 and $3,796,572 was recorded for the years ended June 30, 2021 and 2020, respectively.

6. **Bonds Payable**

Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus facilities to be occupied by Louisiana Tech University. Following is a summary of bonds payable at June 30, 2021 and 2020:

Athletic Facilities Project (2014 Issue):

As of April 1, 2014, the Board of Directors approved the issuance of $9,000,000 aggregate principal amount of Louisiana Local Government Environmental Facility and Community Development Authority Revenue Refund Bonds, Series 2014 for the purpose of acquiring, designing, developing, constructing, renovating, and reconstructing of certain athletic and student facilities on the main campus of Louisiana Tech University. The issuance was made pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended, and also under other constitutional and statutory authority. A summary of the Revenue Refunding Series 2014 bonds are as follows:

	2021	2020
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2015 Serial Bonds, bearing a 4.48% interest rate, principal payments begin April 1, 2015; final maturity April 1, 2029.	2,580,000	2,845,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2015 Term Bonds, $2,135,000 bearing interest at 4.48% due April 1, 2034 and $2,660,000 bearing interest at 4.48% due April 1, 2039.	4,795,000	4,795,000
	7,375,000	7,640,000
Less-original issue discount, net	-	-
Total Phase I bonds payable	7,375,000	7,640,000

6. **Bonds Payable** **(Continued)**

The annual debt service requirements to maturity, including principal and interest, for the refunding bonds payable as of June 30, 2021 are as follows:

2022	605,400
2023	603,080
2024	605,312
2025	606,872
2026	607,760
2027	602,976
2028	607,744
2029	606,616
2030	604,816
2031	607,344
2032	603,976
2033	604,936
2034	605,000
2035	604,168
2036	607,440
2037	604,592
2038	605,848
2039	605,984
	10,899,864
Less-interest	(3,524,864)
Outstanding principal-Athletic Facilities	7,375,000

Interest expense for the years ended June 30, 2021 and 2020 was $339,304 and $350,672.

Phase I Bond Refunding Issue (2003/2013 Issue):
As of June 6, 2013, the Board of Directors approved the issuance of $19,065,000 aggregate principal amount of Louisiana Local Government Environmental Facility and Community Development Authority Revenue Refunding Bonds, Series 2013 for the purpose of refunding and extending the above Revenue Bonds, Series 2003. The issuance was made pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and also under other constitutional and statutory authority. A summary of the Revenue Refunding Series 2013 bonds are as follows:

	2021	2020
Phase I Bond Refunding Issue (2003/2013 Issue):		
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2014 Serial Bonds, interest rates ranging from 3.00% to 4.00%, principal payments begin July 1, 2014, final maturity July 1, 2030.	10,215,000	11,060,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2014 Term Bonds, $1,235,000 bearing interest at 5.00% due July 1, 2031, $1,300,000 bearing interest at 5.00% due July 1, 2032, $665,000 bearing interest at 5.00% due July 1, 2033.	3,200,000	3,200,000
	13,415,000	14,260,000
Plus-original issue premium, net	394,712	425,075
Total Phase I Refunding bonds payable	13,809,712	14,685,075

6. Bonds Payable (Continued)

The 2013 refunding issue bonds were issued at a premium of $637,632, and the underwriter's discount of $142,987 which was expensed in the year of bond inception. This premium is being amortized over the life of the bonds on the straight-line basis. Amortization recorded in the statement of activities totaled $30,363 for the years ended June 30, 2021 and 2020.

The annual debt service requirements to maturity, including principal and interest, for the refunding bonds payable as of June 30, 2021 are as follows:

2022	1,368,969
2023	1,362,843
2024	1,366,043
2025	1,367,619
2026	1,362,368
2027	1,364,925
2028	1,360,800
2029	1,364,847
2030	1,361,250
2031	1,360,650
2032-2033	3,411,500
	17,051,814
Less-interest	(3,636,814)
Outstanding principal-Phase I	13,415,000

Interest expense for the years ended June 30, 2021 and 2020 was $507,094 and $532,444, respectively.

	2021	2020
Phase II Bond Issue (2007 Issue):		
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2007 Serial Bonds, interest rates ranging from 4.00% to 5.25%, principal payments begin October 1, 2009, final maturity October 1, 2018.	-	-
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2007 Term Bonds, $4,460,000 bearing interest at 5.25% due October 1, 2021, $3,380,000 bearing interest at 4.25% due October 1, 2023, $7,850,000 bearing interest at 5.25% due October 1, 2027, $4,550,000 bearing interest at 4.50% due October 1, 2029, $7,650,000 bearing interest at 4.50% due October 1, 2032; and $15,275,000 bearing interest at 4.50% due October 1, 2037.	-	-
	-	-
Less-original issue discount, net	-	-
Total Phase II bonds payable	-	-

6. Bonds Payable (Continued)

The 2007 bonds were issued at a discount of $530,845. This discount was being amortized over the life of the bonds on the straight-line basis and was fully amortized as of June 30, 2016.

The annual debt service requirements to maturity, including principal and interest, for Phase II bonds payable in prior years as follows:

2017-2018	6,493,900
2019-2020	6,742,313
2021-2022	6,817,574
2023-2025	10,233,125
2026-2028	10,235,800
2029-2031	10,236,975
2032-2034	10,236,500
2035-2038	13,640,263
	74,636,450
Less: Interest	(26,946,450)
Defeasance bond payoff	(47,690,000)
Outstanding principal-Phase II	-

Refunding Bond Issue (2015 Issue)

On December 1, 2015, the Board of Directors approve the issuance of $43,020,000 aggregate principal amount of Louisiana Local Government Environmental Facility and Community Development Authority Revenue Refunding Bonds, (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2015 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended, and Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, (collectively, the "Refunding Act"). The bonds are issued in order to enable Innovative Student Facilities, Inc., a Louisiana non-profit corporation, sufficient funds to advance refund the prior 2007 Series bonds and paying costs of issuance of the Series 2015 bonds, including the premiums for a bond insurance policy and other costs of issuance. The Series 2015 bonds were also issued with a "reoffering premium" of $4,815,460. As with previous bonds, the Corporation has leased the property from the Board of Supervisors for the University of Louisiana System pursuant to a Ground and Buildings Lease Agreement also dated December 1, 2015. The bond will carry a variable interest rate over the term of the bond ranging from 2.00% - 5.00% interest rate of 4.50%, be payable in semi-annual principal and interest payments each April 1 and October 1, with a final maturity on October 1, 2037. A summary of the Refunding Bonds, Series 2015 is as follows:

	2021	2020
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2015, interest rates from 2.00% - 5.00%, with final maturity due October 1, 2037	36,840,000	38,235,000
Add-refunding premium, net	3,638,350	3,852,370
Total Series 2015 bonds payable	40,478,350	42,087,370

The 2015 bonds were issued with a refunding premium of $4,815,460 that is being amortized into income over the life of the bonds on a straight-line basis. Income recorded in the statement of activities totaled $214,020 for the years ended June 30, 2021 and 2020, respectively.

6. Bonds Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for the Series 2015 bonds payable as of June 30, 2021 is as follows:

2022	3,105,950
2023	3,109,700
2024	3,103,950
2025	3,109,325
2026	3,110,450
2027	3,107,325
2028	3,109,700
2029	3,107,575
2030	3,107,050
2031	3,112,525
2032	3,107,650
2033	3,107,275
2034	3,110,900
2035	3,308,150
2036	3,306,200
2037	3,308,000
2038	3,305,625
	53,637,350
Less-interest	(16,797,350)
Outstanding principal-2015 Series	36,840,000

Interest expense was $1,702,175 and $1,736,350 for the year ended June 30, 2021 and 2020, respectively.

A portion of the proceeds of the Series 2015 Bonds, together with prior issue reserve funds will be deposited into the Escrow Fund created pursuant to an Escrow Deposit Agreement dated as of December 1, 2015 between the corporation and the Escrow Agent. The Escrow Fund will be held by the Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to the Escrow Agreement. Funds deposited and accruing into the Escrow Fund will be used by the Escrow Agent to defease the principal and interest on the Series 2007 Bonds maturing on October 1, 2017 and to pay the full amount of the principal of and interest on all remaining maturities of the Series 2007 Bonds on October 1, 2017, the first optional redemption date of the Series 2007 Bonds.

Upon the making of such deposit into the Escrow Fund, the Series 2007 Bonds will have been defeased, will be deemed to have been paid and will no longer be considered outstanding. The covenants, agreements and obligations of the corporation with respect to the Series 2007 Bonds will have been discharged and satisfied and the Series 2007 Bonds will no longer be entitled to any benefits. The Escrow Fund shall be held by the Escrow Agent separate and apart from all other funds or accounts held by the Trustee. The Trustee will have no lien whatsoever upon any moneys in the Escrow Fund for any of its fees and costs incurred in carrying out the provisions of the Indenture, which fees and costs will be paid to the Trustee by the corporation from other available funds.

Student Housing Project Series 2016A

As of August 16, 2016, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of $36,695,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2016A pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to, and for

6. Bonds Payable (Continued)

the purpose of, acquiring, designing, developing, constructing, renovating, and reconstructing certain student housing facilities and parking on the main campus of Louisiana Tech University; and for paying the cost of issuance of the related bonds, including but not limited to premiums for a bond insurance policy and a debt service reserve fund surety policy. The Corporation has leased the property upon which the facilities will be constructed from the Board of Supervisors for the University of Louisiana System pursuant to the Amended and Restated Agreement to Lease with Option to Purchase dated August 1, 2016. Upon execution of the agreement all rental from the Facilities Lease will be assigned to the Louisiana Local Government Environmental Facilities and Community Development Authority to make payments in an amount sufficient to make principal/interest payments as required by the Agreement. The bond will carry an interest rate ranging from 2.00% - 4.00% over the term of the bond, payable in the annual principal and interest payment each June 30th, with a final maturity on June 30, 2047. A summary of the Revenue Bonds, Series 2016A is as follows:

	2021	2020
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2016A, interest rates from 2.00% - 4.00%, due June 30, 2047	34,890,000	35,465,000
Add-reoffering premium, net	1,786,163	1,856,902
Total Series 2016A bonds payable	36,676,163	37,321,902

The 2016A bonds were issued with a refunding premium of $2,133,963 that is being amortized into income over the life of the bond on a straight-line basis. Income recorded in the statement of activities totaled $70,739 for the years ended June 30, 2021 and 2020, respectively.

The annual debt service requirements to maturity, including principal and interest, for Series 2016A bonds payable as of June 30, 2021 is as follows:

2022	1,845,450
2023	1,847,600
2024	1,849,150
2025	1,840,250
2026	1,848,300
2027	1,847,437
2028	1,850,000
2029	1,846,500
2030	1,851,800
2031	1,845,900
2032	1,847,975
2033	1,843,225
2034	2,367,700
2035	2,625,300
2036	2,625,100
2037	2,626,475
2038	2,382,634
2039	2,384,744
2040	2,385,135
2041	2,385,600
2042	2,385,500
2043	2,382,400

6. Bonds Payable (Continued)

2044	2,386,100
2045	2,386,400
2046	2,383,300
2047	2,381,700
	56,251,675
Less-interest	(21,361,675)
Outstanding principal-2016A Series	34,890,000

Interest expense charged to operations for the years ended June 30, 2021 and 2020 was $1,273,538 and $1,289,250, respectively.

The Series 2016A and 2016B bonds operate under the "Amended and Restated Trust Indenture" between the Louisiana Local Governmental Environmental Facilities and Community Development Authority and Argent Trust Company dated August 1, 2016.

Taxable Subordinate Revenue Bond (2016B)

On June 1, 2016, the Board of Directors approve the issuance of $4,000,000 aggregate principal amount of Louisiana Local Government Environmental Facility and Community Development Authority Taxable Subordinate Revenue Bonds, (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2016B pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to enable Innovative Student Facilities, Inc., a Louisiana non-profit corporation to provide financing for the acquisition, design, development, construction, renovation, and reconstruction of certain student housing and parking facilities on the campus of Louisiana Tech University and for paying the costs of issuance of the related bonds. As with previous bonds, the Corporation has leased the property from the Board of Supervisors for the University of Louisiana System pursuant to a Ground and Buildings Lease Agreement also dated June 1, 2016. The bond will carry an interest rate of 4.50%, be payable in semi-annual principal and interest payments each March 15 and September 15, with a final maturity on October 1, 2046. A summary of the Taxable Subordinate Revenue Bonds, Series 2016B is as follows:

	2021	2020
Louisiana Local Government Environmental Facilities and Community Development Authority Taxable Subordinate Revenue Bonds, Series 2016B, interest at 4.50% due October 1, 2046	4,000,000	4,000,000
Less-original issue discount, net	-	-
Total Series 2016B bonds payable	4,000,000	4,000,000

The annual debt service requirements to maturity, including principal and interest, for the Series 2016B bonds payable as of June 30, 2021 is as follows:

2019-2034	2,340,000
2035	404,825
2036	404,250
2037	408,112
2038	406,412
2039	404,263
2040	406,550
2041	408,163
2042	409,100

6. **Bonds Payable** **(Continued)**

2043	404,475
2044	404,287
2045	408,313
2046	406,550
2047	409,000
	7,624,300
Less-interest	(3,624,300)
Outstanding principal-2016B Series	4,000,000

Interest expense for the year ended June 30, 2021 and 2020 was $180,000.

Student Housing Project Series 2020

As of May 1, 2020, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of $49,145,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2020 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to, and for the purpose of, acquiring, designing, developing, constructing, renovating, and reconstructing certain student housing facilities and parking on the main campus of Louisiana Tech University; and for paying the cost of issuance of the related bonds, including but not limited to premiums for a bond insurance policy and a debt service reserve fund surety policy. The Corporation has leased the property upon which the facilities will be constructed from the Board of Supervisors for the University of Louisiana System pursuant to the Third (3rd) Amended and Restated Agreement to Lease with Option to Purchase dated May 1, 2020. Upon execution of the agreement all rental from the Facilities Lease will be assigned to the Louisiana Local Government Environmental Facilities and Community Development Authority to make payments in an amount sufficient to make principal/interest payments as required by the Agreement. The bond will carry an interest rate ranging from 5.000% - 3.625% over the term of the bond, payable in the annual principal and interest payment each June 30th, with a final maturity on June 30, 2051. A summary of the Revenue Bonds, Series 2020 is as follows:

	2021	2020
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2020, interest rates from 3.625% - 5.000%, due June 30, 2051	49,145,000	49,145,000
Add-reoffering premium, net	2,513,361	2,599,288
Total Series 2016A bonds payable	51,658,361	51,744,288

The Series 2020 bonds were issued at an aggregate purchase price of $51,407,434, consisting of the $49,145,000 face amount of the Series 2020 bonds plus a reoffering premium of $2,606,449, less the underwriter's discount of $344,015. The underwriter's discount is included in the prepaid bond issuance costs and is being amortized over the life of the bonds on the straight-line basis. The reoffering premium is also being amortized over the life of the bonds on the straight-line basis, and amortization recorded in the statement of activities totaled $85,927 and $7,161 for the years ended June 30, 2021 and 2020, respectively.

6. Bonds Payable (Continued)

The annual debt service requirements to maturity, including principal and interest, for Series 2020 bonds payable as of June 30, 2021 is as follows:

2022	2,042,687
2023	2,861,687
2024	2,858,687
2025	2,858,563
2026	2,861,063
2027	2,861,063
2028	2,858,562
2029	2,858,438
2030	2,860,438
2031	2,859,438
2032	2,860,312
2033	2,861,888
2034	2,860,187
2035	2,862,212
2036	2,862,512
2037	2,859,888
2038	2,858,387
2039	2,857,763
2040	2,857,763
2041	2,858,137
2042	2,857,934
2043	2,858,169
2044	2,860,594
2045	2,860,119
2046	2,861,653
2047	2,860,106
2048	2,860,387
2049	2,862,316
2050	2,860,800
2051	2,855,841
	84,977,594
Less-interest	(35,832,594)
Outstanding principal-2020 Series	49,145,000

Interest expense charged to operations for the years ended June 30, 2021 and 2020 were $2,045,683 and $184,250, respectively.

7. Notes Payable – Louisiana Department of Natural Resources

Notes payable-LDNR loan program debt consists of the following at December 31, 2021 and 2020:

Louisiana Department of Natural Resources, Series A, note payable dated April 23, 2020, in the original amount $1,200,775, bearing interest at 2.00% until paid, payable in one hundred twenty (120) monthly payments commencing May 1, 2020, secured by the assets of the Company, and part of the Flex-Fund Revolving Loan Program	773,794	-

7. Notes Payable – Louisiana Department of Natural Resources (Continued)

Future minimum principal payments due on the Series A long-term debt if all the funds are expended are as follows:

2022	115,000
2023	116,400
2024	117,800
2025	119,200
2026	120,900
Thereafter	497,975
	1,087,275

Louisiana Department of Natural Resources, Series B, note payable dated April 23, 2020, in the original amount $529,840, bearing interest at 2.00% until paid, payable in one hundred twenty (120) monthly payments commencing May 1, 2020, secured by the assets of the Company, and part of the Flex-Fund Revolving Loan Program	439,517	-

Future minimum principal payments due on the Series B long-term debt if all the funds are expended are as follows:

2022	50,640
2023	51,400
2024	52,000
2025	52,700
2026	53,300
Thereafter	219,800
	479,840

8. Risks and Uncertainties

As discussed in Note 1, the Corporation is dependent upon the State of Louisiana Legislature appropriating funds to the Board sufficient to make payments of base rental to the Corporation.

9. Reserved Cash

The Board of Supervisors for the University of Louisiana System shall bear responsibility for the payment of all costs and expenses associated with the ownership, operation, and maintenance of the student housing and other liabilities as described in Note 1. Included in reserved cash, which are required to be kept in a separate bank account, are amounts received from the Board for the operation and maintenance of the Facilities. Reserved cash at June 30, 2021 and 2020 was $6,521,833 and $5,928,437, respectively.

10. Pandemic Contingency and Effects

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it a pandemic. Actions taken to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closures types of public facilities and businesses. The coronavirus, and actions taken to mitigate it, have had and are expected to continue to have, an adverse impact on the economic and financial markets, including the area in which the Institution operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Entity, to date, the

10. Pandemic Contingency and Effects (Continued)

Entity has not seen a material impact to its operations. Future potential impacts to the Entity included, but are not limited to, disruptions or restrictions on the employee's ability to work, lack of demand for their services provided, and/or the customer's ability to repay under the terms of the service agreement. Changes in the operating environment may also be impacted such as labor and supply shortages, discontinued operations, difficulty meeting debt covenants, significant changes in the fair value of assets or liabilities, losses in investments, areas having direct contact with the customer, and valuation risks. The future effects of the above issues are currently unquantifiable and unknown at this time.

11. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 855, "Subsequent Events," the Corporation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Corporation evaluated its activities for such events through September 30, 2021 and noted no subsequent events.

OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

September 30, 2021

The Board of Directors
Innovative Student Facilities, Inc.
Ruston, Louisiana

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*

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 Innovative Student Facilities, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 Innovative Student Facilities Inc.'s financial statements are free from 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

INNOVATIVE STUDENT FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

We have audited the financial statements of Innovative Student Facilities, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated September 30, 2021. We conducted our audit 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. Our audit of the financial statements as of June 30, 2021 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

a. The auditor's report expresses an unmodified opinion on the financial statements of Innovative Student Facilities, Inc.

b. Report on Internal Control and Compliance Material to the Financial Statements

   Internal Control – No material weaknesses relating to the audit of the financial statements were reported, and no management letter was issued.

   Compliance - No instances of noncompliance material to the financial statements of Innovative Student Facilities, Inc. were disclosed during the audit.

c. Federal Awards – Innovative Student Facilities, Inc. was not subject to a federal single audit for the year ended June 30, 2021.

Section II - Financial Statement Findings

No **current year** findings or questioned costs were reported for the year ended June 30, 2021.

See accompanying notes to financial statements.

INNOVATIVE STUDENT FACILITIES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

No **prior year** findings or questioned costs were reported for the year ended June 30, 2020.

See accompanying notes to financial statements.