NSU FACILITIES CORPORATION
Thibodaux, Louisiana

Audited Financial Statements

Years Ended June 30, 2021 and 2020

NSU FACILITIES CORPORATION
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June 30, 2021 and 2020

Martin
and
Pellegrin

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have audited the accompanying financial statements of NSU Facilities Corporation, a nonprofit organization, a component unit of the University of Louisiana System, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NSU Facilities Corporation as of June 30, 2021 and 2020, 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.

Prior Period Financial Statements

The financial statements as of and for the year ended June 30, 2020 were audited by other auditors, whose report dated September 28, 2020, expressed an unmodified opinion on those statements.

Martin and Pellegrin

Houma, Louisiana
August 10, 2021

FINANCIAL STATEMENTS

NSU FACILITIES CORPORATION
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Lease income receivable	$ 429,050	$ 489,961
Accrued interest receivable	-	58
Total Current Assets	429,050	490,019
Non-current Assets		
Restricted cash - bond reserves	3,583,799	2,839,138
Restricted cash - debt service reserves	4,371,266	4,445,364
Property and equipment, net	40,019,551	43,667,581
Total Non-current Assets	47,974,616	50,952,083
Total Assets	$ 48,403,666	$ 51,442,102
Liabilities		
Current Liabilities		
Accrued interest payable	$ 269,912	$ 310,482
Current maturities of long-term debt	2,275,000	2,220,000
Total Current Liabilities	2,544,912	2,530,482
Long-term Liabilities		
Tax-exempt bonds payable, net	43,963,183	45,349,333
Taxable bonds payable, net	2,344,669	2,592,097
Unamortized swap interest	130,723	137,589
Interest rate swap	10,668,000	14,173,000
Deferred lease income	5,330,644	5,659,507
Total Long-term Liabilities	62,437,219	67,911,526
Total Liabilities	64,982,131	70,442,008
Net Deficit Without Donor Restrictions	(16,578,465)	(18,999,906)
Total Liabilities and Net Deficit	$ 48,403,666	$ 51,442,102

See accompanying notes.

NSU FACILITIES CORPORATION
Statements of Activities and Functional Expenses
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
Lease income	$ 5,665,152	$ 5,924,471
Interest income	809	78,551
Total Revenues	5,665,961	6,003,022
Program Expenses		
Depreciation expense	3,648,030	3,648,031
Interest expense	2,616,364	2,761,243
Repairs and maintenance	31,180	26,432
Professional and legal fees	17,763	13,263
Total Program Expenses	6,313,337	6,448,969
Management and General Expenses		
Professional and legal fees	24,697	27,786
Total Expenses	6,338,034	6,476,755
Other Income (Expense)		
Unrealized gain (loss) on interest rate swap	3,505,000	(3,797,000)
Loss on refinance	(411,486)	-
Total Other Income (Expense)	3,093,514	(3,797,000)
Change in Net Assets Without Donor Restrictions	2,421,441	(4,270,733)
Net Deficit - Beginning of Year	(18,999,906)	(14,729,173)
Net Deficit - End of Year	$ (16,578,465)	$ (18,999,906)

See accompanying notes.

NSU FACILITIES CORPORATION

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Deficit	$ 2,421,441	$ (4,270,733)
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Depreciation	3,648,030	3,648,031
Amortization of bond discount and bond issuance costs	291,419	108,153
Loss on refinance	(411,486)	-
Loss (Gain) on interest rate swap	(3,505,000)	3,797,000
Changes in assets and liabilities		
Lease income receivable	60,911	(6,615)
Accrued interest receivable	58	10,184
Accrued interest payable	(40,570)	(13,145)
Unamortized swap interest	(6,866)	-
Deferred lease income	(328,863)	(329,252)
Net Cash Provided by Operating Activities	2,129,074	2,943,623
Cash Flows Used in Financing Activities		
Bond payments, net of reoffering premium	(1,458,511)	(2,145,000)
Net Increase in Cash and Cash Equivalents	670,563	798,623
Cash and Cash Equivalents		
Beginning of Year	7,284,502	6,485,879
End of Year	$ 7,955,065	$ 7,284,502
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	$ 2,656,934	$ 2,666,237
Unrealized Loss (Gain) on interest rate swap	$ (3,505,000)	$ 3,797,000
Loss on refinance	$ 411,486	$ -

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

A. Nature of the Organization – The NSU Facilities Corporation (the Corporation) is a nonprofit organization formed to promote, assist, and benefit the mission of Nicholls State University (the University) through the acquisition, construction, development, management, leasing as lessor or lessee, mortgaging and/or conveying student housing facilities as well as other buildings and improvements on the campus of the University.

The Corporation participated in bond issuances by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) who issued \$32,380,000 (Series 2007B), \$1,975,000 (Series 2016A), \$4,000,000 (Series 2016B), \$10,605,000 (Series 2017A), and \$8,415,000 (Series 2021) in revenue bonds which will be payable solely from the revenues of the Corporation. The original issue bond proceeds are primarily used to acquire, construct, develop, and renovate real estate related facilities and improvements.

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

B. Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

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

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

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

The Corporation had no net assets with donor restrictions for the years ended June 30, 2021 and 2020.

Note 1 – Summary of Significant Accounting Policies (Cont.)

D. Cash and Cash Equivalents – For the purpose of the Statements of Cash Flows, the Corporation considers all cash, including restricted cash, and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

E. Investment Securities – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments held as restricted for debt services and other purposes under the bond indentures are stated at cost, which approximates market value.

F. Fixed Assets and Depreciation – Fixed assets are recorded at cost and include interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred. The Corporation assesses its long-lived assets for impairment when indicators are identified, but at least annually. Historically, no other than temporary impairments have been identified. Depreciation is computed using the straight-line method over the lives of the assets' respective leases. Salvage values are not used because title of the assets will relinquish to the landlord at the end of such leases. Substantially all of the Corporation's fixed assets are pledged to secure long-term debt as discussed in Note 6.

G. Revenue Recognition – Lease revenue consists of Base Rentals and Additional Rentals. Revenues from base rentals are determined and recognized as income in accordance with debt service schedules associated with each respective lease and related financing instrument. As such, lease revenue transactions are not necessarily intended to represent fair market value arrangements. Management has not attempted to make a determination as to the actual fair market value of rental payments for the leased facilities. Additional Rentals consist of any and all expenses, of every nature, character, and kind whatsoever, incurred by the management, operation, ownership, and/or maintenance of the facilities. Additional Rentals are recorded as revenue when the related expense is incurred.

H. Income Taxes – The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Corporation's Form 990, Return of Organization Exempt from Income Tax, is generally subject to examination by the Internal Revenue Services for three years after the return was filed.

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

<u>Note 1 – Summary of Significant Accounting Policies (Cont.)</u>

support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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

J. <u>Recent Accounting Pronouncement</u> – In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more estimates and judgment may be required in the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, is effective for annual reporting periods beginning after December 15, 2019 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization adopted the new revenue guidance effective July 1, 2020, resulting in no impact on its financial statements.

K. <u>Recent Accounting Pronouncement</u> – In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Note 2 – Restricted Cash

Restricted cash held by the Bond Trustees consists of cash and money market mutual funds. These accounts are stated at cost, which approximates market, and are uninsured.

Under the terms of the various Trust Indentures or similar documents, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These associated documents govern the types of investments and requirements for collateralization. The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Restricted cash consists of the following at June 30, 2021 and 2020:

	2021	2020
Bond Reserves	$ 3,583,799	$ 2,839,138
Debt Service Reserves	4,371,266	4,445,364
Total Cash, Cash Equivalents and Restricted Cash Reported in the Statement of Cash Flows	$ 7,955,065	$ 7,284,502

Investment return consists of interest income on restricted cash in the amounts of $809 and $78,551 for the years ended June 30, 2021 and 2020, respectively.

Note 3 – Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

	06/30/20	Additions	Deletions	06/30/21
Infrastructure Improvements	$ 2,905,424	$ -	$ -	$ 2,905,424
Building Improvements	7,019,698	-	-	7,019,698
Buildings	70,711,368	-	-	70,711,368
	80,636,490	-	-	80,636,490
Less: Accumulated Depreciation	(36,968,909)	(3,648,030)	-	(40,616,939)
Property and Equipment, Net	$ 43,667,581	$ (3,648,030)	$ -	$ 40,019,551

Depreciation expense totaled $3,648,030 and $3,648,031 for the years ended June 30, 2021 and 2020, respectively.

Note 4 – Lease Income Receivable

Receivables associated with lease income represent pro-rated amounts of scheduled lease income (scheduled principal and interest payments on the bonds). Lease income is collected periodically in accordance with pre-determined debt service requirements associated with the bonds. As such, a daily revenue rate for each bond (lease) is calculated and a receivable is recorded to reflect the annualized revenue for each respective lease that will be collected in the following fiscal year.

Note 5 – Deferred Lease Income

Liabilities associated with Deferred Lease Income represent amounts paid to the Corporation by the University at the issuance of certain bonds. These payments were considered advance payments of rent under the various facilities lease agreements. As such, the deferred lease income (advance payments of rent) is being amortized into lease income on a straight-line basis over the life of the respective original lease terms. The University originally generated the funds primarily as a result of student fees associated with, and designated for, each respective project. Original funded amounts, accumulated amortization and remaining deferred income are as follows:

June 30, 2021

Associated Bond Issue	Life (Years)	Original Funded Amount	Current Year Income	Accumulated Amortized Income	Deferred Lease Income
Series 2006A / 2016A	20.00	$ 40,303	$ 2,015	$ 30,479	$ 9,824
Series 2006B / 2016B	25.00	909,697	36,388	550,504	359,193
Series 2007A / 2017A	16.90	1,001,378	59,195	821,449	179,929
Series 2010 / 2021	31.50	7,182,500	228,015	2,412,595	4,769,905
Series 2016A	9.00	29,250	3,250	17,457	11,793
		$9,163,128	$328,863	$3,832,484	$5,330,644

June 30, 2020

Associated Bond Issue	Life (Years)	Original Funded Amount	Current Year Income	Accumulated Amortized Income	Deferred Lease Income
Series 2006A / 2016A	20.00	$ 40,303	$ 2,015	$ 28,464	$ 11,839
Series 2006B / 2016B	25.00	909,697	36,388	514,116	395,581
Series 2007A / 2017A	16.90	1,001,378	59,195	762,254	239,124
Series 2010	31.50	7,182,500	228,404	2,184,580	4,997,920
Series 2016A	9.00	29,250	3,250	14,207	15,043
		$9,163,128	$329,252	$3,503,621	$5,659,507

<u>Note 6 – Reclassifications</u>

For financial statement presentation purposes, prior auditors presented Deferred Lease Income net of substantially all Lease Income Receivables. Those amounts have been reclassified to conform to current year presentation, which presents all of the receivables and the deferred income on a gross basis. All amounts related to the lease income receivables and the deferred lease income are associated with the various lease agreements between the Corporation and the University.

<u>Note 7 – Ground Lease</u>

The Corporation leases the land on which the facilities are located from the Board of Supervisors of the University of Louisiana System (the Board), pursuant to ground lease agreements commencing on May 1, 2006, August 1, 2007, February 1, 2016, and December 1, 2017. In connection with the issuance of the Series 2016A and Series 2016B bonds, the May 1, 2006 lease agreement was superseded by the February 1, 2016 lease agreement. Additionally, in connection with the issuance of the Series 2017A bonds, the August 1, 2007 lease agreement was superseded by the December 1, 2017 lease agreement. Lease payments of $1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased or the Board exercises its option to purchase under the facilities lease agreements as discussed in Note 5 below.

The Corporation leases the land and improvements on which the recreation center is located from the Board, pursuant to the ground lease agreement commencing on April 1, 2009. In connection with the issuance of the Series 2021 bonds, the April 1, 2009 lease agreement was superseded by the March 11, 2021 lease agreement. Lease payments of $1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased. The lease may also terminate upon mutual agreement of the Corporation and the Board, or if the Board exercises its option to purchase under the facilities lease.

<u>Note 8 – Facilities Lease</u>

The Corporation leases facilities to the Board under facilities lease agreements beginning May 1, 2006, August 1, 2007, December 1, 2010, February 1, 2016, December 1, 2017, and March 11, 2021. In connection with the issuance of the Series 2016A and Series 2016B bonds, the May 1, 2006 Facilities Lease Agreement was superseded by the February 1, 2016 Facilities Lease Agreement. In connection with the issuance of the Series 2017A bonds, the August 1, 2007 facilities lease agreement was superseded by the December 1, 2017 facilities lease agreement. In connection with the issuance of the Series 2021 bonds, the December 1, 2010 facilities lease agreement was superseded by the March 11, 2021 facilities lease agreement. The rental payments under the facilities lease agreements consist of Base Rentals and Additional Rentals.

Note 8 – Facilities Lease (Cont.)

Base Rentals are equal to the annual debt service payments due on the Corporation's long-term bonds and deposits to repair and replacement reserves as required under the bond indentures. Additional Rentals consist of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation on behalf of the Board and/or by the Board or the University in the management, operation, ownership, and/or maintenance of the facilities. The Board shall be entitled to a credit against and reduction of each Base Rental payment in an amount equal to any amounts derived from accrued interest from the sale of the Bonds and/or surplus monies, including investment earnings.

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

Minimum future lease revenues consist of Base Rental payments. Additional Rentals, which are based on any expenses incurred by the Corporation for operation or maintenance of the facilities other than payments required under the bond indentures, are considered additional rentals because they are not fixed in the lease agreements. Additional rentals of $99,824 and $376,913 are included in rental income for the years ended June 30, 2021 and 2020, respectively. Minimum rental payments to be received under non-cancelable operating leases over the next five years are as follows:

Year Ending June 30,	Amount
2022	$ 5,477,576
2023	5,485,744
2024	5,483,707
2025	5,544,353
2026	5,297,095
Thereafter	61,085,001
	$ 88,373,476

Note 9 – Long-term Debt

Series 2007B Bonds Payable

On August 23, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $17,680,000 of non-taxable Series 2007A Bonds and $32,380,000 of non-taxable Series 2007B Bonds pursuant to an Indenture of Trust between the Issuer and the J. P. Morgan Trust Company, N.A.

Note 9 – Long-term Debt (Cont,)

As referenced below for the Series 2017A Bonds, the Series 2007A Bonds were refinanced in December 2017. The 2007B Bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 1, 2039. The Series 2007B bonds bear interest as a variable rate equal to 70% of the one-month London Interbank Offered Rate (LIBOR) plus 1.50% and are subject to an interest rate swap agreement as discussed below. The fixed interest rate under the swap agreement was 5.622% as of June 30, 2021 and 2020.

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the 2017A Bonds to the Corporation. The proceeds were used to refund the 2007A Bonds in the amount of $9,130,000 and pay the cost of issuance of the Series 2017 Bonds.

Series 2010 Bonds Payable

On December 1, 2010, the Issuer issued $10,860,000 of non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the issuer and Regions Bank (Regions).

Pursuant to loan documents between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds were used to finance a new recreation center and to pay the cost of issuing the bonds.

As referenced below, the Series 2010 Bonds were refinanced in March 2021.

Series 2016A and 2016B Bonds Payable

On February 1, 2016, the Issuer issued $1,975,000 of non-taxable Series 2016A Bonds and $4,000,000 of taxable Series 2016B Bonds pursuant to an Indenture of Trust between the Issuer and Regions.

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the bond to the Corporation. The proceeds were used to redeem the Series 2006A and the Series 2006B Bonds and to pay for the cost of issuance of the bonds.

The Series 2016A bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on April 1, 2025. The average coupon rate of the Series 2016A Bonds was 2.30% as of June 30, 2021 and 2020. The 2016B bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on April 1, 2030. The average coupon rate of the Series 2016B Bonds was 3.71% as of June 30, 2021 and 2020.

Note 9 – Long-term Debt (Cont,)

Series 2017A Bonds Payable

On December 1, 2017, the issuer issued $10,605,000 of non-taxable Series 2017A Bonds pursuant to an Indenture of Trust between the Issuer and Regions.

Pursuant to loan agreements between the Issuer and the Corporation, the issuer has loaned the proceeds of the bonds to the Corporation. The proceeds were used to redeem the Series 2007A Bonds in the amount of $9,130,000 and pay for the cost of issuing the Bonds.

The Series 2017A Bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on June 30, 2024. The average coupon rate of the Series 2017A Bonds were 2.86% as of June 30, 2021 and 2020.

Series 2021 Bonds Payable

On March 1, 2021, the issuer issued $8,415,000 of non-taxable Series 2021 Bonds pursuant to an Indenture of Trust between the Issuer and Regions.

Pursuant to loan agreements between the Issuer and the Corporation, the issuer has loaned the proceeds of the bonds to the Corporation. The proceeds were used to redeem the Series 2010 Bonds in the amount of $8,950,000 and to pay for the cost of issuing the Series 2021 Bonds.

The Series 2021 Bonds are payable in semi-annual installments of interest and annual installments of principal in varying amounts through final maturity on October 1, 2041. The average coupon rate of the Series 2021 Bonds was 4.00% as of June 30, 2021.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents, and assignment of rents between the Corporation and Regions, the Corporation grants to Regions first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to Regions its rights under various agreements and contracts related to the Series 2016A, Series 2016B, Series 2017A, and Series 2021 Bonds. Pursuant to the indenture, the issuer assigned all of their interest in the loan agreements to Regions to secure the bonds.

Note 9 – Long-term Debt (Cont,)

Long-term bonds are as follows at June 30, 2021:

	Principal	Unamortized Premium	Unamortized Discount and Issuance Cost	Net Bonds Payable Tax-Exempt	Net Bonds Payable Taxable
Tax-Exempt Bonds					
Series 2007B	$32,380,000	$ -	$ (1,019,617)	$31,360,383	$ -
Series 2016A	885,000	-	(24,902)	860,098	-
Series 2017A	4,835,000	-	(149,623)	4,685,377	-
Series 2021	8,415,000	885,003	(222,678)	9,077,325	-
Total Tax-Exempt Bonds	46,515,000	885,003	(1,416,820)	45,983,183	-
Taxable Bonds					
Series 2016B	2,665,000	-	(65,331)	-	2,599,669
Total Bonds	49,180,000	885,003	(1,482,151)	45,983,183	2,599,669
Less: Current Maturities	(2,275,000)	-	-	(2,020,000)	(255,000)
Net Bonds Payable	$46,905,000	$ 885,003	$ (1,482,151)	$43,963,183	$2,344,669

Long-term bonds are as follows at June 30, 2020:

	Principal	Unamortized Premium	Unamortized Discount and Issuance Cost	Net Bonds Payable Tax-Exempt	Net Bonds Payable Taxable
Tax-Exempt Bonds					
Series 2007B	$32,380,000	$ -	$ (1,082,032)	$31,297,968	$ -
Series 2016A	1,095,000	-	(31,765)	1,063,235	-
Series 2017A	6,360,000	-	(162,704)	6,197,296	-
Series 2010	9,190,000	-	(424,166)	8,765,834	-
Total Tax-Exempt Bonds	49,025,000	-	(1,700,667)	47,324,333	-
Taxable Bonds					
Series 2016B	2,910,000	-	(72,903)	-	2,837,097
Total Bonds	51,935,000	-	(1,773,570)	47,324,333	2,837,097
Less: Current Maturities	(2,220,000)	-	-	(1,975,000)	(245,000)
Net Bonds Payable	$49,715,000	$ -	$ (1,773,570)	$45,349,333	$2,592,097

Note 9 – Long-term Debt (Cont,)

Maturities of long-term debt at June 30, 2021 are as follows:

Year Ending June 30,	Tax-Exempt Bonds Payable	Taxable Bonds Payable	Total Bonds Payable
2022	$ 2,020,000	$ 255,000	$ 2,275,000
2023	2,105,000	265,000	2,370,000
2024	2,165,000	275,000	2,440,000
2025	2,290,000	285,000	2,575,000
2026	2,160,000	295,000	2,455,000
Thereafter	35,775,000	1,290,000	37,065,000
	$ 46,515,000	$ 2,665,000	$ 49,180,000

Interest Rate Swap Agreement

Related Bonds: The Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) issued its $32,380,000 Revenue Bonds (Nicholls State University Housing / NSU Facilities Corporation Project) Series B 2007B Bonds (the Bonds), the proceeds of which were loaned to the Corporation. The Bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time. On December 8, 2017, the Bonds were remarketed from a variable rate demand bond secured by the existing Assured Guaranty bond insurance and a liquidity facility provided by Regions Bank in the form of a stand-by bond purchase agreement confirmed by a Federal Home Loan Bank-Atlanta letter of credit (the Liquidity Facility) to a bond secured by the existing Assured Guaranty Bond insurance directly purchased by Regions Capital Advantage, Inc. The necessity of this remarketing was due to the termination of the Liquidity Facility securing the bonds.

Objective of the interest rate swap: In order to hedge interest rate exposure on the Bonds at the request of the Corporation, the Authority entered into an interest rate swap (the Swap) with Morgan Keegan Financial Products, Inc. (the Original Provider). The Swap was originally effective as of August 15, 2007 and was subsequently amended on June 20, 2008 as more fully described in the Master Agreement, Schedule to the Master Agreement, Replacement Transaction Agreement and Confirmation dated August 15, 2007 and the Amended Confirmation dated June 20, 2009 (the Original Swap Documents). In connection with the remarketing of the Bonds, and pursuant to the terms of the Replacement Transaction Agreement, the Original Provider has assigned its rights under the Original Swap Documents to Deutsche Bank AG, New York Branch (the Replacement Provider) and the Original Swap Documents were amended pursuant to an Amended and Restated Confirmation (the Amended and Restated Confirmation and, together with the Original Swap Documents, the Swap Documents) between the Authority and the Replacement Provider.

Note 9 – Long-term Debt (Cont,)

Corporation Liable for Swap Payments: The Corporation is liable to the Authority to make Swap payments and Bond debt service payments pursuant to the terms of the transaction documents. Any amounts owed by the Authority to the Replacement Provider of the Swap are obligations of the Corporation. Payments to the Replacement Provider, included in the Statements of Activities as interest expense, totaled $1,305,535 and $1,002,684 for the years ended June 30, 2021 and 2020, respectively.

Terms: Under the amended terms of the Swap since December 9, 2017, the Authority pays a fixed rate of 5.622%, and the Replacement Provider pays a variable rate equal to 70% of the one-month LIBOR plus 1.50% beginning January 2, 2018 through June 1, 2030, all as more fully described in the Swap Documents.

LIBOR Phase Out: As a result of widespread market manipulation by banks which provide quotes for determining the LIBOR index, LIBOR is being phased out and will likely not be quoted beyond the end of 2021. In response, the Federal Reserve Board and the Federal Reserve Bank of New York created the Alternative Reference Rate Committee, which in 2017announced that the Secured Overnight Financing Rate (SOFT) has been chosen as the recommended, but not mandatory, primary replacement index for LIBOR. Both the Swap and the Bonds have variable interest rates based on LIBOR. As of June 30, 2021, the Authority has not yet determined the replacement index for the Swap with the Replacement Provider, nor the replacement index for the Bonds with the Bondholder.

Fair Value: The fair value of the Swap agreement was $10,668,000 and $14,173,000 in favor of the Replacement Provider for the years ended June 30, 2021 and 2020, respectively, as discussed in Note 7.

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2021, the Authority is not exposed to credit risk because the Swap has a negative fair value. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed to credit risk in the amount of the Swap's fair value.

Basis Risk: Basis risk is the risk that arises when variable interest rates on a Swap and the associated debt are based on different indexes. Under the Swap, the floating rate paid to the Authority by the Replacement Provider is based on the same floating rate index as the Bonds (70% of one month LIBOR). Therefore, the Authority is not presently exposed to basis risk on the Swap. As part of the phase out of LIBOR, it is possible that the replacement index for the Bonds could be different than the replacement index for the Swap, which would result in basis risk for the Authority. As of June 30, 2021, the Corporation expects to seek to use the same replacement index for the Swap and the bonds, thereby removing any basis risk, and to direct the Authority to enter into such documents necessary for the implementation thereof.

Note 9 – Long-term Debt (Cont,)

However, the Corporation cannot provide any assurances as to the timing of implementing such replacement index for the Swap of the Bonds, nor the willingness of the bondholder and the Replacement Provider to voluntarily agree to using the same index. During any time period, temporary or permanent, that the underlying index for the Swap is different than the underlying index for the Bonds, the Authority would be subject to basis risk.

Termination Risk: The Authority or the Replacement Provider may terminate the Swap if the other party fails to perform under the terms of the contract. The Swap may be terminated if either party fails to make payment when due; breaches the Swap Documents; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the Swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the Swap has a negative fair value, the Authority would be liable to the Replacement Provider for a payment equal to the Swap's fair value.

Rollover Risk: Rollover risk is the risk that the Swap does not extend to the maturity of the associated debt. The Authority is not exposed to rollover risk because the Swap terminates in conjunction with the maturity of the associated bond. The Swap terminates on June 1, 2039, and the Bonds mature on June 1, 2039.

Interest Rate Risk: Interest rate risk is the risk that the interest rate will change over some interval while the Bonds are outstanding. The Authority has entered into this fixed rate Swap agreement to mitigate interest risk associated with the underlying variable rate bonds.

Note 10 – Fair Value Measurement

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820, Fair Value Measurement, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs in the three levels of this hierarchy are described as follows:

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

Note 10 – Fair Value Measurement (Cont.)

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

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

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

Recurring Fair Value Measurements

The Corporation measures its interest rate swap derivative at fair value on a recurring basis. The fair value of the derivative is estimated as the present value of expected future cash flows, taking into account the type of security, its terms, and the projected yield based on future market rates for similar securities (Level 2 inputs).

The fair value of the interest rate swap derivative was a liability of $10,668,000 and $14,173,000 for the years ended June 30, 2021 and 2020, respectively. Consequently, the change in fair value resulted in an unrealized gain of $3,505,000 and an unrealized loss of $3,797,000 for the years ended June 30, 2021 and 2020, respectively. Unrealized gains are included in the statements of activities as other income, and unrealized losses are included in the statements of activities as other expenses.

Note 11 – Concentrations of Risk

The Corporation received 100% of its Lease Income from Nicholls State University. The University's primary sources of funding for the lease payments are student fees for room and board, parking and other student assessments. The legislature of the State of Louisiana and the Board of Supervisors of the University of Louisiana System have significant control over the future funding and operations of the university. Changes in funding or policy by these entities, which result in a significant decrease in student enrollment, could have a significant adverse impact on the Corporation.

The Corporation maintains its cash and short-term investments in money market mutual funds. These accounts are not insured. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. At June 30, 2021, the total amount of uninsured money market investments was approximately $7,705,065.

Note 12 – Loss on Refinance

As discussed in Note 9, the Series 2010 Bonds were refunded in March of 2021. For financial reporting purposes, this resulted in accelerating the recognition of (writing off) costs previously capitalized, which included discounts and issuance costs associated with the Series 2010 Bonds. As a result, a $411,486 loss has been included in "Other Expense" on the Statement of Activities and Functional Expenses.

Note 13 – Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, although the Corporation has no financial assets available for general expenditure. All financial assets are restricted for debt service and construction costs. The Corporation's liquidity needs are funded by the university as expenses are incurred.

Note 14 – Risks and Uncertainties

Our concentrations as noted in Note 8 due to a high concentration of revenue from a single source and the market in which it conducts operations make it reasonably possible that the Corporation is vulnerable to the risk of a near-term severe impact.

Note 15 – Subsequent Events

The Corporation has evaluated subsequent events through the date which the financial statements were available to be issued, August 10, 2021. No subsequent events occurring after the date above have been evaluated for inclusion in these financial statements. Based on such evaluation, no events have occurred that, in the opinion of management, warrant recognition in the financial statements or disclosure in the notes to the financial statements as of June 30, 2021.

NSU FACILITIES CORPORATION
Thibodaux, Louisiana

Schedule of Representations

Year Ended June 30, 2021

NSU FACILITIES CORPORATION
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June 30, 2021

Martin and Pellegrin

Certified public Accountants (A Professional Corporation)

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Houma, Louisiana 70360

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have examined management of NSU Facilities Corporation's assertion that the accompanying Schedule of Representations for the year ended June 30, 2021 is presented in accordance with the requirements of the Board of Supervisors of the University of Louisiana System. NSU Facilities Corporation's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the accompanying Schedule of Representations for the year ended June 30, 2021 is presented in accordance with the requirements of the Board of Supervisors of the University of Louisiana System is fairly stated, in all material respects.

This report is intended solely for the information and use of NSU Facilities Corporation and the Board of Supervisors of the University of Louisiana System and is not intended to be and should not be used by anyone other than those specific parties.

Martin and Pellegrin

Houma, Louisiana
August 10, 2021

NSU FACILITIES CORPORATION
Schedule of Representations
Year Ended June 30, 2021

Representation # 1
Board of Directors

a) Officers and members of the Corporation's Board of Directors, with a brief biography of each and the expiration of their term is as follows:

Board Member	Term	Term Expires	Office Held
Mr. Joseph Kolwe	5 Years	June 25, 2025	Chairperson
Mr. Henry J. Lafont, Jr.	5 Years	July 8, 2021**	Vice-Chairperson
Mr. Jerry Ledet	5 Years	June 25, 2025	Secretary - Treasurer
Dr. Michele Caruso	5 Years	July 8, 2022	Board Member
Mr. Terry P. Braud, Jr.	5 Years	June 25, 2025	Board Member

** – Re-Elected on June 24, 2021 to new 5-year term.

Mr. Joseph Kolwe – A Certified Public Accountant licensed to practice public accounting in the State of Louisiana. His office is located in Thibodaux and he has practiced public accounting since 1983. Mr. Kolwe is a 1973 Accounting graduate of Nicholls State University.

Mr. Henry J. Lafont, Jr. – Practicing attorney for 41 years, and former Associate Professor at Nicholls State University for 15 years. Mr. Lafont is a 1976 graduate of Nicholls State University with a B.A. in History and a 1979 graduate of the Louisiana State University Law Center.

Mr. Jerry Ledet – President and Chief Executive Officer of Synergy Bancshares, Inc. Mr. Ledet lives in Thibodaux and is a graduate of Nicholls State University and the Graduate School of Banking of the South. He has and currently serves on several civic organization and professional boards.

Dr. Michele Caruso – Vice President for Student Affairs at Nicholls State University. Dr. Michele Caruso has served in various administrative capacities as well as taught graduate and undergraduate courses at Nicholls since 1996. She has a doctorate from Mississippi State University (1996), an undergraduate from University of New Orleans (1990) and a master's from University of New Orleans (1992).

Mr. Terry P. Braud, Jr. – Vice President for Finance and Administration at Nicholls State University. Mr. Braud is a graduate of Nicholls State University. He is also a Certified Public Accountant licensed to practice public accounting in the State of Louisiana. He was previously an employee and officer in a privately held energy related company for 27 years before assuming his role at Nicholls State University in 2016.

b) A schedule of board meetings held during the year ended June 30, 2021, is as follows:

June 24, 2021

Representation # 2
Corporate and/or Statutory Responsibilities

a) No changes were made to the Articles of Incorporation or the Bylaws during the current fiscal year.

b) The federal income tax return, Form 990, for the year ended June 30, 2021 will be filed by its due date by Martin & Pellegrin, CPAs (PC), as part of their engagement agreement.

c) The NSU Facilities Corporation has filed the appropriate registration with the Louisiana Secretary of State during the 2020-2021 fiscal year and is currently in good standing.

d) The Corporation deposited and/or held the following public funds during the year under audit: The only funds held by the Corporation directly relating to Nicholls State University are on deposit with the Trustee for payment of Series 2007B, Series 2016A, Series 2016B, Series 2017A, and Series 2021 bonds.

Representation # 3
Contracts

a) All lease, lease-back, financing (bond covenants, trustee agreements, etc.), and/or any other agreements that NSU Facilities Corporation has with the Board of Supervisors for the University of Louisiana System on behalf of Nicholls State University are as follows:

1. Ground and Buildings Lease Agreement dated August 1, 2007.
    a. First Amendment to Ground and Buildings Lease Agreement dated February 25, 2008.
    b. Second Amendment to Ground and Buildings Lease Agreement dated October 1, 2009.

2. Agreement to Lease with Option to Purchase dated August 1, 2007.
    a. First Amendment to Agreement to Lease with Option to Purchase dated February 25, 2008.
    b. Second Amendment to Agreement to Lease with Option to Purchase dated October 1, 2009.

3. Ground and Facilities Lease Agreement dated February 1, 2016.

4. Agreement to Lease with Option to Purchase dated February 1, 2016.

5. Ground and Buildings Lease Agreement dated December 1, 2017.

6. Agreement to Lease with Option to Purchase dated December 1, 2017.

7. Ground and Facilities Lease Agreement dated March 11, 2021.

8. Agreement to Lease with Option to Purchase dated March 11, 2021.

b) All debt service payments on Series 2007B, Series 2010 Series 2016A, Series 2016B, Series 2017A and Series 2021 Bonds have been made timely to the Trustee.

c) There were no payments due to Nicholls State University.

d) All payments for debt service have been deposited in a timely manner and in the appropriate reserve accounts when collected.

Representation # 4
Relationship to University

a) Series 2007B, Series 2010, Series 2016A, Series 2016B, Series 2017A and Series 2021 Bonds – The ground lease, facilities lease (bond covenants, trustee agreements, etc.), and agreements with the Board of Supervisors for the University of Louisiana System and Nicholls State University are disclosed in the notes to the financial statements.

   There are no contracts between the Corporation and any member of its Board of Directors, any member of the University of Louisiana System Board of Supervisors, any University of Louisiana System employee, or any Nicholls State University employee.

b) There have been no payments for supplemental compensation and/or benefits for a University of Louisiana System or Nicholls State University employee paid during the fiscal year being audited.

NSU FACILITIES CORPORATION
Schedule of Representations
Year Ended June 30, 2021

Representation # 5
Repair and Replacement Reserve Accounts

a) Funding:

1. Series 2016A – Consists of amounts previously held in connection with the Series 2006A bonds. No annual payments required. Funds are held by Nicholls State University.

2. Series 2016B – Funded annually by Nicholls State University. Unexpended funds previously held in connection with the Series 2006B bonds were transferred to the Series 2016B reserve account. Funds are held by NSU Facilities Corporation.

3. Series 2017A – Consists of amounts previously held in connection with the Series 2007 bonds. Funded annually by Nicholls State University. Funds are held by NSU Facilities Corporation.

4. Series 2021 – Funded annually by Nicholls State University. Unexpended funds previously held in connection with the Series 2010 bonds were transferred to the Series 2021 reserve account. Funds are held by NSU Facilities Corporation

b) All required contributions to the Reserve accounts have been made as scheduled.

c) Balances as of June 30, 2021:

1. Funded and held by Nicholls State University:
   a. Series 2016A Bonds - $ 284,000

2. Funded by NSU Facilities Corporation and held by Trustee:
   a. Series 2016B Bonds - $ 635,616
   b. Series 2017A Bonds - $1,619,336
   c. Series 2021 Bonds - $1,328,833