

UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

UNIVERSITY OF LOUISIANA
MONROE FACILITIES, INC.

Annual Financial Statements
As of and for the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
University of Louisiana Monroe Facilities, Inc.
Monroe, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of University of Louisiana Monroe Facilities, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the basic 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 University of Louisiana Monroe Facilities, Inc.'s (the Organization) 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 Organization'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of University of Louisiana Monroe Facilities, Inc. as of June 30, 2020, and the change 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedules, the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer on page 38, as required by the Louisiana Legislative Auditor, and the Schedule of Revenues, Expenses, and Capitalized Expenditures Made to or on Behalf of ULM's Intercollegiate Athletics Program on page 39, are presented for purposes of additional analysis and are 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020, on our consideration of University of Louisiana Monroe, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 University of Louisiana Monroe Facilities, Inc.'s internal control over financial reporting and compliance.

Prior-Period Financial Statements

The financial statements of University of Louisiana Monroe Facilities, Inc. as of June 30, 2019, were audited by other auditors; dated August 21, 2019, expressed an unmodified opinion on those statements.



Monroe, Louisiana
August 24, 2020

FINANCIAL STATEMENTS

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents, restricted	\$ 9,598,380	\$ 9,492,071
Accounts receivable, net of allowance for doubtful accounts	84,328	87,058
Due from ULM - student rent collections	389,907	558,081
Due from ULM - other	126,072	151,500
Due from ULM Athletic Foundation	170,134	-
	<u>\$ 10,368,821</u>	<u>\$ 10,288,710</u>
RESTRICTED ASSETS		
Cash and cash equivalents, noncurrent	\$ 5,870,624	\$ 6,202,228
	<u>\$ 5,870,624</u>	<u>\$ 6,202,228</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>\$ 58,712,422</u>	<u>\$ 60,108,863</u>
	<u>\$ 74,951,867</u>	<u>\$ 76,599,801</u>
Total assets	<u>\$ 74,951,867</u>	<u>\$ 76,599,801</u>

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UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
CURRENT LIABILITIES		
Accounts payable - operation	\$ 469,116	\$ 583,568
Deferred revenues - student rents and other	411,150	531,148
Contracts and retainage payable	22,311	249,213
Accrued interest payable	198,720	198,803
Due to ULM	590,000	590,000
Current portion of long-term debt	<u>3,665,000</u>	<u>3,455,000</u>
Total current liabilities	<u>\$ 5,356,297</u>	<u>\$ 5,607,732</u>
LONG-TERM LIABILITIES		
Notes payable, net of unamortized debt issuance costs	\$ 60,703,074	\$ 64,069,825
Less: current portion of long-term debt	<u>(3,665,000)</u>	<u>(3,455,000)</u>
Total notes payable, net of current portion	<u>\$ 57,038,074</u>	<u>\$ 60,614,825</u>
Total long-term liabilities	<u>\$ 57,038,074</u>	<u>\$ 60,614,825</u>
Total liabilities	<u>\$ 62,394,371</u>	<u>\$ 66,222,557</u>
NET ASSETS		
Net assets without donor restrictions	\$ 12,557,496	\$ 10,377,244
Total net assets	<u>\$ 12,557,496</u>	<u>\$ 10,377,244</u>
Total liabilities and net assets	<u>\$ 74,951,867</u>	<u>\$ 76,599,801</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Net Assets	
	Without Donor Restrictions	
	2020	2019
OPERATING REVENUES		
Student rent income	\$ 8,112,556	\$ 8,490,214
Facilities rents (student fees)	2,246,380	2,177,472
Contributions - International House	-	167,591
Contributions - Wally Jones Golf Complex	855,784	-
Other income	40,733	37,334
Total operating revenues	<u>\$ 11,255,453</u>	<u>\$ 10,872,611</u>
OPERATING EXPENSES		
Program services:		
Program expenses in support the University of Louisiana at Monroe	\$ 5,736,398	\$ 5,686,624
Support services:		
Management and general administrative	32,346	49,141
Total operating expenses	<u>\$ 5,768,744</u>	<u>\$ 5,735,765</u>
Change in net assets from operations	<u>\$ 5,486,709</u>	<u>\$ 5,136,846</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 120,235	\$ 163,567
Interest expense	(1,959,905)	(1,864,475)
Bond-related fees	(11,000)	(11,000)
Fraud loss - Note 15	-	(59,201)
Transfer/donation of funds to the University of Louisiana at Monroe	(1,455,787)	(5,131,225)
Total nonoperating revenues (expenses)	<u>\$ (3,306,457)</u>	<u>\$ (6,902,334)</u>
Change in net assets before realized/unrealized gains (losses)	<u>\$ 2,180,252</u>	<u>\$ (1,765,488)</u>

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UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Net Assets	
	Without Donor Restrictions	
	2020	2019
Change in net assets	\$ 2,180,252	\$ (1,765,488)
Net assets, beginning of year	\$ 10,377,244	\$ 12,142,732
Net assets, end of year	\$ 12,557,496	\$ 10,377,244

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 2,180,252	\$ (1,765,488)
Change in net assets to net cash provided by operating activities:		
Transfer of property and equipment	865,788	4,541,225
Depreciation expense	2,998,708	2,477,707
Amortization expense - debt issuance costs	88,248	84,174
Provision for bad debts	13,304	-
(Increase) decrease in receivables	(10,573)	(65,947)
(Increase) decrease in amount due from ULM - student rent collections	168,174	(421,473)
(Increase) decrease in amount due from ULM - other	(144,706)	-
(Increase) decrease in amount of grant receivable - GOHSEP	-	157,258
Increase (decrease) in accounts payable	14,866	(5,833)
Increase (decrease) in due to ULM - other	(175,275)	-
Increase (decrease) in due to ULM - transfer	-	590,000
Increase (decrease) in deferred revenue	(119,998)	7,583
Increase (decrease) in accrued interest payable	(82)	(3,230)
Net cash provided by operating activities	<u>\$ 5,878,706</u>	<u>\$ 5,595,976</u>
Cash flows from investing activities		
Payments for property and equipment acquisition and construction	\$ (2,649,001)	\$ (5,197,336)
Net cash provided used for investing activities	<u>\$ (2,649,001)</u>	<u>\$ (5,197,336)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	\$ -	\$ 2,000,000
Principal payments on debt	(3,455,000)	(3,260,000)
Payments of debt issuance costs	-	(70,398)
Net cash used for financing activities	<u>\$ (3,455,000)</u>	<u>\$ (1,330,398)</u>
Net decrease in cash and cash equivalents	\$ (225,295)	\$ (931,758)
Cash and cash equivalents, beginning of year	15,694,299	16,626,057
Cash and cash equivalents, end of year	<u>\$ 15,469,004</u>	<u>\$ 15,694,299</u>

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UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest:		
Paid (net of \$0 and \$168,271 capitalized in 2020 and 2019)	\$ 1,871,820	\$ 1,615,260
Total	<u>\$ 1,871,820</u>	<u>\$ 1,615,260</u>
Cash and cash equivalents are presented as follows in the Statements of Financial Position:		
Current assets:		
Cash and cash equivalents - restricted	\$ 9,598,380	\$ 9,492,071
Restricted assets:		
Cash and cash equivalents - noncurrent	5,870,624	6,202,228
Net cash provided by financing activities	<u>\$ 15,469,004</u>	<u>\$ 15,694,299</u>
Schedule of noncash investing/financing activities		
Acquisition of property and equipment through the incurrence of liabilities	<u>\$ 68,266</u>	<u>\$ 249,213</u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019			
	Program Services	Management and General	Total	Program Services	Management and General	Total
Bad debts	\$ 13,034	\$ -	\$ 13,034	\$ 10,808	\$ -	\$ 10,808
Bank charges	79	-	79	1,101	-	1,101
Depreciation	2,628,832	-	2,628,832	2,477,707	-	2,477,707
Insurance	25,280	-	25,280	8,270	11,950	20,220
Maintenance and repairs	32,990	-	32,990	5,219	-	5,219
Management fees - facilities	2,998,707	-	2,998,707	3,145,601	-	3,145,601
Professional fees - legal	24,214	3,000	27,214	16,091	7,576	23,667
Professional fees - accounting and audit	-	29,346	29,346	-	27,185	27,185
Professional fees - other	-	-	-	-	2,430	2,430
Postage	-	-	-	26	-	26
Taxes and license expense	-	-	-	8,772	-	8,772
Utilities	13,262	-	13,262	13,029	-	13,029
	<u>\$ 5,736,398</u>	<u>\$ 32,346</u>	<u>\$ 5,768,744</u>	<u>\$ 5,686,624</u>	<u>\$ 49,141</u>	<u>\$ 5,735,765</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - ORGANIZATION

University of Louisiana Monroe Facilities, Inc. (the Organization), a nonprofit corporation, was organized under the laws of the State of Louisiana on February 27, 2004. The Organization was formed for the benefit of the University of Louisiana at Monroe (ULM), and its principal purpose is to coordinate, construct, and finance the development of facilities on the campus of ULM and to oversee the management of such facilities. Certain operations are regulated by the Board of Supervisors for the University of Louisiana System (the Board), the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority), and Regions Bank (the Trustee) through the provisions of ground and building lease agreements, facilities lease agreements, loan and assignment agreements, and trust indentures, including amendments and supplements, as applicable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Basis of Presentation

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, the Organization required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions). Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

All net assets of the Organization at June 30, 2020, were considered to be net assets without donor restrictions.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-4, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two—net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ended June 30, 2019, and thereafter, and must be applied on a retrospective basis. The Organization adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Contributions

In accordance with FASB ASC 958-205, *Not-for-Profit Entities - Revenue Recognition*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending upon the existence of donor-imposed restrictions. The Organization has elected to recognize restricted contributions which are released from the restriction in the same year as unrestricted contributions.

Estimates

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

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all cash and all highly liquid debt instruments purchases with a maturity of three months or less to be cash and cash equivalents.

Liquidity and Availability of Resources

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

	<u>2020</u>
Cash and cash equivalents	\$ 9,598,380
Accounts receivable	84,328
Due from ULM - Student Housing Rental collections	<u>389,907</u>
Total	<u>\$ 10,072,615</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations become due. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months. In addition, the Organization may maintain funds in a reserve for replacement. These funds are used for the benefit of the students and/or the Organization. Such funds are not considered by the Organization to have donor restrictions.

Fair Value Measurements

Investments are reported at fair value in the Organization's financial statements. Fair value represents the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into levels:

Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2 - observable prices that are based on inputs not quoted in active markets but corroborated by market data.

Level 3 - unobservable inputs are used when little or no market is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. See Note 4 for further illustration.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. Accounts receivable consists of the amount due from students for housing rental and the amount due on the Laundry Room lease. At June 30, 2020 and 2019, the accounts receivable for student rents totaled \$96,666 and \$94,435, respectively, and the amount due under the Laundry Room lease agreement totaled \$1,054 and \$850, respectively. The allowance for doubtful accounts totaled \$13,392 and \$8,227 at June 30, 2020 and 2019, respectively. The allowance for doubtful accounts for student rent receivables is estimated by applying a historical percentage to the rents receivable due from former students. The receivables due from student rents are considered to be past due when they are still owed as of the 14th class day of each semester. These receivables are deemed uncollectible once the student is no longer enrolled at ULM and are charged off if there is no activity for a three-year period from the date they are deemed uncollectible.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment, and Depreciation

Project costs clearly associated with the acquisition, development, and construction/renovation of buildings, structures, and site improvements are capitalized. Indirect project costs that relate to several projects are capitalized and allocated to the projects to which the costs relate. Indirect costs that do not clearly relate to projects under development or construction, including general and administrative expenses, are charged to expense as incurred. Interest related to the development and construction of a project is allocated to the project's cost through the date of substantial completion of the project. Furniture, fixtures, equipment, and site improvements are recorded at acquisition cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The Organization capitalizes additions of property and equipment in excess of \$1,000 at cost or fair value if donated. Depreciation is provided for in amounts sufficient to the related cost or fair value of depreciable assets to operations computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

Buildings and renovations	19-39 years
Furniture, fixtures, and equipment	5-7 years
Site improvements	4-20 years
Campus parking	14 years

Improvements that materially prolong the useful lives of assets are capitalized, while expenditures for normal maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statements of Activities.

Debt Issuance Costs

Debt issuance costs are being amortized over the lives of the debt using the effective interest method. Debt issuance costs are reported net of accumulated amortization of \$476,121 and \$387,872 as of June 30, 2020 and 2019, respectively, and are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Student Rent Income

Student rent income is derived primarily from student rentals of the housing facilities and is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases for student housing are operating leases and do not exceed 12 months in duration.

Student Fees

Student fees consist of a portion of the Student Health Center Fees, Student Union Fees, Student Success Center Fees, Athletic Facility Fees, Student Activity Enhancement Fees, Vehicle Fees, and Brown Stadium Student Support Fees, which are charges, as applicable, to the students at the time of enrollment in ULM. The Organization records student fees in income at the time such fees are received by the Organization. The student fees received from ULM are considered to be "rents" in accordance with the terms of each Agreement to Lease with Option to Purchase as described in Note 8 - Ground and Facilities Leases and Agreement.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Functional Allocation of Expenses

The costs of the Organization have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program services and support services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Professional services	Time and effort

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2010, the Organization adopted certain provisions of FASB ASC 740, *Income Taxes*. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2019, 2018, and 2017, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3 - RESTRICTED ASSETS - CASH AND CASH EQUIVALENTS

The Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) has had several bond issues, the proceeds of which have been loaned to the Organization. The provisions of the various trust indentures and loan and assignment agreements between the Organization and the Authority require the Organization to establish various trust funds with the Trustee which are restricted in use for, amount other things, debt service, capital projects, renovations, and operations. The trust funds are included in cash and cash equivalents in the statements of financial position.

Replacement Funds

In accordance with the provisions of the trust indentures for the Series 2004A and 2004B, the Series 2006, and the Series 2014 Student Success Center bond issues, the Organization is required to fund Replacement Funds on an annual basis. The Replacement Funds are to be used to: (1) fund the cost of replacing any worn out, obsolete, inadequate, unsuitable, or undesirable property, furniture, fixtures, or equipment placed upon or used in connection with those facilities which were funded through bond proceeds and (2) maintain such facilities and to make all alterations, repairs, restorations, and replacements to such facilities as and when needed to preserve the facilities in good working order, condition, and repair.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020

NOTE 3 - RESTRICTED ASSETS - CASH AND CASH EQUIVALENTS (continued)**Replacement Funds (continued)**

Funds in the Replacement Fund may, with the consent of the bondholders, also be used to pay debt service on the bonds in the event there are insufficient funds in the Debt Service Fund and Debt Service Reserve Fund on the date such payment of debt service is due.

The Series 2004A and 2004B Trust Indenture and the Series 2004C and 2004D Trust Indenture require the Organization to fund the Replacement Fund on an annual basis beginning on November 1, 2006. The annual amount required to be funded is equal to 1½% of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2020 and 2019, the Replacement Fund balance totaled \$2,481,772 and \$2,843,069, respectively.

The Series 2007 Trust Indenture, which was refunded during the year ended June 30, 2015, by the Series 2014 Student Success Center bond issue, requires the Organization to fund the Replacement Fund on an annual basis beginning on November 1, 2009. The annual amount required to be funded is equal to 1½% of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2020 and 2019, the Replacement Fund balance totaled \$265,670 and \$233,001, respectively.

The total amount required to be contributed annually to the Replacement Fund is \$771,086. As of June 30, 2020 and 2019, the Replacement Fund were adequately funded.

The Series 2016 Student Center Project Trust Indenture required an up-front funding of the Replacement Reserve Account. At June 30, 2020 and 2019, the Series 2016 Replacement Reserve Account totaled \$603,673 and \$596,400, respectively.

The Series 2017 Brown Stadium Project Trust Indenture required an up-front funding of a Maintenance Reserve Account in the amount of \$352,773. At June 30, 2020 and 2019, the Series 2017 Maintenance Reserve Account totaled \$367,603 and \$362,895, respectively.

Debt Service Reserve Funds

The Organization maintains Debt Service Reserve Funds for the Series 2004A debt, the Series 2004C debt (Series 2004), and the Series 2014 debt. Moneys in each of the Debt Service Reserve Funds will be used to pay the amounts due on the related debt but only to the extent that there are not sufficient funds in the Receipts Fund to pay such amounts. As of June 30, 2020 and 2019, the Series 2004A Debt Service Fund totaled \$1,125,647 and \$1,133,471, the Series 2004C Debt Service Reserve Fund totaled \$1,026,260 and \$1,033,392, and the Series 2014 Debt Reserve Fund totaled \$0 and \$70, respectively.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 - CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS

Cash and cash equivalents consist of various short-term investments maintained by the Bond Trustee in certain trust accounts and are stated at fair value. At June 30, 2020 and 2019, cash and cash equivalents held in investments with the Trustee consisted of the following:

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain/(Loss)
June 30, 2020			
<u>Fidelity Institutional Treasury Portfolio CI I</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 964,883	\$ 964,883	\$ -
Total Fidelity Institutional Treasury Portfolio CI I	<u>\$ 964,883</u>	<u>\$ 964,883</u>	<u>\$ -</u>
<u>Fidelity Institutional Treasury Portfolio CI II</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 11,162	\$ 11,162	\$ -
Held in investments - noncurrent	367,603	367,603	-
Total Fidelity Institutional Treasury Portfolio CI II	<u>\$ 378,765</u>	<u>\$ 378,765</u>	<u>\$ -</u>
<u>Fidelity Institutional Treasury Portfolio CI III</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 964,407	\$ 964,407	\$ -
Held in investments - noncurrent	5,503,021	5,503,021	-
Total Fidelity Institutional Treasury Portfolio CI III	<u>\$ 6,467,428</u>	<u>\$ 6,467,428</u>	<u>\$ -</u>
Total cash and cash equivalents held in bond trust fund investments	<u><u>\$ 7,811,076</u></u>	<u><u>\$ 7,811,076</u></u>	<u><u>\$ -</u></u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 - CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (continued)

Description	Cost	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain/(Loss)
June 30, 2019			
<u>Fidelity Institutional Treasury Portfolio CI I</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 870,370	\$ 870,370	\$ -
Total Fidelity Institutional Treasury Portfolio CI I	<u>\$ 870,370</u>	<u>\$ 870,370</u>	<u>\$ -</u>
<u>Fidelity Institutional Treasury Portfolio CI II</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 311,095	\$ 311,095	\$ -
Held in investments - noncurrent	362,895	362,895	-
Total Fidelity Institutional Treasury Portfolio CI II	<u>\$ 673,990</u>	<u>\$ 673,990</u>	<u>\$ -</u>
<u>Fidelity Institutional Treasury Portfolio CI III</u>			
Cash and cash equivalents:			
Held in investments - current	\$ 889,570	\$ 889,570	\$ -
Held in investments - noncurrent	5,839,333	5,839,333	-
Total Fidelity Institutional Treasury Portfolio CI III	<u>\$ 6,728,903</u>	<u>\$ 6,728,903</u>	<u>\$ -</u>
Total cash and cash equivalents held in bond trust fund investments	<u>\$ 8,273,263</u>	<u>\$ 8,273,263</u>	<u>\$ -</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 - CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS (continued)

Realized gains and losses from securities sold are recorded on the specific identified cost basis. The following schedule summarizes the investment return included in interest income in the Statements of Activities for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Interest/dividend income	\$ 97,871	\$ 159,667
Net realized and unrealized gains/(losses)	<u>-</u>	<u>-</u>
Total investment returns	<u>\$ 97,871</u>	<u>\$ 159,667</u>

NOTE 5 - PROPERTY AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Buildings and renovations	\$ 71,564,021	\$ 70,846,046
Furniture, fixtures, and equipment	7,433,831	7,082,372
Site improvements	<u>10,575,854</u>	<u>4,025,709</u>
Total depreciable property	\$ 89,573,706	\$ 81,954,127
Less: accumulated depreciation	<u>(31,452,975)</u>	<u>(28,454,268)</u>
Net depreciable property	\$ 58,120,731	\$ 53,499,859
Land	515,191	135,918
Construction in progress	<u>76,500</u>	<u>6,473,086</u>
Net property and equipment	<u>\$ 58,712,422</u>	<u>\$ 60,108,863</u>

At June 30, 2020, all of the Organization's property and equipment, net of construction in progress, land, and buildings held for future development, were leased to the Board on behalf of ULM, in accordance with the facility lease agreements discussed in Note 8 to the financial statements.

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS

Notes Payable - Series 2004A, 2004A-T, 2004C, and 2004C-T

On June 30, 2004, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) issued \$33,365,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004A) and \$1,845,000 in Taxable Variable Rate Revenue Bonds (Series 2004B). On December 8, 2004, the Authority issued \$32,515,000 in Tax-Exempt Variable Rate Revenue Bonds (Series 2004C) and \$1,165,000 in Taxable Variable Rate Revenue Bonds (Series 2004D). The proceeds of the bond issues were loaned to the Organization for the following purposes: (1) to demolish eight existing dormitories on the campus of ULM; (2) to design, develop, and construct new on-campus student housing and to renovate and refurbish existing on-campus student housing; (3) to design, develop, and construct a new on-campus student infirmary; (4) to expand and renovate ULM's student center; (5) to pay off housing-related debt in the amount of \$1,178,926; and (6) to fund various reserves and to pay bond issuance costs. The Series 2004A and Series 2004B bond proceeds were loaned to the Organization pursuant to a Loan and Assignment Agreement by and between the Organization and the Authority dated June 1, 2004. The Series 2004C and Series 2004D bond proceeds were loaned to the Organization pursuant to a First Amendment to the Loan and Assignment Agreement by and between the Organization and the Authority dated December 1, 2004. During the year ended June 30, 2009, the indebtedness represented by the Series 2004B bonds and Series 2004D bonds were paid in full.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Notes Payable - Series 2004A, 2004A-T, 2004C, and 2004C-T (continued)

On December 1, 2009, the Authority and the Trustee entered into the Second Supplemental Trust Indenture whereby the Series 2004C bonds totaling \$32,240,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds - Series 2004C bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004C-T in the amount of \$2,240,000. As detailed in the Second Supplemental Trust Indenture, the Series 2004C bonds and the Series 2004C-T bonds are referred to as "Bank Rate Bonds". The Series 2004C bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the "Bank Rate"), and the Series 2004C-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the "Taxable Bank Rate").

On January 1, 2010, the Authority and the Trustee entered into the Third Supplemental Trust Indenture whereby the Series 2004A bonds totaling \$33,365,000 were reissued as Tax-Exempt Variable Rate Revenue Bonds - Series 2004A bonds in the amount of \$30,000,000 and Taxable Variable Rate Revenue Bonds - Series 2004A-T in the amount of \$3,365,000. As detailed in the Third Supplemental Trust Indenture, the Series 2004A bonds and the Series 2004A-T bonds are referred to as "Bank Rate Bonds". The Series 2004A bonds were subject to an interest rate of 59.8% of the LIBOR Rate plus 1.6% (the "Bank Rate"), and the Series 2004A-T bonds were subject to an interest rate of the LIBOR Rate plus 1.5% (the "Taxable Bank Rate").

On November 1, 2012, the Authority and the Trustee entered into an Amended and Restated Trust Indenture, which amends and restates in its entirety all previous amendments to the Trust Indenture (the First Supplemental Trust Indenture, the Second Supplemental Trust Indenture, and the Third Supplemental Trust Indenture - the Prior Indenture). The amendment is in connection with the refinancing and reissuance of the Series 2004 bonds and the conversion of the 2004A-T bonds and the 2004C-T bonds into Bank Rate bonds, on which the interest is exempt from federal income taxation. The current interest rate on the Bank Rate bonds is 2.92% per annum, which is fixed for a period of 10 years.

The principal and interest payments on the loans are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the Organization's obligations under the Loan and Assignment Agreement, as amended, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under each Amended and Restated Agreement to Lease With Option to Purchase between the Organization and the Board; all rents and receipts derived from occupancy of the on-campus facilities; and any and all additional revenues received by the Organization. As of June 30, 2020, the terms of the loans are as follows:

	<u>Underlying Bonds</u>	
	<u>Series 2004A Bonds</u>	<u>Series 2004C Bonds</u>
Annual interest rate	Bank Rate 2.92%	Bank Rate 2.92%
Interest payments due	Monthly	Monthly
Principal payments due	November 1	November 1
Commencing	11/1/2014	11/1/2014
Maturity date	11/1/2034	11/1/2035
Principal balance due at June 30, 2020	\$ 26,145,000	\$ 24,670,000
Principal balance due at June 30, 2019	\$ 27,455,000	\$ 25,695,000

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Notes Payable - Series 2004A, 2004A-T, 2004C, and 2004C-T (continued)

	<u>2020</u>	<u>2019</u>
Note payable - Series 2004A bonds	\$ 26,145,000	\$ 27,455,000
Less: unamortized debt issuance costs	<u>(658,632)</u>	<u>(784,341)</u>
Note payable - Series 2004A bonds, net	<u>\$ 25,486,368</u>	<u>\$ 26,670,659</u>
	<u>2020</u>	<u>2019</u>
Note payable - Series 2004C bonds	\$ 24,670,000	\$ 25,695,000
Less: unamortized debt issuance costs	<u>(465,605)</u>	<u>(573,553)</u>
Note payable - Series 2004C bonds, net	<u>\$ 24,204,395</u>	<u>\$ 25,121,447</u>

Note Payable - Series 2014 Athletic Facilities Project

On June 30, 2014, the Authority issued \$1,845,000 in Revenue and Refunding Bonds (Series 2014 Athletic Facilities Project). The proceeds of the bond issue were loaned to the Organization for the following purposes: (1) to refund its Promissory Note dated March 11, 2011, in favor of the Trustee in the original amount of \$2,000,000, (2) to finance football field improvements, and (3) to pay bond issuance costs. The Series 2014 Athletic Facilities Project bond proceeds were loaned to the Organization pursuant to a Loan and Assignment Agreement by and between the Organization and the Authority dated June 30, 2014.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.92% per annum and matures on June 11, 2024. Principal and interest are payable on the loan each September 11, December 11, March 11, and June 11, commencing September 11, 2014, in accordance to the amortization schedule included in the bond closing documents. To secure the Organization's obligations under the Loan and Assignment Agreement, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under the Agreement to Lease With Option to Purchase dated March 18, 2011, along with all amendments, between the Organization and the Board, and any leases, subleases, and use agreements or other similar agreements relating to the scoreboards, athletic facilities upgrades, and electronic display boards. The principal balance due on the Note Payable - Series 2014 Athletic Facilities Project bonds totaled \$810,000 and \$1,000,000 at June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Note payable - Series 2014 Athletic Facilities Project	\$ 810,000	\$ 1,000,000
Less: unamortized debt issuance costs	<u>(22,539)</u>	<u>(27,825)</u>
Note payable - Series 2014 Athletic Facilities Project, net	<u>\$ 787,461</u>	<u>\$ 972,175</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Note Payable - Series 2014 Student Success Center

On July 9, 2014, the Authority issued \$1,645,000 in Revenue Bonds (Series 2014 Student Success Center). The proceeds of the bond issue were loaned to the Organization for the following purposes: (1) to refund all or a portion of the Prior Bonds (Series 2007) issued for the development, construction, and equipping of the Clarke M. Williams Student Success Center (the Student Success Center), related facilities, and other campus improvements at the University, and (2) to pay bond issuance costs. The Series 2014 Student Success Center bond proceeds were loaned to the Organization pursuant to a Loan and Assignment Agreement by and between the Organization and the Authority dated June 30, 2014.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 3.14% per annum and matures on October 1, 2026. Interest is payable on the loan on April 1 and October 1 of each year, and principal is payable on October 1 of each year. To secure the Organization's obligations under the Loan and Assignment Agreement, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under the Agreement to Lease With Option to Purchase dated October 25, 2007, between the Organization and the Board; and any leases, subleases, and use agreements or other similar agreements relating to the Student Success Center; all rents, issues, receipts, and profits derived from the use or occupancy of the Student Success Center; and any and all additional revenues, income, receipts, and other payments, including but not limited to, insurance proceeds, grants, donations, and sale proceeds received by the Organization for or relating to the Student Success Center. The principal balance due on the Note Payable - Series 2014 Student Success Center bonds totaled \$1,015,000 and \$1,145,000 at June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Note payable - Series 2014 Student Success Center	\$ 1,015,000	\$ 1,145,000
Less: unamortized debt issuance costs	<u>(31,482)</u>	<u>(35,521)</u>
Note payable - Series 2014 Student Success Center, net	<u>\$ 983,518</u>	<u>\$ 1,109,479</u>

Note Payable - Series 2016 Student Event Center Project

On March 1, 2016, the Authority issued \$6,000,000 in Revenue Bonds (Series 2016). The proceeds of the bond issue were loaned to the Organization for (1) the purpose of acquiring, designing, developing, constructing, renovating, and reconstructing of the existing natatorium on the campus of ULM and the construction of a spirit group practice area, as well as a large events center to accommodate recruitment events, student events, parties, weddings, and conferences (the "Student Event Center"), and (2) to pay bond issuance costs. The Series 2016 bond proceeds were loaned to the Organization pursuant to a Loan and Assignment Agreement by and between the Organization and the Authority dated March 1, 2016.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Note Payable - Series 2016 Student Event Center Project (continued)

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. As such, the loan bears interest at a rate of 2.52% per annum and matures on June 20, 2036. Interest is payable on the loan on March 1 and September 1 of each year, and principal is payable on June 30 of each year. To secure the Organization's obligation under the Loan and Assignment Agreement, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under the Agreement to Lease With Option to Purchase dated March 1, 2016, between the Organization and the Board; any leases, subleases, and use agreements or other similar agreements relating to the Student Event Center Project; all rents, issues, receipts, and profits derived from the use or occupancy of the Student Event Center; and any and all additional revenues, income, receipts, and other payments, including, but not limited to, insurance proceeds, grants, donations, and sale proceeds received by the Organization for or relating to the Student Event Center Project. The principal balance due on the Note Payable - Series 2016 bonds totaled \$5,140,000 and \$5,370,000 at June 30, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Note payable - Series 2016 Student Event Center Project	\$ 5,140,000	\$ 5,370,000
Less: unamortized debt issuance costs	<u>(99,816)</u>	<u>(104,282)</u>
Note payable - Series 2016 Student Event Center Project, net	<u>\$ 5,040,184</u>	<u>\$ 5,265,718</u>

Note Payable - Series 2017 and 2018 Brown Stadium Project

On June 1, 2017, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) issued \$4,000,000 in Revenue Bonds (Series 2017). The proceeds of the bond issue were loaned to the Organization for (1) the purpose of acquiring, designing, developing, constructing, renovating, and the reconstructing of Brown Stadium and parking adjacent thereto, on the campus of the University (Brown Stadium), and (2) to pay bond issuance costs. The Series 2017 bond proceeds were loaned to the Organization pursuant to a Loan and Assignment Agreement by and between the Organization and the Authority dated June 1, 2017. To secure the Organization's obligations under the Loan and Assignment Agreement, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under the Agreement to Lease With Option to Purchase dated June 1, 2017, between the Organization and the Board; any leases, subleases, and use agreements or other similar agreements relating to the Brown Stadium Project; all rents, issues, receipts, and profits derived from the use of occupancy of Brown Stadium; and any and all additional revenues, income, receipts, and other payments, including, but not limited to, insurance proceeds, grants, donations, and sale proceeds received by the Organization for or relating to Brown Stadium.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Note Payable - Series 2017 and 2018 Brown Stadium Project (continued)

On August 1, 2018, the Authority and the Trustee entered into the First Supplemental Trust Indenture, whereby the Authority issued \$2,000,000 in Revenue bond Series 2018 on a parity with the Series 2017 bonds. The Series 2018 bond proceeds were loaned to the Organization pursuant to the Supplemental Loan and Assignment Agreement dated August 1, 2018, that supplements and amends the Loan and Assignment Agreement by and between the Organization and the Authority dated June 1, 2017. Under the Supplemental Indenture, the Series 2018 bond proceeds were loaned to the Organization for the purpose of (1) financing a portion of renovating, rehabilitating, and constructing the improvements to Brown Stadium and parking adjacent, thereto, on the campus, and (2) paying costs of issuance of the Series 2018 bonds.

The principal and interest payments on the loan are required to be the amount equal to the principal and interest amounts of the underlying bonds. To secure the Organization's obligations under the Supplemental Loan and Assignment Agreement, the Organization transferred, assigned, and pledged unto the Authority all right, title, and interest of the Organization in, to, and under the supplemented and amended Agreement to Lease With Option to Purchase dated August 1, 2018, between the Organization and the Board. The provisions and terms, as supplemented and amended, shall have the same meaning as the original Agreement to Lease With Option to Purchase dated June 1, 2017. As of June 30, 2019, the terms of the loans are as follows:

	<u>Underlying Bonds</u>	
	<u>Series 2017</u>	<u>Series 2018</u>
	<u>Brown Stadium</u>	<u>Brown Stadium</u>
	<u>Project</u>	<u>Project</u>
Annual interest rate	2.75%	3.56%
Interest payments due	Semi-annually	Semi-annually
Principal payments due	June 1	June 1
Commencing	6/1/2017	12/1/2018
Maturity date	6/1/2027	6/1/2027
Principal balance due at June 30, 2020	\$ 2,915,000	\$ 1,595,000
Principal balance due at June 30, 2019	\$ 3,285,000	\$ 1,795,000
	<u>2020</u>	<u>2019</u>
Note payable - Series 2017 Brown Stadium Project	\$ 2,915,000	\$ 3,285,000
Less: unamortized debt issuance costs	<u>(76,731)</u>	<u>(86,471)</u>
Note payable - Series 2017 Brown Stadium Project, net	<u>\$ 2,838,269</u>	<u>\$ 3,198,529</u>
	<u>2020</u>	<u>2019</u>
Note payable - Series 2018 Brown Stadium Project	\$ 1,595,000	\$ 1,795,000
Less: unamortized debt issuance costs	<u>(56,142)</u>	<u>(63,182)</u>
Note payable - Series 2018 Brown Stadium Project, net	<u>\$ 1,538,858</u>	<u>\$ 1,731,818</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 6 - NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (continued)

Aggregate Maturities of Long-Term Debt

The aggregate maturities of long-term debt for each of the next five years and in five-year increments thereafter, based on interest rates in effect at June 30, 2020, are as follows:

Years Ending June 30,	Principal	Fixed Rate Interest	Total
2021	\$ 3,665,000	\$ 1,762,621	\$ 5,427,621
2022	3,880,000	1,654,455	5,534,455
2023	3,865,000	1,541,431	5,406,431
2024	3,870,000	1,430,744	5,300,744
2025	3,805,000	1,313,714	5,118,714
2026-2030	18,240,000	4,904,097	23,144,097
2031-2035	20,350,000	2,168,669	22,518,669
2036-2040	<u>4,615,000</u>	<u>62,281</u>	<u>4,677,281</u>
Totals	<u>\$ 62,290,000</u>	<u>\$ 14,838,012</u>	<u>\$ 77,128,012</u>

The total amount of interest costs incurred for the year ended June 30, 2020, totaled \$1,871,656, of which \$1,871,656 was charged to expense.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization has demand deposits held in trust, as well as separately from the trust, by the Trustee. The Organization also has short-term investments (cash equivalents) in various funds containing U.S. Treasury securities, which are held in trust by the Trustee. The short-term investments, totaling \$7,811,073[at fair value (Level 1 inputs - quoted prices in active markets for identical assets) and at cost], are collateralized by U.S. Treasury securities and are uninsured and, thus, are exposed to credit risk. The demand deposits, in total, are insured by the Federal Deposit Insurance Corporation in an amount up to \$250,000 per financial institution. The Organization had uninsured deposit balances totaling \$7,407,928 at June 30, 2020. The Organization maintains its cash with a high quality financial institution which the Organization believes limits these risks.

Although the Organization does not require collateral to support financial instruments subject to credit risk, they obtain pledged securities from the Trustee in an effort to mitigate this risk. As of June 30, 2020, pledged securities amounted to \$9,468,547, which provides adequate coverage to mitigate the exposure of the uninsured deposits. The Organization has concentrations of credit risk relevant to its receivables for student rents and the Laundry Room Lease.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS

Student Housing, Student Health Center, and Student Union**Ground Lease Agreement**

The Organization and the Board, on behalf of ULM, entered into an Amended and Restated Ground and Buildings Lease Agreement (the Ground Lease) on June 1, 2004. Under the terms of the Ground Lease, the Board leases certain tracts of land and buildings owned by the Board and located on the campus of ULM to the Organization for the sum of \$1 per year. The Organization entered into the Ground Lease for the purpose of demolishing certain existing facilities and renovating, developing, and constructing student housing and related facilities, a student union, and an infirmary. The Board owns all of the facilities included in the Ground Lease subject to the Organization's rights under the Ground Lease, and leases back the student housing and related facilities, student union, and infirmary from the Organization for the support, maintenance, and benefit of the Board and ULM. See Facilities Lease Agreement below.

Facilities Lease Agreement

The Organization and the Board, on behalf of ULM, entered into an Amended and Restated Agreement to Lease With Option to Purchase (the Facilities Lease) on June 1, 2004. Under the terms of the Facilities Lease, the Organization leases the student housing and related facilities to the Board, and the Board agrees, upon completion of renovation and construction of the student housing and related facilities, to accept possession of such housing and facilities. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Organization for the use and occupancy of the student housing and facilities. The base rental is due on the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the reserve funding requirements of the indentures. The Board agrees to pay, as additional rental, any and all expenses incurred by the Organization on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the student housing and related facilities.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (1) November 1, 2044, or (2) the date that all amounts owed under the indentures have been paid.

Student Success Center**Ground Lease Agreement**

The Organization and the Board, on behalf of ULM, entered into a Ground and Buildings Lease Agreement (the Ground Lease) on October 25, 2007. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Organization for the sum of \$1 per year. The Organization entered into the Ground Lease for the purpose of demolishing and/or renovating certain existing buildings and developing, constructing, and equipping the Clarke M. Williams Student Success Center, related facilities, and other campus improvements from the Organization for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described on the next page.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Student Success Center (continued)

Ground Lease Agreement (continued)

Unless terminated sooner, as provided in the Ground Lease, the lease will terminate on the earlier of (1) October 25, 2032, or (2) the date on which the bonds issued on behalf of the Organization to pay for construction of the Clarke M. Williams Student Success Center, related facilities, and other campus improvements have been paid or have been deemed to have been paid in full.

Facilities Lease Agreement

The Organization and the Board, on behalf of ULM, entered into an Agreement to Lease With Option to Purchase (the Facilities Lease) on October 25, 2007. Under the terms of the Facilities Lease, the Organization will lease, upon completion, the Clarke M. Williams Student Success Center, related facilities, and other campus improvements to the Board, and the Board agrees, upon completion of construction of such projects, to accept possession of the projects. Under the terms of the Facilities Lease, the Board is required to pay a base rental and an additional rental to the Organization for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirements of the indenture. The Board agrees to pay, as additional rental, any and all expenses incurred by the Organization on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000.

Scoreboards, Athletic Facilities Upgrades, and Electronic Display Boards

Ground Lease Agreement

The Organization and the Board, on behalf of ULM, entered into a Ground and Buildings Lease Agreement (the Ground Lease) on March 18, 2011. Under the terms of the Ground Lease, the Board leases certain tracts of land owned by the Board and located on the campus of ULM to the Organization for the sum of \$1 per year. The Organization entered into the Ground Lease for the following purposes: (1) to install scoreboards at Malone Stadium, the baseball stadium, the softball field, and the soccer field; (2) to install chair-back seating in Malone Stadium; (3) to construct dugouts at the softball field and the soccer field; and (4) to install two electronic display boards. The Board owns all of the facilities included in the Ground Lease, subject to the Organization's rights under the Ground Lease and, upon completion, will lease back the electronic display boards, scoreboards, seating, and dugouts as set forth in the Facilities Lease described below. On June 30, 2014, the Organization and the Board, on behalf of ULM, entered into an Amendment to the Ground Lease for the purpose of extending the term of the Ground Lease.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (1) June 30, 2024, or (2) the date on which the loan issued on behalf of the Organization to pay for the construction of the facilities has been paid or has been deemed to have been paid in full.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Scoreboards, Athletic Facilities Upgrades, and Electronic Display Boards (continued)**Facilities Lease Agreement**

The Organization and the Board, on behalf of ULM, entered into an Agreement to Lease With Option to Purchase (the Facilities Lease) on March 18, 2011. Under the terms of the Facilities Lease, the Organization will lease, upon completion of installation and/or construction, to the Board the following: (1) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (2) to install chair-back seating in Malone Stadium; (3) to construct dugouts at the softball field and the soccer field; and (4) to install two electronic display boards. The Board agrees, upon completion of installation and/or construction, to accept possession of the following: (1) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (2) the chair-back seating in Malone Stadium; (3) the dugouts at the softball field and the soccer field; and (4) two electronic display boards. Under the terms of the Facilities Lease, the Board is required to pay a base rental to the Organization for the use of the scoreboards, chair-back seating, dugouts, and electronic display boards. The base rental is due quarterly, on the 1st day of the month preceding the next interest and principal payment date, in an amount equal to the amount necessary to pay the principal and interest due and payable on the loan on the following principal payment date. In addition to the base rental, the Board agrees to pay, as additional rental, any and all expenses incurred by the Organization on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the scoreboard, chair-back seating, dugouts, and electronic display boards. On June 30, 2014, the Organization and the Board, on behalf of ULM, entered into an Amendment to the Facilities Lease, for the purpose of extending the term of the Facilities Lease.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (1) June 30, 2024, or (2) the date that all amounts owed under the loan have been paid.

Doppler Radar Project**Cooperative Endeavor Agreement**

On May 1, 2014, the Organization entered into a Cooperative Endeavor Agreement (the Agreement) with ULM and the University of Louisiana at Monroe Foundation, Inc. (the Foundation), whereas it is the desire of the parties to develop a Doppler radar facility to be maintained and operated by ULM on land owned by the Foundation. Under the terms of the Agreement, the University and the Foundation agreed to terminate the existing lease between the two parties on 2.84 acres, conditioned upon the Organization and the Foundation entering into a three-year Lease With Option To Purchase Agreement and Suspensive Contract to buy and sell the 2.84 acres in question. The Facilities Lease between the Organization and the Foundation will facilitate the development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 Federal Grant (the Grant). Upon completion of construction of the Doppler radar project, all of the Organization's right, title, and interest in the improvements, along with all rights, responsibilities, and obligations under the Cooperative Endeavor Agreement, will be assigned to ULM.

The term of the Cooperative Endeavor Agreement shall be for three years beginning on May 1, 2014, and ending on April 30, 2017, or upon completion of the construction of the Doppler radar facility, whichever occurs first.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Doppler Radar Project (continued)

Cooperative Endeavor Agreement (continued)

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease With Option to Purchase Agreement and Suspensive Contract to Buy and Sell.

During the year ended June 30, 2019, the Organization executed an Act of Donation (the Donation) with the Board, on behalf of ULM, irrevocably donating all of its right, title, and interest in the Doppler Radar Facility to the Board on behalf of ULM. The donation terminated the Cooperative Endeavor Agreement, the Lease With Option to Purchase Agreement, and the Suspensive Contract to Buy and Sell on the property as of the date of the donation.

Lease With Option to Purchase Agreement and Suspensive Contract to Buy and Sell

On May 1, 2014, the Organization (the Lessee) entered into a Lease With Option to Purchase Agreement and Suspensive Contract to Buy and Sell (the Lease) with the Foundation to lease 2.94 acres of property (including the 10,500 square foot Agriculture/Mechanical building located thereon). The Facilities Lease between the Organization and the Foundation will facilitate the development of the Doppler radar facility on the leasehold premises pursuant to a \$3,077,900 federal grant (the Grant). Upon completion of construction of the Doppler Radar Project, all of the Organization's right, title, and interest in the improvement, along with all rights, responsibilities, and obligations under the Cooperative Endeavor Agreement, will be assigned to ULM.

As of June 30, 2019, cumulative grant proceeds in the amount of \$2,338,578 had been received for the Doppler radar project.

Due to various delays on the construction of the project, substantial completion was not achieved within the timeframe noted in the Lease With Option to Purchase Agreement and Suspensive Contract to Buy and Sell.

During the year ended June 30, 2019, the Organization executed an Act of Donation (the Donation) with the Board, on behalf of ULM, irrevocably donating all of its right, title, and interest in the Doppler Radar Facility to the Board. The Donation terminated the Cooperative Endeavor Agreement, the Lease With Option to Purchase Agreement, and the Suspensive Contract to Buy and Sell on the property as of the date of the Donation.

International Student Facility

Ground Lease Agreement

On May 1, 2014, the Organization and the Board, on behalf of ULM, entered into a Ground Lease Agreement (the Ground Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus to the Organization for the sum of \$1 per year. Under the terms of the Ground Lease, the Organization will facilitate and oversee the construction, furnishing, and equipping of the International Student Facility, to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$1,000,000, and all costs are to be paid entirely with privately donated funds.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

International Student Facility (continued)

Ground Lease Agreement (continued)

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one-year term beginning on May 1, 2014, and ending on the earlier of (1) April 30, 2015, or (2) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest shall immediately transfer to and vest in the Board, including, but not limited to, all project warranties.

Due to cost overruns on the project, the Organization had elected to keep the International Student Facility on the balance sheet under fixed assets until additional funds could be raised from private donors.

During the year ended June 30, 2019, the Organization executed an Act of Donation (the Donation) with the Board, on behalf of ULM, irrevocably donating all of its right, title, and interest in the International Student Facility to the Board. The Donation terminated the Ground Lease Agreement and the Cooperative Endeavor Agreement on the property as of the date of the Donation.

Cooperative Endeavor Agreement

On May 1, 2014, the Organization entered into a Cooperative Endeavor Agreement with ULM and the University of Louisiana Monroe Foundation, Inc. (the Foundation), whereas the Board will lease certain property owned by the Board and located on the ULM campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Foundation will facilitate incremental draw payments through the Organization, which will contract directly with the contractors and vendors.

Unless terminated sooner as provided in the Ground Lease, the lease shall continued and remain in full force and effect for a one-year term beginning on August 1, 2014, and will end on the earlier of (1) July 31, 2015, or (2) the date of the opening of the Center. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest in the Center shall immediately transfer to and vest in the Board.

Due to cost overruns on the project, the Organization had elected to keep the International Student Facility on the balance sheet under fixed assets until additional funds could be raised from private donors.

During the year ended June 30, 2019, the Organization executed an Act of Donation (the Donation) with the Board, on behalf of ULM, irrevocably donating all of its right, title, and interest in the International Student Facility to the Board. The Donation terminated the Ground Lease Agreement and the Cooperative Endeavor Agreement on the property as of the date of the Donation.

The project was completed in 2015, with a \$241,119 contribution by the Organization, necessitated by an overage in project completion costs. In consideration for this contribution, ULM had committed to reimburse the Organization its \$241,119 contribution as additional funds become available and/or donations are received. As of June 30, 2020, ULM has reimbursed the Organization \$115,047 with a balance due of \$126,072.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Student Event Center**Ground Lease Agreement**

On March 1, 2016, the Organization and the Board, on behalf of ULM, entered into an Amended and Restated Ground and Buildings Lease Agreement (the Ground Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus to the Organization for the sum of \$1 per year. Under the terms of the Ground Lease, the Organization will facilitate and oversee the acquisition, designing, developing, constructing, renovating, and reconstructing the Student Event Center, to be located on the property covered under this Ground Lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$7,000,000, and all costs are to be paid from funds derived from the issuance of the Series 2016 Tax Exempt Bonds and other funds provided by the Organization.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a term commencing on March 1, 2016, and ending on the earlier of (1) March 1, 2016, or (2) the date that all amounts owed under the indenture have been paid. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest shall immediately transfer to and vest in the Board, including, but not limited to, all project warranties.

Agreement to Lease with Option to Purchase

On March 1, 2016, the Organization and the Board, on behalf of ULM, entered into an Amended and Restated Lease with Option to Purchase (the Facilities Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus to the Organization in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Organization will facilitate and oversee the construction and development of the entire Student Event Center project (the Student Event Center) on land leased under the Ground Lease and will lease the land and the Student Even Center back to the Board.

Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Organization for the use of the Student Event Center. The base rental is due on the 15th day of the month preceding the dates that the principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or interest due and payable. The base rental also includes payments made to meet the Replacement Fund funding requirement of the indenture. The Board agrees to pay, as additional rental, any and all expenses incurred by the Organization on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the aforementioned projects. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board reserved the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Enhancement Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Organization also includes an irrevocable Option allowing the Board purchase the "Facilities" interest in the Student Event Center for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Student Event Center (continued)**Agreement to Lease with Option to Purchase** (continued)

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on March 1, 2016, and ending on the earlier of (1) March 1, 2036, or (2) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest in the Student Event Center shall immediately transfer to and vest in the Board, including, but not limited to, all project warranties.

Brown Stadium**Ground and Buildings Lease Agreement**

On June 1, 2017, the Organization and the Board, on behalf of ULM, entered into a Ground and Buildings Lease Agreement (the Ground Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus, to the Organization for the sum of \$1 per year. Under the terms of the Lease, the Organization will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain, Brown Stadium and parking adjacent thereto (Brown Stadium), to be located on the property covered under this lease. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$4,000,000 and all costs are to be paid from funds derived from the issuance of the Series 2017 Tax-Exempt Bonds and other funds provided by the Organization.

Unless terminated sooner, the Ground Lease shall continue and remain in full force and effect for a term commencing on June 1, 2017, and ending on the earlier of (1) June 1, 2027, or (2) the date that all amounts owed under the indentures have been paid. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest shall immediately transfer to and vest in the Board, including, but not limited to, all project warranties.

Agreement to Lease with Option to Purchase

On June 1, 2017, the Organization and the Board, on behalf of ULM, entered into an Amended and Restated Lease with Option to Purchase (the Facilities Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus to the Organization in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Organization will develop, design, renovate, construct, rehabilitate, and equip, as well as repair and maintain, Brown Stadium and parking adjacent thereto (Brown Stadium), on land leased under the Ground Lease and will lease the land and Brown Stadium back to the Board. Under the terms of the Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Organization for the use of Brown Stadium. The base rental is due semi-annually on the 5th day of the month preceding the dates that principal and/or interest are due and payable on the bonds and in amounts equal to the principal and/or maintenance of the aforementioned project. In addition to the base rental and additional rental payments required by the Facilities Lease, the Board reserves the right to make an extra ordinary rental payment to be deposited in the Project Fund held by the Trustee, from Student Support Fee Revenues on hand or collected by the Board during the term of the Facilities Lease in an aggregate amount not to exceed \$5,000,000. The Organization also includes an irrevocable option allowing the Board to purchase the "Facilities" interest in Brown Stadium for a specified price and in accordance with the terms of the option section of the Facilities Lease.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Brown Stadium (continued)

Agreement to Lease with Option to Purchase (continued)

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a term commencing on June 1, 2017, and ending on the earlier of (1) June 1, 2027, or (2) the date that all amounts owed under the indenture have been paid. Upon expiration of the Ground Lease, all of the Organization's right, title, and interest in Brown Stadium shall immediately transfer to and vest in the Board, including, but not limited to, all project warranties.

Malone Stadium Treatment Room Project

Ground and Facilities Lease Agreement

On December 1, 2017, the Organization and the Board, on behalf of the ULM, entered into a Ground and Facilities Lease Agreement (the Ground Lease) whereby the Board will lease the land, including the stadium, owned by the Board and located on the ULM campus to the Organization for the sum of \$1 per year. Under the terms of the Ground Lease, the Organization will construct, design, test, survey, and equip an area of Malone Stadium into a new athletic treatment facility (the Treatment Room). As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$1,081,689. ULM will not incur any debt as a result of this project. Unless terminated sooner, the Ground Lease shall continue and remain in full force and effect for a term commencing on December 1, 2017, and will expire when a substantial completion document is signed and all construction is completed. At that time, the Organization will donate all improvements to the Board.

During the year ended June 30, 2019, the Organization executed an Act of Donation (the Donation) with the Board on behalf of ULM, irrevocably donating all of its right, title, and interest in the Treatment Room to the Board on behalf of ULM. The Donation terminated the Ground and Facilities Lease Agreement on the property as of the date of the Donation.

Wally Jones Golf Complex

Ground and Facilities Lease Agreement

On February 1, 2019, the Organization and the Board, on behalf of ULM, entered into a Ground and Facilities Lease Agreement (the Ground Lease) whereby the Board will lease certain property owned by the Board and located on the ULM campus to the Organization for the sum of \$1 per year. Under the terms of the Lease, the Organization will facilitate and oversee the entire construction project. As of the execution date of the Ground Lease, the total cost of the project was estimated to be \$860,000. The Organization will fund the project. Upon completion of the project and assignment of all of the Organization's interest in the facilities to the Board, the Board shall pay the Organization \$300,000.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Wally Jones Golf Complex (continued)**Ground and Facilities Lease Agreement** (continued)

Unless terminated sooner, the Ground Lease shall continue and remain in full force and effect for a one-year term beginning on May 10, 2019, and ending on the earlier of (1) May 9, 2020, or (2) the date of substantial completion of the Wally Jones Golf Complex (the Expiration Date). Upon the Expiration Date of the Ground Lease, all of the Organization's right, title, and interest in the facilities shall immediately and automatically terminate and shall be assigned to, transferred to, and vested in the Board.

Cooperative Endeavor Agreement

On June 1, 2019, the Organization entered into a Cooperative Endeavor Agreement with ULM and the Foundation, whereas the Board will lease certain property owned by the Board and located on the ULM campus to the Organization in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Organization will facilitate and oversee the entire construction project.

The Organization will receive, review, and approve all construction payment requests and forward to the Foundation. The Foundation will remit funds to the Organization for payment to contractors and vendors. The Foundation will not be involved in the construction project. The Organization will work with the Foundation in an administrative capacity to pay contractors and vendors with funds provided by the Foundation.

The Ground Lease and this Cooperative Endeavor Agreement will expire at the end of one year or the date of the opening of the Wally Jones Golf Complex, whichever occurs first. Upon expiration of the Ground Lease and all payments have been made by the Foundation to the Organization for the project, the Organization shall assign all of its interest in the project to the Board, and the University shall then pay the Organization \$300,000.

The term of the Cooperative Endeavor Agreement (the Agreement) shall be for one year beginning on June 1, 2019, and will end on the earlier of (1) May 31, 2020, or (2) the date of the opening of the Wally Jones Golf Complex. The Agreement may be extended or terminated by mutual written agreement of the parties. Once the Agreement terminates, all of the Foundation's and the Organization's right, title, and interest in the Wally Jones Golf Complex shall immediately transfer to and vest with the Board, including, but not limited to, all warranties.

Future Minimum Lease Payments and Rentals**Ground Lease Agreements**

The future minimum lease payments under ground leases (operating leases) as of June 30, 2020, are as follows:

Years Ending June 30,	Amount
2021	\$ 5
2022	5
2023	5
2024	5
2025	5
Thereafter	<u>38</u>
Total minimum lease payments	<u>\$ 63</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - GROUND AND FACILITIES LEASES AND AGREEMENTS (continued)

Future Minimum Lease Payments and Rentals (continued)

Facilities Lease Agreements

As discussed above, each facilities lease agreement between the Organization and the Board contains a base rental and an additional rental. The base rental amount is equal to the amount necessary to pay the principal and interest due on each loan as such principal and interest is payable. The additional rental is to be received for expenses incurred by the Organization on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the lease facilities. Due to the contingent nature of the additional rental, the future minimum rentals under the facilities leases (operating leases) as of June 30, 2020, are reported utilizing the base rental and, therefore, are equivalent to the aggregate maturities of long-term debt as indicated in Note 6 to the financial statements.

NOTE 9 - LAUNDRY ROOM LEASE

On February 10, 2005, the Organization and Caldwell & Gregory, Inc. (CGI) entered into a Laundry Room Lease Agreement, which was subsequently amended to reflect an effective date of July 15, 2006. Under the terms of the Lease Agreement, CGI has agreed to install, maintain, and service coin-operated drying and laundry equipment on the ULM campus. In addition, CGI has agreed to pay the Organization 85% of all revenues over a \$33.50 average per machine per month. The payments are to be made at a rate of \$850 per month, with an accounting and a settlement to be made on an annual basis. During the year ended June 30, 2018, the Organization and CGI entered into a new ten-year Lease Agreement, with modified terms. The new Lease Agreement is effective July 1, 2018, and will automatically renew under the same terms, conditions, and length unless cancelled by either party not less than 30 days and not more than 180 days prior to the expiration of the then current term.

The future minimum lease payments under the Laundry Room Lease as of June 30, 2020, are as follow:

Years Ending June 30,	Amount
2020	\$ 10,200
2021	10,200
2022	10,200
2023	10,200
2024	10,200
Thereafter	<u>30,600</u>
Total minimum lease payments	<u>\$ 81,600</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10 - RELATED-PARTY TRANSACTIONS

The Organization reimburses ULM for certain operating expenses resulting from ULM's management of the Organization's various properties. The amount of reimbursable expenses totaled \$2,628,832 and \$3,145,601 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Organization owed \$396,494 and \$571,770, respectively, to ULM for reimbursable expenses, which has been included in Accounts Payable - Operations.

Due from ULM - Other

As discussed in Note 8, the Organization contributed \$241,119 to the International Student Facility development. ULM has committed to reimburse the Organization its contribution as additional funds become available and/or donations are received. As of June 30, 2020, ULM has reimbursed the Organization \$115,047, with a balance due of \$126,072.

Due from ULM - Student Housing Rental Collections

The Organization is due rents and application fees collected by ULM in the amount of \$ 389,907.

NOTE 11 - CONSTRUCTION IN PROGRESS AND COMMITMENTS

On December 3, 2014, the Organization entered into a contract with Enterprise Electronics Corporation for construction services to be provided in connection with the construction of the Doppler Radar. The contract is a fixed-fee contract in the amount of \$2,081,415 plus approved change orders. During the year ended June 30, 2018, the project was completed and capitalized into fixed assets. At June 30, 2019, contracts payable for the project were \$157,258. During the year ended June 30, 2018, the Doppler Radar Facility was assigned to ULM.

During the year ended June 30, 2019, the Organization purchased property located at 3906 DeSiard Street for \$130,000. On July 2, 2019, the Organization purchased property located at 3914 DeSiard Street in the amount of \$125,000. On July 15, 2019, the Organization purchased property located at 3918 DeSiard Street in the amount of \$200,000.

During the year ended June 30, 2019, the Organization entered into a Ground and Facilities Lease Agreement with the Board, on behalf of ULM, for the purpose of developing and constructing a Golf House on land owned by the Board and located on the campus of ULM. In addition to the Ground and Facilities Lease Agreement, the Organization contracted with Bing Bishop Construction Company, Inc. for construction services in connection with the construction of the Wally Jones Gold Complex. At June 30, 2019, contracts payable for the project were \$190,012. For the years ended June 30, 2020 and 2019, expenditures incurred on the project were \$563,053 and \$302,735, respectively. During the year ended June 30, 2020, the Wally Jones Golf Complex was completed and assigned to the University.

During the year ended June 30, 2018, the Student Event Center Project incurred additional expenditures in the amount of \$4,234,189. The Project was completed and capitalized into fixed assets during the year ended June 30, 2018.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 - CONSTRUCTION IN PROGRESS AND COMMITMENTS (continued)

During the year ended June 30, 2017, the Organization entered into a ground lease and facilities lease agreement with the Board, on behalf of ULM, for the purpose of acquiring, designing, developing, constructing, and renovating the reconstruction of Brown Stadium and parking adjacent thereto (Brown Stadium), on property leased from the Board, and upon completion to be leased back to the Board. In connection with the Brown Stadium project, the Organization contracted with various professionals required to complete the project. For the years ended June 30, 2020 and 2019, expenditures incurred on the project were \$242,697 and \$2,238,130, respectively. At June 30, 2020 and 2019, contracts payable for the project were \$0 and \$59,201, respectively. The project was completed and capitalized into fixed assets for the year ended June 30, 2020.

During the year ended June 30, 2018, the Organization entered into a Ground and Facilities Lease Agreement with the Board, on behalf of ULM, for the purpose of construction, designing, testing, surveying, and equipping an area of Malone Stadium into a new athletic treatment facility (Treatment Room) on property leased from the Board. In connection with the Treatment Room Project, the Organization contracted with various professionals required to complete the Project. As of June 30, 2018, expenditures incurred on the Project were \$113,067 and are included in construction in progress. At June 30, 2019 and 2018, contracts payable for the Project was \$0 and \$8,279, respectively. During the year ended June 30, 2019, additional expenditures in the amount of \$964,144 were incurred. The Project was completed and all improvements were donated to the Board on behalf of ULM during the year ended June 30, 2019.

NOTE 12 - TRANSFER OF FUNDS

On March 1, 2013, the Authority and the Trustee entered into the First Supplemental Trust Indenture. Article 2 of this agreement changed Section 4.8(a)(ix) of the Amended and Restated Indenture in its entirety to read as follows: "(ix) Annually on November 1 of each year beginning November 1, 2012, any amounts remaining in the Receipts Fund after the payment required to be made to the Replacement Fund in excess of the amounts necessary to make payments from the Receipts Fund required by this Section 4.8 on such November 1 may be transferred, at the written direction of the Chief Business Officer of the Division of Business Affairs for the University or the President of the University, to the University or the Corporation". Pursuant to this agreement, \$590,000 and \$590,000 were transferred to ULM for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 - DOPPLER RADAR PROJECT - HAZARD MITIGATION GRANT PROGRAM

The Organization entered into a Grant Agreement between the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the purpose of funding the construction and development of the Doppler Radar Project. Under the grant agreement, the Federal Emergency Management Agency (the Grantor) has provided federal funds to the Organization (the Sub-Grantee) through GOHSEP's Hazard Mitigation Program. The total grant award was \$3,077,900. As of June 30, 2020 and 2019, cumulative grant proceeds in the amount of \$2,338,578 had been received for the Doppler Radar Project. As of June 30, 2020 and 2019, GOHSEP owed grant funds in the amount of \$0 and \$0, respectively, to the Organization.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**NOTES TO THE BASIC FINANCIAL STATEMENTS****FOR THE YEARS ENDED JUNE 30, 2020 AND 2019****NOTE 14- FRAUD LOSS**

During June 2019, the Organization wired payment for a contractor's invoice in the amount of \$59,201. At the end of July 2019, the Organization was contacted by the vendor and informed that their payment had not been received. It was later discovered that their email had been compromised and that the email from which the payment was processed was fraudulent and that they had not received the payment. Since discovery of the loss, the Organization has aggressively pursued recovery of the funds but, as of the report date, no significant progress has been made toward recovery of the funds. During the year ended June 30, 2020, the Organization determined that the funds would not be recovered.

NOTE 15 - RECLASSIFICATION

Certain accounts in the prior year's financial statements have been reclassified to conform to the current year's financial statements presentation.

NOTE 16 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through August 24, 2020, the date which the financial statements were available for issue.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of the coronavirus (COVID-19). The pandemic has significantly affected economic conditions in the United States. However, the impact of this event on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2020

No compensation, benefits, or other payments are paid to an agency head or chief executive officer.

See Independent Auditor's Report.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.
SCHEDULE OF REVENUES, EXPENSES, AND CAPITALIZED
EXPENDITURES MADE TO OR ON BEHALF OF
ULM'S INTERCOLLEGIATE ATHLETICS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>
Capital expenditures paid to or on behalf of ULM's Intercollegiate Athletics Program	<u>\$ 995,581</u>

See Independent Auditor's Report.

REPORT ON INTERNAL CONTROL AND COMPLIANCE



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

To the Board of Directors
University of Louisiana Monroe Facilities, Inc.
Monroe, 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 University of Louisiana Monroe Facilities, Inc., which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2020.

Internal Control over Financial Reporting

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

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

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. No significant deficiencies were identified during our audit.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 cursive script that reads "Silas Simmons, LLP".

Monroe, Louisiana
August 24, 2020

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF FINDINGS

AS OF JUNE 30, 2019, AND FOR THE YEAR THEN ENDED

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified: | No |
| b. Significant deficiency(ies) identified that are not Considered to be material weaknesses? | No |
| 3. Material noncompliance relating to the financial Statements? | |
| | No |

SECTION 2: FINANCIAL STATEMENT FINDINGS

Status of Prior Year Findings - None

Current Year Findings - None