

# **LCTCS FACILITIES CORPORATION**

Audit of Financial Statements

December 31, 2020



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## Independent Auditor's Report

To the Board of Directors  
LCTCS Facilities Corporation  
New Orleans, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of LCTCS Facilities Corporation, a non-profit organization, a component unit of the Louisiana Community and Technical College System, which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

#### LOUISIANA • TEXAS

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCTCS Facilities Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute 24:513 A(3) 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 June 28, 2021, on our consideration of LCTCS Facilities Corporation'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 LCTCS Facilities Corporation's 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 LCTCS Facilities Corporation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
June 28, 2021

**LCTCS FACILITIES CORPORATION**  
**Statement of Financial Position**  
**December 31, 2020**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents - Administrative Fund	\$ 4,189,962
Pledges Receivable - Restricted for Capital Purchases	1,741,659
Escrow Deposit	<u>513,975</u>
<b>Total Current Assets</b>	<u>6,445,596</u>
<b>Non-Current Assets</b>	
Cash and Cash Equivalents - Restricted for Debt Service	2,237,778
Cash and Cash Equivalents - Restricted for Capital Purchases	28,051,068
Investments - Restricted for Capital Purchases	72,475,409
Property and Equipment, Net	<u>301,327,875</u>
<b>Total Non-Current Assets</b>	<u>404,092,130</u>
<b>Total Assets</b>	<u><u>\$ 410,537,726</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 831,894
Interest Payable	3,958,250
Retainage Payable	405,825
Current Portion of Long-Term Debt, Net	<u>12,510,000</u>
<b>Total Current Liabilities</b>	<u>17,705,969</u>
<b>Long-Term Liabilities</b>	
Bonds Payable, Net	<u>338,388,771</u>
<b>Total Long-Term Liabilities</b>	<u>338,388,771</u>
<b>Total Liabilities</b>	<u>356,094,740</u>
<b>Net Assets</b>	
Without Donor Restrictions	50,639,110
With Donor Restrictions	<u>3,803,876</u>
<b>Total Net Assets</b>	<u>54,442,986</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 410,537,726</u></u>

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

**LCTCS FACILITIES CORPORATION**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Facilities Lease Rental Revenue	\$ 28,387,227	\$ -	\$ 28,387,227
Miscellaneous Income	84,139	-	84,139
Investment Return, Net	2,146,218	-	2,146,218
Net Assets Released from Restrictions Through Satisfaction of Requirements	1,375,695	(1,375,695)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>31,993,279</b>	<b>(1,375,695)</b>	<b>30,617,584</b>
<b>Expenses and Losses</b>			
Program Services	25,577,266	-	25,577,266
Supporting Services	73,615	-	73,615
<b>Total Expenses</b>	<b>25,650,881</b>	<b>-</b>	<b>25,650,881</b>
Loss on Impairment of Building	7,878,197	-	7,878,197
<b>Total Expenses and Losses</b>	<b>33,529,078</b>	<b>-</b>	<b>33,529,078</b>
<b>Change in Net Assets</b>	<b>(1,535,799)</b>	<b>(1,375,695)</b>	<b>(2,911,494)</b>
<b>Net Assets, Beginning of Year</b>	<b>52,174,909</b>	<b>5,179,571</b>	<b>57,354,480</b>
<b>Net Assets, End of Year</b>	<b>\$ 50,639,110</b>	<b>\$ 3,803,876</b>	<b>\$ 54,442,986</b>

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

**LCTCS FACILITIES CORPORATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<b>Facilities Construction and Financing</b>	<b>Management and General</b>	<b>Total</b>
Depreciation	\$ 10,553,636	\$ -	\$ 10,553,636
Interest Expense	11,164,518	-	11,164,518
Professional Fees	2,607,162	-	2,607,162
Repairs and Maintenance	1,194,588	-	1,194,588
Legal Fees	57,360	-	57,360
Ground Lease Expense	2	-	2
Bank Fees	-	73,615	73,615
<b>Total</b>	<b>\$ 25,577,266</b>	<b>\$ 73,615</b>	<b>\$ 25,650,881</b>

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

**LCTCS FACILITIES CORPORATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (2,911,494)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Amortization of Bond Financing Costs	325,536
Depreciation	10,553,636
Amortization (Accretion) of Bond Premium (Discount), Net	(5,153,029)
Loss on Impairment of Building	7,878,197
Unrealized Gain on Investments	(309,709)
(Increase) Decrease in Assets	
Pledges Receivable	1,133,743
Escrow Deposit	(508)
Increase (Decrease) in Liabilities	
Accounts Payable	(320,219)
Interest Payable	164,875
	<u>11,361,028</u>
<b>Net Cash Provided by Operating Activities</b>	<u>11,361,028</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of Investments	(1,341,001)
Proceeds from the Sale of Investments	14,543,733
Payments for Construction of Facilities and Purchase of Furniture, Fixtures, and Equipment	<u>(10,875,884)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>2,326,848</u>
<b>Cash Flows from Financing Activities</b>	
Payments of Bond Principal	<u>(10,615,000)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(10,615,000)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,072,876
<b>Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents,     Beginning of Year</b>	<u>31,405,932</u>
<b>Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents,     End of Year</b>	<u><u>\$ 34,478,808</u></u>
<b>Supplemental Disclosures of Cash Flow Information</b>	
Cash Paid for Interest	<u>\$ 15,827,151</u>
Payables for Construction in Progress	<u>\$ 690,535</u>

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



# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### Nature of Organization

LCTCS Facilities Corporation (the Corporation) is a private, Louisiana non-profit corporation established in 2007 for the primary purpose of financing and constructing land and facilities for the Louisiana Community and Technical College System. Operations began October 1, 2009 upon receipt of bond proceeds described below.

The Corporation participated in an initial bond issuance by borrowing money from the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer), which issued \$19,290,000 in revenue bonds (Series 2009A), \$45,280,000 in revenue bonds (Series 2009B), \$64,025,000 in revenue bonds (Series 2010), and \$51,980,000 in revenue bonds (Series 2011), payable solely from the revenues of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated October 1, 2009, between the Issuer and the Bond Trustee. Louisiana Act 391 identifies the uses of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of fourteen community and technical college campuses of the Louisiana Community and Technical College System and a statewide computer information system for the Board of Supervisors of the Louisiana Community and Technical College System (the Board).

In December 2014, the Corporation participated in a second bond issuance by borrowing money from the Issuer, which issued \$128,330,000 in revenue bonds (Series 2014) to be paid solely from the revenue of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated December 1, 2014. Louisiana Act 360 identifies the use of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of twenty-nine community and technical college campuses of the Louisiana Community and Technical College System.

In September 2017, the Corporation participated in a third bond issuance by borrowing money from the Issuer, which issued \$20,770,000 in revenue bonds (Series 2017) to be paid solely from the revenue of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated December 1, 2014. Louisiana Act 360 identifies the use of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of twenty-nine community and technical college campuses of the Louisiana Community and Technical College System.

In September 2017, the Corporation participated in a bond refunding by borrowing money from the Issuer, which issued \$88,590,000 of Series 2017 Bonds for the purpose of providing sufficient funds to advance refund the outstanding Series 2009B Bonds and Series 2010 Bonds, and pay the costs of issuance of the Series 2017 Bonds, including the premium for a bond insurance policy.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Nature of Organization (Continued)

In December 2018, the Corporation participated in a fourth bond issuance by borrowing money from the Issuer, which issued \$66,830,000 in revenue bonds (Series 2018) to be paid solely from the revenue of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated December 1, 2014. Louisiana Act 360 identifies the use of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of twenty-nine community and technical college campuses of the Louisiana Community and Technical College System.

In December 2019, the Corporation participated in a fifth bond issuance by borrowing money from the Issuer, which issued \$16,630,000 in revenue bonds (Series 2019) to be paid solely from the revenue of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated December 1, 2014. Louisiana Act 360 identifies the use of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation, and equipping of land and facilities for the benefit of twenty-nine community and technical college campuses of the Louisiana Community and Technical College System.

Governmental Accounting Standards Board (GASB) No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* requires inclusion of the Corporation's financial statements in the Louisiana Community and Technical College System's financial statements.

#### Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded as incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Corporation uses various trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by the trustee bank, provide for the custody of assets, debt service payments and bond redemption requirements, and payment of administrative expenses.

#### Basis of Presentation

The financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Corporation reports information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* - Net assets for general use that are not subject to donor-imposed restrictions.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

*Net Assets With Donor Restrictions* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

#### Donations

All pledges receivable and amounts received that are donor restricted for future periods or donor restricted for specific purposes are reported as net assets with donor restrictions.

#### Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and Cash Equivalents - Administrative Fund	\$ 4,189,962
Cash and Cash Equivalents - Restricted for Debt Service	2,237,778
Cash and Cash Equivalents - Restricted for Capital Purchases	<u>28,051,068</u>
<b>Total Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents Shown in the Statement of Cash Flows</b>	<b><u>\$ 34,478,808</u></b>

Restricted cash and cash equivalents consist of deposits in a financial institution and U.S. Treasury obligations which represent deposits in money market funds invested in U.S. Treasury securities. Fair value of these instruments approximates cost.

Substantially all cash and cash equivalents are restricted for debt service and construction costs. At December 31, 2020, restricted cash and cash equivalents consisted of the following:

Demand Deposit	\$ 22,837
Money Market Funds	<u>30,266,009</u>
<b>Total Restricted Cash and Cash Equivalents</b>	<b><u>\$ 30,288,846</u></b>

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Investments**

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, the Corporation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless the income is restricted by explicit donor stipulation or by law, and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

All investments held by the Corporation are restricted for construction costs. Under the terms of the various bond indentures or similar documents, various funds such as Project, Capitalized Interest, Debt Service, and Administrative must be established and maintained. The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum bond coverage.

#### **Income Taxes**

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law.

#### **Pledges Receivable**

When a donor has unconditionally promised to contribute funds to the Corporation in future periods, the Corporation recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are expected to be received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. A provision for doubtful pledges receivable has not been established as management considers all accounts to be collectible based on favorable history over a substantial period of time. Management expects to collect the amounts when construction on the projects begins. No discount has been recorded due to management's consideration of collectability to be within one year.

#### **Bond Premiums and Discounts**

Premiums and discounts resulting from the purchase of revenue bonds are amortized over the lives of the bonds under the effective interest method.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Bond Financing Costs, Net

Costs incurred with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the bond financing arrangement. The Corporation's capitalized financing costs consisted of the following at December 31, 2020:

Bond Financing Costs	\$ 5,889,560
Accumulated Amortization	<u>(2,350,216)</u>
<b>Total</b>	<b><u>\$ 3,539,344</u></b>

Amortization expense for the year ended December 31, 2020 was \$325,536.

#### 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

#### Fair Values of Financial Instruments

The Corporation follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC 820 for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Corporation's own credit risk.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Fair Values of Financial Instruments (Continued)

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

U.S. government and agency obligations are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2020.

#### Property and Equipment

Property and equipment are stated at cost at the date of acquisition. For movable property, the Corporation capitalizes items with a unit cost of \$5,000 or greater. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million and computer software for internal use with depreciable costs of \$1 million or greater are required to be capitalized. The Corporation capitalizes interest costs incurred during the construction period. Routine repairs and maintenance are charged to expense in the year in which the expense is incurred. Depreciation expense for property and equipment commences on the date the asset is placed in service and is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for building improvements, and three to seven years for movable property.

Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. During the year ended December 31, 2020, the SOWELA Technical Community College Arts and Humanities building experienced significant hurricane damage. Based on an assessment of the damage completed by the Louisiana Office of Facility Planning and Control, the building was deemed to be impaired, resulting in a loss on impairment of \$7,878,197.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition

Revenue from government grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement.

#### Functional Allocation of Expenses

The costs of providing the Corporation's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. As of December 31, 2020, all expenses were allocated by direct identification and not allocated.

#### Recent Accounting Pronouncements - Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 was adopted January 1, 2020. LCTCS completed its overall assessment of revenue streams and, based on this assessment, LCTCS concluded that ASU 2014-09 resulted in no significant changes in the way LCTCS recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

#### Recent Accounting Pronouncements - Not Yet Adopted

In January 2016, the FASB has issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year making it effective for annual periods beginning after December 15, 2021. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.

In September 2020, the FASB issues ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, along with various disclosures for each category of nonfinancial assets recognized. ASU 2020-07 is effective for LCTCS beginning in the year ending December 31, 2022, and will be applied on a retrospective basis. Management is currently evaluating the impact ASU 2020-07 will have on the financial statements.

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 2. Investments

Investments consist of the following at December 31, 2020:

	<b>Cost</b>	<b>Market</b>
U.S. Government and Agency Obligations	\$ 72,284,182	\$ 72,475,409
<b>Total</b>	<b>\$ 72,284,182</b>	<b>\$ 72,475,409</b>

### Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Land	\$ 6,962,193
Building and Improvements	311,951,595
Furniture, Fixtures, and Equipment	24,349,513
	<u>343,263,301</u>
Less: Accumulated Depreciation	(52,060,832)
	<u>291,202,469</u>
Construction in Progress	10,125,406
	<u>10,125,406</u>
<b>Property and Equipment, Net</b>	<b>\$ 301,327,875</b>

Depreciation expense totaled \$10,553,636 for the year ended December 31, 2020.

The Corporation has active construction projects at various campuses as of December 31, 2020. At year end, the Corporation's commitments to contractors are as follows:

<b>Project</b>	<b>Incurred-to-Date</b>	<b>Remaining Commitment</b>
<b>Act 360</b>		
Delgado Community College Advanced Technology Center	\$ 7,145,522	\$ 2,570,557
LDCC Ruston Nursing, Welding & Workforce Training Campus	390,302	204,399
Sowela Technical Community College Culinary, Gaming, and Hospitality Center	567,101	7,976,164
Nunez Testing & Career Center	174,045	212,955
Program Administration	3,532,034	944,760
<b>Total</b>		<b>\$ 11,908,835</b>



# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

### Note 4. Bonds Payable

Bonds payable is composed of the following at December 31, 2020:

#### Revenue Bonds

##### Series 2014

Whitney Bank. Dated December 10, 2014; bearing interest ranging from 3.25% to 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2031 and ending October 1, 2039. \$ 128,330,000

##### Refunding Series 2017

The Bank of New York Mellon Trust Company, N.A. Dated September 26, 2017; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2021 and ending October 1, 2028. 88,590,000

##### Series 2017

Whitney Bank. Dated September 29, 2017; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2020 and ending October 1, 2028. 18,805,000

##### Series 2018

Whitney Bank. Dated December 11, 2018; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2028 and ending October 1, 2039. 66,830,000

##### Series 2019

Whitney Bank. Dated December 10, 2019; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2028 and ending October 1, 2028. 15,075,000

Plus: Bond Premiums (Series 2014, 2017, 2018 and 2019 and Refunding 2017) 36,808,115

Total Bonds Payable 354,438,115

Less: Unamortized Debt Issuance Costs (3,539,344)

Total Bonds Payable, Less Unamortized Debt Issuance Costs 350,898,771

Less: Current Portion (12,510,000)

**Bonds Payable, Long-Term Portion** **\$ 338,388,771**

The schedule of future maturities of bonds payable as of December 31, 2020 is as follows:

Series 2014		Refunding Series 2017		Series 2017		Series 2018		Series 2019	
2031	\$ 3,000,000	2021	\$ 9,230,000	2021	\$ 2,045,000	2028	\$ 9,085,000	2021	\$ 1,235,000
2032	13,065,000	2022	9,705,000	2022	2,145,000	2029	12,815,000	2022	1,805,000
2033	13,735,000	2023	10,200,000	2023	2,265,000	2030	13,465,000	2023	2,000,000
2034	14,440,000	2024	10,725,000	2024	2,370,000	2031	11,140,000	2024	2,105,000
2035	15,180,000	2025	11,275,000	2025	2,495,000	2032	1,775,000	2025	2,095,000
2036	15,960,000	2026	11,855,000	2026	2,625,000	2033	2,270,000	2026	2,205,000
2037	16,775,000	2027	12,465,000	2027	2,765,000	2034	2,385,000	2027	2,280,000
2038	17,635,000	2028	13,135,000	2028	2,095,000	2035	2,505,000	2028	1,350,000
2039	18,540,000					2036	2,635,000		
		<b>Total</b>	<b>\$88,590,000</b>	<b>Total</b>	<b>\$ 18,805,000</b>	2037	2,775,000	<b>Total</b>	<b>\$15,075,000</b>
<b>Total</b>	<b>\$ 128,330,000</b>					2038	2,915,000		
						2039	3,065,000		
						<b>Total</b>	<b>\$66,830,000</b>		

# LCTCS FACILITIES CORPORATION

## Notes to the Financial Statements

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### Note 4. Bonds Payable (Continued)

Interest expense totaled \$10,838,982 for the year ended December 31, 2020.

In connection with the issuance of the Series 2014, Series 2017, 2017 Refunding, Series 2018, and Series 2019 revenue bonds listed above, the Corporation recorded bond premiums which totaled \$36,808,115 at December 31, 2020. These premiums will be amortized over the lives of the bonds under the effective interest method. Amortization of bond premiums for the year ended December 31, 2020 totaled \$5,352,774 and is included in interest expense.

During 2020, the Series 2011 bonds were paid in full. In connection with the issuance of the Series 2011 revenue bonds, the Corporation recorded bond discounts. The accretion of these discounts for the year ended December 31, 2020 totaled \$199,745 and is included in interest expense. As of December 31, 2020, the bond discounts were fully accreted.

### Note 5. Fair Value of Financial Instruments

The Corporation's financial instruments are cash and cash equivalents, investments, pledges receivable, accounts payable, interest payable, retainage payable, and long-term debt. The recorded values of cash and cash equivalents, pledges receivable, and payables approximate their fair values based on their short-term nature. The estimated fair value amounts for long-term debt have been determined using available market information. The estimated values of the Corporation's financial instruments are as follows:

	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$ 4,189,962	\$ 4,189,962
Restricted Cash	30,288,846	30,288,846
Pledges Receivable	1,741,659	1,741,659
Investments	72,475,409	72,475,409
Accounts Payable	831,894	831,894
Interest Payable	3,958,250	3,958,250
Retainage Payable	405,825	405,825
Long-Term Debt	354,438,115	354,438,115

The valuation of the Corporation's investments by the fair value hierarchy listed in Note 1 at December 31, 2020 is as follows:

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
U.S. Government and Agency Obligations	\$ 72,475,409	\$72,475,409	\$ -	\$ -
<b>Total</b>	<b>\$ 72,475,409</b>	<b>\$72,475,409</b>	<b>\$ -</b>	<b>\$ -</b>

## LCTCS FACILITIES CORPORATION

### Notes to the Financial Statements

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#### Note 6. Lease Agreements

##### Facilities Lease

The Corporation entered into agreements to lease the Act 391 and Act 360 facilities to the Louisiana Community and Technical College System. The future minimum lease payments to be received as base rental payments are scheduled to be sufficient to pay the debt service requirements on the bonds as disclosed in Note 4. The term of the leases will run contemporaneously with the bonds.

The leases include purchase options under which the Board may elect to purchase the leased facilities for an amount equal to the outstanding principal and interest due on the bonds plus any prepayment penalties and any other costs or charges which may become due as a result of the prepayment.

##### Ground Lease

The Corporation entered into an agreement effective October 1, 2009 to lease the land, on which the Act 391 facilities will be constructed, from the Board. The lease term expires on October 1, 2038. The rent shall be due and paid annually in advance in the sum of \$1 per year.

The Corporation entered into an agreement effective December 1, 2014 to lease the land, on which the Act 360 facilities will be constructed, from the Board. The lease term expires on December 1, 2039. The rent shall be due and paid annually in advance in the sum of \$1 per year.

#### Note 7. Commitments and Contingencies

The Corporation entered into contracts with a consulting firm to create and institute the program of construction projects established by Act 391, Act 360, and the CDBG CEA and provide administrative duties over the life of each program. The original contract for Act 391 was extended through May 2017 for a monthly fee of \$28,463. The contract was amended during 2017 with monthly fees ranging from \$3,333 to \$10,000 from July 2017 through project completion. The original contract for Act 360 expired in May 2017 with monthly fees of \$64,332 payable on the first day of each month. The contract was amended during 2017 with monthly fees ranging from \$3,333 to \$30,000 from July 2017 through project completion.

The Corporation has entered into a contract with an engineering firm to serve as the program manager for the construction projects established by Act 391 and Act 360 at the various campuses. The original Act 391 management contract expired on October 1, 2014 and was extended through December 31, 2016 for a fixed fee of \$450,750. The original contract associated with Act 360 was a fixed fee of \$11,436,840 paid in 60 equal installments beginning November 2014. The Act 360 contract was amended in 2017 with monthly fees ranging from \$45,714 to \$115,863 beginning in March 2017 through November 2019. The Act 360 contract was amended again in 2018 with monthly fees ranging from \$45,714 to \$254,684 beginning in March 2018 through May 2021, and then again amended in 2020 to extend through November 2022.

## LCTCS FACILITIES CORPORATION

### Notes to the Financial Statements

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#### Note 7. Commitments and Contingencies (Continued)

From time to time, the Corporation is involved in claims or legal proceedings arising in the ordinary course of operations. In the opinion of management, the outcome of such actions will have no material impact on the Corporation's financial position or results of operations.

#### Note 8. Net Assets with Donor Restrictions

Act 360 required each project to obtain matching funding in an amount no less than twelve percent of the project costs. Net assets with donor restrictions at December 31, 2020 consisted of the following amounts related to these matching funding requirements:

##### Cash - Subject to Capital Purchases for:

Westside Campus of Capital Area Technical College	\$ 23,153
Louisiana Delta Community College, Tallulah - Workforce Training Campus Project Fund	1,287
Louisiana Delta Community College, Monroe - Technology Center Fund	111,351
Northshore Community College, Livingston - Workforce Training Center Project Fund	559,990
Central Louisiana Technical Community College - Alexandria Campus	10,728
Baton Rouge Community College - Acadian Campus	21,965
SOWELA Technical Community College, Lake Charles - Hospitality and Tourism	1,145,743
Delgado Advanced Technical Building and Campus Expansion - Westbank Campus, New Orleans	188,000

##### Pledges Receivable - Subject to Capital Purchases for:

Bossier Parish Community College, Bossier Parish - Science, Technology, Engineering and Math (STEM) Building	146,205
Delgado Community College, City Park Campus	981,818
Fletcher One Stop Shop for All Student Activities	613,636
<b>Total</b>	<u>\$ 3,803,876</u>

Net assets released from restrictions by incurring expenses satisfying the restricted construction purpose totaled \$1,375,695 during the year ended December 31, 2020.

#### Note 9. Concentrations of Risk

The Corporation received 100% of its Facilities Lease Rental Revenue from the Board of Supervisors of the Louisiana Community and Technical College System.

## LCTCS FACILITIES CORPORATION

### Notes to the Financial Statements

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#### **Note 9. Concentrations of Risk (Continued)**

The Corporation periodically maintains cash in trust and deposit 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. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2020, the amount in excess of FDIC limits was approximately \$34,000,000.

#### **Note 10. Uncertain Tax Positions**

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Corporation 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.

Penalties and interest assessed by income taxing authorities, if any, would be included in interest expense.

#### **Note 11. Related Parties**

During 2019, the Chairman of the Corporation was also a member of the Board of Supervisors of the Louisiana Community and Technical College System.

One law firm is serving as both counsels to the Board and the Corporation. In the event of a dispute between the Board and the Corporation, this law firm may face a conflict of interest and may need to resign from representing the Board and/or the Corporation.

The Financial Advisor serving the Corporation in connection with the issuance of the bonds, and the Program Administrator serving in connection with the implementation of the project, including matters relating to the investment and expenditure of the bond proceeds, are related and affiliated companies under common control and ownership.

#### **Note 12. Liquidity and Availability**

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Corporation has available. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of cash and cash equivalents - administrative fund, totaling \$4,189,962 at December 31, 2020. As part of the Corporations liquidity management plan, cash in excess of daily requirements is invested in money market funds.

## LCTCS FACILITIES CORPORATION

### Notes to the Financial Statements

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#### **Note 13. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2021 and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTARY INFORMATION**

**LCTCS FACILITIES CORPORATION**  
**Schedule of Compensation, Benefits, and Other Payments to Agency Head**

**For the Year Ended December 31, 2020**

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**Agency Head**  
Stephen C. Smith, Chairman

<b>Purpose</b>	<b>Amount</b>
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

See independent auditor's report.



**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**

Independent Auditor's Report

To the Board of Directors  
LCTCS Facilities Corporation  
New Orleans, Louisiana

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 LCTCS Facilities Corporation (the Corporation), which comprises the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the Corporation'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 financial statements. 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
June 28, 2021

**LCTCS FACILITIES CORPORATION**

**Schedule of Findings and Responses  
For the Year Ended December 31, 2020**

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**Section I - Summary of Auditor's Results**

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditor's report:   | Unmodified    |
| 2. Internal control over financial reporting and compliance and other matters:   |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| c. Non-compliance material to the financial statements noted?                    | No            |

**Section II - Internal Control Over Financial Reporting**

None.

**Section III - Compliance and Other Matters**

None.

**LCTCS FACILITIES CORPORATION**

**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2020**

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None.