

**University of Louisiana
Monroe Facilities, Inc.**

**Independent Auditors' Reports and
Financial Statements**

**As of and For the Years Ended
June 30, 2018 and 2017**

**UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
University of Louisiana Monroe Facilities, Inc.
Monroe, LA 71209

Report on the Financial Statements

We have audited the accompanying financial statements of University of Louisiana Monroe Facilities, Inc. (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 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 Organization'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 Organization'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 University of Louisiana Monroe Facilities, Inc. 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer on page 39, as required by the Louisiana Legislative Auditor; and the Schedule of Revenues, Expenses, and Capitalized Expenditures Made to or on Behalf of ULM's Intercollegiate Athletics Program on page 40, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Little & Associates, LLC

Monroe, Louisiana
August 24, 2018

FINANCIAL STATEMENTS

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents - Restricted	\$ 10,249,642	\$ 15,620,939
Accounts Receivable, Net of Allowance for Doubtful Accounts	21,111	19,799
Due From ULM - Student Rent Collections	288,108	174,065
Grant Receivable - GOSHEP	157,258	-
Total Current Assets	<u>10,716,119</u>	<u>15,814,803</u>
RESTRICTED ASSETS		
Cash and Cash Equivalents - Noncurrent	<u>6,376,415</u>	<u>6,801,342</u>
Total Restricted Assets	<u>6,376,415</u>	<u>6,801,342</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>62,446,962</u>	<u>55,046,724</u>
TOTAL ASSETS	<u>\$ 79,539,496</u>	<u>\$ 77,662,869</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts Payable - Operations	\$ 589,400	\$ 433,659
Deferred Revenues - Student Rents & Other	523,565	661,205
Contracts & Retainage Payable	765,717	1,107,399
Accrued Interest Payable	202,033	206,582
Current Portion of Long-Term Debt	3,055,000	2,860,000
Total Current Liabilities	<u>5,135,715</u>	<u>5,268,845</u>
LONG-TERM LIABILITIES		
Notes Payable, Net of Unamortized Debt Issuance Costs	65,316,049	68,103,947
Less: Current Portion of Long-Term Debt	<u>(3,055,000)</u>	<u>(2,860,000)</u>
Total Long-Term Liabilities	<u>62,261,049</u>	<u>65,243,947</u>
TOTAL LIABILITIES	<u>67,396,764</u>	<u>70,512,792</u>
NET ASSETS		
Unrestricted Net Assets	12,142,732	7,150,077
Total Net Assets	<u>12,142,732</u>	<u>7,150,077</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,539,496</u>	<u>\$ 77,662,869</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
OPERATING REVENUES		
Student Rent Income	\$ 8,327,639	\$ 8,447,812
Facilities Rents (Student Fees)	3,164,442	1,728,590
Contributions - ULMAF	-	264,073
Contributions - Brown Stadium	650,000	-
Contributions - International House	9,375	-
GOHSEP Grant Income	157,258	200,562
Other Income	288,935	189,187
Total Operating Revenues	<u>12,597,649</u>	<u>10,830,224</u>
OPERATING EXPENSES		
Program Services:		
Property Management Expenditures	3,210,817	3,003,280
Bad Debt Expense	263	5,408
Other Operating Expenses	62,486	163,411
Depreciation Expense	2,098,870	1,984,473
Total Operating Expenses	<u>5,372,436</u>	<u>5,156,572</u>
Change in Net Assets From Operations	<u>7,225,213</u>	<u>5,673,652</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	99,335	18,625
Interest Expense	(1,730,893)	(1,845,171)
Bond Related Fees	(11,000)	(11,000)
Transfer / Donation of Funds to the University of Louisiana at Monroe	(590,000)	(4,981,709)
Total Nonoperating Revenues (Expenses)	<u>(2,232,558)</u>	<u>(6,819,255)</u>
Change in Unrestricted Net Assets Before Realized / Unrealized Gains (Losses)	<u>4,992,655</u>	<u>(1,145,603)</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Change in Unrestricted Net Assets	<u>4,992,655</u>	<u>(1,145,603)</u>
Change in Net Assets	4,992,655	(1,145,603)
Net Assets, Beginning of Year	<u>7,150,077</u>	<u>8,295,680</u>
Net Assets, End of Year	<u>\$ 12,142,732</u>	<u>\$ 7,150,077</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 4,992,655	\$ (1,145,603)
Adjustments to Reconcile Decrease in Net Assets To Net Cash Provided by Operating Activities:		
Transfer of Property and Equipment	-	4,206,892
Depreciation Expense	2,098,870	1,984,473
Amortization Expense - Debt Issuance Costs	72,102	64,421
(Increase) Decrease in Receivables	(1,312)	8,872
(Increase) Decrease in Amount Due from ULM	(114,043)	(84,688)
(Increase) Decrease in Amount Grant Receivable - GOSHEP	(157,258)	-
Increase (Decrease) in Accounts Payable	155,741	(36,432)
Increase (Decrease) in Deferred Revenue	(137,640)	57,593
Increase (Decrease) in Accrued Interest Payable	(4,549)	48,933
Net Cash Provided (Used) by Operating Activities	6,904,566	5,104,461
Cash Flows from Investing Activities		
Payments for Property and Equipment Acquisition and Construction	(9,840,790)	(5,663,206)
Net Cash Provided (Used) by Investing Activities	(9,840,790)	(5,663,206)
Cash Flows from Financing Activities		
Proceeds from Issuance of Long Term Debt	-	4,000,000
Principal Payments on Debt	(2,860,000)	(2,510,000)
Payments of Debt Issuance Costs	-	(105,292)
Net Cash Provided (Used) by Financing Activities	(2,860,000)	1,384,708
Net Increase (Decrease) in Cash and Cash Equivalents	(5,796,224)	825,963
Cash and Cash Equivalents at Beginning of Year	22,422,281	21,596,318
Cash and Cash Equivalents at End of Year	\$ 16,626,057	\$ 22,422,281

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid During The Year For Interest:		
Paid (Net of \$315,160 and \$209,991 Capitalized in 2018 and 2017)	\$ 1,663,340	\$ 1,731,817
Total	<u>\$ 1,663,340</u>	<u>\$ 1,731,817</u>
Cash and Cash Equivalents are Presented as Follows in the Statement of Financial Position:		
Current Assets:		
Cash and Cash Equivalents - Restricted	10,249,642	15,620,939
Restricted Assets:		
Cash and Cash Equivalents - Noncurrent	<u>6,376,415</u>	<u>6,801,342</u>
Total	<u>\$ 16,626,057</u>	<u>\$ 22,422,281</u>
<u>Schedule of Noncash Investing/Financing Activities</u>		
Acquisition of Property and Equipment Through the Incurrence of Liabilities	<u>\$ 765,717</u>	<u>\$ 1,107,399</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION

ULM Facilities, Inc. (the “Facilities”), a non-profit corporation, was organized under the laws of the State of Louisiana on February 27, 2004. The Facilities was formed for the benefit of the University of Louisiana at Monroe (“ULM”) and its principal purpose is to coordinate, construct, and finance the development of facilities on the campus of ULM and to oversee the management of such facilities. Certain operations are regulated by the Board of Supervisors for the University of Louisiana System (the “Board”), the Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”), and Regions Bank (the “Trustee”) through the provisions of ground and buildings lease agreements, facilities lease agreements, loan and assignment agreements, and trust indentures, including amendments and supplements, as applicable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Facilities are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958, Not-for-Profit Organizations*. Under FASB ASC 958, the Facilities is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Facilities considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Investments are reported at fair value in the Organization's financial statements. Fair value represents the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into levels:

Level 1- quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2- observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3- unobservable inputs are used when little or no market is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. See Note 4 for further illustration.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. Accounts receivable consists of the amount due from students for housing rental and the amount due on the Laundry Room Lease. At June 30, 2018 and 2017, the accounts receivable for student rents totaled \$26,229 and \$26,616, respectively, and the amount due under the Laundry Room Lease agreement totaled \$3,275 and \$1,700, respectively. The accounts receivable are reported net of the allowance for doubtful accounts. The allowance for doubtful accounts totaled \$8,393 and \$8,517 at June 30, 2018 and 2017, respectively. The allowance for doubtful accounts for student rent receivables is estimated by applying a historical percentage to the rents receivable due from former students. The receivables due from student rents are considered to be past due when they are still owed as of the fourteenth class day of each semester. These receivables are deemed uncollectible once the student is no longer enrolled at ULM and are charged-off if there is no activity for a three-year period from the date they are deemed uncollectible.

Property, Equipment, and Depreciation

Project costs clearly associated with the acquisition, development, and construction/renovation of buildings, structures, and site improvements are capitalized. Indirect project costs that relate to several projects are capitalized and allocated to the projects to which the costs relate. Indirect costs that do not clearly relate to projects under development or construction, including general and administrative expenses, are charged to expense as incurred. Interest related to the development and construction of a project is allocated to the project's cost through the date of substantial completion of the project. Furniture, fixtures, equipment, and

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment, and Depreciation (Continued)

site improvements are recorded at acquisition cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The Facilities capitalizes additions of property and equipment in excess of \$1,000 cost or fair value, if donated. Depreciation is provided for in amounts sufficient to relate the cost or fair value of depreciable assets to operations computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings and Renovations	19-39
Furniture, Fixtures, & Equipment	5-7
Site Improvements	4-20
Campus Parking	14

Improvements that materially prolong the useful lives of assets are capitalized, while expenditures for normal maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

Amortization

Debt issuance costs are being amortized over the lives of the debt using the effective interest method. Debt issuance costs are reported net of accumulated amortization of \$303,698 and \$231,596 as of June 30, 2018 and 2017, respectively. During the year ended June 30, 2017, the Series 2006 Bond issuance costs were fully amortized. During the year ended June 30, 2017, debt issuance costs in the amount of \$105,292 was capitalized in connection with the issuance of the Series 2017 Brown Stadium Project Bonds.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

Student Rent Income

Student Rent Income is derived primarily from student rentals of the housing facilities and is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases for student housing are operating leases and do not exceed twelve months in duration.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Fees

Student Fees consists of a portion of the Student Health Center Fees, Student Union Fees, Student Success Center Fees, Athletic Facility Fees, Student Activity Enhancement Fees, Vehicle Fees, and Brown Stadium Student Support Fees, which are charged, as applicable, to the students at the time of enrollment in ULM. The Facilities records Student Fees in income at the time such fees are received by the Facilities. The Student Fees received from ULM are considered to be “rents” in accordance with the terms of each Agreement to Lease with Option to Purchase as described in Note 8 – Ground and Facilities Lease Agreements.

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Facilities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2010, the Facilities adopted certain provisions of FASB ASC 740, *Income Taxes*. The Facilities believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Facilities’ Federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS

The Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) has had several bond issues, the proceeds of which have been loaned to the Facilities. The provisions of the various Trust Indentures and Loan and Assignment Agreements between the Facilities and the Authority require the Facilities to establish various trust funds with the Trustee which are restricted in use for, among other things, debt service, capital projects, renovations, and operations. The Trust funds are included in cash and cash equivalents in the statements of financial position.

Replacement Funds

In accordance with the provisions of the Trust Indentures for the Series 2004A & 2004B, the Series 2006 and the Series 2014 Student Success Center bond issues, the Facilities is required to fund Replacement Funds on an annual basis. The Replacement Funds are to be used to (i) fund the cost of replacing any worn out, obsolete, inadequate, unsuitable or undesirable property, furniture, fixtures, or equipment placed upon or used in connection with those facilities which were funded through bond proceeds and (ii) maintain such facilities and to make all alterations, repairs, restorations, and replacements to such facilities as and when needed to preserve the facilities in good working order, condition, and repair.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
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NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS (CONTINUED)

Replacement Funds (Continued)

Funds in the Replacement Funds may, with the consent of the bondholders, also be used to pay debt service on the bonds in the event there are insufficient funds in the Debt Service Fund and Debt Service Reserve Fund on the date such payment of debt service is due.

The Series 2004A & 2004B Trust Indenture and the Series 2004C & 2004D Trust Indenture require the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2006. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2018, the Replacement Fund balance totaled \$3,010,690.

The Series 2006 Trust Indenture requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2008. The annual amount required to be funded is equal to one-half percent (0.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. During the year ended June 30, 2017, the Series 2006 Bonds were retired and all remaining funds in the Series 2006 bond accounts were transferred to the University.

The Series 2007 Trust Indenture, which was refunded during the year ended June 30, 2015 by the Series 2014 Student Success Center bond issue, requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2009. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2018, the Replacement Fund balance totaled \$269,199.

The total amount required to be contributed annually to the Replacement Funds is \$771,086. As of June 30, 2018 and 2017, the Replacement Funds were adequately funded.

The Series 2016 Student Center Project trust indenture required an up front funding of the Replacement Reserve Account. At June 30, 2018 and 2017, the Series 2016 Replacement Reserve Account totaled \$585,661 and \$580,669, respectively.

The Series 2017 Brown Stadium Project trust indenture required an up front funding of a Maintenance Reserve Account in the amount of \$352,773. At June 30, 2018 and 2017, the Series 2017 Maintenance Reserve Account totaled \$356,032 and \$352,773, respectively.

Debt Service Reserve Funds

The Facilities maintains Debt Service Reserve Funds for the Series 2004A debt, the Series 2004C debt (Series 2004), the Series 2006 debt, and the Series 2014 debt. Moneys in each of the Debt Service Reserve Funds will be used to pay the amounts due on the related debt but only to the extent that there are not sufficient funds in the Receipts Fund to pay such amounts. As of June 30, 2018, the Series 2004A Debt Service Fund totaled \$1,127,178, the Series 2004C Debt Service Reserve Fund totaled \$1,027,655, and the Series 2014 Debt Reserve Fund totaled \$55. During the year ended June 30, 2017, the Series 2006 bonds were retired and all remaining funds in the Series 2006 bond accounts were transferred to the University.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS

Cash and Cash Equivalents consists of various short term investments maintained by the Bond Trustee in certain trust accounts and are stated at fair value. At June 30, 2018 and 2017, Cash and Cash Equivalents held in Investments with the trustee consisted of the following:

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level I)	Unrealized Gain/(Loss)
<u>June 30, 2018</u>			
<i>Fidelity Institutional Treasury Portfolio C1 I</i>			
Cash and Cash Equivalents Held In Investments – Current	\$ 791,041	\$ 791,041	\$ –
Total Fidelity Institutional Treasury Portfolio C1 I	<u>\$ 791,041</u>	<u>\$ 791,041</u>	<u>\$ –</u>
<i>Fidelity Institutional Treasury Portfolio C1 II</i>			
Cash and Cash Equivalents Held In Investments – Current	\$ 1,086,420	\$ 1,086,420	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	356,032	356,032	–
Total Fidelity Institutional Treasury Portfolio C1 II	<u>\$ 1,442,452</u>	<u>\$ 1,442,452</u>	<u>\$ –</u>
<i>Fidelity Institutional Treasury Portfolio C1 III</i>			
Cash and Cash Equivalents Held In Investments – Current	\$ 818,887	\$ 818,887	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	6,020,383	6,020,383	–
Total Fidelity Institutional Treasury Portfolio C1 III	<u>\$ 6,839,270</u>	<u>\$ 6,839,270</u>	<u>\$ –</u>
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	<u>\$ 9,072,763</u>	<u>\$ 9,072,763</u>	<u>\$ –</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
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NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (CONTINUED)

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain/(Loss)
<u>June 30, 2017</u>			
Fidelity Institutional Treasury Portfolio CI I			
Cash and Cash Equivalents Held In Investments – Current	\$ 732,939	\$ 732,939	\$ –
Total Fidelity Institutional Treasury Portfolio CI I	<u>\$ 732,939</u>	<u>\$ 732,939</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio CI II			
Cash and Cash Equivalents Held In Investments – Current	\$ 3,590,107	\$ 3,590,107	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>352,773</u>	<u>352,773</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio CI II	<u>\$ 3,942,880</u>	<u>\$ 3,942,880</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio CI III			
Cash and Cash Equivalents Held In Investments – Current	\$ 4,309,189	\$ 4,309,189	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>6,448,569</u>	<u>6,448,569</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio CI III	<u>\$ 10,757,758</u>	<u>\$ 10,757,758</u>	<u>\$ –</u>
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	<u>\$ 15,433,577</u>	<u>\$ 15,433,577</u>	<u>\$ –</u>

Realized gains and losses from securities sold are recorded on the specific identified cost basis. The following schedule summarizes the investment return included in interest income in the statements of activities for the years ended June 30, 2018 and 2017.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (CONTINUED)

	2018	2017
Interest/Dividend Income	\$ 6,544	\$ 14,985
Net Realized and Unrealized Gains/(Losses)	–	–
Total Investment Returns	\$ 6,544	\$ 14,985

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, property and equipment are comprised of the following:

	2018	2017
Buildings and Renovations	\$ 71,944,320	\$ 67,422,349
Furniture, Fixtures, & Equipment	8,726,113	7,766,666
Site Improvements	4,025,709	3,733,822
Total Depreciable Property	84,696,142	78,922,837
Less: Accumulated Depreciation	(26,294,468)	(24,195,598)
Net Depreciable Property	58,401,674	54,727,239
Construction-in-Progress	4,045,288	319,485
Net Property and Equipment	\$ 62,446,962	\$ 55,046,724

At June 30, 2018, all of the Facilities’ property and equipment, net of construction in progress, land, and buildings held for future development, was leased to the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, in accordance with the facility lease agreements discussed in Note 8 to the financial statements.

NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) issued \$33,365,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004A) and \$1,845,000 in Taxable Variable Rate Revenue Bonds (Series 2004B). On December 8, 2004, the Authority issued \$32,515,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004C) and \$1,165,000 in Taxable Variable Rate Revenue Bonds (Series 2004D). The proceeds of the bond issues were loaned to ULM Facilities, Inc. for the following purposes: (i) to demolish eight (8) existing dormitories on the campus of the University of Louisiana at Monroe, (ii) to design, develop, and construct new on-campus student housing and to renovate and refurbish existing on-campus student housing, (iii) to design, develop, and construct a new on-campus student infirmary, (iv) to expand and renovate ULM’s student center, (v) to pay off housing-related debt in the amount of \$1,178,926, and (vi) to fund various reserves and to pay bond issuance costs. The Series 2004A and Series 2004B bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2004. The Series 2004C and 2004D

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T (Continued)

bond proceeds were loaned to the Facilities pursuant to a First Amendment to Loan and Assignment Agreement by and between the Facilities and the Authority dated December 1, 2004. During the year ended June 30, 2009, the indebtedness represented by the Series 2004B Bonds and Series 2004D Bonds was paid in full.

On December 1, 2009, the Authority and Regions Bank entered into the Second Supplemental Trust Indenture whereby the Series 2004C bonds totaling \$32,240,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds -Series 2004C bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004C-T in the amount of \$2,240,000. As detailed in the Second Supplemental Trust Indenture, the Series 2004C bonds and the Series 2004C-T bonds are referred to as “Bank Rate Bonds”. The Series 2004C bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the “Bank Rate”), and the Series 2004C-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the “Taxable Bank Rate”).

On January 1, 2010, the Authority and Regions Bank entered into the Third Supplemental Trust Indenture whereby the Series 2004A bonds totaling \$33,365,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds -Series 2004A bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004A-T in the amount of \$3,365,000. As detailed in the Third Supplemental Trust Indenture, the Series 2004A bonds and the Series 2004A-T bonds are referred to as “Bank Rate Bonds”. The Series 2004A bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the “Bank Rate”), and the Series 2004A-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the “Taxable Bank Rate”).

On November 1, 2012, the Authority and Regions Bank entered into an Amended and Restated Trust Indenture, which amends and restates in its entirety all previous amendments to the Trust Indenture (The First Supplemental Indenture, The Second Supplemental Indenture and the Third Supplemental Indenture – The Prior Indenture). The amendment is in connection with the refinancing and reissuance of the Series 2004 Bonds and the conversion of the 2004A-T Bonds and the 2004C-T Bonds into Bank Rate Bonds, on which the interest is exempt from federal income taxation. The current interest rate on the Bank Rate Bonds is 2.92% per annum, which is fixed for a period of 10 years.

The principal and interest payments on the loans are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the Facilities’ obligations under the Loan and Assignment Agreement, as amended, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the each Amended and Restated Agreement to Lease With Option to Purchase between the Facilities and the Board of Supervisors for the University of Louisiana System, all rents and receipts derived from occupancy of the on-campus facilities, and any and all additional revenues received by the Facilities. As of June 30, 2018 the terms of the loans are as follows:

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T (Continued)

	<u>UNDERLYING BONDS</u>	
	Series 2004A Bonds	Series 2004C Bonds
Annual Interest Rate	Bank Rate 2.92%	Bank Rate 2.92%
Interest Payments Due	Monthly	Monthly
Principal Payments Due	November 1	November 1
Commencing	11/01/2014	11/01/2014
Maturity Date	11/01/2034	11/01/2035
Principal Balance Due At 06/30/18	\$28,670,000	\$26,650,000
Principal Balance Due At 06/30/17	\$29,790,000	\$27,530,000
	<u>2018</u>	<u>2017</u>
Note Payable – Series 2004A Bonds	\$ 28,670,000	\$ 29,790,000
Less: Unamortized Debt Issuance Costs	(818,073)	(849,168)
Note Payable – Series 2004A Bonds, Net	<u>\$ 27,851,927</u>	<u>\$ 28,940,832</u>
	<u>2018</u>	<u>2017</u>
Note Payable – Series 2004C Bonds	\$ 26,650,000	\$ 27,530,000
Less: Unamortized Debt Issuance Costs	(594,138)	(613,107)
Note Payable – Series 2004C Bonds, Net	<u>\$ 26,055,862</u>	<u>\$ 26,916,893</u>

Note Payable - Series 2006 Bonds

On November 29, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,500,000 in Revenue Bonds (Series 2006). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) to finance a portion of the design, development, construction, and equipping of an Intermodal Transit Facility and the improvement of existing parking lots or construction of new parking lots for students, faculty, staff and the public on the campus of the University of Louisiana at Monroe; (ii) to fund a deposit to a debt service reserve fund, if necessary; and (iii) to pay bond issuance costs. The Series 2006 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated November 29, 2006.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2006 Bonds (Continued)

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 5.06% per annum and matures on November 1, 2016. Interest is payable on the loan on May 1st and November 1st of each year and principal is payable on November 1st of each year. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated November 29, 2006, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Intermodal Transit Facility, all rents, issues, receipts and profits derived from the use or occupancy of the Intermodal Transit Facility, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Intermodal Transit Facility. During the year ended June 30, 2017, the Series 2006 Bonds were retired.

Note Payable - Series 2014 Athletic Facilities Project

On June 30, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,845,000 in Revenue and Refunding Bonds (Series 2014 Athletic Facilities Project). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) refund its Promissory Note dated March 11, 2011, in favor of Regions Bank in the original amount of \$2,000,000, (ii) financing football field improvements and (iii) to pay bond issuance costs. The Series 2014 Athletic Facilities Project bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 30, 2014.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.92% per annum and matures on June 11, 2024. Principal and interest is payable on the loan each September 11, December 11, March 11, and June 11 commencing September 11, 2014, in accordance to the amortization schedule included in the bond closing documents. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 18, 2011, along with all amendments, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Scoreboards, Athletic Facilities Upgrades & Electronic Display Boards. The principal balance due on the Note Payable – Series 2014 Athletic Facilities Project Bonds totaled \$1,180,000 and \$1,355,000 at June 30, 2018 and 2017, respectively.

	2018	2017
Note Payable – Series 2014 Athletic Facilities Project	\$ 1,180,000	\$ 1,355,000
Less: Unamortized Debt Issuance Costs	(32,834)	(37,704)
Note Payable – Series 2014 Athletic Facilities Project, Net	\$ 1,147,166	\$ 1,317,296

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2014 Student Success Center

On July 9, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,645,000 in Revenue Bonds (Series 2014 Student Success Center). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) to refund all or a portion of the Prior Bonds, (Series 2007), issued for the development, construction and equipping of the Clarke M. Williams Student Success Center (the “Student Success Center”), related facilities, and other campus improvements at the University; and (ii) to pay bond issuance costs. The Series 2014 Student Success Center bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 30, 2014.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 3.14% per annum and matures on October 1, 2026. Interest is payable on the loan on April 1st and October 1st of each year and principal is payable on October 1st of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated October 25, 2007, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Success Center, all rents, issues, receipts and profits derived from the use or occupancy of the Student Success Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Success Center. The principal balance due on the Note Payable – Series 2014 Student Success Center Bonds totaled \$1,270,000 and \$1,390,000 at June 30, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Note Payable – Series 2014 Student Success Center	\$ 1,270,000	\$ 1,390,000
Less: Unamortized Debt Issuance Costs	(39,405)	(43,150)
Note Payable – Series 2014 Student Success Center, Net	<u>\$ 1,230,595</u>	<u>\$ 1,346,850</u>

Note Payable - Series 2016 Student Event Center Project

On March 1, 2016 the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$6,000,000 in Revenue Bonds (Series 2016). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the purpose of acquiring, designing, developing, constructing, renovating and reconstructing of the existing natatorium on the campus of the University and the construction of a spirit group practice area, as well as a large events center to accommodate recruitment events, student events, parties, weddings and conferences (the “Student Event Center”); and (ii) to pay bond issuance costs. The Series 2016 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated March 1, 2016.

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2016 Student Event Center Project (Continued)

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.62% per annum and matures on June 20, 2036. Interest is payable on the loan on March 1st and September 1st of each year and principal is payable on June 30th of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 1, 2016, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Event Center Project, all rents, issues, receipts and profits derived from the use or occupancy of the Student Event Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Event Center. The principal balance due on the Note Payable – Series 2016 Bonds totaled \$5,590,000 and \$5,800,000 at June 30, 2018 and 2017, respectively.

	2018	2017
Note Payable – Series 2016 Student Event Center Project	\$ 5,590,000	\$ 5,800,000
Less: Unamortized Debt Issuance Costs	(108,554)	(112,632)
Note Payable – Series 2016 Student Event Center Project, Net	\$ 5,481,446	\$ 5,687,368

Note Payable - Series 2017 Brown Stadium Project

On June 1, 2017 the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$4,000,000 in Revenue Bonds (Series 2017). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the purpose of acquiring, designing, developing, constructing, renovating and the reconstructing of Brown Stadium and parking adjacent thereto, on the campus of the University (“*Brown Stadium*”); and (ii) to pay bond issuance costs. The Series 2017 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2017.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.75% per annum and matures on June 1, 2027. Interest is payable on the loan on June 1st and December 1st of each year and principal is payable on June 1st of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated June 1, 2017, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Brown Stadium Project, all rents, issues, receipts and profits derived from the use or occupancy of Brown Stadium, and any and all additional

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NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

Note Payable - Series 2017 Brown Stadium Project (Continued)

revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to Brown Stadium. The principal balance due on the Note Payable – Series 2017 Bonds totaled \$3,645,000 and \$4,000,000 at June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, the Board of Supervisors for the University of Louisiana System approved a request from the University of Louisiana at Monroe for the execution of supplements to the Ground and Buildings Lease Agreement (the Lease) and the Agreement to Lease with Option to Purchase (the Agreement) between the Board, on behalf of the University and the University of Louisiana Monroe Facilities, Inc., in connection with the completion of the Brown Stadium project. Under the amendments, the Board proposes to finance additional parking lot rehabilitation and improvements through the issuance of additional bonds by the Louisiana Community Development Authority (the Authority) in an amount not to exceed \$2,000,000. The University and Facilities will expand the property description in the existing Lease and Agreement to allow for the additional parking lot rehabilitation and improvements. It is currently scheduled for closing of the bond issue on or about August 22, 2018, which is subsequent to the Facilities year end.

	<u>2018</u>	<u>2017</u>
Note Payable – Series 2017 Brown Stadium Project	\$ 3,645,000	\$ 4,000,000
Less: Unamortized Debt Issuance Costs	<u>(95,947)</u>	<u>(105,292)</u>
Note Payable – Series 2017 Brown Stadium Project, Net	<u>\$ 3,549,053</u>	<u>\$ 3,894,708</u>

Aggregate Maturities of Long-Term Debt

The aggregate maturities of long-term debt for each of the next five years and in five-year increments thereafter, based on interest rates in effect at June 30, 2018, are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Fixed</u> <u>Rate Interest</u>	<u>Totals</u>
2019	3,055,000	1,896,622	4,951,622
2020	3,255,000	1,807,836	5,062,836
2021	3,460,000	1,705,839	5,165,839
2022	3,670,000	1,604,971	5,274,971
2023	3,645,000	1,499,423	5,144,423
2024-2028	17,935,000	5,920,248	23,855,248
2029-2033	18,720,000	3,298,556	22,018,556
2034-2038	<u>13,265,000</u>	<u>573,838</u>	<u>13,838,838</u>
	<u>\$ 67,005,000</u>	<u>\$ 18,307,331</u>	<u>\$ 85,312,331</u>

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NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)

The total amount of interest costs incurred for the year ended June 30, 2018, totaled \$1,973,951, of which \$1,658,791 was charged to expense.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Facilities has demand deposits held in trust, as well as separately from the trust, by Regions Bank. The Facilities also has short-term investments (cash equivalents) in various funds containing U. S. Treasury securities, which are held in trust by Regions Bank. The short-term investments, totaling \$9,072,763 [at fair value (Level 1 inputs – quoted prices in active markets for identical assets) and at cost], are collateralized by U. S. Treasury securities and are uninsured and thus, are exposed to credit risk. The demand deposits, in total, are insured by the Federal Deposit Insurance Corporation in an amount up to \$250,000 per financial institution. The Facilities had uninsured deposit balances totaling \$7,303,294 at June 30, 2018. The Facilities maintains its cash with a high quality financial institution which the Facilities believes limits these risks.

Although the Facilities does not require collateral to support financial instruments subject to credit risk, they obtained pledged securities from Regions Bank in an effort to mitigate this risk. As of June 30, 2018, pledged securities amounted to \$8,681,206, which provides adequate coverage to mitigate the exposure of the uninsured deposits. The Facilities has concentrations of credit risk relevant to its receivables for student rents and the laundry contract.

NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS

Student Housing, Student Health Center, and Student Union

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Ground and Buildings Lease Agreement (the “Ground Lease”) on June 1, 2004. Under the terms of the Ground Lease, the Board leases certain tracts of land and buildings owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing certain existing facilities and renovating, developing, and constructing student housing and related facilities, a student union and an infirmary. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and leases back the student housing and related facilities, student union, and infirmary from the Facilities for the support, maintenance, and benefit of the Board and ULM. See Facilities Lease below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the student housing and related facilities have been paid or have been deemed to have been paid in full.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Housing, Student Health Center, and Student Union (Continued)

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amended and Restated Agreement to Lease With Option to Purchase (the “Facilities Lease”) on June 1, 2004. Under the terms of the Facilities Lease, the Facilities leases the student housing and related facilities to the Board, and the Board agrees, upon completion of renovation and construction of the student housing and related facilities, to accept possession of such housing and facilities. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use and occupancy of the student housing and facilities. The base rental is due on the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the reserve funding requirements of the Indentures. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the student housing and related facilities.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date that all amounts owed under the Indentures have been paid.

Intermodal Parking and Transit Facility and Parking Improvements

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the “Ground Lease”) on November 29, 2006. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of developing and constructing an intermodal parking and transit facility, related facilities, and other campus parking improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the intermodal parking and transit facility, related facilities, and other campus parking improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the intermodal parking and transit facility, related facilities, and other campus parking improvements have been paid or have been deemed to have been paid in full.

During the year ended June 30, 2017, the Series 2006 Bonds issued on behalf of the Facilities to pay for construction of the intermodal parking and transit facility, related facilities and other campus parking improvements, were retired and the Ground and Facilities Lease Agreements terminated.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Intermodal Parking and Transit Facility and Parking Improvements (Continued)

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on November 29, 2006. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the intermodal parking and transit facility, related facilities, and other campus parking improvements to the Board, and the Board agrees, upon completion of construction of the parking projects to accept possession of the parking facility and improvements. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the parking and transit facility, related facilities, and other campus parking improvements. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the parking projects.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date that all amounts owed under the Indentures have been paid.

During the year ended June 30, 2017, the Series 2006 Bonds issued on behalf of the Facilities to pay for construction of the intermodal parking and transit facility, related facilities and other campus parking improvements, were retired and the Ground and Facilities Lease Agreements terminated.

Student Success Center

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the “Ground Lease”) on October 25, 2007. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of demolishing and/or renovating certain existing buildings and developing, constructing, and equipping the Clarke M. Williams Student Success Center, related facilities, and other campus improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the Clarke M. Williams Student Success Center, related facilities, and other campus improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) October 25, 2032, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the Clarke M. Williams Student Success Center, related facilities, and other campus improvements have been paid or have been deemed to have been paid in full.

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NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Success Center (Continued)

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on October 25, 2007. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the Clarke M. Williams Student Success Center, related facilities, and other campus improvements to the Board, and the Board agrees, upon completion of construction of such projects to accept possession of the projects.

Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000.

Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards

Ground Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground Lease Agreement (the “Ground Lease”) on March 18, 2011. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the following purposes: (i) to install scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) to install chair-back seating in Malone Stadium; (iii) to construct dugouts at the softball field and the soccer field; and (iv) to install two electronic display boards. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the electronic display boards, scoreboards, seating, and dugouts as set forth in the Facilities Lease described below. On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to the Ground Lease Agreement, for the purpose of extending the term of the ground lease.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) June 30, 2024, or (ii) the date on which the loan issued on behalf of the Facilities to pay for the construction of the facilities has been paid or has been deemed to have been paid in full.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards (Continued)

Facilities Lease Agreement

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on March 18, 2011. Under the terms of the Facilities Lease, the Facilities will lease, upon completion of installation and/or construction, to the Board the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. The Board agrees, upon completion of installation and/or construction, to accept possession of the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. Under the terms of the Facilities Lease, the Board is required to pay a base rental to the Facilities for the use of the scoreboards, chair-back seating, dugouts, and electronic display boards. The base rental is due quarterly, on the 1st day of the month preceding the next interest and principal payment date, in an amount equal to the amount necessary to pay the principal and interest due and payable on the loan on the following principal payment date. In addition to the base rental, the Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the scoreboards, chair-back seating, dugouts, and electronic display boards. On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to Agreement to Lease With Option to Purchase (the “Facilities Lease”), for the purpose of extending the term of the facilities lease.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) June 30, 2024, or (ii) the date that all amounts owed under the loan have been paid.

Doppler Radar Project

Cooperative Endeavor Agreement

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) and the University of Louisiana at Monroe Foundation, Inc. (the “Foundation”), whereas it is the desire of the parties to develop a Doppler radar facility to be maintained and operated by the University on land owned by the Foundation. Under the terms of the Agreement, the University and the Foundation agreed to terminate the existing lease, between the two parties, on 2.84 acres, conditioned upon the Facilities and the Foundation entering into a three-year lease with option to purchase and suspensive contract (the “Facilities Lease”) to buy and sell the 2.84 acres in question. The Facilities Lease between the Facilities and the Foundation will facilitate the development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 Federal Grant (the Grant”). Upon completion of construction of the Doppler radar project, all of the Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Doppler Radar Project (Continued)

Cooperative Endeavor Agreement (Continued)

The term of the Cooperative Endeavor Agreement shall be for three (3) years beginning on May 1, 2014, and ending on April 30, 2017 or upon completion of the construction of the Doppler radar facility, whichever occurs first.

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell. Subsequent to year end June 30, 2017, Facilities entered into discussions to consider a modification to the terms of the agreement.

Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell

On May 1, 2014, the Facilities (the “lessee”) entered into a Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell (the “Lease”) with the University of Louisiana at Monroe Foundation, Inc. (the “Foundation”) to lease 2.94 acres of property (including the 10,500 square foot Agriculture/Mechanical building located thereon). The Facilities Lease between the Facilities and the Foundation will facilitate the development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 Federal Grant (the Grant”). Upon completion of construction of the Doppler radar project, all of the Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

Upon completion of the Doppler radar project (the Facilities), as described in the Cooperative Endeavor Agreement, all of the Facilities’ right, title and interest have been assigned to the University, lessee shall begin paying monthly lease payments in the amount of \$1,990 through April 30, 2017. The lessee will pay all utilities, taxes, required insurance and maintenance on the facilities throughout the term of the Lease.

The term of the Lease shall be for three (3) years beginning on May 1, 2014, and ending on April 30, 2017 or upon completion of the construction of the Doppler radar facility, whichever occurs first.

In addition, under the terms of the Lease, the Facilities have an exclusive right of an option to purchase the Facilities for a period of three (3) years from May 1, 2014. The purchase price, if the option is exercised, shall be \$215,000. All lease payments made under the lease agreement will be applied to and deducted from the purchase price at closing.

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell. Subsequent to year end June 30, 2017, Facilities entered into discussions to consider a modification to the terms of the agreement.

As of June 30, 2018 and 2017, cumulative grant proceeds in the amount of \$2,181,320 and \$2,024,062, respectively, had been received for the Doppler radar project.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

International Student Facility

Ground Lease Agreement

On May 1, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into a Ground Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the construction, furnishing and equipping of the International Student Facility, to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$1,000,000 and all costs are to be paid entirely with privately donated funds.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one (1) year term beginning on May 1, 2014 and ending on the earlier of (i) April 30, 2015, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Due to cost overruns on the project, Facilities has elected to keep the International Student Facility on the balance sheet, under fixed assets, until additional funds can be raised from private donors. Subsequent to year end June 30, 2017, Facilities entered into discussions to consider modifications to the Ground Lease Agreement and Cooperative Endeavor Agreement.

Cooperative Endeavor Agreement

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) and the University of Louisiana Monroe Foundation, Inc. (the “Foundation”), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project on land leased under the Ground Lease. The Foundation will facilitate incremental draw payments through the Facilities, which will contract directly with the contractors and vendors.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on August 1, 2014 and will end on the earlier of (i) July 31, 2015, or (ii) the date of the opening of the Center. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Center shall immediately transfer and vest in the Board.

Due to cost overruns on the project, Facilities has elected to keep the International Student Facility on the balance sheet, under fixed assets, until additional funds can be raised from private donors. Subsequent to year end June 30, 2017, Facilities entered into discussions to consider modifications to the Ground Lease Agreement and Cooperative Endeavor Agreement.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Field House at Malone Stadium

Ground Lease Agreement

On February 25, 2015 the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into a Ground Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the entire construction project. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$4,026,132 and all costs are to be paid entirely with privately donated funds.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one (1) year term beginning on February 25, 2015 and ending on the earlier of (i) February 24, 2016, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

During the year ended June 30, 2017, the Ground Lease Agreement and the Cooperative Endeavor Agreement were terminated and the “Facilities” relinquished all of their right, title and interest to the Board.

Cooperative Endeavor Agreement

On February 25, 2015 the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) and the University of Louisiana Monroe Athletic Foundation, Inc. (the “Athletic Foundation”), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project on land leased under the Ground Lease. The Athletic Foundation will contract directly with the field house contractor and shall be responsible for collecting donations from designated donors and timely paying the obligation to the field turf contractor. The Athletic Foundation will facilitate incremental draw payments through the Facilities, which will contract directly with the contractors and vendors.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on February 25, 2015 and will end on the earlier of (i) February 24, 2016 or (ii) the date of the opening of the Field House. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Facilities shall immediately transfer and vest in the Board, including but not limited to all project warranties

During the year ended June 30, 2017, the Ground Lease Agreement and the Cooperative Endcavor Agreement were terminated and the “Facilities” relinquished all of their right, title and interest to the Board.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Event Center

Ground Lease Agreement

On March 1, 2016, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into an Amended and Restated Ground and Buildings Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the acquisition, designing, developing, constructing, renovating and reconstructing the Student Event Center, to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$7,000,000 and all costs are to be paid from funds derived from the issuance of the Series 2016 Tax Exempt Bonds and other funds provided by the corporation.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on March 1, 2016 and ending on the earlier of (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Agreement to Lease with Option to Purchase

On March 1, 2016 the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into an Amended and Restated Lease with Option to Purchase (the “Facilities Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Facilities will facilitate and oversee the construction and development of the entire Student Event Center project (the “Student Event Center”) on land leased under the Ground Lease and will lease the Land and the Student Event Center back to the Board. Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the Indenture. The Board agrees to pay as additional rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Facilities also includes an irrevocable Option allowing the Board purchase the “Facilities” interest in the Student Event Center for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Student Event Center (Continued)

Agreement to Lease with Option to Purchase (Continued)

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on March 1, 2016 and ending on the earlier of (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest in the Student Event Center shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Brown Stadium

Ground and Buildings Lease Agreement

On June 1, 2017, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), entered into a Ground and Buildings Lease Agreement (the "Ground Lease") whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain to Brown Stadium and parking adjacent thereto ("*Brown Stadium*"), to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$ 4,000,000 and all costs are to be paid from funds derived from the issuance of the Series 2017 Tax Exempt Bonds and other funds provided by the corporation.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on June 1, 2017 and ending on the earlier of (i) June 1, 2027 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Agreement to Lease with Option to Purchase

On June 1, 2017 the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), entered into an Amended and Restated Lease with Option to Purchase (the "Facilities Lease") whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Facilities will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain to Brown Stadium and parking adjacent thereto ("*Brown Stadium*"), on land leased under the Ground Lease and will lease the Land and "Brown Stadium" back to the Board. Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of "Brown Stadium". The base rental is due semi-annually on the 5th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Maintenance Reserve Fund funding requirements of the Indenture. The Board agrees to pay as additional

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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Brown Stadium (Continued)

Agreement to Lease with Option to Purchase (Continued)

rental any and all expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned project. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board of Supervisors reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Support Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Facilities also includes an irrevocable Option allowing the Board to purchase the “Facilities” interest in “Brown Stadium” for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on June 1, 2017 and ending on the earlier of (i) June 1, 2027 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Center shall immediately transfer and vest in the Board, including but not limited to all project warranties.

Malone Stadium Treatment Room Project

Ground and Facilities Lease Agreement

On December 1, 2017, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into a Ground and Facilities Lease Agreement (the “Ground Lease”) whereby the Board will lease the land, including the stadium, owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will construct, design, test, survey, and equip an area of Malone Stadium into a new athletic treatment facility (“Treatment Room”). As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$ 1,081,689. The University will not incur any debt as a result of this project. Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on December 1, 2017, and will expire when a substantial completion document is signed, and all construction is completed. At that time, the Facilities will donate all improvements to the Board.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

Future Minimum Lease Payments and Rentals

Ground Lease Agreements

The future minimum lease payments under ground leases (operating leases) as of June 30, 2018, are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$ 5
2020	5
2021	5
2022	5
2023	5
Thereafter	<u>51</u>
Total Minimum Lease Payments	<u>\$ 76</u>

Facilities Lease Agreements

As discussed above with the exception of the extraordinary rental payment of \$39,500 paid under the terms of the Brown Stadium Project Facilities Lease during the year ended June 30, 2017 and \$1,200,000 paid under the terms of the Student Event Center Facilities Lease during the year ended June 30, 2016, each facilities lease agreement between the Facilities and the Board contains a base rental and an additional rental. The base rental amount is equal to the amount necessary to pay the principal and interest due on each loan as such principal and interest is payable. The additional rental is to be received for expenses incurred by the Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the leased facilities. Due to the contingent nature of the additional rental, the future minimum rentals under the facilities leases (operating leases) as of June 30, 2018, are reported utilizing the base rental and, therefore, are equivalent to the aggregate maturities of long-term debt as indicated in Note 6 to the financial statements.

NOTE 9 – LAUNDRY ROOM LEASE

On February 10, 2005, the Facilities and Caldwell & Gregory, Inc. (“CGI”) entered into a Laundry Room Lease Agreement, which was subsequently amended to reflect an effective date of July 15, 2006. Under the terms of the lease agreement, CGI has agreed to install, maintain, and service coin-operated drying and laundry equipment on the campus of ULM. In addition, CGI has agreed to pay the Facilities 85% of all revenues over a \$32.50 average per machine per month. The payments are to be made at a rate of \$850 per month with an accounting and a settlement to be made on an annual basis. The lease agreement terminates on July 14, 2018, and will automatically renew under the same terms, conditions, and length unless cancelled by either party not less than 30 days and not more than 180 days prior to the expiration of the then current term.

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NOTE 9 – LAUNDRY ROOM LEASE (Continued)

During the year ended June 30, 2018, Facilities and CGI entered into a new ten year lease agreement, with modified terms. The new lease agreement is effective July 1, 2018.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Facilities reimburses ULM for certain operating expenses resulting from ULM's management of the Facilities various properties. The amount of reimbursable expenses totaled \$3,204,041 and \$2,993,688 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the Facilities owed \$574,734 and \$421,522, respectively, to ULM for reimbursable expenses.

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of the Facilities have been summarized on a functional basis in the statements of activities. Accordingly, all costs of the Facilities are deemed to be program-related expenses.

NOTE 12 – CONSTRUCTION IN PROGRESS AND COMMITMENTS

On December 3, 2014, the Facilities entered into a contract with Enterprise Electronics Corporation for construction services to be provided in connection with the construction of the Doppler Radar. The contract is a fixed fee contract in the amount of \$2,081,415 plus approved change orders. As of June 30, 2018 and 2017, the amount expended on this project was \$2,538,885 and \$2,381,627, respectively. During the year ended June 30, 2018, the project was completed and capitalized into fixed assets. At June 30, 2018, contracts payable for the project was \$157,258.

On July 31, 2015, the Facilities entered into a Louisiana Residential Agreement to Buy or Sale property located at 801 North McGuire Avenue for \$75,000. This transaction was completed and the land was capitalized during the year ended June 30, 2016. Additionally, during the year ended June 30, 2016, the Facilities purchased additional parcels of land located at 901 and 903 McGuire Avenue for \$138,641. During the year ended June 30, 2017, these properties were transferred to the Board of Supervisors for the University of Louisiana System on behalf of the University of Louisiana at Monroe.

On June 7, 2016, the Facilities entered into a contract with Triad Builders of Ruston, Inc. for construction services in connection with the renovation of Masur Hall (Masur Phase II). The contract is a fixed fee contract in the amount of \$465,000 plus approved change orders. In addition to the construction contract, the Facilities contracted with various other professionals for services required to complete the project. At June 30, 2016, total expenditures in the amount of \$153,474 were incurred on the project and are included in construction in progress. During the year ended June 30, 2017, the project was completed and capitalized into fixed assets. At June 30, 2018 and 2017, contracts payable for the project was \$0 and \$80,740, respectively.

During the year ended June 30, 2016, the Facilities entered into a ground lease and a facilities lease agreement with the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), for the purpose of developing, designing, renovating and constructing a Student Event Center on land leased from the Board, and leasing the Student Event Center back to the Board. In

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – CONSTRUCTION IN PROGRESS AND COMMITMENTS (CONTINUED)

connection with the Student Event Center project, the Facilities contracted with various professionals for services required to complete the project. As of June 30, 2017, total expenditures incurred on the project were \$4,301,406 and are included in construction in progress. At June 30, 2018 and 2017, contracts payable for the project were \$0 and \$727,952, respectively. During the year ended June 30, 2018, additional expenditures in the amount of \$4,234,189 were incurred. The project was completed and capitalized into fixed assets during the year ended June 30, 2018.

During the year ended June 30, 2017, the Facilities entered into a ground lease and a facilities lease agreement with the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), for the purpose of acquiring, designing, developing, constructing and renovating the reconstruction of Brown Stadium and parking adjacent thereto (“Brown Stadium”), on property leased from the “Board”, and upon completion to be leased back to the “Board”. In connection with the “Brown Stadium” project, the Facilities contracted with various professionals required to complete the project. As of June 30, 2018 and 2017, expenditures incurred on the project were \$3,612,736 and \$319,485 and are included in construction in progress, respectively. At June 30, 2018 and 2017, contracts payable for the project was \$600,180 and \$266,421, respectively.

During the year ended June 30, 2018, the Facilities entered into a ground and facilities lease agreement with the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), for the purpose of constructing, designing, testing, surveying, and equipping an area of Malone Stadium into a new athletic treatment facility (“Treatment Room”), on property leased from the Board. Upon substantial completion, and completion of project, the Facilities will donate all improvements to the Board. In connection with the Treatment Room project, the Facilities contracted with various professionals required to complete the project. As of June 30, 2018, expenditures incurred on the project were \$113,067 and are included in construction in progress. At June 30, 2018, contracts payable for the project was \$8,279.

NOTE 13 – TRANSFER OF FUNDS

On March 1, 2013 The Authority and Regions Bank entered into the “First Supplemental Trust Indenture”. Article 2 of this agreement changed Section 4.8(a)(ix) of the Amended and Restated Indenture in its entirety to reads as follows: “(ix) Annually on November 1 of each year beginning November 1, 2012, any amounts remaining in the Receipts Fund after the payment required to be made to the Replacement Fund in excess of the amounts necessary to make payments from the Receipts Fund required by this Section 4.8 on such November 1 may be transferred, at the written direction of the Chief Business Officer of the Division of Business Affairs for the University or the President of the University, to the University or the Corporation”. Pursuant to this agreement, \$590,000 and \$590,000 was transferred to the University for the years ended June 30, 2018 and 2017.

Additionally, during the year ended June 30, 2017, as a result of the Series 2006 Bonds being retired, in accordance with the provisions of the Series 2006 Trust Indenture, funds in the amount of \$202,030 were transferred to the University.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

NOTE 14 – DOPPLER RADAR PROJECT – HAZARD MITIGATION GRANT PROGRAM

The Facilities entered into a Grant Agreement between the State of Louisiana Governor’s Office of Homeland Security and Emergency Preparedness (“GOHSEP”) for the purpose of funding the construction and development of the Doppler Radar Project. Under the grant agreement, the Federal Emergency Management Agency (the “Grantor”) has provided federal funds to the Facilities (the “Sub-Grantee”) through GOHSEP’s Hazard Mitigation Program. The total grant award was \$3,077,900. As of June 30, 2018 and 2017, cumulative grant proceeds in the amount of \$2,181,320 and \$2,024,062, respectively, had been received for the Doppler Radar Project. As of June 30, 2018, GOHSEP owed grant funds in the amount of \$157,258 to the Facilities.

NOTE 15 – OTHER INCOME

During the year ended June 30, 2017, the Facilities received a settlement check for a full and final settlement between Facilities and BR Brick & Masonry, LP in connection with the Phase I and Phase II lawsuit. This amount is included in other income/expense on the statement of activities.

During the year ended June 30, 2018, the Facilities received a settlement check for a full and final settlement between Facilities and JPI in connection with the Phase I and Phase II lawsuit. This amount is included in other income/expense on the statement of activities.

NOTE 16 – RECLASSIFICATION

Certain accounts in the prior year’s financial statements have been reclassified to conform to the current year’s financial statements presentation.

NOTE 17 – SUBSEQUENT EVENTS

The Facilities’ management has evaluated subsequent events through August 24, 2018, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2018

No compensation, benefits or other payments are paid to an agency head or chief executive officer.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF REVENUES, EXPENSES, AND
CAPITALIZED EXPENDITURES MADE TO OR ON BEHALF OF
ULM'S INTERCOLLEGIATE ATHLETICS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Capital Expenditures Paid To or On Behalf of ULM's Intercollegiate Athletics Program	<u>\$ 3,117,344</u>