

**SOUTH LOUISIANA FACILITIES CORPORATION**

**FINANCIAL REPORT**

**JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
South Louisiana Facilities Corporation  
Lafayette, Louisiana

We have audited the accompanying financial statements of South Louisiana Facilities Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019 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 South Louisiana Facilities Corporation as of June 30, 2020 and 2019, 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.

## Other Matters

### *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 August 5, 2020, on our consideration of South Louisiana 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 South Louisiana Facilities Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Broussard" followed by a stylized flourish.

Lafayette, Louisiana  
August 5, 2020

**FINANCIAL STATEMENTS**

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ <u>73,030</u>	\$ <u>64,336</u>
<b>RESTRICTED ASSETS</b>		
Cash	\$ <u>1,771,034</u>	\$ <u>1,609,770</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	\$ 15,326,200	\$ 15,326,200
Furniture	1,105,167	1,105,167
Accumulated depreciation	<u>(6,901,575)</u>	<u>(6,487,137)</u>
Total property and equipment	\$ <u>9,529,792</u>	\$ <u>9,944,230</u>
Total assets	<u>\$ 11,373,856</u>	<u>\$ 11,618,336</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Current maturities of bond payable	\$ 950,000	\$ 920,000
Accrued interest payable	<u>65,118</u>	<u>74,316</u>
Total current liabilities	\$ <u>1,015,118</u>	\$ <u>994,316</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable less current maturities	\$ 7,540,000	\$ 8,490,000
Bond premium, net of accumulated amortization of \$210,235 and \$188,294, respectively	88,172	110,113
Bond issuance costs, net of accumulated amortization of \$222,156 and \$199,005, respectively	<u>(92,723)</u>	<u>(115,874)</u>
Total long-term liabilities	\$ <u>7,535,449</u>	\$ <u>8,484,239</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 1,052,255	\$ 530,011
With donor restrictions	<u>1,771,034</u>	<u>1,609,770</u>
Total net assets	\$ <u>2,823,289</u>	\$ <u>2,139,781</u>
Total liabilities and net assets	<u>\$ 11,373,856</u>	<u>\$ 11,618,336</u>

See Notes to Financial Statements.

SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, LOSSES AND OTHER SUPPORT</b>			
Rental income	\$ 1,198,869	\$ -	\$ 1,198,869
Contributions	20,000	141,414	161,414
Interest income	<u>1,218</u>	<u>19,850</u>	<u>21,068</u>
Total revenues, gains, losses and other support	<u>\$ 1,220,087</u>	<u>\$ 161,264</u>	<u>\$ 1,381,351</u>
<b>EXPENSES</b>			
Program expenses:			
Interest expense	\$ 270,880	\$ -	\$ 270,880
Depreciation expense	414,438	-	414,438
Supporting services:			
Legal services	4,435	-	4,435
Accounting and auditing	8,075	-	8,075
Bank charges	<u>15</u>	<u>-</u>	<u>15</u>
Total expenses	<u>\$ 697,843</u>	<u>\$ -</u>	<u>\$ 697,843</u>
Change in net assets	\$ 522,244	\$ 161,264	\$ 683,508
Net assets at beginning of year	<u>530,011</u>	<u>1,609,770</u>	<u>2,139,781</u>
Net assets at end of year	<u>\$ 1,052,255</u>	<u>\$ 1,771,034</u>	<u>\$ 2,823,289</u>

See Notes to Financial Statements.

SOUTH LOUISIANA 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	\$ 1,200,619	\$ -	\$ 1,200,619
Contributions	20,000	141,414	161,414
Interest income	<u>980</u>	<u>28,793</u>	<u>29,773</u>
Total revenues, gains, losses and other support	<u>\$ 1,221,599</u>	<u>\$ 170,207</u>	<u>\$ 1,391,806</u>
<b>EXPENSES</b>			
Program expenses:			
Interest expense	\$ 305,256	\$ -	\$ 305,256
Depreciation expense	414,439	-	414,439
Supporting services:			
Legal services	4,379	-	4,379
Accounting and auditing	6,283	-	6,283
Bank charges	<u>15</u>	<u>-</u>	<u>15</u>
Total expenses	<u>\$ 730,372</u>	<u>\$ -</u>	<u>\$ 730,372</u>
Change in net assets	\$ 491,227	\$ 170,207	\$ 661,434
Net assets at beginning of year	<u>38,784</u>	<u>1,439,563</u>	<u>1,478,347</u>
Net assets at end of year	<u>\$ 530,011</u>	<u>\$ 1,609,770</u>	<u>\$ 2,139,781</u>

See Notes to Financial Statements.



SOUTH LOUISIANA FACILITIES CORPORATION

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 683,508	\$ 661,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	414,438	414,439
Amortization included in interest expense:		
Bond issuance costs	23,151	25,084
Bond premium	(21,941)	(23,771)
Decrease in accrued interest payable	<u>(9,198)</u>	<u>(6,676)</u>
Net cash provided by operating activities	<u>\$ 1,089,958</u>	<u>\$ 1,070,510</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for bonds	<u>\$ (920,000)</u>	<u>\$ (890,000)</u>
Net increase in cash and cash equivalents	\$ 169,958	\$ 180,510
Cash and cash equivalents, beginning of year	<u>1,674,106</u>	<u>1,493,596</u>
Cash and cash equivalents, end of year	<u>\$ 1,844,064</u>	<u>\$ 1,674,106</u>
 <b>Reconciliation of cash</b>		
Cash – operating	\$ 73,030	\$ 64,336
Cash – restricted	<u>1,771,034</u>	<u>1,609,770</u>
	<u>\$ 1,844,064</u>	<u>\$ 1,674,106</u>

See Notes to Financial Statements.

## SOUTH LOUISIANA FACILITIES CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Nature of Organization and Significant Accounting Policies

##### Nature of organization:

South Louisiana Facilities Corporation (the "Corporation"), is a Louisiana nonprofit corporation chartered in December 2001. Its purpose is to promote, assist and benefit the mission of the South Louisiana Community 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 South Louisiana 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. The bond indenture also provides for continuing contributions from the college system to be placed into a repair and maintenance reserve account for future repairs and maintenance to the facility. At June 30, 2020 and 2019, \$1,771,034 and \$1,609,770, respectively were on deposit with the trustee in the repair and maintenance reserve account.

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. 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.

## NOTES TO FINANCIAL STATEMENTS

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

### Bond Issuance Costs –

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

### Bond Premium –

Bond premium resulting from the issuance of the revenue 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	10

Interest on debt issued to finance the 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 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 -

The Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended by Accounting Standards Update (ASU) 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date*. This ASU is a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of this ASU 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 to which the entity expects to be entitled in exchange for those goods and services. In order to achieve this revenue streams are evaluated using a five-step process. This ASU was effective for non-public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, however on May 20, 2020 the FASB extended the required implementation period to fiscal years beginning after December 15, 2019. The Corporation is continuing to evaluate the impact of this

## NOTES TO FINANCIAL STATEMENTS

guidance on its financial statements and plans to implement next year.

### Note 2. Long-Term Debt

Series 2002 revenue bonds, with an aggregate principal amount of \$17,840,000, were issued by the Lafayette Public Trust Financing Authority and the proceeds were loaned to the Corporation pursuant to a loan agreement dated October 1, 2002. In September 2012, the Corporation issued \$13,185,000 of non-taxable refunding revenue bonds through the Lafayette Public Trust Financing Authority. The purpose of the 2012 refunding bonds was to refund the Series 2002 revenue bonds of the Corporation to lower debt service payments resulting from lower interest rates available at the time of refunding.

The Series 2012 bonds were issued at a premium of \$298,407 and the cost of issuance consisted of \$88,999 of underwriter's discount deducted from the bond proceeds and payments of additional costs of issuance of \$225,880 were paid by the Corporation. The refunding reduced the total debt service payments by \$2,742,770 and resulted in an economic gain of \$1,980,000.

Bonds issued under the 2012 Series are at interest rates ranging from 2.0% to 4.0%, depending on maturity date. The average interest rate of bonds outstanding as of June 30, 2020 was 3.068%.

Aggregate maturities required on long-term debt, including interest of \$1,099,109 are as follows at June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 950,000	\$ 246,219	\$1,196,219
2022	980,000	217,269	1,197,269
2023	1,015,000	187,344	1,202,344
2024	1,040,000	156,519	1,196,519
2025	1,070,000	124,869	1,194,869
2026-2028	3,435,000	166,889	3,601,889
	<b><u>\$8,490,000</u></b>	<b><u>\$1,099,109</u></b>	<b><u>\$9,589,109</u></b>

Cash payments for interest during the years ended June 30, 2020 and 2019 were \$278,869 and \$310,619, 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 semiannually (March 15 and September 15) 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 April 1 or October 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 South Louisiana Facilities Corporation in the management, operation, ownership, and/or maintenance of the Facilities.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Ground Lease Agreement

The Corporation entered into an agreement effective October 29, 2002 to lease the land on which the Facilities will be constructed from the Board. The lease term expires on October 1, 2028. The rent shall be due and paid annually in advance in the sum of \$1 per year.

### Note 5. Contributions

The Corporation receives annual contributions from the Louisiana Community and Technical College Systems for administrative costs and from the State of Louisiana for the maintenance of the facilities in compliance with the maintenance reserve fund requirement established in the trust indenture for the bonds.

### Note 6. Concentrations of Risk

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

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

### Note 7. 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 were comprised of operating cash in the amount of \$73,030 and \$64,336 as of June 30, 2020 and 2019, respectively.

### Note 8. Subsequent Events

The Corporation evaluated the need for disclosures and/or adjustments resulting from subsequent events through August 5, 2020, the date the financial statements were available to be issued. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Corporation operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Corporation. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

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SUPPLEMENTARY INFORMATION

SOUTH LOUISIANA FACILITIES CORPORATION  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD  
Year Ended June 30, 2020

Agency Head: Brett Mellington, Director

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  
South Louisiana Facilities Corporation  
Lafayette, 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 South Louisiana Facilities Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 August 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Louisiana 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 South Louisiana Facilities Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of South Louisiana 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 South Louisiana 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.



Lafayette, Louisiana  
August 5, 2020



**SOUTH LOUISIANA FACILITIES CORPORATION**

**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2020**

**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.