

**BRCC FACILITIES CORPORATION**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of BRCC Facilities Corporation (a nonprofit organization), which comprise the statement 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRCC Facilities Corporation as of June 30, 2019 and 2018, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 1 to the financial statements, in 2019, the Facilities Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## Other Matter

### *Other information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2019, on our consideration of BRCC Facilities Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRCC Facilities Corporation's internal control over financial reporting and compliance.



Lafayette, Louisiana  
September 11, 2019

**FINANCIAL STATEMENTS**

**BRCC FACILITIES CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 6,720	\$ 7,800
Funds in escrow	<u>81,638</u>	<u>81,809</u>
Total current assets	<u>\$ 88,358</u>	<u>\$ 89,609</u>
<b>RESTRICTED ASSETS</b>		
Cash	<u>\$ 4,557,152</u>	<u>\$ 5,422,492</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building and improvements	\$75,056,246	\$74,033,481
Furniture and fixtures	11,882,880	11,400,472
Construction in progress	253,291	65,943
Accumulated depreciation	<u>(38,078,729)</u>	<u>(35,952,698)</u>
Total property and equipment	<u>\$49,113,688</u>	<u>\$49,547,198</u>
Total assets	<u>\$53,759,198</u>	<u>\$55,059,299</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accounts payable	\$ -	\$ 43,158
Due to Baton Rouge Community College	609,606	180,412
Current maturities of bond payable	2,365,000	2,275,000
Accrued interest payable	<u>164,523</u>	<u>171,853</u>
Total current liabilities	<u>\$ 3,139,129</u>	<u>\$ 2,670,423</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, less current maturities	\$43,860,000	\$46,225,000
Bond premium, net of accumulated amortization of \$2,968,467 and \$2,772,861, respectively	942,924	1,138,530
Bond issuance costs, net of accumulated amortization of \$778,971 and \$713,124, respectively	<u>(479,422)</u>	<u>(545,269)</u>
Total long-term liabilities	<u>\$44,323,502</u>	<u>\$46,818,261</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 1,809,899	\$ 201,297
With donor restrictions	<u>4,486,668</u>	<u>5,369,318</u>
Total net assets	<u>\$ 6,296,567</u>	<u>\$ 5,570,615</u>
Total liabilities and net assets	<u>\$53,759,198</u>	<u>\$55,059,299</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, LOSSES AND OTHER SUPPORT</b>			
Rental income	\$ 4,362,825	\$ -	\$ 4,362,825
Contributions	25,000	750,000	775,000
Interest income	<u>9,659</u>	<u>103,334</u>	<u>112,993</u>
Total revenues, gains, losses and other support	\$ 4,397,484	\$ 853,334	\$ 5,250,818
Net assets released from restrictions	<u>1,735,984</u>	<u>(1,735,984)</u>	<u>-</u>
Total revenues after net assets released from restrictions	<u>\$ 6,133,468</u>	<u>\$ (882,650)</u>	<u>\$ 5,250,818</u>
<b>EXPENSES:</b>			
<b>Program expenses:</b>			
Interest expense	\$ 1,950,736	\$ -	\$ 1,950,736
Depreciation expense	2,126,031	-	2,126,031
Building expense	419,582	-	419,582
<b>Supporting services:</b>			
Professional	19,639	-	19,639
Bank charges	6,300	-	6,300
Miscellaneous expense	<u>2,578</u>	<u>-</u>	<u>2,578</u>
Total expenses	<u>\$ 4,524,866</u>	<u>\$ -</u>	<u>\$ 4,524,866</u>
Change in net assets	\$ 1,608,602	\$ (882,650)	\$ 725,952
Net assets at beginning of year	<u>201,297</u>	<u>5,369,318</u>	<u>\$ 5,570,615</u>
Net assets at end of year	<u>\$ 1,809,899</u>	<u>\$ 4,486,668</u>	<u>\$ 6,296,567</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, LOSSES AND OTHER SUPPORT</b>			
Rental income	\$ 4,382,638	\$ -	\$ 4,382,638
Contributions	25,000	750,000	775,000
Interest income	<u>3,127</u>	<u>65,816</u>	<u>68,943</u>
Total revenues, gains, losses and other support	\$ 4,410,765	\$ 815,816	\$ 5,226,581
Net assets released from restrictions	<u>1,068,110</u>	<u>(1,068,110)</u>	<u>-</u>
Total revenues after net assets released from restrictions	<u>\$ 5,478,875</u>	<u>\$ (252,294)</u>	<u>\$ 5,226,581</u>
<b>EXPENSES:</b>			
<b>Program expenses:</b>			
Interest expense	\$ 1,998,925	\$ -	\$ 1,998,925
Depreciation expense	2,058,118	-	2,058,118
Building expense	373,967	-	373,967
<b>Supporting services:</b>			
Professional	31,899	-	31,899
Bank charges	11,550	-	11,550
Contributions to LCTCS	460,552	-	460,552
Miscellaneous expense	<u>4,081</u>	<u>-</u>	<u>4,081</u>
Total expenses	<u>\$ 4,939,092</u>	<u>\$ -</u>	<u>\$ 4,939,092</u>
Change in net assets	\$ 539,783	\$ (252,294)	\$ 287,489
Net assets at beginning of year	<u>(338,486)</u>	<u>5,621,612</u>	<u>5,283,126</u>
Net assets at end of year	<u>\$ 201,297</u>	<u>\$ 5,369,318</u>	<u>\$ 5,570,615</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION

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

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 725,952	\$ 287,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,126,031	2,058,118
Amortization included in interest expense:		
Bond issuance costs	65,847	39,018
Bond premium	(195,606)	(210,593)
(Increase) decrease in funds in escrow	171	(4,482)
Decrease in accounts payable	(43,158)	-
Increase (decrease) in due to Baton Rouge Community College for unreimbursed repairs and maintenance	(126,619)	94,182
Decrease in accrued interest payable	<u>(7,330)</u>	<u>(7,137)</u>
Net cash provided by operating activities	<u>\$ 2,545,288</u>	<u>\$ 2,256,595</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>\$ (1,136,708)</u>	<u>\$ (788,325)</u>
Net cash used in investing activities	<u>\$ (1,136,708)</u>	<u>\$ (788,325)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of bonds	<u>\$ (2,275,000)</u>	<u>\$ (2,205,000)</u>
Net cash used in financing activities	<u>\$ (2,275,000)</u>	<u>\$ (2,205,000)</u>
Net decrease in cash and cash equivalents	<u>\$ (866,420)</u>	<u>\$ (736,730)</u>
Cash, beginning of year:		
Unrestricted	\$ 7,800	\$ 8,880
Restricted	<u>5,422,492</u>	<u>6,158,142</u>
Total cash, beginning of year	<u>\$ 5,430,292</u>	<u>\$ 6,167,022</u>
Cash, end of year:		
Unrestricted	\$ 6,720	\$ 7,800
Restricted	<u>4,557,152</u>	<u>5,422,492</u>
Total cash, end of year	<u>\$ 4,563,872</u>	<u>\$ 5,430,292</u>

See Notes to Financial Statements.

BRCC FACILITIES CORPORATION  
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

BRCC Facilities Corporation (the "Corporation"), is a Louisiana nonprofit corporation formed to support and benefit the educational, scientific research and public service mission of the Baton Rouge Community College (the "College"). The Corporation was formed during 2002 to finance a portion of the costs of the development, design, renovation, construction and equipping of facilities for the College.

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

Significant accounting policies:

Restricted cash -

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

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

Cash and cash equivalents -

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

Federal income taxes -

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

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2017, and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

## NOTES TO FINANCIAL STATEMENTS

### Bond Issuance Costs –

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

### Bond Premiums –

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

### Property and equipment -

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

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

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

### Use of estimates -

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

### Recent accounting pronouncements

During 2018, the Corporation adopted Accounting Standards Update (ASU No. 2016-14), *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update simplifies and improves the manner in which a not-for-profit entity (NFP) classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. In particular, ASU No. 2016-14 amends the requirements for financial statements and notes in Topic 958, *Not-for-Profit Entities*, and requires an NFP to, among other things, (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the previously required three classes; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets referenced above, rather than that of the previously required three classes; and (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows, using either the

## NOTES TO FINANCIAL STATEMENTS

direct or the indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. Net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The new presentation has been applied retrospectively to all periods presented.

### Note 2. Long-Term Debt

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

At June 30, 2019, bonds outstanding and the average interest rates of the respective issues were as follows:

	<u>Average Interest Rate</u>	<u>Beginning Balance</u>	<u>Payments</u>	<u>Bonds Outstanding</u>
Bonds payable:				
Series 2011 Refunding	4.455%	\$ 24,375,000	\$ 2,275,000	\$ 22,100,000
Series 2012 Refunding	4.385%	<u>24,125,000</u>	<u>-</u>	<u>24,125,000</u>
 Total bonds outstanding		 <u>\$ 48,500,000</u>	 <u>\$ 2,275,000</u>	 \$ 46,225,000
 Less bonds due in one year				 <u>2,365,000</u>
 Long-term portion of bonds payable				 <u>\$ 43,860,000</u>

Aggregate maturities required on long-term debt, including interest of \$15,911,375 are as follows at June 30, 2019:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,365,000	\$ 1,995,025	\$ 4,360,025
2021	2,470,000	1,892,150	4,362,150
2022	2,580,000	1,778,525	4,358,525
2023	2,695,000	1,667,931	4,362,931
2024	2,795,000	1,566,475	4,361,475
2025 – 2029	16,715,000	5,606,397	22,321,397
2030 – 2033	<u>16,605,000</u>	<u>1,404,872</u>	<u>18,009,872</u>
	<u>\$ 46,225,000</u>	<u>\$ 15,911,375</u>	<u>\$ 62,136,375</u>

## NOTES TO FINANCIAL STATEMENTS

Included in interest expense is the amortization of bonds costs and bond premiums that are amortized over the life of the respective issues on the interest method. Amortization of bond costs for the year ended June 30, 2019 and 2018 was \$65,847 and \$39,017, respectively. Amortization of bond premiums were \$195,606 and \$210,590, respectively for the years ended June 30, 2019 and 2018.

Cash payments for interest during the year ended June 30, 2019 and 2018 was \$2,087,825 and \$2,177,637, respectively.

### Note 3. Facilities Lease Agreement

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

### Note 4. Ground Lease Agreement

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

### Note 5. Concentrations of Risk

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

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

### Note 6. Liquidity and Availability of Resources

Financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of operating cash in the amount of \$88,358. A separate maintenance reserve is maintained and considered restricted funds for the purpose of capital expenditures and ongoing facility maintenance.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through September 11, 2019, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

BRCC FACILITIES CORPORATION

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD  
Year Ended June 30, 2019

Agency Head: Fabian Blache, Jr.

There are no transactions to report under this section.

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

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

We have audited, 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, the financial statements of BRCC Facilities Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Brandon P. Lee". The signature is written in a cursive style with a large initial "B" and "L".

Lafayette, Louisiana  
September 11, 2019



**BRCC FACILITIES CORPORATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2019**

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

Not applicable.

**Section II. Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Section III. Management Letter**

Not applicable.