LCTCS FACILITIES CORPORATION

Audit of Financial Statements

December 31, 2021

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Opinion
We have audited the accompanying financial statements of LCTCS Facilities Corporation, which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCTCS Facilities Corporation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LCTCS Facilities Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LCTCS Facilities Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LCTCS Facilities Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LCTCS Facilities Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of LCTCS Facilities Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCTCS Facilities Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCTCS Facilities Corporation's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 30, 2022

LCTCS FACILITIES CORPORATION
Statement of Financial Position
December 31, 2021

Assets		
Current Assets		
Cash and Cash Equivalents - Administrative Fund	$	3,230,896
Pledges Receivable - Restricted for Capital Purchases		6,741,659
Total Current Assets		9,972,555
Non-Current Assets		
Cash and Cash Equivalents - Restricted for Debt Service		2,238,445
Cash and Cash Equivalents - Restricted for Capital Purchases		32,733,435
Investments - Restricted for Capital Purchases		56,766,992
Property and Equipment, Net		314,144,065
Total Non-Current Assets		405,882,937
Total Assets	$	415,855,492
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$	3,146,140
Interest Payable		3,355,527
Retainage Payable		849,929
Current Portion of Long-Term Debt, Net		15,435,000
Total Current Liabilities		22,786,596
Long-Term Liabilities		
Bonds Payable, Net		325,585,037
Total Long-Term Liabilities		325,585,037
Total Liabilities		348,371,633
Net Assets		
Without Donor Restrictions		53,711,952
With Donor Restrictions		13,771,907
Total Net Assets		67,483,859
Total Liabilities and Net Assets	$	415,855,492

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

LCTCS FACILITIES CORPORATION
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Facilities Lease Rental Revenue	$ 30,889,140	$ -	$ 30,889,140
Miscellaneous Income	-	12,199,110	12,199,110
Investment Return, Net	91,440	-	91,440
Net Assets Released from Restrictions Through Satisfaction of Requirements	2,231,079	(2,231,079)	-
Total Revenues, Gains, and Other Support	33,211,659	9,968,031	43,179,690
Expenses and Losses			
Program Services	22,636,585	-	22,636,585
Supporting Services	41,860	-	41,860
Total Expenses	22,678,445	-	22,678,445
Loss on Bond Refinancing	7,460,372	-	7,460,372
Total Expenses and Losses	30,138,817	-	30,138,817
Change in Net Assets	3,072,842	9,968,031	13,040,873
Net Assets, Beginning of Year	50,639,110	3,803,876	54,442,986
Net Assets, End of Year	$ 53,711,952	$ 13,771,907	$ 67,483,859

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

LCTCS FACILITIES CORPORATION
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services	
	Facilities Construction and Financing	Management and General	Total
Depreciation	$ 10,453,805	$ -	$ 10,453,805
Interest Expense	10,402,297	-	10,402,297
Professional Fees	1,612,933	-	1,612,933
Repairs and Maintenance	120,902	-	120,902
Legal Fees	46,646	-	46,646
Ground Lease Expense	2	-	2
Bank Fees	-	41,860	41,860
Total	$ 22,636,585	$ 41,860	$ 22,678,445

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

LCTCS FACILITIES CORPORATION
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Change in Net Assets	$ 13,040,873
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Amortization of Bond Financing Costs	289,230
Depreciation	10,453,805
Amortization of Bond Premium	(5,113,793)
Loss on Bond Refinancing	7,460,372
Unrealized Loss on Investments	382,684
(Increase) Decrease in Assets	
Pledges Receivable	(5,000,000)
Escrow Deposit	513,975
Increase (Decrease) in Liabilities	
Accounts Payable	(86,764)
Interest Payable	(602,723)
Net Cash Provided by Operating Activities	21,337,659
Cash Flows from Investing Activities	
Purchases of Investments	(880,867)
Proceeds from the Sale of Investments	16,206,600
Payments for Construction of Facilities and Purchase of	
Furniture, Fixtures, and Equipment	(20,424,881)
Net Cash Used in Investing Activities	(5,099,148)

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

LCTCS FACILITIES CORPORATION
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2021

Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds		150,770,000
Payments to Escrow on Refinancing		(149,064,015)
Payment of Bond Issuance Costs		(1,710,528)
Payments of Bond Principal		(12,510,000)
Net Cash Used in Financing Activities		(12,514,543)
Net Increase in Cash and Cash Equivalents		3,723,968
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning of Year		34,478,808
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, End of Year	$	38,202,776
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	$	15,829,000
Payables for Construction in Progress	$	3,091,545

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

Note 1. Summary of Significant Accounting Policies

Nature of Organization

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Nature of Organization (Continued)

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

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

In September 2021, the Corporation participated in a bond refunding by borrowing money from the Issuer, which issued $150,770,000 of Series 2021 Bonds for the purpose of providing sufficient funds to advance refund the outstanding Series 2014 Bonds, and pay the costs of issuance of the Series 2021 Bonds, including the premium for a bond insurance policy.

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

Basis of Accounting

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

Donations

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

Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported within the statement of financial position as of December 31, 2021 that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and Cash Equivalents - Administrative Fund	$	3,230,896
Cash and Cash Equivalents - Restricted for Debt Service		2,238,445
Cash and Cash Equivalents - Restricted for Capital Purchases		32,733,435
Total Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents Shown in the Statement of Cash Flows	$	38,202,776

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

Note 1. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents (Continued)

Substantially all cash and cash equivalents are restricted for debt service and construction costs. At December 31, 2021, restricted cash and cash equivalents consisted of the following:

Demand Deposit	$	5,022,911
Money Market Funds		29,948,969
Total Restricted Cash and Cash Equivalents	$	34,971,880

Investments

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

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

Income Taxes

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

Pledges Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

Bond Premiums and Discounts

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

Bond Financing Costs, Net

Costs incurred with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the bond financing arrangement. The Corporation's capitalized financing costs consisted of the following at December 31, 2021:

Bond Financing Costs	$ 6,338,997
Accumulated Amortization	(2,301,482)
Total	$ 4,037,515

Amortization expense for the year ended December 31, 2021 was $289,230.

Use of Estimates

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

Fair Values of Financial Instruments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

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

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

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

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

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

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

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2021.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition. For movable property, the Corporation capitalizes items with a unit cost of $5,000 or greater. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million and computer software for internal use with depreciable costs of $1 million or greater are required to be capitalized.

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The Corporation capitalizes interest costs incurred during the construction period. Routine repairs and maintenance are charged to expense in the year in which the expense is incurred. Depreciation expense for property and equipment commences on the date the asset is placed in service and is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for building improvements, and three to seven years for movable property.

Long-lived assets are reviewed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to discounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount of which the carrying amount of the asset exceeds the fair value of the assets, determined by discounting future cash flows at an appropriate discount rate. Assets to be disposed of are reported at the lower of the carrying amount of fair value less costs to sell. No impairment was recorded during the year ended December 31, 2021.

Revenue Recognition

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

Functional Allocation of Expenses

The costs of providing the Corporation's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. As of December 31, 2021, all expenses were allocated by direct identification and not allocated.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

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

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

Note 2. Investments

Investments consist of the following at December 31, 2021:

	Cost	Market
U.S. Government and Agency Obligations	$ 53,867,780	$ 53,798,369
Municipal Bonds	2,983,621	2,968,623
Total	$ 56,851,401	$ 56,766,992

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2021:

Land	$	6,962,193
Building and Improvements		323,449,370
Furniture, Fixtures, and Equipment		24,921,657
		355,333,220
Less: Accumulated Deprecation		(62,514,637)
		292,818,583
Construction in Progress		21,325,482
Property and Equipment, Net	$	314,144,065

Depreciation expense totaled $10,453,805 for the year ended December 31, 2021.

The Corporation has active construction projects at various campuses as of December 31, 2021. At year end, the Corporation's commitments to contractors are as follows:

Project		Incurred-to-Date		Remaining Commitment
Act 360				
Delgado Community College Advanced Technology Center	$	10,050,219	$	43,618
LDCC Ruston Nursing, Welding & Workforce Training Campus		5,436,402		2,491,909
SOWELA Technical Community College Culinary, Gaming, and Hospitality Center		3,959,654		4,630,395
Delgado Community College Culinary Center		105,325		353,075
Delgado Community College Nursing & Allied Health		4,790,958		32,048,034
LE Fletcher		465		2,535
Program Administration		959,578		195,609
Total			$	39,765,175

Note 4. Bonds Payable

Bonds payable is composed of the following at December 31, 2021:

Revenue Bonds	
Refunding Series 2017	
The Bank of New York Mellon Trust Company, N.A. Dated September 26, 2017; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2021 and ending October 1, 2028.	$ 79,360,000
Series 2017	
Whitney Bank. Dated September 29, 2017; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2020 and ending October 1, 2028.	16,760,000
Series 2018	
Whitney Bank. Dated December 11, 2018; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2028 and ending October 1, 2039.	66,830,000
Series 2019	
Whitney Bank. Dated December 10, 2019; bearing interest of 5.00% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing October 1, 2020 and ending October 1, 2028.	13,840,000
Series 2021	
Whitney Bank. Dated September 1, 2021; bearing interest ranging from 0.426% to 2.745% per annum; interest only payments due semi-annually on April 1 and October 1; principal payable annually each October 1, commencing April 1, 2022 and ending October 1, 2039.	150,770,000
Plus: Bond Premiums (Series 2014, 2017, 2018 and 2019 and Refunding 2017)	17,497,552
Total Bonds Payable	345,057,552
Less: Unamortized Debt Issuance Costs	(4,037,515)
Total Bonds Payable, Less Unamortized Debt Issuance Costs	341,020,037
Less: Current Portion	(15,435,000)
Bonds Payable, Long-Term Portion	$ 325,585,037

Note 4. Bonds Payable (Continued)

The schedule of future maturities of bonds payable as of December 31, 2021 is as follows:

Refunding Series 2017		Series 2017		Series 2018		Series 2019		Series 2021	
2022	$ 9,705,000	2022	$ 2,145,000	2028	$ 9,085,000	2022	$ 1,805,000	2022	$ 1,780,000
2023	10,200,000	2023	2,265,000	2029	12,815,000	2023	2,000,000	2023	1,785,000
2024	10,725,000	2024	2,370,000	2030	13,465,000	2024	2,105,000	2024	1,800,000
2025	11,275,000	2025	2,495,000	2031	11,140,000	2025	2,095,000	2025	1,815,000
2026	11,855,000	2026	2,625,000	2032	1,775,000	2026	2,205,000	2026	1,830,000
2027	12,465,000	2027	2,765,000	2033	2,270,000	2027	2,280,000	2027	1,855,000
2028	13,135,000	2028	2,095,000	2034	2,385,000	2028	1,350,000	2028	1,885,000
				2035	2,505,000			2029	1,920,000
Total	$ 79,360,000	**Total**	$ 16,760,000	2036	2,635,000	**Total**	$ 13,840,000	2030	1,955,000
				2037	2,775,000			2031	4,970,000
				2038	2,915,000			2032	14,860,000
				2039	3,065,000			2033	15,180,000
								2034	15,525,000
				Total	$ 66,830,000			2035	15,890,000
								2036	16,280,000
								2037	16,695,000
								2038	17,135,000
								2039	17,610,000
								Total	$ 150,770,000

Interest expense totaled $10,402,297 for the year ended December 31, 2021.

In connection with the issuance of the Series 2014, Series 2017, 2017 Refunding, Series 2018, and Series 2019 revenue bonds listed above, the Corporation recorded bond premiums which totaled $17,497,552 at December 31, 2021. These premiums will be amortized over the lives of the bonds under the effective interest method. Amortization of bond premiums for the year ended December 31, 2021 totaled $5,113,793 and is included in interest expense.

During 2021, the Series 2014 revenue bonds were refunded. The remaining bond premium at the time of refunding of $14,196,769 was written off and is included in the loss on bond refinancing on the statement of activities for the year ended December 31, 2021.

Note 5. Fair Value of Financial Instruments

The Corporation's financial instruments are cash and cash equivalents, investments, pledges receivable, investments, accounts payable, interest payable, retainage payable, and bonds payable. The recorded values of cash and cash equivalents, pledges receivable, and payables approximate their fair values based on their short-term nature. The estimated fair value amounts for long-term debt have been determined using available market information. The estimated values of the Corporation's financial instruments as of December 31, 2021 are as follows:

	Carrying Amount	Fair Value
Cash and Cash Equivalents	$ 3,230,896	$ 3,230,896
Restricted Cash	34,971,880	34,971,880
Pledges Receivable	6,741,659	6,741,659
Investments	56,766,992	56,766,992
Accounts Payable	3,146,140	3,146,140
Interest Payable	3,355,527	3,355,527
Retainage Payable	849,929	849,929
Bonds Payable	345,057,552	345,057,552

The valuation of the Corporation's investments by the fair value hierarchy listed in Note 1 at December 31, 2021 is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
U.S. Government and Agency Obligations	$ 53,798,369	$ 42,946,653	$ 10,851,716	$ -
Municipal Bonds	2,968,623	-	2,968,623	-
Total	$ 56,766,992	$ 42,946,653	$ 13,820,339	$ -

Note 6. Lease Agreements

Facilities Lease

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

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

Ground Lease

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

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

Note 7. Commitments and Contingencies

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

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

Note 7. Commitments and Contingencies (Continued)

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

Note 8. Net Assets with Donor Restrictions

Act 360 required each project to obtain matching funding in an amount no less than twelve percent of the project costs. Net assets with donor restrictions at December 31, 2021 consisted of the following amounts related to these matching funding requirements:

Cash - Subject to Capital Purchases for:	
Westside Campus of Capital Area Technical College	$ 23,153
Louisiana Delta Community College, Tallulah - Workforce Training Campus Project Fund	1,287
Louisiana Delta Community College, Monroe - Technology Center Fund	91,174
Northshore Community College, Livingston - Workforce Training Center Project Fund	559,990
Baton Rouge Community College Acadian Campus	20,824
SOWELA Technical Community College, Lake Charles - Hospitality and Tourism	1,145,743
Delgado Advanced Technical Building and Campus Expansion - Westbank Campus, New Orleans	188,000
Delgado City Park Campus Nursing & Allied Health	5,000,000
Pledges Receivable - Subject to Capital Purchases for:	
Bossier Parish Community College, Bossier Parish - Science, Technology, Engineering and Math (STEM) Building	146,205
Delgado City Park Campus - Nursing & Allied Health	5,000,000
Delgado Community College, City Park Campus	981,818
Fletcher One Stop Shop for All Student Activities	613,636
Total	$ 13,771,830

Net assets released from restrictions by incurring expenses satisfying the restricted construction purpose totaled $2,231,079 during the year ended December 31, 2021.

Note 9. Concentrations of Risk

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

The Corporation periodically maintains cash in trust and deposit accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2021, the amount in excess of FDIC limits was approximately $33,000,000.

Note 10. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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

Note 11. Related Parties

During 2021, the Chairman of the Corporation was also a member of the Board of Supervisors of the Louisiana Community and Technical College System.

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

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

Note 12. Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Corporation has available. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of cash and cash equivalents - administrative fund, totaling $3,230,896 at December 31, 2021. As part of the Corporations liquidity management plan, cash in excess of daily requirements is invested in money market funds.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2022 and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

LCTCS FACILITIES CORPORATION
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2021

Agency Head
Stephen C. Smith, Chairman

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

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

See independent auditor’s report.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LCTCS Facilities Corporation which comprise the statement of financial position as of December 31, 2021, 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 June 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LCTCS Facilities Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCTCS Facilities Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of LCTCS Facilities Corporation's internal control.

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 30, 2022

LCTCS FACILITIES CORPORATION

Schedule of Findings and Responses
For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Section II - Internal Control Over Financial Reporting

None.

Section III - Compliance and Other Matters

None.

LCTCS FACILITIES CORPORATION

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

None.