

BRCC FACILITIES CORPORATION
FINANCIAL REPORT
JUNE 30, 2017

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 10
SUPPLEMENTARY INFORMATION	
Schedule of compensation, benefits and other payments to agency head	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	13 and 14
Schedule of findings and questioned costs	15
Schedule of prior year findings	16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of financial position of BRCC Facilities Corporation (a nonprofit organization) as of June 30, 2017 and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRCC Facilities Corporation as of June 30, 2017, and the changes in its nets assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head on page 11 is presented for purposes of additional analysis and is 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2017, on our consideration of BRCC Facilities Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering BRCC Facilities Corporation's internal control over financial reporting and compliance.



Lafayette, Louisiana
October 31, 2017

BRCC FACILITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017

ASSETS	
CURRENT ASSETS	
Cash	\$ 8,880
Funds in escrow	<u>77,327</u>
Total current assets	<u>\$ 86,207</u>
RESTRICTED ASSETS	
Cash	<u>\$ 6,158,142</u>
PROPERTY AND EQUIPMENT	
Buildings and improvements	\$ 73,274,512
Furniture and equipment	11,352,323
Accumulated depreciation	<u>(33,894,580)</u>
Total property and equipment	<u>\$ 50,732,255</u>
Total assets	<u>\$ 56,976,604</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Due to Baton Rouge Community College	\$ 44,652
Current maturities of bond payable	2,205,000
Accrued interest payable	<u>178,990</u>
Total current liabilities	<u>\$ 2,428,642</u>
LONG-TERM LIABILITIES	
Bonds payable less current maturities	48,500,000
Bond premium, net of amortization of \$2,562,271	1,349,123
Bond issuance costs, net of accumulated amortization, \$674,106	<u>(584,287)</u>
Total long-term liabilities	<u>\$ 49,264,836</u>
NET ASSETS	
Unrestricted	\$ (338,486)
Temporarily restricted	<u>5,621,612</u>
Total net assets	<u>\$ 5,283,126</u>
Total liabilities and net assets	<u>\$ 56,976,604</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Rental income	\$ 4,380,794	\$ -	\$ 4,380,794
Contributions	25,000	750,000	775,000
Interest income	<u>2,577</u>	<u>24,853</u>	<u>27,430</u>
Total revenues	\$ 4,408,371	\$ 774,853	\$ 5,183,224
Net assets released from restrictions	<u>1,194,909</u>	<u>(1,194,909)</u>	<u>-</u>
Total revenues after net assets Released from restrictions	<u>\$ 5,603,280</u>	<u>\$ (420,056)</u>	<u>\$ 5,183,224</u>
EXPENSES:			
Professional	\$ 19,710	\$ -	\$ 19,710
Interest expense	2,182,704	-	2,182,704
Depreciation expense	2,030,060	-	2,030,060
Building expense	160,918	-	160,918
Bank charges	11,950	-	11,950
Miscellaneous expense	<u>2,602</u>	<u>-</u>	<u>2,602</u>
Total expenses	<u>\$ 4,407,944</u>	<u>\$ -0-</u>	<u>\$ 4,407,944</u>
Change in net assets	\$ 1,195,336	\$ (420,056)	\$ 775,280
Net assets at beginning of year	<u>(1,533,822)</u>	<u>6,041,668</u>	<u>\$ 4,507,846</u>
Net assets at end of year	<u>\$ (338,486)</u>	<u>\$ 5,621,612</u>	<u>\$ 5,283,126</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 775,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,030,060
Amortization included in interest expense:	
Bond issuance costs	45,131
Bond premium	(117,725)
Increase in funds in escrow	(23,500)
Decrease in accrued interest payable	<u>(150)</u>
Net cash provided by operating activities	<u>\$ 2,709,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>\$ (1,037,837)</u>
Net cash used in investing activities	<u>\$ (1,037,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of bonds	<u>\$ (2,125,000)</u>
Net cash used in financing activities	<u>\$ (2,125,000)</u>
Net decrease in cash and cash equivalents	\$ (453,741)
Cash and cash equivalents, beginning of year	<u>6,620,763</u>
Cash and cash equivalents, end of year	<u>\$ 6,167,022</u>
Cash, beginning of year:	
Unrestricted	\$ 9,983
Restricted	<u>6,610,780</u>
	<u>\$ 6,620,763</u>
Cash, end of year:	
Unrestricted	\$ 8,880
Restricted	<u>6,158,142</u>
	<u>\$ 6,167,022</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

BRCC Facilities Corporation (the "Corporation"), is a Louisiana nonprofit corporation formed to support and benefit the educational, scientific research and public service mission of the Baton Rouge Community College (the "College"). The Corporation was formed during 2002 to finance a portion of the costs of the development, design, renovation, construction and equipping of facilities for the College. Governmental Accounting Standards Board (GASB) pronouncement No. 14 "*The Financial Reporting Entity*" requires inclusion of the Corporation's financial statements in the Baton Rouge Community College's financial statements.

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting.

Significant accounting policies:

Allowance for doubtful accounts -

The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash -

The Corporation maintains balances in money market deposit accounts required for financing the costs of the development, design, construction and equipping of a new campus and related facilities (collectively, the "Facilities") for students, faculty and staff of the BRCC Community College, funding a debt service reserve fund, paying capitalized interest on the bonds, and paying costs of issuance of the bonds, including the premium for the Bond Insurance Policy. The funds are held in trust and can only be disbursed in accordance with the trust agreement by the trustee.

These money market funds are not bank deposits or obligations, are not guaranteed by the Bank in trust and are not insured by the FDIC, the Federal Reserve Board, or any other government agency and are collateralized by securities held by the pledging financial institutions trust department, but not in the Corporation's name. These funds are reflected as restricted cash on the statement of financial position.

Cash and cash equivalents -

For the purposes of the statements of cash flows, the Corporation considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Federal income taxes -

The Corporation qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for 3 years after they were filed.

Bond Issuance Costs -

Costs incurred in obtaining long-term financing have been capitalized and being amortized over the lives of the bonds under the effective interest method.

Bond Premiums -

Bond premiums resulting from the issuance of revenue bonds at a price exceeding the face value of the bonds are amortized over the life of the bonds under the effective interest method.

Property and equipment -

Purchased property and equipment is recorded at cost at the date of acquisition. Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	<u>Years</u>
Building and improvements	20 - 40
Capitalized interest costs	40
Furniture and equipment	5

Interest on debt issued to finance construction of the facilities has been capitalized as a portion of the cost of the project. Investment earnings on temporary investments earned during the construction phase were netted against capitalized interest. Accordingly, bond cost and bond discount amortization during the construction phase were also netted against capitalized interest.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Recent accounting pronouncements

During the 2017 fiscal year, the Corporation adopted the provisions of Accounting Standards Update 2015-13, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the provision of Debt Issuance Costs*. This accounting change requires that debt issuance costs in connection with debt that is not reported at fair value are reported as a deferred charge and reported as a direct deduction from the face amount of the related indebtedness. Previously, debt issue costs were reported as deferred charges, but were classified as non-current assets in the statement of financial position.

Note 2. Long-Term Debt

The bonds are limited and special revenue obligation of the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority), the source of the payment of which will be derived from the payments due to the Corporation under a facilities lease agreement with the College. The obligation of the Corporation to make payments to the Authority for debt service is limited to the rents received from the Board of the College. The Corporation has assigned its rights under the facility lease to the Authority as security of the bonds. The net proceeds obtained from the bond issue are to be used to finance a portion of the development, design, renovation, construction and equipping of facilities for the College.

At June 30, 2017, bonds outstanding and the average interest rates of the respective issues were as follows:

	Average Interest <u>Rate</u>	Bonds <u>Outstanding</u>
Bonds payable:		
Series 2003 Refunding	4.125%	\$ 340,000
Series 2011 Refunding	4.383%	26,240,000
Series 2012 Refunding	4.385%	<u>24,125,000</u>
Total bonds outstanding		\$ 50,705,000
Less bonds due in one year		<u>2,205,000</u>
Long-term portion of bonds payable		\$ 48,500,000
Bond premium, net of accumulated amortization of \$2,562,271		1,349,120
Bond costs, net of accumulated Amortization of \$674,106		<u>(584,287)</u>
Net long-term portion of bonds payable		<u>\$ 49,264,836</u>

NOTES TO FINANCIAL STATEMENTS

Aggregate maturities required on long-term debt, including interest of \$20,176,838 are as follows at June 30, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,205,000	\$ 2,177,638	\$ 4,382,638
2019	2,275,000	2,087,825	4,362,825
2020	2,365,000	1,995,025	4,360,025
2021	2,470,000	1,892,150	4,362,150
2022	2,580,000	1,778,525	4,358,525
2023 - 2027	14,935,000	7,102,891	22,037,891
2028 - 2032	19,465,000	3,051,828	22,516,828
2033	<u>4,410,000</u>	<u>90,956</u>	<u>4,500,956</u>
	<u>\$ 50,705,000</u>	<u>\$ 20,176,838</u>	<u>\$ 70,881,838</u>

Included in interest expense is the amortization of bonds costs and bond premiums that are amortized over the life of the respective issues on the interest method. Amortization of bonds costs and premiums for the year ended June 30, 2017 was \$45,131 and \$(117,725), respectively

Cash payments for interest during the year ended June 30, 2017 was \$2,255,450.

Note 3. Facilities Lease Agreement

The Corporation entered into an agreement to lease the Facilities to the Board of Supervisors of the Louisiana Community and Technical College System (the "Board"). The rental payments under this lease are to be paid semi-annually (June 1 and December 1) and include a base rental equal to the sum of the principal of, premium, if any, and interest due and payable on the bonds on the following June 1 or December 1. The future minimum lease payments to be received as base rental payments are the amounts as reflected in Note 2 above. In addition to the base rental, the Board will pay additional rental of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation, on behalf of the Board, and/or by the Board of BRCC Facilities Corporation in the management, operation, ownership, and/or maintenance of the Facilities.

Note 4. Ground Lease Agreement

The Corporation entered into an agreement effective December 1, 2002 to lease the land on which the Facilities will be constructed from the Board. The lease term expires on December 1, 2023. The rent shall be due and paid annually in advance in the sum of \$1 per year.

NOTES TO FINANCIAL STATEMENTS

Note 5. Concentrations of Risk

The Corporation received 100% of its facilities lease rental revenues from the Board of Supervisors of the Louisiana Community and Technical College System.

The Corporation periodically maintains cash in trust accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 6. Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through October 31, 2017, the date the financial statements were available to be issued.

BRC FACILITIES CORPORATION

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
Year Ended June 30, 2017

Agency Head: Fabian Blache, Jr.

There are no transactions to report under this section.

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

We have audited the financial statements of BRCC Facilities Corporation (a nonprofit organization) as of and for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BRCC Facilities Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brunsard Poche, LLP". The signature is written in a cursive, slightly slanted style.

Lafayette, Louisiana
October 31, 2017

BRC FACILITIES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2017

Section I. Internal Control and Compliance Material to the Financial Statements

Not applicable.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

Not applicable.