UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

FINANCIAL STATEMENTS

27

June 30, 2019 and 2018
with
INDEPENDENT AUDITORS' REPORT

HORTON, LEE, BURNETT, PEACOCK,
CLEVELAND & GRAINGER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2019 and 2018
with
INDEPENDENT AUDITORS' REPORT

CONTENTS

Horton, Lee, Burnett, Peacock, Cleveland & Grainger, P.C.

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(1930-2012)

Independent Auditors' Report

The Board of Directors
University Facilities, Inc.
Hammond, Louisiana

We have audited the accompanying financial statements of University Facilities, Inc.(a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditors' 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 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 auditors' 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 auditors' consider 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.

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Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Facilities, Inc. as of June 30, 2019 and 2018, 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.

Horton, Lee, Burnett, Peacock,
Cleveland & Graninger, P.C.

Birmingham, Alabama
August 30, 2019

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash	$ 194,940	$ 203,497
Investment - bond reserves	16,966,486	14,350,690
Investment - capital reserves	6,051,934	17,114,528
Accounts receivable - other	1,537,420	1,492,032
Inventory	53,211	60,614
Deferred charges	3,357	-
Prepaid insurance	60,912	50,023
Total current assets	24,868,260	33,271,384
Restricted for debt service:		
Investment - debt service reserves	4,450,328	5,921,722
Property and equipment, net	122,703,856	89,519,144
Other assets:		
Construction in progress	683,837	32,903,521
	$ 152,706,281	$ 161,615,771

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable and other accrued expenses	$ 212,335	$ 657,559
Construction cost payable	743,342	4,399,001
Unearned income	99,320	344,627
Interest payable	1,830,139	1,698,687
Current maturities of long term debt	4,225,000	4,025,000
Total current liabilities	7,110,136	11,124,874
Long-term liabilities:		
Tax-exempt bonds payable, net	103,230,868	109,386,927
Taxable bonds payable	95,000	830,000
Total long-term liabilities	103,325,868	110,216,927
Net assets, without donor restrictions	42,270,277	40,273,970
	$ 152,706,281	$ 161,615,771

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Housing rental income	$ 16,288,210	$ 13,249,532
Other rental income	2,734,683	2,776,512
Other income	474,582	358,207
Interest income	136,713	120,400
Total operating revenues	19,634,188	16,504,651
Operating expenses and losses:		
Depreciation expense	4,164,137	3,241,599
Grounds/building maintenance	4,040,351	1,681,929
Insurance	332,236	354,375
Payroll expenses	2,167,118	2,032,005
Professional fees	84,143	89,742
Rental	420,846	432,926
Surplus expense	917,792	1,110,566
Telephone	658,167	606,558
Travel	10,135	8,968
Utilities	767,336	812,376
Total operating expenses and losses	13,562,261	10,371,044
Operating income	6,071,927	6,133,607
Nonoperating revenues (expenses):		
Interest expense	(4,213,009)	(2,887,752)
Investment interest income	484,527	208,857
Loss on early retirement of bonds	(347,138)	-
Total nonoperating revenues (expenses)	(4,075,620)	(2,678,895)
Change in net assets without donor restrictions	1,996,307	3,454,712
Net assets, without donor restrictions, at beginning of the year	40,273,970	36,819,258
Net assets, without donor restrictions, at end of the year	$ 42,270,277	$ 40,273,970

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from tenants	$ 19,340,136	$ 16,532,582
Payments to employees	(2,167,118)	(2,032,005)
Payments to others	(7,679,716)	(4,936,935)
Net cash provided by operating activities	9,493,302	9,563,642
Cash flows from capital and related financing activities:		
Proceeds from bond issuance	11,960,000	-
Proceeds from bond premium	972,951	-
Payments for costs of issuance	(426,908)	-
Construction and purchases of capital assets	(8,731,887)	(25,600,708)
Principal paid on bonds	(19,025,000)	(3,860,000)
Interest paid on bonds	(4,748,568)	(4,370,962)
Net cash used in capital and related financing activities	(19,999,412)	(33,831,670)
Cash flows from investing activities:		
Proceeds from sales of short term investments	77,973,890	49,262,781
Investment interest earned	579,361	456,332
Purchases of short term investments	(68,055,698)	(25,434,104)
Net cash provided by investing activities	10,497,553	24,285,009
Net increase (decrease) in cash and cash equivalents	(8,557)	16,981
Cash and cash equivalents - beginning of the year	203,497	186,516
Cash and cash equivalents - end of the year	$ 194,940	$ 203,497

See accompanying notes.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash used by operating activies:		
Operating income	$ 6,071,927	$ 6,133,607
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,164,137	3,241,599
Increase in accounts receivable - other	(45,388)	(233,065)
Decrease in inventory	7,403	2,533
Decrease (increase) in deferred charges	(3,357)	2,893
Increase in prepaid insurance	(10,889)	(206)
Increase (decrease) in accounts payable and other accrued expenses	(445,224)	158,178
Increase (decrease) in unearned income	(245,307)	258,103
Net cash provided by operating activities	$ 9,493,302	$ 9,563,642
Supplemental schedule of noncash investing, capital and financing activities:		
Increase (decrease) in construction in progress	$ (32,219,684)	$ 30,021,543
Less: Amounts owed at June 30th	(743,342)	(4,399,001)
Construction period interest, capitalized	(147,771)	(1,773,250)
Amortization of bond issue costs capitalized	-	(36,664)
Add: Amortization of premiums capitalized	-	329,407
Interest income earned in construction fund	94,834	247,475
Prior year amounts owed	4,399,001	1,211,198
Construction in progress transferred to property and equipment	37,348,849	-
Cash paid for construction in progress	$ 8,731,887	$ 25,600,708

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION

The Organization

University Facilities, Inc. (the "Organization") is a private nonprofit organization, formed to promote, assist, and benefit the mission of Southeastern Louisiana University (the "University") through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, leasing of student housing or other facilities on the campus of Southeastern Louisiana University. The facilities of the Organization are currently operated under the management of the University.

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Series 2004 Bonds

In 2004, the Organization participated in a bond issuance by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $76,910,000 in revenue bonds ("Series 2004 Bonds") which will be payable solely from the revenues of the Organization. The revenue bonds were issued pursuant to a Trust Indenture ("Original Indenture") dated August 1, 2004, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement ("Original Loan Agreement") dated as of August 1, 2004 between the Issuer and the Organization and were used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed a Mortgage, Assignment of Leases and Security Agreement ("Series 2004 Mortgage") dated August 13, 2004. The Organization granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to the Organization by a Ground and Building Lease Agreement ("Original Ground Lease") dated August 1, 2004. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the "Board") under a facilities lease agreement ("Original Facilities Lease"). At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University. With the issuance of the Series 2019 Bonds (see below) in February 2019, the obligation for the Series 2004 Bonds was paid in full.

Series 2007 Bonds

In 2007, the Organization participated in a second bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority who issued $8,035,000 in revenue bonds ("Series 2007 Bonds"). The proceeds from the issuance of the Series 2007 Bonds were used to finance a portion of the cost of construction of a new intermodal parking facility ("Phase Four Facilities") on the campus of Southeastern Louisiana University. The revenue bonds were issued pursuant to a Trust Indenture dated March 1, 2007, between the Issuer and the Bond Trustee. The proceeds of the tax-exempt bonds were loaned to the Organization pursuant to a Loan Agreement dated as of March 1, 2007 between the Issuer and the Organization and used to construct the facilities. To secure the Organization's obligations to repay the moneys loaned, the Organization executed an Assignment of Agreements and Documents. The Organization granted to the Trustee, first priority security interest in the leases and subleases affecting the Phase Four Facilities, including, without limitation, the Phase Four Facilities Lease and all revenue rentals, and other sums due or becoming due under the leases.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION (CONTINUED)

Series 2007 Bonds (continued)

The underlying property on which the Phase Four Facilities and the Stadium Expansion is located is leased to the Organization by the Board pursuant to the First Amendment to Ground and Building Lease Agreement dated March 1, 2007. The Phase Four Facilities will be leased back to the Board pursuant to the First Amendment to Agreement to Lease with Option to Purchase, as amended and dated March 1, 2007. At such time as the financing for the Phase Four Facilities is paid in full, the obligation is cancelled and the interest in the intermodal facility and the underlying property is conveyed to the University.

Series 2010 Bonds

In November 2010, the Organization participated in a third bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority who issued $25,470,000 in tax-exempt revenue bonds and $5,785,000 in taxable revenue bonds ("Series 2010 Bonds"). The proceeds from the issuance of the Series 2010 Bonds, together with an extraordinary rental payment from the University, were used for the renovation and expansion of the University's Student Union Center (the "Student Union Facilities") on the campus of Southeastern Louisiana University. The revenue bonds were issued pursuant to a Trust Indenture dated November 1, 2010, between the Issuer and the Bond Trustee. The proceeds of the bonds were loaned to the Organization pursuant to a Loan Agreement dated as of November 1, 2010 between the Issuer and the Organization. To secure the Organization's obligations to repay the moneys loaned, the Organization executed a Mortgage, Assignment of Leases and Security Agreement. The Organization granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the Student Union Facilities and first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreement and all revenue rentals, and other sums due or becoming due under the leases. The land on which the Student Union project is located has been leased to the Organization by the Board by a Ground and Building Lease Agreement. The Student Union Facilities are leased to the Board under a facilities lease agreement. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

Series 2013 Bonds

In November 2013, the Organization participated in a fourth bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $40,910,000 in tax-exempt revenue refunding bonds ("Series 2013 Bonds"). The proceeds from the issuance of the Series 2013 Bonds, together with an extraordinary rental payment of $7,500,000 from the University, were deposited in an irrevocable escrow account with the Bond Trustee and were used to redeem all of the outstanding Series 2004A Revenue Bonds. The Series 2013 Bonds were issued pursuant to a First Supplemental Trust Indenture dated November 1, 2013, which amends and supplements the Original Indenture, between the Issuer and the Bond Trustee. The proceeds of the bonds were loaned to the Organization pursuant to the Original Loan Agreement, as supplemented by a First Supplemental Loan and Assignment Agreement dated November 1, 2013, between the Organization and the Issuer. The Series 2013 bonds are secured pursuant to the Indenture by: (1) all right, title, and interest of the Issuer in, to and under the Loan Agreement, Ground Lease and the Facilities Lease, and (2) moneys held in funds and accounts established pursuant to the Indenture. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 1 – FORMATION, OWNERSHIP AND BUSINESS OF THE ORGANIZATION (CONTINUED)

Series 2017 Bonds

In June 2017, the Organization participated in a fifth bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $35,465,000 in tax-exempt revenue bonds ("Series 2017 Bonds"). The proceeds from the issuance of the Series 2017 Bonds were used for the purpose of financing the demolition of Zachary Taylor Hall and the development and construction of student housing facilities ("Series 2017 Facilities") comprising 556 beds and related facilities for the benefit of the University.

The Series 2017 Bonds were issued pursuant to and secured by the Second Supplemental Trust Indenture dated June 1, 2017 between the Issuer and the Bond Trustee. The proceeds of the bonds were loaned by the Issuer to the Organization pursuant to the Second Supplemental Loan and Assignment Agreement dated June 1, 2017 between the Organization and the Issuer. The underlying property on which the Series 2017 Facilities are located is leased to the Organization by a Fourth Supplemental Ground and Building Lease Agreement, dated June 1, 2017. The Series 2017 Facilities will be leased back to, and operated by, the Board under a Fourth Supplemental Agreement to Lease with Option to Purchase dated as of June 1, 2017. To secure the Organization's obligations to repay the moneys loaned, the Organization executed an Act of Leasehold Mortgage, Assignment of Leases and Security Agreement dated June 7, 2017 ("Series 2017 Mortgage") in favor of the Trustee, encumbering the leasehold interest of the Organization in the Series 2017 Facilities and the property at which the project is located. The Mortgage secures payments related to the Series 2004B Bonds, the Series 2013 Bonds, the Series 2017 Bonds and any Additional Bonds. The Organization has additionally granted, to the Trustee, a first priority security interest in the lease and subleases affecting the Series 2004 Property, the Series 2017 Property, the Series 2004 Facilities and the Series 2017 Facilities, including, without limitation, the Facilities Lease and the Ground Lease and all revenues, rentals, and other sums due or becoming due under the leases. At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

Series 2019 Bonds

In February 2019, the Organization participated in a sixth bond issuance with The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $11,960,000 in tax-exempt revenue refunding bonds ("Series 2019 Bonds"). The proceeds from the issuance of the Series 2019 Bonds, together with an additional rental payment of $1,000,000 from the University and funds on deposit with the 2004 Debt Service Reserve Fund were used to defease all of the outstanding Series 2004B Revenue Bonds. The Series 2019 Bonds were issued pursuant to an Amended and Restated Trust Indenture dated February 1, 2019, which amends and restates the Original Indenture, between the Issuer and the Bond Trustee. The proceeds of the bonds were loaned to the Organization pursuant to the Amended and Restated Loan and Assignment Agreement dated February 1, 2019, between the Organization and the Issuer. The Series 2019 bonds are secured by that Act of Mortgage, Assignment of Leases and Security Agreement dated June 7, 2017 each by the Organization as mortgager, in favor of the Trustee, as mortgagee, (collectively, the "2004 Mortgage"), mortgaging and granting a security interest in the leasehold interest of the Organization in the Series 2004 Facilities and the land upon which they were constructed. The Series 2019 Bonds will be further secured by that Act of Leasehold Mortgage, Assignment of Leases and Security Agreement dated June 7, 2017 in favor of the Trustee (the "2017 Mortgage") mortgaging and granting a security interest in the leasehold interest of the Organization in the Series 2017 Facilities, the land upon which they were constructed, certain moveable property located and the leases and rents related to the Series 2017 Facilities. (Collectively, the 2004 Mortgage and the 2017 Mortgage are referred to as the "Mortgage"). At such time as the financing for the Organization is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to the University.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

Tenant accounts receivable

The University maintains the tenant accounts receivable and allowance for doubtful accounts for the Organization. The University collects rents from students and remits the estimated revenues to the Organization based on occupancy. Uncollectible accounts are absorbed by the University and are not recognized by the Organization. The University bears all risks of the collections of the tenant accounts. Based on these factors, there is no tenant accounts receivable outstanding at June 30, 2019 and 2018.

Net assets, without donor restrictions

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets, without donor restrictions in accordance with generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Revenue recognition

Rental revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing tenant occupancy. Generally, the tenants are billed at the beginning of the semester for that semester's portion of the lease and the Organization recognizes revenue at that time. The Organization also leases the intermodal facilities to the University under a “Facilities Lease” agreement. The University is billed monthly and the Organization recognizes revenue at that time. In addition, the Organization leases space in the Student Union to the University under a "Facilities Lease" agreement. Rent is billed each semester and the Organization recognizes revenue at that time. These amounts are due from tenants. Amounts received in advance of providing services is recognized as unearned income. As of June 30, 2019 and 2018, the amount of unearned income is $99,320 and $344,627, respectively.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue from performance obligations satisfied over time is recognized based on actual time incurred in relation to the total expected period of occupancy. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to tenant occupancy.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

The Organization measures the performance obligation throughout the agreement term. Revenue for performance obligations satisfied at a point in time, which are generally immaterial, are recognized when services are provided.

The Organization determines the transaction price based on standard charges for services provided to eligible tenants, which are agreed to in the terms of the lease agreements. Tenant service revenues are from eligible tenants.

Cash and cash equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in the Organization's investment account which are primarily held for investment in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statements of Financial Position.

Inventory

Inventory, which consist primarily of replacement appliances and furniture for the student housing facilities, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Property and equipment

The Organization capitalized all property and equipment acquisitions in excess of $5,000. Property and equipment are capitalized at cost and are being depreciated over the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. Depreciation is computed using the straight-line method with estimated useful lives ranging from three to forty years.

Depreciation expense was $4,164,137 and $3,241,599 for the years ended June 30, 2019 and 2018, respectively.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Property and equipment is comprised of the following:

	Cost	Accumulated Depreciation	Net Book Value
June 30, 2019:			
Capital assets			
Buildings and building improvements	$ 143,513,157	$ 34,655,274	$ 108,857,883
Land improvements	3,408,591	-	3,408,591
Stadium and intermodal parking facilities	13,986,209	3,787,932	10,198,277
Furniture and equipment	1,098,896	859,791	239,105
	$ 162,006,853	$ 39,302,997	$ 122,703,856
June 30, 2018:			
Capital assets			
Buildings and building improvements	$ 106,781,251	$ 31,001,612	$ 75,779,639
Land improvements	2,791,647	-	2,791,647
Stadium and intermodal parking facilities	13,986,209	3,438,276	10,547,933
Furniture and equipment	1,098,896	698,971	399,925
	$ 124,658,003	$ 35,138,859	$ 89,519,144

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Organization's borrowings, offset by the investment income earned on the related bond proceeds. Capitalized interest during the years ended June 30, 2019 and 2018 amounted to $147,771 and $1,773,250, respectively, and is included in these financial statements in "Construction in progress".

Cash paid for interest, for purposes of the statements of cash flows, includes the amounts capitalized.

Construction costs related to the construction of the new student housing replacement and expansion project amounted to $683,837 and $32,903,521, for the years ended June 30, 2019 and 2018, respectively, and are included in these financial statements as "Construction in progress". Construction costs incurred in the new student housing replacement and expansion project included in "Construction in progress" amount to $5,129,165 and $30,021,543, for the years ended June 30, 2019 and 2018, respectively, of which $37,348,849 has been capitalized and are included in these financial statements as "Capital Assets" for the year ended June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2019 and 2018, the Organization did not have unrelated business income. The Organization 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 federal returns of the Organization for open tax years (generally three years from the date filed) are subject to examination by the applicable taxing authority.

New accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g. insurance contracts or lease contracts). This ASU has superseded the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchanged for those goods or services. The Organization applied the amendments in this ASU for the year ended June 30, 2019.

The Organization implemented ASU 2014-09 using a full retrospective method of application to all contracts. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue primarily related to rental revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In November 2014, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also required to reconcile the total amounts on the balance sheet and disclose the nature of the restrictions. The Organization implemented this ASU for the year ended June 30, 2019. This ASU has been applied retrospectively to all periods presented.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Public business entities should apply the amendments for fiscal years beginning after December 15, 2018 (i.e. July 1, 2019, for a fiscal year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2020 (i.e. July 1, 2021 for a fiscal year entities). The Organization has not yet implemented this ASU and is in the process of assessing the effect on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with various financial institutions located in Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Periodically, the Organization maintains deposits in excess of federally insured limits. The Organization requires the banks with which it does business to provide collateral for amounts exceeding federal insurance coverage. At June 30, 2019 and 2018, there were no uninsured or uncollateralized demand and time deposit balances. The balances in investments – bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments.

NOTE 4 – INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets (all Level 1 Measurements) and consist of money market funds that invest primarily in cash and U.S. Treasury securities, as follows:

	Assets at Fair Value as of June 30, 2019	Assets at Fair Value as of June 30, 2018
Assets:		
Investment - bond reserves		
Money Market Funds - U. S. Treasury securities	$ 16,966,486	$ 14,350,690
Investment - capital reserves		
Money Market Funds - U. S. Treasury securities	$ 6,051,934	$ 17,114,528
Investment - debt service reserves		
Money Market Funds - U. S. Treasury securities	$ 4,450,328	$ 5,921,722

Under the terms of the Trust Indentures and Loan Agreements, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These documents govern the types of investments and requirements for collateralization. The funds held by the Bond Trustee consist of money market investments, securities that are primarily issued by the U.S. Government and various other financial instruments.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage.

During the construction period, investment income is used to offset capitalized interest for the project. Once the project becomes operational, investment income is reported as a change in net assets, without donor restrictions. Information necessary to report the proceeds of sales and purchases of investments for the statement of cash flows is not meaningful due to the nature of the investments and the large volume of transactions.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other consist of the following at June 30:

	2019	2018
Due from University	$ 1,486,838	$ 1,477,061
Other miscellaneous receivables	50,582	14,971
	$ 1,537,420	$ 1,492,032

NOTE 6 - GROUND LEASE

Pursuant to an Amended and Restated Ground and Buildings Lease Agreement dated as of February 1, 2019, by and between the Organization and the Board, the Organization (the Lessee) continues to lease the land on which the Series 2004 Facilities, the Series 2007 Facilities and the Series 2017 Facilities are located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning February 7, 2019 through August 1, 2047. The lease requires $1 annually in advance.

Pursuant to a Ground and Buildings Lease Agreement between the Organization and the Board dated January 1, 2010, the Organization (the Lessee) leases the land on which the Student Union and related facilities are located from the Board of Supervisors of the University of Louisiana System (the Lessor), for the term beginning January 1, 2010 through January 1, 2050. The lease requires $1 annually in advance.

NOTE 7 – FACILITIES LEASE

Student Housing and Related Facilities; Intermodal Parking Facility and Football Stadium Improvements

The Organization has leased the Series 2004 housing facilities, the Series 2007 intermodal facilities and the Series 2017 housing facilities back to the Board who operates them to the Amended and Restated Agreement to Lease with Option to Purchase by and between the Organization, as Lessor, and the Board, as Lessee, dated as of February 1, 2019, (the "Facilities Lease"). The rental payments under the Facilities Lease will be supported by the Board and will be equal to any "shortfall" in the payment of the principal and interest due on the Series 2007 Bonds, the Series 2013 Bonds, the Series 2017 Bonds and the Series 2019 Bonds, any amounts required to be deposited in the various funds or accounts established under the Trust Indentures (collectively, the "Base Rents"), and all other expenses arising out of or relating to the ownership or operation of the certain facilities or the issuance of the Series 2007, Series 2013, Series 2017 and Series 2019 Bonds ("Additional Rents"), but only to the extent of Auxiliary Revenues as designated by the Board in its budget process. The Organization's rights under the Facilities Lease will be assigned to the Trustee as security for the payment of the Series 2007, Series 2013, Series 2017 and Series 2019 Bonds.

Base rental payments received under the Facilities Lease amounted to $6,595,304 and $4,887,213 for the housing facilities for the years ended June 30, 2019 and 2018, respectively, and is included in these financial statements in "Housing rental income".

Base rental payments received under the Phase Four Facilities Lease for the intermodal parking facilities amounted to $417,459 and $419,206 for the years ended June 30, 2019 and 2018, respectively, and is included in these financial statements in "Other rental income".

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 7 – FACILITIES LEASE (CONTINUED)

Student Union Renovation and Expansion

Under the Agreement to Lease with Option to Purchase dated as of January 1, 2010, as amended by the First Amendment to the Agreement to Lease with Option to Purchase, dated November 1, 2010 (the "2010A and 2010B Facilities Lease"), the Organization leases the Student Union and related facilities to the Board for a term of forty (40) years. The rental payment under the 2010A and 2010B Facilities Lease will be supported by the Board and will be equal to any "shortfall" in the payment of the principal and interest due on the Series 2010 Bonds, the amounts required to be deposited in the various funds or accounts established under the Trust Indenture, and all other expenses arising out of or relating to the ownership or operation of the 2010A and 2010B Facilities or the issuance of the Series 2010 Bonds, but only to the extent of Capital Funds and Student Fees as designated by the Board. The Organization's rights under the 2010A and 2010B Facilities Lease will be assigned to the Trustee as security for the payment of the Series 2010 Bonds.

Base rental payments received under the 2010A and 2010B Facilities Lease amounted to $1,910,261 and $1,928,140 for the Student Union and related facilities for the years ended June 30, 2019 and 2018, respectively, and is included in these financial statements in "Other rental income".

NOTE 8 – LONG-TERM DEBT

Bonds payable

On August 13, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $76,910,000 of taxable and non-taxable Series 2004 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the former Trustee). The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax-exempt bond proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status. In February 2019, the Series 2004 Bonds were defeased through the issuance of the Series 2019 Bonds.

On March 14, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $8,035,000 of non-taxable Series 2007 Bonds pursuant to an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the former Trustee).

On November 1, 2010, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $31,255,000 of taxable and non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the Issuer and Regions Bank (the Trustee). The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax-exempt bond proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status.

On November 13, 2013, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $40,910,000 of non-taxable Series 2013 Revenue Refunding Bonds pursuant to and secured by a First Supplemental Trust Indenture dated as of November 1, 2013, which supplements and amends a Trust Indenture dated as of August 1, 2004 between the Issuer and The Bank of New York Trust Company Mellon Trust Company, N.A., as Trustee (the former Trustee), between the Issuer and the Trustee.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Bonds payable (continued)

On June 1, 2017, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $35,465,000 of non-taxable Series 2017 Revenue Bonds pursuant to and secured by a Second Supplemental Trust Indenture dated as of June 1, 2017, which supplements and amends the Original Indenture, as further supplemented and amended by the First Supplemental Indenture, all by and between the Issuer and Regions Bank, an Alabama state banking corporation, as Trustee (the Trustee). The Series 2017 Bonds are secured pursuant to the indenture by: 1) all right, title, and interest of the Authority in, to and under the Loan Agreement, the Ground Lease, the Facilities Lease and the Mortgage and 2) moneys held in funds and accounts established pursuant to the Second Supplemental Indenture.

On February 7, 2019, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $11,960,000 of non-taxable Series 2019 Revenue Refunding Bonds pursuant to and secured by an Amended and Restated Trust Indenture dated as of February 1, 2019, by and between the Issuer and Regions Bank, an Alabama state banking corporation, as Trustee (the Trustee). The Series 2019 Bonds are secured pursuant to the indenture by: 1) all right, title, and interest of the Authority in, to and under the Loan Agreement, the Ground Lease, the Facilities Lease and the Mortgage and 2) moneys held in funds and accounts established pursuant to the Amended and Restated Trust Indenture.

Pursuant to loan agreements between the Issuer and the Organization, the Issuer has loaned the proceeds of the Series 2004, Series 2007, Series 2010, Series 2013, Series 2017 and Series 2019 Bonds to the Organization. The proceeds from the Series 2004 Bonds financed the construction of a residential facility and renovation of an existing student housing facility owned by the Organization, provided working capital for marketing and operation of the new and renovated facilities, funded interest on the bonds during the construction and renovation period, funded a Debt Service Reserve Fund, funded a Replacements Reserve Fund, and paid the cost of issuing the bonds. The proceeds from the Series 2007 Bonds financed the construction of a new intermodal parking facility, funded a Debt Service Reserve Fund, and paid the cost of issuing the bonds. The proceeds from the Series 2010 Bonds financed the renovation and expansion of the Student Union Center and related facilities, funded a Debt Service Reserve Fund, and funded the cost of issuing the bonds. The proceeds of the Series 2013 Bonds were used to refund Series 2004A Bonds in the amount of $52,230,000 and fund the cost of the issuance of the Series 2013 Bonds. The proceeds of the Series 2017 Bonds were used to finance the development and construction of a new residential facility, pay the surety bond premium for a debt service reserve fund surety policy for the Series 2017 Bonds, pay capitalized interest on the Series 2017 Bonds during construction period and pay the cost of issuance of the Series 2017 Bonds, including the premium for the bond insurance policy insuring the Series 2017 Bonds. The proceeds of the Series 2019 Bonds were used to refund the Series 2004B Bonds in the amount of $15,000,000, fund the cost of the issuance of the Series 2019 Bonds, including the premium for the bond insurance policy insuring the Series 2019 Bonds and the surety bond premium for a debt service reserve fund surety policy for the Series 2019 Bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Organization and the Trustees, the Organization grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the facilities of the Organization. The Organization also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indentures, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the Bonds.

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Long –term debt consists of the following at June 30:

	2019	2018
Tax-exempt bonds payable		
$15,000,000 tax-exempt auction rate bonds payable dated August 1, 2004; due on August 1, 2034; payable in weekly installments of interest only through August 1, 2034; interest rate based on 175% of the SIFMA rate as determined weekly; secured by leasehold deed and assignment of rents.	$ -	$ 15,000,000
$5,545,000 tax-exempt term bonds payable dated March 14, 2007; due at various intervals through February 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.2029%; secured by leasehold deed and assignment of rents.	3,425,000	3,640,000
$2,490,000 tax-exempt term bonds payable dated March 14, 2007; due on February 1, 2037; payable in semi-annual installments of interest only through February 1, 2037; average coupon rate of 4.3750%; secured by leasehold deed and assignment of rents.	330,000	330,000
$25,470,000 tax-exempt term bonds payable dated November 1, 2010; due at various intervals through October 1, 2040; payable in semi-annual installments of interest and, beginning October 1, 2020, annual installments of principal and interest through October1, 2040; average coupon rate of 4.7473%; secured by leasehold deed and assignment of rents.	25,470,000	25,470,000
$36,445,000 tax-exempt serial bonds payable dated August 1, 2013; due at various intervals through August 1, 2024; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.5173%; secured by leasehold deed and assignment of rents.	22,080,000	25,185,000
$4,465,000 tax-exempt term bonds payable dated August 1, 2013; due on August 1, 2026; payable in semi-annual installments of interest only through August 1, 2024 and, beginning August 1, 2025, semi-annual installments of interest and annual installments of principal through August 1, 2026; interest at 4.0%; secured by leasehold deed and assignment of rents.	4,465,000	4,465,000

UNIVERSITY FACILITIES, INC.
HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years, Ended June 30, 2019 and 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

	2019	2018
Tax-exempt bonds payable (continued)		
$35,465,000 tax-exempt serial bonds payable dated June 1, 2017; due at various intervals through August 1, 2047; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5%; secured by leasehold deed and assignment of rents.	$ 35,465,000	$ 35,465,000
$11,960,000 tax-exempt serial bonds payable dated February 7, 2019; due at various intervals through August 1, 2034; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.2122%; secured by leasehold deed and assignment of rents.	11,960,000	-
Add: Unamortized premiums on bonds payable	6,381,392	6,100,331
Less: Unamortized discounts on bonds payable	(44,692)	(56,316)
Less: Unamortized debt issuance costs	(2,810,832)	(2,892,088)
	106,720,868	112,706,927
Less current maturities	(3,490,000)	(3,320,000)
	$ 103,230,868	$ 109,386,927
Taxable bonds payable		
$5,785,000 taxable term bonds payable dated November 1, 2010; due at various intervals through October 1, 2020; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 3.3827%; secured by leasehold deed and assignment of rents.	$ 830,000	$ 1,535,000
Less current maturities	(735,000)	(705,000)
	$ 95,000	$ 830,000

Unamortized premiums on bonds payable

The bond premiums received upon the issuance of the 2013 bonds, the 2017 bonds and the 2019 bonds are being amortized over the life of the bonds using the effective interest method. These premiums are shown net of accumulated amortization of $3,422,306 and $2,730,416 at June 30, 2019 and 2018, respectively, as an addition to the carrying amount of the debt. Amortization of the bond premiums are reported as a reduction of interest expense in the Statement of Activities.

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Unamortized discounts on bonds payable

The net bond discounts recognized upon the issuance of the bonds are being amortized over the life of the bonds using the effective interest method. These costs are shown net of accumulated amortization of $63,157 and $51,532 at June 30, 2019 and 2018, respectively, as a reduction of the carrying amount of the debt. Amortization of bond discounts are reported as an increase to interest expense in the Statement of Activities.

Unamortized debt issuance costs

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the life of the bonds. These costs are shown net of accumulated amortization of $882,678 and $1,046,395 at June 30, 2019 and 2018, respectively, as a reduction of the carrying amount of the debt. Amortization of the debt issuance costs is reported as interest expense in the Statement of Activities.

Maturities of tax-exempt bonds payable at June 30, 2019 are as follows:

	Series 2007 Tax-exempt bonds payable	Series 2010 Tax-exempt bonds payable	Series 2013 Tax-exempt bonds payable
2020	$ 225,000	$ -	$ 3,265,000
2021	235,000	670,000	3,415,000
2022	245,000	795,000	3,585,000
2023	255,000	825,000	3,775,000
2024	265,000	855,000	3,935,000
2025 and thereafter	2,530,000	22,325,000	8,570,000
	$ 3,755,000	$ 25,470,000	$ 26,545,000

	Series 2017 Tax-exempt bonds payable	Series 2019 Tax-exempt bonds payable
2020	$ -	$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025 and thereafter	35,465,000	11,960,000
	$ 35,465,000	$ 11,960,000

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Maturities of taxable bonds payable at June 30, 2019 are as follows:

	Series 2010 Taxable bonds payable
2020	$ 735,000
2021	95,000
2022	-
2023	-
2024	-
2025 and thereafter	-
	$ 830,000

NOTE 9 – DEBT SERVICE COVERAGE RATIOS

Student Housing and Related Facilities

Under the terms of the Amended and Restated Agreement to Lease with Option to Purchase by and between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated February 1, 2019 (the "Facilities Lease"), the Board covenants and agrees to operate the Series 2004 Facilities and the 2017 Facilities (the "Facilities") as revenue producing facilities sufficient to produce a Debt Service Coverage Ratio for the Facilities of at least 1.10:1.00 in each fiscal year. In the event that either of the Debt Service Coverage Ratio for the Facilities falls below 1.10:1.00 or the Debt Service Coverage Ratios for the University falls below 1.25:1.00, the Board will use its best efforts to raise rates and/or reduce expenses related to the Facilities so that within two full semesters after either of the Debt Service Coverage Ratios becomes deficient, the Debt Service Coverage Ratio for the Facilities equals 1.10:1.00 and the Debt Service Coverage Ratio for the University equals 1.25:1.00. If, at that time, either of the Debt Service Coverage Ratios are still deficient, the Board must employ an outside consultant, approved by the Series 2017 Bond Insurer and the Series 2019 Bond Insurer, for the purpose of recommending changes in the operating and management policies of the Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2019, the debt service coverage ratio for the Facilities was 1.87:1.00. For the year ended June 30, 2018, the debt service coverage ratio for the Facilities was 1.84:1.00.

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 9 – DEBT SERVICE COVERAGE RATIOS (CONTINUED)

Intermodal Parking Facility and Football Stadium

Under the terms of the Amended and Restated Agreement to Lease with Option to Purchase by and between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated February 1, 2019 (the "Facilities Lease"), the board covenants and agrees to operate the Intermodal Parking Facility and Football Stadium ("Parking Facilities") as revenue producing facilities sufficient to meet the Phase Four Debt Service Coverage Ratio of at least 1.25:1.00 in each fiscal year. Revenues are determined by student fees collected and held by the University. In the event such Phase Four Debt Service Coverage Ratio is not met, the Board will use its best efforts to raise fees relating to the Phase Four Facilities sufficient to meet the debt coverage ratio within the following two semesters. If, at that time, the Phase Four Facilities Debt Service Coverage Ratio is still deficient, the Board must employ an outside consultant for the purpose of recommending changes in the operating and management of the Phase Four Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2019, the debt service coverage ratio for the Phase Four Facilities was 1.43:1.00. For the year ended June 30, 2018, the debt service coverage ratio for the Phase Four Facilities was 1.34:1.00.

Student Union Renovation and Expansion

Under the terms of Facilities Lease Agreement between the Board of Supervisors for the University of Louisiana System on behalf of Southeastern Louisiana University and the Organization dated January 1, 2010 and the First Amendment to the Facilities Lease Agreement dated November 1, 2010 (the "2010A and 2010B Facilities Lease"), the board covenants and agrees to operate the Student Union Center and related facilities (the "2010A and 2010B Facilities"), as revenue producing facilities sufficient to meet a Debt Service Coverage Ratio of at least 1.20:1.00 in each fiscal year. Revenues are determined by capital funds held by the University and student fees collected and held by the University. In the event such Debt Service Coverage Ratio is not met, the Board will use its best efforts to raise fees relating to the 2010A and 2010B Facilities sufficient to meet the debt coverage ratio within the following two semesters. If, at that time, the Debt Service Coverage Ratio is still deficient, the Board must employ an outside consultant for the purpose of recommending changes in the operating and management of the 2010A and 2010B Facilities designed to maintain the debt service coverage ratio. For the year ended June 30, 2019, the debt service coverage ratio for the 2010A and 2010B Facilities was 1.39:1.00. For the year ended June 30, 2018, the debt coverage ratio for the facilities was 1.35:1.00.

NOTE 10 – SURPLUS

Under the terms of the Trust Indenture for the Series 2004 Bonds, any amounts remaining in the Receipts Fund on August 1st of each fiscal year, after all required transfers are made, are to be transferred to the Surplus Fund. These funds may be transferred to the University if the debt coverage ratio for the Facilities is met and the Board and Organization has met all of the debt covenants. During the year ended June 30, 2019, surplus related to the year ended June 30, 2018 in the amount of $917,792 was transferred to the University. During the year ended June 30, 2018, the June 30, 2017 surplus in the amount of $1,110,566 was transferred to the University. These amounts are included in the Statement of Activities as "Surplus expense".

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 11 – ARBITRAGE REBATE LIABILITY

The arbitrage rebate liability amount for the $75,985,000 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2004A and 2004B is an amount calculated based on an analysis of the dollar profit earned from arbitrage that must be paid to the United States Department of Treasury. This amount is recomputed every five years beginning at the "computation date" (the date the bonds are delivered) until the bonds are retired and is based on the excess future value of the investment receipts over the investment payments. At each five-year installment date, the Organization must calculate the arbitrage rebate and yield restriction amounts. The Organization hired a consultant to analyze the cumulative period August 13, 2004 to February 8, 2019, the final calculation period as the bonds were defeased on February 8, 2019. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the final period ended February 8, 2019.

The $8,035,000 Series 2007A & B Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are also subject to an arbitrage rebate liability calculation, which may result in arbitrage being due to the United States Department of Treasury. This amount is recomputed every five years beginning at the "computation date" (the date the bonds are delivered) until the bonds are retired and is based on the excess future value of the investment receipts over the investment payments. At each five-year installment date, the Organization must calculate the arbitrage rebate and yield restriction amounts. The Organization hired a consultant to analyze the cumulative period March 14, 2007 through February 1, 2017, the end of the second five-year calculation period. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the period ended February 1, 2017. The next calculation of the arbitrage rebate and yield restriction amounts will be for the second interim period ending February 1, 2022.

The $25,470,000 Series 2010A Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are subject to an arbitrage rebate liability calculation, which may result in arbitrage being due to the United States Department of Treasury. The first calculation date of the arbitrage rebate for the Series 2010 Bonds is the last day of the fifth bond year, or. At each five-year installment date, the Organization must calculate the arbitrage rebate and yield restriction amounts. The Organization hired a consultant to analyze the first interim computation period which was November 17, 2010 through July 1, 2015. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the period ended July 1, 2015. The next calculation of the arbitrage rebate and yield restriction amounts will be for the second interim period ending July 1, 2020.

The $40,910,000 Series 2013 Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are subject to an arbitrage rebate liability calculation, which may result in arbitrage being due to the United States Department of Treasury. The Organization hired a consultant to analyze the first interim computation period which was November 1, 2013 through August 1, 2018. Based on the consultant's calculations, there was no arbitrage rebate or yield restriction liability amount due for the period ended August 1, 2018. The next calculation of the arbitrage rebate and yield restriction amounts will be for the second interim period ending August 1, 2023.

The $35,465,000 Series 2017 Revenue Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are subject to an arbitrage rebate liability calculation, which may result in arbitrage being due to the United States Department of Treasury. The first calculation date of the arbitrage rebate for the Series 2017 Bonds is the last day of the fifth bond year, or August 1, 2022.

UNIVERSITY FACILITIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years Ended June 30, 2019 and 2018

NOTE 11 – ARBITRAGE REBATE LIABILITY (CONTINUED)

The $11,960,000 Series 2019 Revenue Refunding Bonds issued by the Louisiana Local Government Environmental Facilities and Community Development Authority are subject to an arbitrage rebate liability calculation, which may result in arbitrage being due to the United States Department of Treasury. The first calculation date of the arbitrage rebate for the Series 2019 Bonds is the last day of the fifth bond year, or July 31, 2024.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available to meet cash needs for general expenditures within one year are as follows:

	2019	2018
Cash and cash equivalents	$ 194,940	$ 203,497
Accounts receivable	1,537,420	1,492,032
Total financial assets available to meet cash needs for general expenditures within one year.	$ 1,732,360	$ 1,695,529

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the Independent Auditors' Report.