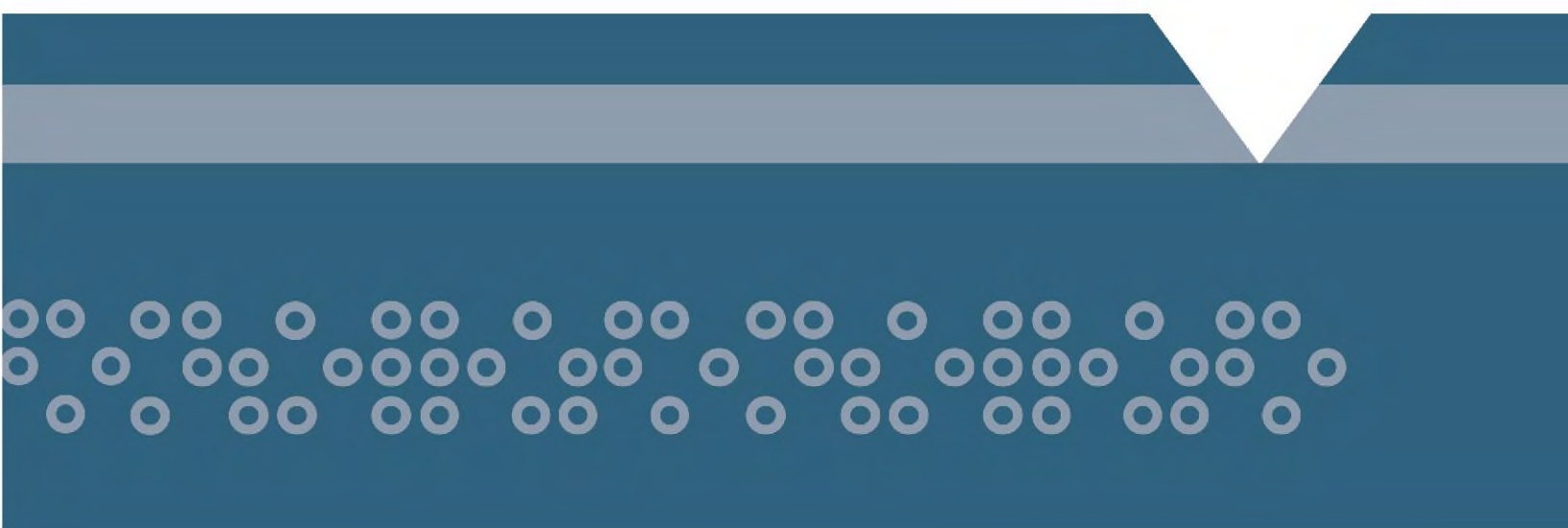


Innovative Student Facilities, Inc.
Ruston, Louisiana

June 30, 2026 and 2025



INNOVATIVE STUDENT FACILITIES, INC.

RUSTON, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors' Report	1-3
<u>Audited Financial Statements:</u>	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-25

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	26
---	----

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Findings and Questioned Costs	29
Schedule of Prior Year Findings	30

AUDITED FINANCIAL STATEMENTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

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

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Innovative Student Facilities, Inc., which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Student Facilities, Inc. as of June 30, 2026 and 2025, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Innovative Student Facilities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Innovative Student Facilities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Innovative Student Facilities, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Innovative Student Facilities, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 26 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 our report dated August 31, 2026, on our consideration of Innovative Student Facilities, Inc.'s internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovative Student Facilities, Inc.'s internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
August 31, 2026

INNOVATIVE STUDENT FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2026 AND 2025

<u>ASSETS</u>	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 8,358,145	\$ 14,256,110
Prepaid bond costs	1,085,875	-
Property, plant, and equipment, net of accumulated depreciation	<u>142,446,835</u>	<u>142,850,533</u>
Total assets	<u><u>\$ 151,890,855</u></u>	<u><u>\$ 157,106,643</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 52,875
Accrued interest payable	1,458,784	1,297,697
Notes payable	717,775	891,975
Bonds payable, net	<u>134,054,556</u>	<u>140,529,779</u>
Total liabilities	136,231,115	142,772,326
<u>Net assets:</u>		
Without donor restrictions:		
Designated by Board for specific purpose	919,001	(738,528)
With donor restrictions:		
Restricted for specific purpose	<u>14,740,739</u>	<u>15,072,845</u>
Total net assets	<u>15,659,740</u>	<u>14,334,317</u>
Total liabilities and net assets	<u><u>\$ 151,890,855</u></u>	<u><u>\$ 157,106,643</u></u>

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

INNOVATIVE STUDENT FACILITIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and support:</u>			
Rent income	\$ 9,712,900	\$ 1,768,951	\$ 11,481,851
Gifts and grants income	-	-	-
Other income	196,499	-	196,499
Investment income, net	458,320	-	458,320
Gain on bond refunding	-	-	-
Total revenue	10,367,719	1,768,951	12,136,670
<u>Net assets released from restrictions</u>	2,101,057	(2,101,057)	-
<u>Expenses:</u>			
Program services	10,762,300		10,762,300
Management and general	48,947	-	48,947
Total expenses	10,811,247	-	10,811,247
<u>Change in net assets</u>	1,657,529	(332,106)	1,325,423
<u>Net assets-beginning of year</u>	(738,528)	15,072,845	14,334,317
<u>Net assets-end of year</u>	<u>\$ 919,001</u>	<u>\$ 14,740,739</u>	<u>\$ 15,659,740</u>

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

INNOVATIVE STUDENT FACILITIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and support:</u>			
Rent income	\$ 9,797,995	\$ 1,768,951	\$ 11,566,946
Gifts and grants income	38,587	-	38,587
Other income	200,355	-	200,355
Investment income	255,020	-	255,020
Gain on bond refunding	15,262	-	15,262
Total revenue	10,307,219	1,768,951	12,076,170
<u>Net assets released from restrictions</u>	1,801,886	(1,801,886)	-
<u>Expenses:</u>			
Program services	12,053,467		12,053,467
Management and general	24,828	-	24,828
Total expenses	12,078,295	-	12,078,295
<u>Change in net assets</u>	30,810	(32,935)	(2,125)
<u>Net assets-beginning of year</u>	(769,338)	15,105,780	14,336,442
<u>Net assets-end of year</u>	<u>\$ (738,528)</u>	<u>\$ 15,072,845</u>	<u>\$ 14,334,317</u>

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

INNOVATIVE STUDENT FACILITIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026		2025	
	Program Services	Management and General	Program Services	Management and General
Depreciation	\$ 5,337,483	\$ -	\$ 5,336,507	\$ -
Interest	3,323,760	-	4,915,074	-
Maintenance	2,101,057	-	1,801,886	-
Other administrative expenses	-	48,947	-	24,828
Total expenses	<u>\$ 10,762,300</u>	<u>\$ 48,947</u>	<u>\$ 12,053,467</u>	<u>\$ 24,828</u>

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

INNOVATIVE STUDENT FACILITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
<u>Cash flows from operating activities:</u>		
Rent income	\$ 11,481,851	\$ 11,577,321
Gifts and grants income	-	38,587
Other income	196,499	200,355
Investment income, net	458,320	249,771
Interest paid on bonds	(5,439,640)	(5,484,280)
Maintenance expense	(2,101,057)	(1,801,886)
Other expenses	(101,822)	(21,064)
Net cash provided by operating activities	4,494,151	4,758,804
<u>Cash flows from investing activities:</u>		
Capital expenditures (including capitalized interest)	(4,933,785)	(19,519)
Net cash (used) by investing activities	(4,933,785)	(19,519)
<u>Cash flows from financing activities:</u>		
Repayment of bonds payable	(33,715,000)	(13,235,000)
Issuance of refinancing bonds	29,965,000	7,835,000
Issuance of new bonds	-	7,640,000
Premium on bond issuance, net	-	420,804
Increase in prepaid bond cost	(1,534,131)	(540,015)
Repayments of notes payable	(174,200)	(171,900)
Net cash provided (used) by financing activities	(5,458,331)	1,948,889
<u>Net increase (decrease) in cash and cash equivalents</u>	(5,897,965)	6,688,174
<u>Cash and cash equivalents-beginning of year</u>	14,256,110	7,567,936
<u>Cash and cash equivalents-end of year</u>	<u>\$ 8,358,145</u>	<u>\$ 14,256,110</u>
<u>Reconciliation of change in net assets to net cash provided by operating activities:</u>		
Change in net assets	\$ 1,325,423	\$ (2,125)
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Amortization of prepaid bond costs	713,972	289,581
Accretion of bond premium	(2,990,939)	(674,309)
Gain on bond refunding	-	(15,262)
Depreciation of property, plant, and equipment	5,337,483	5,336,507
Increase in accounts payable	(52,875)	28,764
Increase (Decrease) in accrued interest payable	161,087	(199,103)
(Decrease) in arbitrage rebate payable	-	(5,249)
Net cash provided by operating activities	<u>\$ 4,494,151</u>	<u>\$ 4,758,804</u>

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

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

1. Organization and Significant Accounting Policies

Nature of Activities

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

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

The Corporation entered into an agreement with the State of Louisiana, Louisiana Tech University, the Louisiana Tech University Corporation, Inc. and the Louisiana Tech Student Fund 2020 during the fiscal year ended June 30, 2015 to be the custodian of funds procured for the construction of the south end zone project for Joe Aillet Stadium (the "Athletic Facilities Project"). The Corporation will be charged with the payment of all invoices related to the construction, and the accounting for the same. Funds contributed to the Corporation by the above listed entities are maintained in separate cash accounts and are accounted for by the Corporation's staff and recorded as gifts and grants income until such time as the funds are expended for the construction. In addition to the contributed funds, the Corporation also issued Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds for the purpose of additional financing of the Athletic Facilities Project, see Note 4 for further details of the bond issue.

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

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

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

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

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

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

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

In June 2025, the Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") issued its Revenue Bonds (Louisiana Tech University Parking/Innovative Student Facilities, Inc. Project) Series 2025A in the principal amount of \$7,640,000 and its Revenue Refunding Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2025B in the principal amount of \$7,835,000. The proceeds of the Series 2025A Bonds were loaned to Innovative Student Facilities, Inc. (the "Corporation") to finance the construction and improvement of student parking and related facilities at Louisiana Tech University, while the proceeds of the Series 2025B Bonds were used to refund the Authority's outstanding Series 2013 Bonds and to fund related reserves and costs of issuance. Both series are secured by project revenues and supported by a surety reserve policy and bond insurance, with all proceeds designated to support the University's infrastructure and student housing initiatives in accordance with the Corporation's mission to develop, manage, and finance facilities for the benefit of Louisiana Tech University.

As of February 5, 2026, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of \$29,965,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds (Louisiana Tech University Student Housing and Recreational Facilities/Innovative Student Facilities, Inc. Project) Series 2026 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds were issued for the purpose of refunding the Authority's outstanding Series 2015 Revenue Refunding Bonds and paying costs of issuance related to the Series 2026 Bonds. The Corporation has leased the property from the Board of Supervisors for the University of Louisiana System pursuant to the existing Ground and Buildings Lease Agreement. The bonds bear interest at a fixed rate of 3.93%, mature on October 1, 2037, and are secured by project revenues and lease rental payments associated with the student housing and recreational facilities project. The proceeds of the Series 2026 Bonds were used to refund the Authority's outstanding Series 2015 Revenue Refunding Bonds, fund required reserves, and pay costs of issuance. As a result, the Series 2015 Bonds were redeemed and are no longer outstanding as of June 30, 2026.

Financial Statement Presentation

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

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

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

Net Assets With Donor Restrictions – Net assets that are contributions subject to donor-imposed restrictions. The Corporation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of 2026 and 2025, the Corporation's net assets with donor restrictions are restricted for funding various maintenance expenses.

Net Assets Released from Restrictions

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

Functional Allocation of Expenses

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

Cash Equivalents

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

Use of Estimates

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

Tax-Exempt Status

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

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

The Corporation files U.S. federal Form 990 for informational purposes. The Corporation's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

2. Liquidity and Availability

All the Corporation's financial assets are contractually restricted, limiting their use to the design, construction, and maintenance of the Facilities, including certain administrative expenses. As such, Management asserts sufficient financial resources are on hand to meet at least one year of normal operating expenses.

3. Property, Plant, and Equipment

Property, plant, and equipment are depreciated using the straight-line method. Land improvements are depreciated over 20 years, buildings over 40 years, and furniture, fixtures, and equipment over 10 years. At June 30, 2026 and 2025 property, plant, and equipment are comprised of the following:

	2026	2025
Land	\$ 4,012,339	\$ 4,012,339
Land improvements	12,987,736	12,987,736
Buildings	154,075,534	154,075,534
Furniture, fixtures, and equipment	3,677,786	3,677,786
Recreational facilities	13,688,500	13,688,500
Track and tennis facilities	1,868,726	1,868,726
Construction in progress	4,933,785	-
	195,244,406	190,310,621
Less-accumulated depreciation	(52,797,571)	(47,460,088)
Net property, plant, and equipment	<u>\$ 142,446,835</u>	<u>\$ 142,850,533</u>

Depreciation expense of \$5,337,483 and \$5,336,507 was recorded for the years ended June 30, 2026 and 2025, respectively.

Construction in progress consists of expenditures related to the construction of a new parking garage for Louisiana Tech students, which is financed through the Series 2025 Revenue Bonds.

4. Bonds Payable

Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus facilities to be occupied by Louisiana Tech University. Following is a summary of bonds payable at June 30, 2026 and 2025:

Athletic Facilities Project (2014 Issue):

As of April 1, 2014, the Board of Directors approved the issuance of \$9,000,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refund Bonds, Series 2014 for the purpose of acquiring, designing, developing, constructing, renovating, and reconstructing certain athletic and student facilities on the main campus of Louisiana Tech University. The issuance was made pursuant to Chapter 10-D of Title 33 of

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

the Louisiana Revised Statutes of 1950, as amended, and also under other constitutional and statutory authority. A summary of the Revenue Refunding Series 2014 bonds is as follows:

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2015 Serial Bonds, bearing a 4.48% interest rate, principal payments begin April 1, 2015; final maturity April 1, 2029.	\$ 1,075,000	\$ 1,405,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2015 Term Bonds, \$2,135,000 bearing interest at 4.48% due April 1, 2034 and \$2,660,000 bearing interest at 4.48% due April 1, 2039.	<u>4,795,000</u>	<u>4,795,000</u>
Total Phase I bonds payable	<u>\$ 5,870,000</u>	<u>\$ 6,200,000</u>

The annual debt service requirements to maturity, including principal and interest, for the refunding bonds payable as of June 30, 2026 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 340,000	\$ 262,976	\$ 602,976
2028	360,000	247,744	607,744
2029	375,000	231,616	606,616
2030	390,000	214,816	604,816
2031	410,000	197,344	607,344
2032	425,000	178,976	603,976
2033	445,000	159,936	604,936
2034	465,000	140,000	605,000
2035	485,000	119,168	604,168
2036	510,000	97,440	607,440
2037	530,000	74,592	604,592
2038	555,000	50,848	605,848
2039	580,000	25,984	605,984
	<u>\$ 5,870,000</u>	<u>\$ 2,001,440</u>	<u>\$ 7,871,440</u>

Interest expense for the years ended June 30, 2026 and 2025 was \$274,064 and \$288,344.

Phase I Bond Refunding Issue (2003/2013 Issue):

As of June 6, 2013, the Board of Directors approved the issuance of \$19,065,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2013 for the purpose of refunding and extending the above Revenue Bonds, Series 2003. The issuance was made pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and also under other constitutional and statutory authority.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

As of June 30, 2025, the outstanding principal balance of the Series 2013 Revenue Refunding Bonds was \$1,000,000. During fiscal year 2026, the remaining outstanding Series 2013 bonds were refunded and redeemed using proceeds from the Series 2025B Revenue Refunding Bonds. Accordingly, no balance remained outstanding at June 30, 2026.

The 2013 refunding issue bonds were issued at a premium of \$637,632, and the underwriter's discount of \$142,987 which was expensed in the year of bond inception. This premium is being amortized over the life of the bonds on the straight-line basis. Amortization recorded in the statement of activities totaled \$-0- and \$303,623 for the years ended June 30, 2026 and 2025.

Interest expense for the years ended June 30, 2026 and 2025 was \$214 and \$204,408, respectively.

Refunding Bond Issue (2015 Issue):

On December 1, 2015, the Board of Directors approved the issuance of \$43,020,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2015 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended, and Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, (collectively, the "Refunding Act"). The bonds are issued in order to enable Innovative Student Facilities, Inc., a Louisiana non-profit corporation, sufficient funds to advance refund the prior 2007 Series bonds and paying costs of issuance of the Series 2015 bonds, including the premiums for a bond insurance policy and other costs of issuance. The Series 2015 bonds were also issued with a "reoffering premium" of \$4,815,460. As with previous bonds, the Corporation has leased the property from the Board of Supervisors for the University of Louisiana System pursuant to a Ground and Buildings Lease Agreement also dated December 1, 2015. Prior to being refunded and redeemed during fiscal year 2026, the Series 2015 Bonds bore interest at rates ranging from 2.00% to 5.00% and required semiannual principal and interest payments on April 1 and October 1, with a final stated maturity of October 1, 2037. A summary of the Refunding Bonds, Series 2015 is as follows:

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2015, interest rates from 2.00% - 5.00%, with final maturity due October 1, 2037	\$ -	\$ 30,750,000
Add-refunding premium, net	<u>-</u>	<u>2,782,270</u>
Total Series 2015 bonds payable	<u>\$ -</u>	<u>\$ 33,532,270</u>

The 2015 bonds were issued with a refunding premium of \$4,815,460 that is being amortized into income over the life of the bonds on a straight-line basis. Income recorded in the statement of activities totaled \$2,782,270 and \$214,020 for the years ended June 30, 2026 and 2025, respectively. Interest expense was \$822,484 and \$1,453,888 for the year ended June 30, 2026 and 2025, respectively.

A portion of the proceeds of the Series 2015 Bonds, together with prior issue reserve funds will be deposited into the Escrow Fund created pursuant to an Escrow Deposit Agreement dated as of December 1, 2015, between the corporation and the Escrow Agent. The Escrow Fund will be held by

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

the Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to the Escrow Agreement. Funds deposited and accruing into the Escrow Fund will be used by the Escrow Agent to defease the principal and interest on the Series 2007 Bonds maturing on October 1, 2017, and to pay the full amount of the principal of and interest on all remaining maturities of the Series 2007 Bonds on October 1, 2017, the first optional redemption date of the Series 2007 Bonds.

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

During fiscal year 2026, the outstanding Series 2015 Revenue Refunding Bonds were refunded and redeemed using proceeds from the Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2026. Accordingly, the outstanding principal balance and related unamortized premium were removed from the Corporation's obligations as of June 30, 2026.

Student Housing Project Series 2016A:

As of August 16, 2016, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of \$36,695,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds (Louisiana Tech University Student Housing/Innovative Student Facilities, Inc. Project) Series 2016A pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds are issued in order to, and for the purpose of, acquiring, designing, developing, constructing, renovating, and reconstructing certain student housing facilities and parking on the main campus of Louisiana Tech University; and for paying the cost of issuance of the related bonds, including but not limited to premiums for a bond insurance policy and a debt service reserve fund surety policy. The Corporation has leased the property upon which the facilities will be constructed from the Board of Supervisors for the University of Louisiana System pursuant to the Amended and Restated Agreement to Lease with Option to Purchase dated August 1, 2016. Upon execution of the agreement all rental from the Facilities Lease will be assigned to the Louisiana Local Government Environmental Facilities and Community Development Authority to make payments in an amount sufficient to make principal/interest payments as required by the Agreement. The bond will carry an interest rate ranging from 2.00% - 4.00% over the term of the bond, payable in the annual principal and interest payment each June 30th, with a final maturity on June 30, 2047.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

A summary of the Revenue Bonds, Series 2016A is as follows:

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2016A, interest rates from 2.00% - 4.00%, due June 30, 2047	\$ 31,780,000	\$ 32,440,000
Add – reoffering premium, net	<u>1,432,467</u>	<u>1,503,207</u>
Total Series 2016A bonds payable	<u>\$ 33,212,467</u>	<u>\$ 33,943,207</u>

The 2016A bonds were issued with a refunding premium of \$2,133,963 that is being amortized into income over the life of the bond on a straight-line basis. Income recorded in the statement of activities totaled \$70,739 for the years ended June 30, 2026 and 2025, respectively.

The annual debt service requirements to maturity, including principal and interest, for Series 2016A bonds payable as of June 30, 2026 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 675,000	\$ 1,172,437	\$ 1,847,437
2028	700,000	1,150,000	1,850,000
2029	725,000	1,121,500	1,846,500
2030	760,000	1,091,800	1,851,800
2031	785,000	1,060,900	1,845,900
2032	815,000	1,032,975	1,847,975
2033	835,000	1,008,225	1,843,225
2034	1,400,000	967,700	2,367,700
2035	1,720,000	905,300	2,625,300
2036	1,790,000	835,100	2,625,100
2037	1,855,000	771,475	2,626,475
2038	1,665,000	717,634	2,382,634
2039	1,720,000	664,744	2,384,744
2040	1,775,000	610,135	2,385,135
2041	1,840,000	545,600	2,385,600
2042	1,915,000	470,500	2,385,500
2043	1,990,000	392,400	2,382,400
2044	2,075,000	311,100	2,386,100
2045	2,160,000	226,400	2,386,400
2046	2,245,000	138,300	2,383,300
2047	2,335,000	46,700	2,381,700
	<u>\$ 31,780,000</u>	<u>\$ 15,240,925</u>	<u>\$ 47,020,925</u>

Interest expense charged to operations for the years ended June 30, 2026 and 2025 was \$ 1,184,588 and \$ 1,200,488, respectively.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

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

Taxable Subordinate Revenue Bond (2016B:)

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

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Taxable Subordinate Revenue Bonds, Series 2016B, interest at 4.50% due October 1, 2046	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>
Total Series 2016B bonds payable	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>

The annual debt service requirements to maturity, including principal and interest, for the Series 2016B bonds payable as of June 30, 2026 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027-2034	\$ -	\$ 1,440,000	\$ 1,440,000
2035	230,000	174,825	404,825
2036	240,000	164,250	404,250
2037	255,000	153,112	408,112
2038	265,000	141,412	406,412
2039	275,000	129,263	404,263
2040	290,000	116,550	406,550
2041	305,000	103,163	408,163
2042	320,000	89,100	409,100
2043	330,000	74,475	404,475
2044	345,000	59,287	404,287
2045	365,000	43,313	408,313
2046	380,000	26,550	406,550
2047	400,000	9,000	409,000
	<u>\$ 4,000,000</u>	<u>\$ 2,724,300</u>	<u>\$ 6,724,300</u>

Interest expense for the years ended June 30, 2026 and 2025 was \$ 180,000, respectively.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

Student Housing Project Series 2020:

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

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2020, interest rates from 3.625% - 5.000%, due June 30, 2051	\$ 45,525,000	\$ 46,500,000
Add-reoffering premium, net	<u>2,083,726</u>	<u>2,169,653</u>
Total Series 2020 bonds payable	<u>\$ 47,608,726</u>	<u>\$ 48,669,653</u>

The Series 2020 bonds were issued at an aggregate purchase price of \$51,407,434, consisting of the \$49,145,000 face amount of the Series 2020 bonds plus a reoffering premium of \$2,606,449, less the underwriter's discount of \$344,015. The underwriter's discount is included in the prepaid bond issuance costs and is being amortized over the life of the bonds on the straight-line basis. The reoffering premium is also being amortized over the life of the bonds on the straight-line basis, and amortization recorded in the statement of activities totaled \$85,927 for the years ended June 30, 2026 and 2025, respectively.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

The annual debt service requirements to maturity, including principal and interest, for Series 2020 bonds payable as of June 30, 2026 is as follows:

	Principal	Interest	Total
2027	\$ 1,025,000	\$ 1,836,063	\$ 2,861,063
2028	1,075,000	1,783,563	2,858,563
2029	1,130,000	1,728,438	2,858,438
2030	1,190,000	1,670,437	2,860,437
2031	1,250,000	1,609,437	2,859,437
2032	1,315,000	1,545,312	2,860,312
2033	1,370,000	1,491,887	2,861,887
2034	1,410,000	1,450,187	2,860,187
2035	1,455,000	1,407,212	2,862,212
2036	1,515,000	1,347,512	2,862,512
2037	1,590,000	1,269,888	2,859,888
2038	1,670,000	1,188,388	2,858,388
2039	1,755,000	1,102,762	2,857,762
2040	1,845,000	1,012,762	2,857,762
2041	1,940,000	918,137	2,858,137
2042	2,025,000	832,934	2,857,934
2043	2,100,000	758,169	2,858,169
2044	2,180,000	680,594	2,860,594
2045	2,260,000	600,119	2,860,119
2046	2,345,000	516,653	2,861,653
2047	2,430,000	430,106	2,860,106
2048	2,520,000	340,387	2,860,387
2049	2,615,000	247,316	2,862,316
2050	2,710,000	150,800	2,860,800
2051	2,805,000	50,841	2,855,841
	<u>\$ 45,525,000</u>	<u>\$ 25,969,904</u>	<u>\$ 71,494,904</u>

Interest expense charged to operations for the years ended June 30, 2026 and 2025 was \$1,873,875 and \$1,922,000, respectively.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

Student Parking Series 2025A Revenue Bonds:

As of June 27, 2025, the Board of Directors approved the issuance of \$7,640,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2025A for the purpose of financing the construction and improvement of student parking and related facilities at Louisiana Tech University. A summary of the Revenue Bonds, Series 2025A, is as follows:

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2025A, Serial Bonds, interest rates from 4.50% to 5.125%, principal payments begin October 1, 2026; with final maturity October 1, 2054.	\$ 7,640,000	\$ 7,640,000
Less-original issue discount, net	<u>(13,944)</u>	<u>(14,438)</u>
Total Series 2025A bonds payable	<u>\$ 7,626,056</u>	<u>\$ 7,625,562</u>

The Series 2025A Revenue Bonds were issued at a discount of \$14,438. This discount is being amortized over the life of the bonds on the straight-line basis. Amortization expense recorded in the statement of activities totaled \$494 and \$-0- for the years ended June 30, 2026 and 2025, respectively.

The annual debt service requirements to maturity, including principal and interest, for the Series 2025A bonds payable as of June 30, 2026 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 125,000	\$ 375,777	\$ 500,777
2028	130,000	369,402	499,402
2029	135,000	362,776	497,776
2030	140,000	355,901	495,901
2031	150,000	348,651	498,651
2032	155,000	341,026	496,026
2033	165,000	333,026	498,026
2034	175,000	324,526	499,526
2035	185,000	315,526	500,526
2036	190,000	306,151	496,151
2037	200,000	296,901	496,901
2038	210,000	287,676	497,676
2039	220,000	278,001	498,001
2040	230,000	267,876	497,876
2041	240,000	257,301	497,301
2042	255,000	245,718	500,718
2043	265,000	233,108	498,108
2044	280,000	219,891	499,891

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2045	290,000	206,069	496,069
2046	305,000	191,640	496,640
2047	325,000	175,916	500,916
2048	340,000	158,875	498,875
2049	360,000	140,938	500,938
2050	375,000	122,103	497,103
2051	395,000	102,372	497,372
2052	415,000	81,616	496,616
2053	440,000	59,706	499,706
2054	460,000	36,644	496,644
2055	485,000	12,428	497,428
	<u>\$ 7,640,000</u>	<u>\$ 6,807,541</u>	<u>\$ 14,447,541</u>

Interest expense charged to operations for the years ended June 30, 2026 and 2025 was \$378,901 and \$14,735, respectively.

Student Housing Series 2025B Revenue Refunding Bonds:

As of June 27, 2025, the Board of Directors approved the issuance of \$7,835,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2025B for the purpose of refunding the Authority's outstanding Series 2013 Bonds and funding related reserves and costs of issuance for student housing facilities at Louisiana Tech University. A summary of the Revenue Refunding Series 2025B bonds is as follows:

	<u>2026</u>	<u>2025</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2025B, bearing a 5.00% interest rate, principal payments begin July 1, 2026; final maturity July 1, 2033.	\$ 7,835,000	\$ 7,835,000
Add-refunding premium, net	<u>367,483</u>	<u>419,980</u>
Total Series 2025B bonds payable	<u>\$ 8,202,483</u>	<u>\$ 8,254,980</u>

The Series 2025B bonds were issued with a refunding premium of \$419,980 that is being amortized into income over the life of the bonds on a straight-line basis. Income recorded in the statement of activities totaled \$52,497 and \$-0- for the years ended June 30, 2026 and 2025, respectively.

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

The annual debt service requirements to maturity, including principal and interest, for the Series 2025B bonds payable as of June 30, 2026 is as follows:

	Principal	Interest	Total
2027	\$ 890,000	\$ 369,500	\$ 1,259,500
2028	930,000	324,000	1,254,000
2029	985,000	276,125	1,261,125
2030	1,030,000	225,750	1,255,750
2031	1,085,000	172,875	1,257,875
2032	1,145,000	117,125	1,262,125
2033	1,205,000	58,375	1,263,375
2034	565,000	14,125	579,125
	<u>\$ 7,835,000</u>	<u>\$ 1,557,875</u>	<u>\$ 9,392,875</u>

Interest expense charged to operations for the years ended June 30, 2026 and 2025 was \$391,750 and \$15,235, respectively.

Series 2026 Revenue Refunding Bonds:

As of February 5, 2026, the Board of Directors of Innovative Student Facilities, Inc. approved the issuance of \$29,965,000 aggregate principal amount of Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds (Louisiana Tech University Student Housing and Recreational Facilities/Innovative Student Facilities, Inc. Project) Series 2026 pursuant to Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended. The bonds were issued for the purpose of refunding the Authority's outstanding Series 2015 Revenue Refunding Bonds and paying costs of issuance related to the Series 2026 Bonds. The bonds bear interest at 3.93%, payable semi-annually, with a final maturity of October 1, 2037. A summary of the Revenue Refunding Bonds, Series 2026 is as follows:

	<u>2026</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds, Series 2026, interest at 3.93%, due October 1, 2037	<u>\$ 29,965,000</u>
Total Series 2026 bonds payable	<u>\$ 29,965,000</u>

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

The annual debt service requirements to maturity, including principal and interest, for Series 2026 bonds payable as of June 30, 2026 is as follows:

	Principal	Interest	Total
2027	\$ 1,930,000	\$ 771,998	\$ 2,701,998
2028	2,015,000	1,101,776	3,116,776
2029	2,090,000	1,022,586	3,112,586
2030	2,175,000	940,449	3,115,449
2031	2,270,000	854,972	3,124,972
2032	2,355,000	765,761	3,120,761
2033	2,450,000	673,209	3,123,209
2034	2,550,000	576,924	3,126,924
2035	2,855,000	476,709	3,331,709
2036	2,970,000	364,507	3,334,507
2037	3,090,000	247,786	3,337,786
2038	3,215,000	126,349	3,341,349
	<u>\$ 29,965,000</u>	<u>\$ 7,923,026</u>	<u>\$ 37,888,026</u>

Interest expense charged to operations for the year ended June 30, 2026 was \$477,592.

5. Notes Payable – Louisiana Department of Natural Resources

Notes payable-LDNR loan program debt consists of the following at June 30, 2026 and 2025:

	2026	2025
Louisiana Department of Natural Resources, Series A, note payable dated April 23, 2020, in the original amount \$1,200,775, bearing interest at 2.00% until paid, payable in one hundred twenty (120) monthly payments commencing May 1, 2020, secured by the assets of the Company, and part of the Flex-Fund Revolving Loan Program	\$ 497,975	\$ 618,875

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

2027	\$ 122,000
2028	123,475
2029	125,500
2030	<u>127,000</u>
	<u>\$ 497,975</u>

INNOVATIVE STUDENT FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Louisiana Department of Natural Resources, Series B, note payable dated April 23, 2020, in the original amount \$529,840, bearing interest at 2.00% until paid, payable in one hundred twenty (120) monthly payments commencing May 1, 2020, secured by the assets of the Company, and part of the Flex-Fund Revolving Loan Program	\$ 219,800	\$ 273,100

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

2027	\$ 54,000
2028	54,500
2029	55,300
2030	<u>56,000</u>
	<u>\$ 219,800</u>

6. Risks and Uncertainties

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

7. Reserved Cash

The Board of Supervisors for the University of Louisiana System shall bear responsibility for the payment of all costs and expenses associated with the ownership, operation, and maintenance of the student housing and other liabilities as described in Note 1. Included in reserved cash, which is required to be kept in a separate bank account, are amounts received from the Board for the operation and maintenance of the Facilities. Reserved cash of \$5,698,102 and \$5,870,450 at June 30, 2026 and 2025, respectively, is included in cash and cash equivalents on the statements of financial position.

8. Arbitrage Rebate Liability for Series 2020 Revenue Bonds

The \$49,145,000 Series 2020 Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are subject to arbitrage rebate liability calculations under Section 148 of the Internal Revenue Code of 1986. Under the Tax Reform Act of 1986, interest earned on the debt proceeds in excess of interest expense prior to the disbursement of the proceeds must be rebated to the Internal Revenue Service.

For the fiscal years ending June 30, 2026 and 2025, the Corporation recognized an arbitrage rebate expense of \$0 and \$6,370, respectively, which is included in net investment income.

9. Subsequent Events

The Corporation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Corporation evaluated its activities for such events through August 31, 2026 and noted no subsequent events.

SUPPLEMENTARY INFORMATION

INNOVATIVE STUDENT FACILITIES, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2026

Pursuant to the reporting requirements of Louisiana R.S. 24:513(A)(3) (Act 706), Innovative Student Facilities recognized no applicable compensation, benefits, and other payments for the year ended June 30, 2026.

OTHER REPORTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

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

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Innovative Student Facilities, Inc., which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated August 31, 2026.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
August 31, 2026

INNOVATIVE STUDENT FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

We have audited the financial statements of Innovative Student Facilities, Inc. as of and for the year ended June 30, 2026, and have issued our report thereon dated August 31, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2026 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

- a. The auditor's report expresses an unmodified opinion on the financial statements of Innovative Student Facilities, Inc.
- b. Report on Internal Control and Compliance Material to the Financial Statements

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

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

- c. Federal Awards – Innovative Student Facilities, Inc. was not subject to a federal single audit for the year ended June 30, 2026.

Section II - Financial Statement Findings

No **current year** findings or questioned costs were reported for the year ended June 30, 2026.

INNOVATIVE STUDENT FACILITIES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2026

No **prior year** findings or questioned costs were reported for the year ended June 30, 2025.