

**University of Louisiana  
Monroe Facilities, Inc.**

**Independent Auditors' Reports and  
Financial Statements**

**As of and For the Years Ended  
June 30, 2016 and 2015**

**UNIVERSITY OF LOUISIANA  
MONROE FACILITIES, INC.**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT



**Little & Assoc.**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
University of Louisiana Monroe Facilities, Inc.  
Monroe, LA 71209

### **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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Louisiana Monroe Facilities, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules, the Schedule of Expenditures of Federal Awards on page 41, as required by *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer on page 43, 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 44, 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 16, 2016 on our consideration of University of Louisiana Monroe Facilities, 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 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.

Monroe, Louisiana  
August 16, 2016

*Little & Associates, LLP*

## FINANCIAL STATEMENTS

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>		
	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents - Restricted	\$ 8,167,735	\$ 7,042,320
Accounts Receivable, Net of Allowance for Doubtful Accounts	28,671	20,402
Due From ULM - Student Rent Collections	<u>89,377</u>	<u>273,153</u>
Total Current Assets	<u>8,285,783</u>	<u>7,335,875</u>
<b>RESTRICTED ASSETS</b>		
Cash and Cash Equivalents - Noncurrent	<u>13,428,583</u>	<u>5,908,725</u>
Total Restricted Assets	<u>13,428,583</u>	<u>5,908,725</u>
<b>PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>		
	<u>54,833,820</u>	<u>51,237,544</u>
<b>OTHER ASSETS</b>		
Debt Issuance Costs, net of Accumulated Amortization	<u>1,720,182</u>	<u>1,672,102</u>
Total Other Assets	<u>1,720,182</u>	<u>1,672,102</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 78,268,368</u></u>	<u><u>\$ 66,154,246</u></u>

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

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2016 AND 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable - Operations	\$ 470,095	\$ 432,641
Deferred Revenues - Student Rents & Other	603,612	654,827
Contracts & Retainage Payable	366,336	348,972
Accrued Interest Payable	157,649	164,643
Current Portion of Long-Term Debt	<u>2,510,000</u>	<u>2,135,000</u>
Total Current Liabilities	<u>4,107,692</u>	<u>3,736,083</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	68,375,000	64,510,000
Less: Current Portion of Long-Term Debt	<u>(2,510,000)</u>	<u>(2,135,000)</u>
Total Notes Payable, net of Current Portion	65,865,000	62,375,000
<b>TOTAL LIABILITIES</b>	<u>69,972,692</u>	<u>66,111,083</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>8,295,676</u>	<u>43,163</u>
Total Net Assets	<u>8,295,676</u>	<u>43,163</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 78,268,368</u>	<u>\$ 66,154,246</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, 2016 AND 2015**

	2016	2015
<b>UNRESTRICTED NET ASSETS</b>		
<b>OPERATING REVENUES</b>		
Student Rent Income	\$ 8,313,343	\$ 7,888,447
Student Fees	1,771,474	1,314,644
Contributions - ULMAF	3,100,202	124,884
Contributions - ULM Foundation	44,500	1,019,653
Contributions - Student Center Project	1,200,000	-
GOHSEP Grant	1,823,500	346,540
Other Income	14,514	18,310
Total Operating Revenues	16,267,533	10,712,478
<b>OPERATING EXPENSES</b>		
Program Services:		
Property Management Expenditures	2,925,048	2,955,129
Bad Debt Expense	21,411	1,072
Management Fees	-	-
Other Operating Expenses	117,891	81,337
Depreciation Expense	2,006,930	2,009,384
Miscellaneous Expense	-	-
Total Operating Expenses	5,071,280	5,046,922
Change in Net Assets From Operations	11,196,253	5,665,556
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	4,690	9,017
Interest Expense	(1,855,866)	(1,938,312)
Bond Related Fees	(20,160)	(11,560)
Write-Off of Unamortized Bond Costs on		
Disposition of Bonds	-	(51,335)
Amortization - Debt Issuance Costs	(68,436)	(43,881)
Transfer / Donation of Funds to the University of Louisiana at Monroe	(1,003,968)	(590,000)
Total Nonoperating Revenues (Expenses)	(2,943,740)	(2,626,071)
Change in Unrestricted Net Assets Before Realized / Unrealized Gains (Losses)	8,252,513	3,039,485

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Change in Unrestricted Net Assets	<u>8,252,513</u>	<u>3,039,485</u>
Change in Net Assets	8,252,513	3,039,485
Net Assets, Beginning of Year	<u>43,163</u>	<u>(2,996,322)</u>
Net Assets, End of Year	<u>\$ 8,295,676</u>	<u>\$ 43,163</u>

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 8,252,513	\$ 3,039,485
Adjustments to Reconcile Decrease in Net Assets		
To Net Cash Provided by Operating Activities:		
Write-Off of Unamortized Bond Issue Costs	-	51,335
Transfer of Property and Equipment	413,968	-
Depreciation Expense	2,006,930	2,009,384
Amortization Expense - Debt Issuance Costs	68,436	43,881
(Increase) Decrease in Receivables	(8,269)	24,082
(Increase) Decrease in Amount Due from ULM	183,776	(154,359)
Increase (Decrease) in Accounts Payable	37,454	(14,553)
Increase (Decrease) in Deferred Revenue	(51,215)	107,353
Increase (Decrease) in Accrued Interest Payable	(6,994)	(11,612)
Net Cash Provided (Used) by Operating Activities	<u>10,896,599</u>	<u>5,094,996</u>
<b>Cash Flows from Investing Activities</b>		
Payments for Property and Equipment Acquisition and Construction	(5,999,810)	(2,516,033)
Advances/Receipt of Funds on Note Receivable	-	57,286
Net Cash Provided (Used) by Investing Activities	<u>(5,999,810)</u>	<u>(2,458,747)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Issuance of Long Term Debt	6,000,000	1,645,000
Principal Payments on Debt	(2,135,000)	(3,525,000)
Payments of Debt Issuance Costs	(116,516)	(58,608)
Net Cash Provided (Used) by Financing Activities	<u>3,748,484</u>	<u>(1,938,608)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,645,273	697,641
Cash and Cash Equivalents at Beginning of Year	<u>12,951,045</u>	<u>12,253,404</u>
Cash and Cash Equivalents at End of Year	<u>\$ 21,596,318</u>	<u>\$ 12,951,045</u>

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, 2016 AND 2015

	2016	2015
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Cash Paid During The Year For Interest:		
Expensed	\$ 1,698,217	\$ 1,773,669
Total	\$ 1,698,217	\$ 1,773,669
Cash and Cash Equivalents are Presented as Follows in the Statement of Financial Position:		
Current Assets:		
Cash and Cash Equivalents - Restricted	8,167,735	7,042,320
Restricted Assets:		
Cash and Cash Equivalents - Noncurrent	13,428,583	5,908,725
Total	\$ 21,596,318	\$ 12,951,045
<b><u>Schedule of Noncash Investing/Financing Activities</u></b>		
Acquisition of Property and Equipment Through the Incurrence of Liabilities	\$ 366,336	\$ 348,972

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

NOTES TO FINANCIAL STATEMENTS

# UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

### NOTE 1 – ORGANIZATION

ULM Facilities, Inc. (the “Facilities”), a non-profit corporation, was organized under the laws of the State of Louisiana on February 27, 2004. The Facilities 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 buildings 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 Facilities are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

#### **Basis of Presentation**

Financial statement presentation follows the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, *Not-for-Profit Organizations*. Under FASB ASC 958, the Facilities is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **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 Facilities considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2016 and 2015, the accounts receivable for student rents totaled \$36,165 and \$17,924, respectively, and the amount due under the Laundry Room Lease agreement totaled \$5,164 and \$8,751, respectively. The accounts receivable are reported net of the allowance for doubtful accounts. The allowance for doubtful accounts totaled \$12,658 and \$6,273 at June 30, 2016 and 2015, 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 fourteenth 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.

**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

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, Equipment, and Depreciation (Continued)**

site improvements are recorded at acquisition cost. Donations of property and equipment are recorded as contributions at their estimated fair value. The Facilities capitalizes additions of property and equipment in excess of \$1,000 cost or fair value, if donated. Depreciation is provided for in amounts sufficient to relate the 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:

	<u>Years</u>
Buildings and Renovations	19-39
Furniture, Fixtures, & Equipment	5-7
Site Improvements	4-20
Campus Parking	14

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.

**Amortization**

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 \$167,175 and \$98,739 as of June 30, 2016 and 2015, respectively. During 2015, as a result of the payoff of the Series 2007 Bond, unamortized bond issuance costs in the amount of \$51,335 were written off. During 2016, debt issuance cost in the amount of \$116,516 was capitalized in connection with the issuance of the Series 2016 Student Center Project Bonds.

**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 twelve months in duration.

**Student Fees**

Student Fees consists of a portion of the Student Health Center Fees, Student Union Fees, Student Success Center Fees, Athletic Facility Fees, Student Enhancement Fees and Vehicle Fees, which are charged, as applicable, to the students at the time of enrollment in ULM. The Facilities records Student Fees in income at the time such fees are received by the Facilities. 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 Lease Agreements.



**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising and marketing costs are expensed as incurred.

**Income Taxes**

The Facilities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2010, the Facilities adopted certain provisions of FASB ASC 740, *Income Taxes*. The Facilities 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 Facilities' Federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2015, 2014, and 2013 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 Facilities. The provisions of the various Trust Indentures and Loan and Assignment Agreements between the Facilities and the Authority require the Facilities to establish various trust funds with the Trustee which are restricted in use for, among 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 & 2004B, the Series 2006 and the Series 2014 Student Success Center bond issues, the Facilities is required to fund Replacement Funds on an annual basis. The Replacement Funds are to be used to (i) 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 (ii) 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.

Funds in the Replacement Funds 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 & 2004B Trust Indenture and the Series 2004C & 2004D Trust Indenture require the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2006. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2016, the Replacement Fund balance totaled \$3,661,359.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
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**NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Replacement Funds (Continued)**

The Series 2006 Trust Indenture requires the Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2008. The annual amount required to be funded is equal to one-half percent (0.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2016, the Replacement Fund balance totaled \$52,013.

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 Facilities to fund the Replacement Fund on annual basis beginning on November 1, 2009. The annual amount required to be funded is equal to one and one-half percent (1.5%) of the hard construction costs (not including professional services and fees) payable from the proceeds of the bonds. As of June 30, 2016, the Replacement Fund balance totaled \$207,437.

The total amount required to be contributed annually to the Replacement Funds is \$777,586. As of June 30, 2016 and 2015, the Replacement Funds were adequately funded.

Additionally, the Series 2016 Student Center Project trust indenture required an up front funding of the Replacement Reserve Account. At June 30, 2016 and 2015, the Series 2016 Replacement Reserve Account totaled \$580,014 and \$0, respectively.

**Debt Service Reserve Funds**

The Facilities maintains Debt Service Reserve Funds for the Series 2004A and Series 2004A-T debt, the Series 2004C and Series 2004C-T debt (Series 2004), the Series 2006 debt, 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. During 2013 the Series 2004 bonds were refinanced and the 2004A-T and 2004C-T bond obligations were paid in full, therefore relinquishing the need for debt service reserves on the bonds. As of June 30, 2016, the Series 2004A Debt Service Fund totaled \$1,122,036, the Series 2004C Debt Service Reserve Fund totaled \$1,022,979, the Series 2006 Debt Service Reserve Fund totaled \$150,009, and the Series 2014 Debt Reserve Fund totaled \$0.

**NOTE 4 – CASH AND CASH EQUIVALENTS HELD IN INVESTMENTS**

Cash and Cash Equivalents consists of various short term investments maintained by the Bond Trustee in certain trust accounts and are stated at fair value. At June 30, 2016 and 2015, Cash and Cash Equivalents held in Investments with the trustee consisted of the following:

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**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 I)	Unrealized Gain/(Loss)
<u>June 30, 2016</u>			
Fidelity Institutional Treasury Portfolio C1 I			
Cash and Cash Equivalents Held In Investments – Current	\$ 673,145	\$ 673,145	\$ –
Total Fidelity Institutional Treasury Portfolio C1 I	<u>\$ 673,145</u>	<u>\$ 673,145</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio C1 III			
Cash and Cash Equivalents Held In Investments – Current	\$ 7,899,510	\$ 7,899,510	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>6,215,833</u>	<u>6,215,833</u>	<u>–</u>
Total Fidelity Institutional Treasury Portfolio C1 III	<u>\$ 14,115,343</u>	<u>\$ 14,115,343</u>	<u>\$ –</u>
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	<u>\$ 14,788,488</u>	<u>\$ 14,788,488</u>	<u>\$ –</u>
<u>June 30, 2015</u>			
Fidelity Institutional Treasury Portfolio C1 I			
Cash and Cash Equivalents Held In Investments – Current	\$ 643,327	\$ 643,327	\$ –
Total Fidelity Institutional Treasury Portfolio C1 I	<u>\$ 643,327</u>	<u>\$ 643,327</u>	<u>\$ –</u>
Fidelity Institutional Treasury Portfolio C1 III			
Cash and Cash Equivalents Held In Investments – Current	\$ 627,566	\$ 627,566	\$ –
Cash and Cash Equivalents Held In Investments – Non Current	<u>5,908,724</u>	<u>5,908,724</u>	<u>–</u>

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
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**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 I)	Unrealized Gain/(Loss)
<u>June 30, 2015</u>			
Total Fidelity Institutional Treasury Portfolio CI III	\$ 6,536,290	\$ 6,536,290	\$ –
Total Cash and Cash Equivalents Held in Bond Trust Fund Investments	\$ 7,179,617	\$ 7,179,617	\$ –

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, 2016 and 2015.

	2016	2015
Interest/Dividend Income	\$ 1,095	\$ 348
Net Realized and Unrealized Gains/(Losses)	–	–
Total Investment Returns	\$ 1,095	\$ 348

**NOTE 5 – PROPERTY AND EQUIPMENT**

At June 30, 2016 and 2015, property and equipment are comprised of the following:

	2016	2015
Buildings and Renovations	\$ 65,247,407	\$ 59,454,218
Furniture, Fixtures, & Equipment	4,994,299	4,994,299
Site Improvements	3,460,720	3,918,565
Campus Parking	1,370,081	1,370,081
Total Depreciable Property	75,072,507	69,737,163
Less: Accumulated Depreciation	(23,100,046)	(21,136,993)
Net Depreciable Property	51,972,461	48,600,170
Land	234,919	–
Construction-in-Progress	2,626,440	2,637,374
Net Property and Equipment	\$ 54,833,820	\$ 51,237,544

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**NOTE 5 – PROPERTY AND EQUIPMENT (CONTINUED)**

At June 30, 2016, all of the Facilities' property and equipment, net of construction in progress and land held for future development, was leased to the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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, & 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 ULM Facilities, Inc. for the following purposes: (i) to demolish eight (8) existing dormitories on the campus of the University of Louisiana at Monroe, (ii) to design, develop, and construct new on-campus student housing and to renovate and refurbish existing on-campus student housing, (iii) to design, develop, and construct a new on-campus student infirmary, (iv) to expand and renovate ULM's student center, (v) to pay off housing-related debt in the amount of \$1,178,926, and (vi) to fund various reserves and to pay bond issuance costs. The Series 2004A and Series 2004B bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated June 1, 2004. The Series 2004C and 2004D bond proceeds were loaned to the Facilities pursuant to a First Amendment to Loan and Assignment Agreement by and between the Facilities 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 was paid in full.

On December 1, 2009, the Authority and Regions Bank 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 Regions Bank 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").

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**NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)**

**Notes Payable - Series 2004A, 2004A-T, 2004C, & 2004C-T (Continued)**

On November 1, 2012, the Authority and Regions Bank 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 Indenture, The Second Supplemental Indenture and the Third Supplemental 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 Facilities' obligations under the Loan and Assignment Agreement, as amended, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the each Amended and Restated Agreement to Lease With Option to Purchase between the Facilities and the Board of Supervisors for the University of Louisiana System, all rents and receipts derived from occupancy of the on-campus facilities, and any and all additional revenues received by the Facilities. As of June 30, 2016 the terms of the loans are as follows:

	<u>UNDERLYING BONDS</u>	
	Series 2004A Bonds	Series 2004C Bonds
Annual Interest Rate	Bank Rate 2.92%	Bank Rate 2.92%
Interest Payments Due	Monthly	Monthly
Principal Payments Due	November 1	November 1
Commencing	11/01/2014	11/01/2014
Maturity Date	11/01/2034	11/01/2035
Principal Balance Due At 06/30/16	\$30,820,000	\$28,340,000
Principal Balance Due At 06/30/15	\$31,760,000	\$29,080,000

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**NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)**

**Note Payable - Series 2006 Bonds**

On November 29, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,500,000 in Revenue Bonds (Series 2006). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) to finance a portion of the design, development, construction, and equipping of an Intermodal Transit Facility and the improvement of existing parking lots or construction of new parking lots for students, faculty, staff and the public on the campus of the University of Louisiana at Monroe; (ii) to fund a deposit to a debt service reserve fund, if necessary; and (iii) to pay bond issuance costs. The Series 2006 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated November 29, 2006.

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 5.06% per annum and matures on November 1, 2016. Interest is payable on the loan on May 1<sup>st</sup> and November 1<sup>st</sup> of each year and principal is payable on November 1<sup>st</sup> of each year. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated November 29, 2006, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Intermodal Transit Facility, all rents, issues, receipts and profits derived from the use or occupancy of the Intermodal Transit Facility, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Intermodal Transit Facility. The principal balance due on the Note Payable – Series 2006 Bonds totaled \$185,000 and \$360,000 at June 30, 2016 and 2015, respectively.

**Note Payable - Series 2007**

On October 1, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$2,045,000 in Revenue Bonds (Series 2007). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) demolishing and/or renovating certain existing buildings and developing, constructing, and equipping a student learning enhancement facility [the Clarke M. Williams Student Success Center (the "Student Success Center")], related facilities, and other campus improvements; and (ii) to pay bond issuance costs. The Series 2007 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated October 1, 2007.

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 5.40% per annum and matures on October 1, 2027. Interest is payable on the loan on April 1<sup>st</sup> and October 1<sup>st</sup> of each year and principal is payable on October 1<sup>st</sup> of each year. To secure the Facilities' obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated October 1,

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**NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)**

**Note Payable - Series 2007 (Continued)**

2007, between the Facilities and the Board of Supervisors for the University of Louisiana System, 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, sale proceeds received by the Facilities for or relating to the Student Success Center. This obligation in the amount of \$1,635,000 was paid in full on July 9, 2014 with proceeds from the issuance of Series 2014 Bonds.

On July 9, 2014, the Facilities entered into a loan and assignment agreement with the Authority, under which the Facilities requested the Authority issue its bonds and loan the proceeds to the Facilities to enable them to refund the prior bonds (Series 2007) and to pay cost of issuance associated with the bond issue. The result of the refunding will allow the Facilities to realize an interest rate savings and will shorten the amortization period of the existing bonds. Additionally, on the same date, Revenue Refunding Bonds (University of Louisiana Monroe Facilities, Inc./Clarke M. Williams Student Success Center Project), Series 2014 were issued in an amount not to exceed \$1,645,000 under a Trust Indenture by and between Louisiana Local Government Environmental Facilities and Community Development Authority (the “Authority”) and Regions Bank (the “Trustee”).

**Note Payable - Series 2014 Athletic Facilities Project**

On June 30, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,845,000 in Revenue and Refunding Bonds (Series 2014 Athletic Facilities Project). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) refund its Promissory Note dated March 11, 2011, in favor of Regions Bank in the original amount of \$2,000,000 (which is more particularly described under Note 6 “Note Payable – Regions Bank (Athletic Scoreboards and Facility Upgrades”), (ii) financing football field improvements and (iii) to pay bond issuance costs. The Series 2014 Athletic Facilities Project bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities 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 October 1, 2026. Principal and interest is 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 Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 18, 2011, along with all amendments, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Scoreboards, Athletic Facilities Upgrades & Electronic Display Boards. The principal balance due on the Note Payable – Series 2014 Athletic Facilities Project Bonds totaled \$1,525,000 and \$1,690,000 at June 30, 2016 and 2015, respectively.



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**NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)**

**Note Payable - Series 2014 Student Success Center**

On July 9, 2014, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,645,000 in Revenue Bonds (Series 2014 Student Success Center). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the following purposes: (i) 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 (ii) to pay bond issuance costs. The Series 2014 Student Success Center bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities 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<sup>st</sup> and October 1<sup>st</sup> of each year and principal is payable on October 1<sup>st</sup> of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated October 25, 2007, between the Facilities and the Board of Supervisors for the University of Louisiana System, 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, sale proceeds received by the Facilities for or relating to the Student Success Center. The principal balance due on the Note Payable – Series 2014 Student Success Center Bonds totaled \$1,505,000 and \$1,620,000 at June 30, 2016 and 2015, respectively.

**Note Payable - Series 2016 Student Center Project**

On March 1, 2016 the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$6,000,000 in Revenue Bonds (Series 2016). The proceeds of the bond issue were loaned to ULM Facilities, Inc. for the purpose of acquiring, designing, developing, constructing, renovating and reconstructing of the existing natatorium on the campus of the University 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 Center”); and (ii) to pay bond issuance costs. The Series 2016 bond proceeds were loaned to the Facilities pursuant to a Loan and Assignment Agreement by and between the Facilities and the Authority dated March 1, 2016.

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 2.62% per annum and matures on June 20, 2036. Interest is payable on the loan on March 1<sup>st</sup> and September 1<sup>st</sup> of each year and principal is payable on June 30<sup>th</sup> of each year. To secure the Facilities’ obligations under the Loan and Assignment Agreement, the Facilities transferred, assigned, and pledged unto the Authority, all right, title, and

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**NOTE 6 – NOTES PAYABLE AND RELATED FINANCING AGREEMENTS (CONTINUED)**

**Note Payable - Series 2016 Student Center Project (Continued)**

interest of the Facilities in, to and under the Agreement to Lease With Option to Purchase dated March 1, 2016, between the Facilities and the Board of Supervisors for the University of Louisiana System, and any leases, subleases and use agreements or other similar agreements relating to the Student Center Project, all rents, issues, receipts and profits derived from the use or occupancy of the Student Center, and any and all additional revenues, income, receipts and other payments, including but not limited to, insurance proceeds, grants, donations, sale proceeds received by the Facilities for or relating to the Student Center. The principal balance due on the Note Payable – Series 2016 Bonds totaled \$6,000,000 and \$0 at June 30, 2016 and 2015, respectively.

**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, 2016, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Fixed Rate Interest</u>	<u>Totals</u>
2017	2,510,000	1,941,808	4,451,808
2018	2,505,000	1,872,472	4,377,472
2019	2,695,000	1,796,384	4,491,384
2020	2,885,000	1,717,498	4,602,498
2021	3,075,000	1,625,676	4,700,676
2022-2026	16,080,000	6,738,017	22,818,017
2027-2031	17,400,000	4,343,722	21,743,722
2032-2036	21,225,000	1,566,421	22,791,421
	<u>\$ 68,375,000</u>	<u>\$ 21,601,998</u>	<u>\$ 89,976,998</u>

The total amount of interest costs incurred for the year ended June 30, 2016, totaled \$1,855,866, all of which was charged to expense.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

The Facilities has demand deposits held in trust, as well as separately from the trust, by Regions Bank. The Facilities also has short-term investments (cash equivalents) in various funds containing U. S. Treasury securities, which are held in trust by Regions Bank. The short-term investments, totaling \$14,788,488 [at fair value (Level 1 inputs – quoted prices in active markets for identical assets) and at cost], are collateralized by

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**NOTE 7 – CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

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 Facilities had uninsured deposit balances totaling \$6,557,830 at June 30, 2016. The Facilities maintains its cash with a high quality financial institution which the Facilities believes limits these risks.

Although the Facilities does not require collateral to support financial instruments subject to credit risk, they obtained pledged securities from Regions Bank in an effort to mitigate this risk. As of December 31, 2016, pledged securities amounted to \$8,337,314, which provides adequate coverage to mitigate the exposure of the uninsured deposits. The Facilities has concentrations of credit risk relevant to its receivables for student rents and the laundry contract.

**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS**

**Student Housing, Student Health Center, and Student Union**

**Ground Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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 Facilities for the sum of \$1 per year. The Facilities 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 Facilities rights under the Ground Lease and leases back the student housing and related facilities, student union, and infirmary from the Facilities for the support, maintenance, and benefit of the Board and ULM. See Facilities Lease below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2044, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the student housing and related facilities have been paid or have been deemed to have been paid in full.

**Facilities Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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 Facilities 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 Facilities for the use and occupancy of the student housing and facilities. The base rental is due on the dates

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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Student Housing, Student Health Center, and Student Union (Continued)**

**Facilities Lease Agreement (Continued)**

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 Facilities 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 (i) November 1, 2044, or (ii) the date that all amounts owed under the Indentures have been paid.

**Intermodal Parking and Transit Facility and Parking Improvements**

**Ground Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground and Buildings Lease Agreement (the “Ground Lease”) on November 29, 2006. 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 Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the purpose of developing and constructing an intermodal parking and transit facility, related facilities, and other campus parking improvements. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the intermodal parking and transit facility, related facilities, and other campus parking improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date on which the Bonds issued on behalf of the Facilities to pay for construction of the intermodal parking and transit facility, related facilities, and other campus parking improvements have been paid or have been deemed to have been paid in full.

**Facilities Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Agreement to Lease With Option to Purchase (the “Facilities Lease”) on November 29, 2006. Under the terms of the Facilities Lease, the Facilities will lease, upon completion, the intermodal parking and transit facility, related facilities, and other campus parking improvements to the Board, and the Board agrees, upon completion of construction of the parking projects to accept possession of the parking facility and improvements. Under the terms of the Facilities Lease, the Board is required to pay a base

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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Intermodal Parking and Transit Facility and Parking Improvements (Continued)**

**Facilities Lease Agreement (Continued)**

rental and an additional rental to the Facilities for the use of the parking and transit facility, related facilities, and other campus parking improvements. The base rental is due on the 15<sup>th</sup> 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 Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the parking projects.

Unless terminated sooner as provided in the Facilities Lease, the lease will terminate on the earlier of (i) November 1, 2021, or (ii) the date that all amounts owed under the Indentures have been paid.

**Malone Stadium Drainage and Field Turf**

**Cooperative Endeavor Agreement**

On April 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) and the University of Louisiana Monroe Athletic Foundation, Inc. (the “Athletic Foundation”), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project, which includes the removal of the existing artificial turf and drainage and the installation of new artificial turf and all required drainage (the “Facilities”) on land leased under the Ground Lease. The Athletic Foundation will contract directly with the field turf contractor and shall be responsible for collecting donations from designated donors and timely paying the obligation to the field turf contractor. The Facilities will contract directly with the drainage contractor for all drainage and foundation work necessary prior to the installation of the synthetic field turf. The Facilities will bear sole responsibility for the payment on the drainage contract through anticipated savings from the refinancing of existing debt.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on April 1, 2014 and will end on the earlier of (i) March 31, 2015, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Facilities shall immediately transfer and vest in the Board, including but not limited to all drainage, foundation and field turf warranties.

On June 30, 2014, pursuant to the Series 2014 Athletic Facilities Project Bonds Trust Indenture, the improvements described under this agreement became part of the “Facilities”, which are part of the Facilities Lease Agreement that was assigned to the issuer as security for the Bonds.

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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Malone Stadium Drainage and Field Turf (Continued)**

**Cooperative Endeavor Agreement (Continued)**

On May 25, 2016, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its rights title and interest in the Malone Stadium Drainage and Field Turf to the “Board” on behalf of the University. The act of donation terminated the Cooperative Endeavor Agreement and the Ground Lease Agreement on the property as of the date of the donation.

**Ground Lease Agreement**

On April 1, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into a Ground Lease Agreement (the “Ground Lease”) whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the entire construction project, which includes the removal of the existing artificial turf and drainage and the installation of new artificial turf and all required drainage (the “Facilities”) on land leased under the Ground Lease. The University of Louisiana Monroe Athletic Foundation, Inc. (the “Foundation”) will contract directly with the field turf contractor and shall be responsible for collecting donations from designated donors and timely paying the obligation to the field turf contractor. The Facilities will contract directly with the drainage contractor for all drainage and foundation work necessary prior to the installation of the synthetic field turf. The Facilities will bear sole responsibility for the payment on the drainage contract through anticipated savings from the refinancing of existing debt.

On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the “Board”), entered into an Amendment to Ground Lease Agreement, for the purpose of clarifying responsibilities and repayment sources under the original agreement.

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on April 1, 2014 and will end on the earlier of (i) March 31, 2015, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Facilities shall immediately transfer and vest in the Board, including but not limited to all drainage, foundation and field turf warranties.

On June 30, 2014, pursuant to the Series 2014 Athletic Facilities Project Bonds Trust Indenture, the improvements described under this agreement became part of the “Facilities”, which are part of the Facilities Lease Agreement that was assigned to the issuer as security for the Bonds.

On May 25, 2016, the Facilities executed an Act of Donation (the “donation”) with the Board of Supervisors for the University of Louisiana System (the “Board”), on behalf of the University of Louisiana Monroe (the “University”), irrevocably donating all of its rights title and interest in the Malone Stadium Drainage and Field Turf to the “Board” on behalf of the University. The act of donation terminated the Cooperative Endeavor Agreement and the Ground Lease Agreement on the property as of the date of the donation.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Student Success Center**

**Ground Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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 Facilities for the sum of \$1 per year. The Facilities 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. The Board owns all of the facilities included in the Ground Lease subject to the Facilities rights under the Ground Lease and, upon completion, will lease back the Clarke M. Williams Student Success Center, related facilities, and other campus improvements from the Facilities for use by the students, faculty, and staff of ULM and such other persons as set forth in the Facilities Lease described below.

Unless terminated sooner as provided in the Ground Lease, the lease will terminate on the earlier of (i) October 25, 2032, or (ii) the date on which the Bonds issued on behalf of the Facilities 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 Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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 Facilities 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 Agreement to Lease with Option to Purchase, the Board is required to pay a base rental and an additional rental to the Facilities for the use of the Student Event Center. The base rental is due on the 15<sup>th</sup> 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 Facilities 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 of Supervisors 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.

## UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

### NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

#### NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)

##### Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards

###### **Ground Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into a Ground 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 Facilities for the sum of \$1 per year. The Facilities entered into the Ground Lease for the following purposes: (i) to install scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) to install chair-back seating in Malone Stadium; (iii) to construct dugouts at the softball field and the soccer field; and (iv) to install two electronic display boards. The Board owns all of the facilities included in the Ground Lease subject to the Facilities 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 Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to the Ground Lease Agreement, 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 (i) June 30, 2024, or (ii) the date on which the loan issued on behalf of the Facilities to pay for the construction of the facilities has been paid or has been deemed to have been paid in full.

###### **Facilities Lease Agreement**

The Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, 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 Facilities will lease, upon completion of installation and/or construction, to the Board the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. The Board agrees, upon completion of installation and/or construction, to accept possession of the following: (i) the scoreboards at Malone Stadium, the baseball stadium, softball field, and soccer field; (ii) the chair-back seating in Malone Stadium; (iii) the dugouts at the softball field and the soccer field; and (iv) two electronic display boards. Under the terms of the Facilities Lease, the Board is required to pay a base rental to the Facilities 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 Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the scoreboards, chair-back seating, dugouts, and electronic display boards. On June 30, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe, entered into an Amendment to Agreement to Lease With Option to Purchase (the “Facilities Lease”), for the purpose of extending the term of the facilities lease.



**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Scoreboards, Athletic Facilities Upgrades, & Electronic Display Boards (Continued)**

**Facilities Lease Agreement (Continued)**

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

**Doppler Radar Project**

**Cooperative Endeavor Agreement**

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the “University”) 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 the University 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 Facilities and the Foundation entering into a three-year lease with option to purchase and suspensive contract (the “Facilities Lease”) to buy and sell the 2.84 acres in question. The Facilities Lease between the Facilities 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 Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

The term of the Cooperative Endeavor Agreement shall be for three (3) 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.

**Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell**

On May 1, 2014, the Facilities (the “lessee”) entered into a Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell (the “Lease”) with the University of Louisiana at Monroe Foundation, Inc. (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 Facilities 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 Facilities right, title and interest in the improvements along with all rights, responsibilities and obligations under the Cooperative Endeavor Agreement will be assigned to the University.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Doppler Radar Project (Continued)**

**Lease with Option to Purchase Agreement and Suspensive Contract to Buy and Sell (Continued)**

Upon completion of the Doppler radar project (the Facilities), as described in the Cooperative Endeavor Agreement, all of the Facilities' right, title and interest have been assigned to the University, lessee shall begin paying monthly lease payments in the amount of \$1,990 through April 30, 2017. The lessee will pay all utilities, taxes, required insurance and maintenance on the facilities throughout the term of the Lease.

The term of the Lease shall be for three (3) years beginning on May 1, 2014, and ending on April 30, 2017.

In addition, under the terms of the Lease, the Facilities have an exclusive right of an option to purchase the Facilities for a period of three (3) years from May 1, 2014. The purchase price, if the option is exercised, shall be \$215,000. All lease payments made under the lease agreement will be applied to and deducted from the purchase price at closing.

As of June 30, 2016 and 2015, grant proceeds in the amount of \$1,823,500 and \$346,540, respectively, had been received for the Doppler radar project.

**International Student Facility**

**Ground Lease Agreement**

On May 1, 2014, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), entered into a Ground Lease Agreement (the "Ground Lease") whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities 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.

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

**Cooperative Endeavor Agreement**

On May 1, 2014, the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the "University") 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 Campus,

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**International Student Facility (Continued)**

**Cooperative Endeavor Agreement (Continued)**

to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project on land leased under the Ground Lease. The Foundation will facilitate incremental draw payments through the Facilities, which will contract directly with the contractors and vendors.

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

**Field House at Malone Stadium**

**Ground Lease Agreement**

On February 25, 2015 the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), entered into a Ground Lease Agreement (the "Ground Lease") whereby the Board will lease certain property owned by the Board and located on the Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the entire construction project. As of the execution date of the Ground Lease Agreement, the total cost of the project was estimated to be \$4,026,132 and all costs are to be paid entirely with privately donated funds.

Unless sooner terminated, the Ground Lease shall continue and remain in full force and effect for a one (1) year term beginning on February 25, 2015 and ending on the earlier of (i) February 24, 2016, or (ii) the date of the opening of the Facilities. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest shall immediately transfer and vest in the Board, including but not limited to all project warranties.

**Cooperative Endeavor Agreement**

On February 25, 2015 the Facilities entered into a Cooperative Endeavor Agreement with the University of Louisiana at Monroe (the "University") and the University of Louisiana Monroe Athletic Foundation, Inc. (the "Athletic Foundation"), whereas the Board will lease certain property owned by the Board and located on the Campus, to the Facilities, in accordance with the terms of the Ground Lease. Under the terms of the Cooperative Endeavor Agreement, the Facilities will facilitate and oversee the entire construction project on land leased under the Ground Lease. The Athletic Foundation will contract directly with the field house contractor and shall be responsible for collecting donations from designated donors and timely paying the obligation to the field turf contractor. The Athletic Foundation will facilitate incremental draw payments through the Facilities, which will contract directly with the contractors and vendors.

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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Field House at Malone Stadium (Continued)**

**Cooperative Endeavor Agreement (Continued)**

Unless terminated sooner as provided in the Ground Lease, the lease shall continue and remain in full force and effect for a one (1) year term beginning on February 25, 2015 and will end on the earlier of (i) February 24, 2016 or (ii) the date of the opening of the Field House. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest in the Facilities shall immediately transfer and vest in the Board, including but not limited to all project warranties

**Student Event Center**

**Ground Lease Agreement**

On March 1, 2016, the Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), 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 Campus, to the Facilities for the sum of \$1 per year. Under the terms of the Lease, the Facilities will facilitate and oversee the acquisition, designing, developing, constructing, renovating and reconstructing the Student Center, 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 \$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 corporation.

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 (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid.. Upon expiration of the Ground Lease, all of the Facilities' right, title and interest shall immediately transfer 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 Facilities and the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), 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 Campus, to the Facilities in accordance with the terms of the Ground Lease. Under the terms of the Facilities Lease, the Facilities will facilitate and oversee the construction and development of the entire Student Center project (the "Student Center") on land leased under the Ground Lease and will lease the Land and the Student 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 Facilities for the use of the Student Event Center. The base rental is due on the 15<sup>th</sup> day of the month preceding the dates that principal

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Student Event Center (Continued)**

**Agreement to Lease with Option to Purchase (Continued)**

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 Facilities 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 of Supervisors 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. The Facilities also includes an irrevocable Option allowing the Board purchase the “Facilities” interest in the “Student Center” for a specified price and in accordance with the terms of the Option section of the Facilities Lease.

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 (i) March 1, 2036 or (ii) the date that all amounts owed under the Indenture have been paid. Upon expiration of the Ground Lease, all of the Facilities’ right, title and interest in the Center shall immediately transfer and vest in the Board, including but not limited to all project warranties.

**Future Minimum Lease Payments and Rentals**

**Ground Lease Agreements**

The future minimum lease payments under ground leases (operating leases) as of June 30, 2016, are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$ 8
2018	5
2019	5
2020	5
2021	5
Thereafter	<u>52</u>
Total Minimum Lease Payments	<u>\$ 80</u>

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – GROUND AND FACILITIES LEASES AND AGREEMENTS (CONTINUED)**

**Future Minimum Lease Payments and Rentals (Continued)**

**Facilities Lease Agreements**

As discussed above with the exception of the extra ordinary rental payment of \$1,200,000 paid under the terms of the Student Center Project Facilities Lease during the year ended June 30, 2016, each facilities lease agreement between the Facilities 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 Facilities on behalf of the Board and/or by the Board or ULM in the management, operation, and/or maintenance of the leased facilities. Due to the contingent nature of the additional rental, the future minimum rentals under the facilities leases (operating leases) as of June 30, 2016, 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 Facilities 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 campus of ULM. In addition, CGI has agreed to pay the Facilities 85% of all revenues over a \$32.50 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. The lease agreement terminates on July 14, 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.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The Facilities reimburses ULM for certain operating expenses resulting from ULM’s management of the Facilities various properties. The amount of reimbursable expenses totaled \$2,257,904 and \$2,301,296 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the Facilities owed \$431,709 and \$428,094, respectively, to ULM for reimbursable expenses.

**NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of the Facilities have been summarized on a functional basis in the statements of activities. Accordingly, all costs of the Facilities are deemed to be program-related expenses.

**NOTE 12 – CONSTRUCTION IN PROGRESS AND COMMITMENTS**

On March 30, 2015, the Facilities entered into a contract with Hand Construction, LLC for construction services to be provided in connection with the construction of the Field House at Malone Stadium. The contract is a fixed fee contract in the amount of \$3,427,384 plus approved change orders. As of June 30, 2015, the amount expended on this project was \$361,228 and is included in construction in progress. The project was completed and capitalized into fixed assets during the year ended June 30, 2016.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 – CONSTRUCTION IN PROGRESS AND COMMITMENTS (CONTINUED)**

On December 3, 2014, the Facilities 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. As of June 30, 2016 and 2015, the amount expended on this project was \$2,175,665 and \$352,165, respectively, and is included in construction in progress.

On March 16, 2015, the Facilities entered into a contract with Lincoln Builders of Ruston, Inc. for construction services to be provided in connection with the renovation of Masur Hall. The contract is a fixed fee contract in the amount of \$573,000 plus approved change orders. As of June 30, 2015, the amount expended on this project was \$510,129 and is included in construction in progress. The project was completed and capitalized into fixed assets during the year ended June 30, 2016.

On November 10, 2014 the Facilities entered into a contract with Amethyst Construction, Inc. for services to be provided in connection with the paving of Commons II Parking Lot. The contract is a fixed fee contract in the amount of \$183,208 plus approved change orders. As of June 30, 2015, the amount expended on this project was \$170,816 and is included in construction in progress. The project was completed and placed in service during the year ended June 30, 2016.

On July 31, 2015, the Facilities entered into a Louisiana Residential Agreement to Buy or Sale property located at 801 North McGuire Avenue for \$75,000. This transaction was completed and the land was capitalized during the year ended June 30, 2016. Additionally, during the year ended June 30, 2016, the Facilities purchased additional parcels of land located at 901 and 903 McGuire Avenue for \$138,641. These costs have been capitalized as land which is being held for future development.

On June 7, 2016, the Facilities entered into a contract with Triad Builders of Ruston, Inc. for construction services in connection with the renovation of Masur Hall (Masur Phase II). The contract is a fixed fee contract in the amount of \$465,000 plus approved change orders. In addition to the construction contract, the Facilities contracted with various other professionals for services required to complete the project. At June 30, 2016, total expenditures in the amount of \$153,474 were incurred on the project and are included in construction in progress. At June 30, 2016, contracts payable for the project was \$85,050. Subsequent to year end, payments in the amount of \$85,497 were paid against the contracts payable amount.

During the year ended June 30, 2016, the Facilities entered into a ground lease and a facilities lease agreement with the Board of Supervisors for the University of Louisiana System, on behalf of the University of Louisiana at Monroe (the "Board"), for the purpose of developing, designing, renovating and constructing a student center on land leased from the Board, and leasing the student center back to the Board. In connection with the student center project, the Facilities contracted with various professions for services required to complete the project. As of June 30, 2016, total expenditures incurred on the project were \$297,300 and are included in construction in progress. Subsequent to year end, additional costs in the amount of \$3,191 were incurred on the project.

**UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 – SUBSEQUENT EVENTS**

The Facilities' management has evaluated subsequent events through August 16, 2016, the date which the financial statements were available for issue.

**NOTE 14 – TRANSFER OF FUNDS**

On March 1, 2013 The Authority and Regions Bank 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 reads 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 was transferred to the University for the years ended June 30, 2016 and 2015.

**NOTE 15 – DOPPLER RADAR PROJECT – HAZARD MITIGATION GRANT PROGRAM**

The Facilities 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 Facilities (the "Sub-Grantee") through GOHSEP's Hazard Mitigation Program. The total grant award was \$ 3,077,900. As of June 30, 2016 and 2015, grant proceeds in the amount of \$1,823,500 and \$ 346,540, respectively, had been received for the Doppler Radar Project.



SUPPLEMENTARY INFORMATION



**Little & Assoc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
University of Louisiana Monroe Facilities, Inc.  
Monroe, LA 71209

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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 the attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether University of Louisiana Monroe Facilities, Inc.'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.

Monroe, Louisiana  
August 16, 2016

*Little & Associates, LLC*



**Little & Assoc.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
University of Louisiana Monroe Facilities, Inc.  
Monroe, LA 71209

**Report on Compliance for Each Major Federal Program**

We have audited University of Louisiana Monroe Facilities, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on University of Louisiana Monroe Facilities, Inc.'s major federal program for the year ended June 30, 2016. University of Louisiana Monroe Facilities, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for University of Louisiana Monroe Facilities, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University of Louisiana Monroe Facilities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of University of Louisiana Monroe Facilities, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, University of Louisiana Monroe Facilities, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



**Report on Internal Control Over Compliance**

Management of University of Louisiana Monroe Facilities, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered University of Louisiana Monroe Facilities, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of University of Louisiana Monroe Facilities, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Monroe, Louisiana  
August 16, 2016

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-Through Grantor Program Title	C.F.D.A. Number	Pass-Through Grantor Number	Current Year Expenditures
U.S. Department of Homeland Security			
Passed through the State of Louisiana - Governor's Office of Homeland Security and Emergency Preparedness Hazard Mitigation Grant Program	97.039	1603-22-0084	<u>\$ 1,823,500</u>
Total Hazard Mitigation Grant Program			<u>1,823,500</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,823,500</u></u>

See accompanying notes to schedule of expenditures of federal awards.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal award activity of University of Louisiana Monroe Facilities, Inc. (the Facilities) for the year ended June 30, 2016 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Facilities, it is not intended to and does not present the financial position, changes in the net assets, or the cash flows of Facilities.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principal contained in the OMB Circular A-122, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Facilities has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Expenditures of Federal Awards to Subrecipients

Facilities did not have expenditures of federal awards to subrecipients.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
TO THE AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2016

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



**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, 2016**

	<u>2016</u>
Capital Expenditures Paid To or On Behalf of ULM's Intercollegiate Athletics Program	<u>\$ 3,101,202</u>

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements:

Type of Auditor’s Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? \_\_\_ Yes X No

Significant Deficiency(s) identified not considered to be material weaknesses? \_\_\_ Yes X No

Noncompliance material to financial statements noted? \_\_\_ Yes X No

Federal Awards:

Internal Control Over Major Programs:

Material Weakness(es) identified? \_\_\_ Yes X No

Significant Deficiency(s) identified not considered to be material weaknesses? \_\_\_ Yes X No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_ Yes X No

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? \_\_\_ Yes X No

Identification of Major Programs:

CFDA #	PROGRAM TITLE
97.039	Hazard Mitigation Grant

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2016.

Section III – Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2016.

UNIVERSITY OF LOUISIANA MONROE FACILITIES, INC.

SUMMARY STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

There were no findings for the year ended June 30, 2015.