

**Black & Gold Facilities, Inc.**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**Year Ended June 30, 2016**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

# Black & Gold Facilities, Inc.

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Statement of Net Assets (Deficit)	19
Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)	20
Other Supplementary Information	22
Statistics and Disclosures	29

## Independent Auditor's Report

To the Board of Directors  
Black & Gold Facilities, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Black & Gold Facilities, Inc. which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

#### *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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black & Gold Facilities, Inc. as of June 30, 2016, 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.

*Other Matters*

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2016 supplementary information on pages 19 through 27 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 underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying statistics and disclosures on pages 29 through 33 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Atlanta, Georgia  
August 29, 2016

Black & Gold Facilities, Inc.

Statement of Financial Position  
June 30, 2016

Assets

Current assets	
Cash and cash equivalents	\$ 1,073,731
Accounts receivable, net of allowance of \$1,135,319	2,558,396
Prepaid expenses	143,844
Investments - current	<u>4,621,329</u>
Total current assets	<u>8,397,300</u>
Restricted deposits and funded reserves	
Investments	<u>13,372,630</u>
Total restricted deposits and funded reserves	<u>13,372,630</u>
Rental property	
Buildings and improvements	82,821,673
Furniture, fixture, and equipment	<u>5,356,151</u>
	88,177,824
Accumulated depreciation	<u>(25,715,947)</u>
	62,461,877
Land	<u>334,029</u>
Total rental property	<u>62,795,906</u>
Other assets	
Bond issuance costs, net of accumulated amortization of \$777,512	1,544,648
Bond issuance costs, net of accumulated amortization of \$999,500	<u>2,378,281</u>
Total other assets	<u>3,922,929</u>
Total assets	<u>\$ 88,488,765</u>

Black & Gold Facilities, Inc.

Statement of Financial Position  
June 30, 2016

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable	\$ 282,113
Accrued expenses	656,294
Property management fee payable	357,585
Accrued interest - bonds payable	2,275,745
Current maturities of long-term debt - bonds payable	<u>2,255,000</u>
Total current liabilities	<u>5,826,737</u>
Long-term liabilities	
Bonds payable, net of bond discount and premiums	93,985,212
Due to related parties	<u>331,079</u>
Total long-term liabilities	<u>94,316,291</u>
Commitments	-
Net Assets	
Invested in capital assets, net of related debt	\$ (11,527,418)
Unrestricted net assets (deficit)	<u>(126,845)</u>
Total liabilities and net assets (deficit)	<u>\$ 88,488,765</u>

See Notes to Financial Statements.

Black & Gold Facilities, Inc.

Statement of Activities  
Year Ended June 30, 2016

Revenue	
Rental income	\$ 13,327,489
Vacancies and concessions	<u>(3,038,477)</u>
Total revenue	<u>10,289,012</u>
Operating expenses	
Salaries and employee benefits	441,440
Repairs and maintenance	902,281
Utilities	811,165
Property management fee	591,937
Property insurance	213,332
Miscellaneous operating expenses	<u>655,815</u>
Total operating expenses	<u>3,615,970</u>
Net operating income (loss)	<u>6,673,042</u>
Other income (expense)	
Interest income	1,772
Interest expense - bonds payable	(4,677,624)
Other financial income (expense)	(22,000)
Miscellaneous other income (expense)	9,317
Depreciation	(3,309,159)
Amortization	<u>(195,450)</u>
Total other income (expense)	<u>(8,193,144)</u>
Change in net assets	<u>\$ (1,520,102)</u>
Net assets (deficit) - beginning of year	<u>(10,134,161)</u>
Net assets (deficit) - end of year	<u>\$ (11,654,263)</u>

See Notes to Financial Statements.

**Black & Gold Facilities, Inc.**

**Statement of Cash Flows  
Year Ended June 30, 2016**

Cash flows from operating activities	
Change in net assets	\$ (1,520,102)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,309,159
Amortization	195,450
Bad debt expense - allowance for doubtful accounts	115,033
Changes in:	
Accounts receivable - other	(1,866,825)
Prepaid expenses	46,715
Accounts payable	(102,316)
Accrued expenses	271,926
Property management fee payable	155,087
Accrued interest payable - first mortgage	(57,925)
Due to related parties	288,360
	<hr/>
Net cash provided by operating activities	834,562
	<hr/>
Cash flows from investing activities	
Expenditures on rental property	(160,940)
Change in other reserves	1,109,299
	<hr/>
Net cash provided by investing activities	948,359
	<hr/>
Cash flows from financing activities	
Principal payments on mortgage payable	(2,164,334)
	<hr/>
Net cash used in financing activities	(2,164,334)
	<hr/>
Net decrease in cash and cash equivalents	(381,413)
	<hr/>
Cash and cash equivalents, beginning	1,455,144
	<hr/>
Cash and cash equivalents, end	\$ 1,073,731
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Supplemental disclosure of cash flow information	
Cash paid for interest	\$ 4,735,549
	<hr/>

See Notes to Financial Statements.



## **Black & Gold Facilities, Inc.**

### **Notes to Financial Statements June 30, 2016**

#### **Note 1 - Organization and nature of operations**

Black & Gold Facilities, Inc. (the Facilities) is a private nonprofit organization that was formed to promote, assist, and benefit the mission of Grambling State University through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, leasing, and/or converting residential, classroom, administrative, and other facilities on the campus of Grambling State University.

The Facilities participated in a bond issuance by borrowing money from the Louisiana Public Facility Authority (the Issuer) who issued \$65,000,000 in revenue bonds (Series 2006) and \$41,925,000 in revenue bonds (series 2007) which will be payable solely from the revenues of the Facilities. The revenue bonds are issued pursuant to a Trust Indenture dated October 1, 2006, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds are loaned to the Facilities pursuant to a Loan Agreement dated as of October 1, 2006 between the Issuer and the Facilities and will be used to construct a new residence hall, and to acquire Steeple's Glen Apartments, related parking facilities, and related sewer and water lines on the campus of Grambling State University. To secure the Facilities obligations to repay the money loaned, the Facilities executed a Mortgage, Assignment of Leases and Security Agreement. The Facilities granted to the Trustee, first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities, first priority security interest in the leases and subleases affecting the facilities, including, without limitation, the facilities lease agreements and all revenue rentals and other sums due or becoming due under the leases. The underlying property on which the housing project is located is leased to the Facilities by a Ground and Building Lease Agreement. The facilities are leased to the Board of Supervisors for the University of Louisiana System (the Board) under a facilities lease agreement. At such time as the financing for the Facilities is paid in full, the obligation is cancelled and the interest in the facility and the underlying property is conveyed to Grambling State University (the University).

#### **Note 2 - Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

##### **Basis of Reporting**

The Facilities present their financial statements in accordance with the accounting principles for nonprofit entities. Under this guidance, the Facilities are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. All the net assets of the Facilities are unrestricted. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Facilities conform to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

##### **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 the reported amounts of assets and liabilities and disclosure of contingent assets and

## **Black & Gold Facilities, Inc.**

### **Notes to Financial Statements June 30, 2016**

liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

#### **Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Facilities consider all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in the Facilities' investment account which are primarily held for investments in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

#### **Fixed Assets**

Fixed assets are capitalized at cost and are being depreciated over the estimated useful life of the respective asset. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. The Facilities capitalize all fixed assets that exceed \$1,000, per item. Depreciation in buildings is computed over the life of the assets using the straight-line method.

#### **Income Taxes**

The Facilities have applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended June 30, 2016. Due to their tax exempt status, the Facilities are not subject to income taxes. Accordingly, these financial statements do not reflect a provision for income taxes and the Facilities have no other tax positions which must be considered for disclosure. The Facilities are required to file and do file tax returns with the IRS and other taxing authorities. Income tax returns filed by the Facilities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

#### **Impairment of long-lived assets**

The Facilities review their rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2016.

#### **Fair Value**

FASB ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure-requirements about fair value measurements. Further, ASC Topic 820 requires the Facilities to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements.

#### **Operating and Non-Operating Activities**

The Statement of Activities reports the change in net assets from the Facilities' operating and non-operating activities. Operating activities exclude any cash distributions to the University from surplus funds and investment income.

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

**Note 3 - Fixed Assets**

Fixed assets are comprised of the following at June 30, 2016:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Land	\$ 334,029	\$ -	\$ -	\$ 334,029
Buildings	79,854,340	-	-	79,854,340
Furniture, fixtures and equipment	3,985,220	160,940	-	4,146,160
Leasehold improvements	4,177,324	-	-	4,177,324
	<u>88,350,913</u>	<u>160,940</u>	<u>-</u>	<u>88,511,853</u>
Accumulated depreciation	<u>(22,406,788)</u>	<u>(3,309,159)</u>	<u>-</u>	<u>(25,715,947)</u>
	<u>\$ 65,944,125</u>	<u>\$ (3,148,219)</u>	<u>\$ -</u>	<u>\$ 62,795,906</u>

Depreciation expense totaled \$3,309,159 for the year ended June 30, 2016.

**Note 4 - Bond Issuance Costs | Prepaid Bond Insurance Costs**

Cost incurred in connection with the issuance of the bonds and prepaid bond insurance is amortized using the straight-line method over the lives of the bonds. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Estimated annual amortization expense for each of the ensuing years through June 30, 2021 is \$189,996.

These costs are shown as follows:

	Costs	6/30/15 Accumulated Amortization	Amortization Expense	6/30/16 Accumulated Amortization	Costs, net of Accumulated Amortization
Prepaid bond insurance	\$ 3,377,781	(881,220)	(118,280)	(999,500)	\$ 2,378,281
Bond issuance costs	\$ 2,322,160	(700,342)	(77,170)	(777,512)	\$ 1,544,648

**Note 5 - Concentration of Risk**

**Credit Risks**

The Facilities maintain cash balances with credit worthy, high quality, financial institutions located in several states. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Periodically, the Facilities maintain deposits in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Facilities' risk is not significant. The balances in investments - bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments. At June 30, 2016, the Facilities were in excess of insured limits of \$758,719.

The Facilities also have credit risk principally related to partially secured amounts for student accounts receivable. However, such risk is mitigated by the requirements of students to pay

Black & Gold Facilities, Inc.

Notes to Financial Statements  
June 30, 2016

security deposits and the inability of students to obtain college transcripts if amounts are owed to the Facilities.

**Investment Risk**

The Facilities' investments are managed by the Bond Trustee in accordance with Policy. The degree and concentration of credit risks varies by type of investment. Investment securities are exposed to various risks such as interest rates, credit and market risks.

The Facilities' investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the Facilities may decline in response to certain economic events including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations.

**Note 6 - Investments - Bond Reserves**

The funds held by the Bond Trustee consist of securities that are primarily issued by the U.S. Government and various other financial instruments. These short-term investments are primarily stated at cost, which approximates market.

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 or 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 money through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverage.

Investments-bond reserve accounts consist of the following at June 30, 2016:

	Reserve Requirement	Reserve Balance
Debt service	\$ 7,205,390	\$ 11,314,391
Maintenance	5,370,766	6,679,568
	<u>\$ 12,576,156</u>	<u>\$ 17,993,959</u>

The investment-bond reserves account balances total \$17,993,959 in short-term investments and cash equivalents, with \$4,621,329 being classified as current assets and \$13,372,630 being classified as non-current assets. Those investments that are being utilized to fund the maintenance and debt service reserve accounts are being classified as non-current assets as a result of their long-term restricted use.

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

**Note 7 - Ground Lease**

Pursuant to a ground lease agreement between the Facilities and the Board of Supervisors of the University of Louisiana System, the Facilities (the Lessee) will lease the land, on which the student housing is being constructed, from the Board of Supervisors of the University of Louisiana System (the Lessor).

The term of the lease ends when the bonds are paid in full. Annual lease payments of \$1 are required until the end of the lease term.

**Note 8 - Bonds payable**

On October 1, 2006 and December 1, 2007, the Louisiana Public Facilities Authority issued \$65,000,000 and \$41,925,000, respectively, of Louisiana Public Facilities Authority Revenue Bonds (Series 2006 and 2007) to the Facilities. The proceeds of the bonds were used for the financing, planning, design, construction, furnishing and equipping of residence facilities for use by Grambling State University, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds were also used to purchase an apartment complex and to pay the costs associated with the issuance of the bonds and funding the required reserve accounts.

The bond agreement provides for interest on the outstanding bonds at rates ranging from 4.00% to 5.80% per annum.

The balances of the bonds payable at June 30, 2016 were as follows:

\$55,705,000 tax exempt term bonds payable dated October 1, 2006; due at various intervals through July 1, 2038; payable in semi-annual intallments of interest and annual installments of principal; average coupon rate of 4.50% to 5.00%; secured by leashold deed and assignment of rents.	\$ 52,060,000
\$5,700,000 taxable term bonds payable dated October 1, 2006; due at various intervals through April 1, 2038; payable in semi-annual installments of interest and annual installments of princpal; average coupon rate of 5.30% - 5.80%; secured by leasehold deed and assignment of rents.	4,915,000
\$39,330,000 tax exempt term bonds payable dated December 1, 2007; due at various intervals through July 1, 2039; payable in installments of principal; average coupon rate of 4.00% - 5.00%; secured by leasehold deed and assignment of rents.	38,825,000

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

\$2,595,000 taxable term bonds payable dated December 1, 2007; due at various intervals through July 1, 2015; payable in annual installments of interest and annual installments of principal; average coupon rate of 4.125% to 5.00%; secured by leasehold deed and assignment of rents. Bonds were paid off during the year ended July 30, 2016.

	<u>-</u>
Total bonds payable	\$ 95,800,000
Less: current maturities	2,255,000
Less: Bond discount, net of amortization (see Note 9)	158,608
Add: Bond premium, net of amortization (see Note 9)	598,820
Total long-term bonds payable	<u>\$ 93,985,212</u>

The outstanding bonds, which were purchased at premiums and a discount, are required to be repaid as follows over the next five years and thereafter:

2017	\$ 2,255,000
2018	2,380,000
2019	2,485,000
2020	2,615,000
2021	2,745,000
Thereafter	<u>83,760,212</u>
Total	96,240,212
Less current maturities	<u>(2,255,000)</u>
Net long-term portion	<u>\$ 93,985,212</u>

**Note 9 - Bonds Premium /Discount**

The bond premium and discount received upon the issuance of the bonds are being amortized over the life of the bonds using the effective interest method. Total bond premium and bond discount at issuance totaled \$767,784 and \$223,516, respectively. Annual amortization will be charged against interest expense.

	<u>Bond Premium</u>	<u>Bond Discount</u>
Beginning balance	\$ 767,784	\$ (223,516)
Prior year accumulated amortization	(152,224)	57,502
Current year amortization	(16,740)	7,406
Total accumulated amortization	(168,964)	64,908
Ending Balance	<u>\$ 598,820</u>	<u>\$ (158,608)</u>

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

**Note 10 - Related Party Transaction/Due To Affiliate**

The Facilities entered into an affiliation agreement with the University to acquire, renovate, rehabilitate, repair, construct, develop, manage, lease as lessor or lessee mortgage, and/or convey residential, classrooms, administrative and other facilities on the campus of Grambling State University. The Facilities operates and manages the housing facilities constructed with the bond proceeds and leases the rooms to the students of the University. The University collects all room and board on behalf of the Facilities, and remits all amounts collected to the Bond Trustee.

The Facilities also entered into an agreement with the University to lease and renovate the food court in the Student Union. Upon completion of the renovation, the Facilities leased the food court back to the University. The lease calls for the University to remit the rent (debt service payments) to the trustee as amounts are due. Total rental income paid to the Facilities by the University totaled \$404,070 for the year ended June 30, 2016.

The University also charges the Facilities for its portion of utilities, telephone, and internet charges on a monthly basis. The total amount charged to and paid by the Facilities to the University totaled \$1,125,540 for the year ended June 30, 2016.

As of June 30, 2016, the Facility is owed funds totaling \$3,693,715 for revenues incurred and not received from the University. This amount is included in accounts receivable, net of an allowance for doubtful accounts in the amount of \$1,135,319, on the accompanying statement of financial position.

**Note 11 - Fair Value Measurement of Assets and Liabilities**

In accordance with FASB ASC Topic 820, fair value is defined as the price that the Facilities would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. FASB ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of the Facilities assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

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

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, 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. The Facilities' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to the Facilities and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their hierarchy entirely based on the lowest level of input that is significant to the fair value measurements. The Facilities utilize inputs in applying various valuation techniques that are assumptions which market participants used to make valuation decisions, including assumptions about risk. Inputs may include price information, fund and specific stock data, specific and broad credit data, liquidity statistics, recent transactions, discount rates and other factors. Underlying fund investments, whose values are based on quoted market prices in active markets, are therefore classified within Level 1.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models which are based on accepted industry modeling techniques. These investments include federated treasury obligations.

The Facilities obtain the majority of the prices used in the valuation of their investments from a pricing service that is utilized by the Trustee. The pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and benchmark securities as well as other relevant economic measures.

ASU No. 2010-06 requires disclosures and clarifies existing disclosure requirements about fair value measurements. ASU 2010-06 requires (a) disclosure of gross significant transfers in and/or out between Levels 1 and 2 and the reasons for those transfers, (b) disclosure of all transfers in/out of Level 3 (significant transfers to be presented gross) and the reason for those transfers, and (c) purchases, sales, issuances and settlements to be disclosed separately (i.e. gross) within the Level 3 roll-forward. ASU 2010-06 also clarifies (a) the levels of disaggregation in presenting fair value disclosures for each class of assets and liabilities and (b) the disclosure about valuation techniques and inputs that are required for fair value measurements that fall within either Level 2 or 3.

ASU 2011-04 requires additional disclosures with a particular focus on Level 3 measurements. ASU 2011-04 stipulates that quantitative information about significant unobservable inputs used in the Level 3 fair value measurement and a description of the Level 3 valuation processes be disclosed. Additionally, for nonfinancial assets, a nonpublic entity must disclose why the asset is being used in a manner different from its highest and best use. The Facilities did not have any Level 3 investments or assets being utilized in a manner differently from its highest and best use as of June 30, 2015.



**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

The following table includes the valuation of the Facilities investments measured at fair value by the above ASC Topic 820 fair value hierarchy levels as of June 30, 2016.

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Federated treasury obligations	<u>\$ -0-</u>	<u>\$ 17,993,959</u>	<u>\$ -0-</u>	<u>\$ 17,993,959</u>

ASC Topic 820 requires the Facilities to disclose fair value information for all financial instruments, whether or not recognized in the Statement of Financial Position, for which it is practicable to estimate fair value. The Facilities' financial instruments, other than bonds payable, are generally short- term in nature and contain minimal credit risk. These instruments consist of cash and cash equivalents, accounts and interest payable, and due to affiliates. The carrying value of these assets and liabilities in the Statement of Financial Position are assumed to approximate fair value.

The estimated fair value of debt is determined based on rates currently available to the Facilities for debt with similar terms and remaining maturities. The carrying amount of the Facilities' debt at June 30, 2016 is assumed to approximate the estimated fair value.

The Facilities do not have nonfinancial assets that are being utilized in a manner that differs from their highest and best use.

**Note 12 - Fair Value Option**

FASB ASC Topic 825 provides the Facilities with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between organizations that choose different measurement attributes for similar types of assets and liabilities. Currently the Facilities has not adopted the guidelines of ASC Topic 825 and continues to evaluate whether or not it will in future periods based on industry participant elections and financial reporting consistency with other educational institutions.

**Note 13 - Deficit in Net Assets**

The Facilities have an ending deficit net asset balance which totals \$11,654,263 at June 30, 2016. Included in the net asset balance is accumulated depreciation of fixed assets and amortization of deferred charges totaling a combined \$27,492,959.

Additionally, the Facilities have established operations and maintenance cash reserves of approximately \$6,679,568.

It is in the opinion of management that the Facilities have sufficient operating revenues and reserves that will enable it to continue to exist.

**Note 14 - Managing agent agreement**

The Facilities entered into a contractual arrangement with a third party management company to manage and maintain Tiger Village and the Steeple's Glen Apartments, pay operating costs, and maintain accounting records. The manager is reimbursed for all operating costs monthly from the Trustee. The total amount incurred for the year ended June 30, 2016 totaled \$591,937, of which \$357,585 remains payable.

**Black & Gold Facilities, Inc.**

**Notes to Financial Statements  
June 30, 2016**

**Note 15 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of position date require disclosure in the accompanying notes. Management evaluated the activity of Black & Gold Facilities, Inc. through August 29, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

## Supplementary Information

**Black & Gold Facilities, Inc.**  
**Statement of Net Assets (Deficit)**  
**Year Ended June 30, 2016**

Assets

Current assets	
Cash and cash equivalents	\$ 1,073,731
Investments - current	4,621,329
Receivables, net	2,558,396
Prepaid expenses and advances	143,844
Total current assets	<u>8,397,300</u>
Non-current assets	
Investments	13,372,630
Capital assets, net	62,795,906
Other non-current assets	<u>3,922,929</u>
Total non-current assets	<u>80,091,465</u>
Total assets	<u>\$ 88,488,765</u>

Liabilities and Net Assets (Deficit)

Current liabilities	
Other current liabilities	\$ 3,571,737
Current maturities of long-term debt - bonds payable	<u>2,255,000</u>
Total current liabilities	<u>5,826,737</u>
Long-term liabilities	
Bonds payable, net of bond discount and premiums	93,985,212
Due to related parties	<u>331,079</u>
Total long-term liabilities	<u>94,316,291</u>
Commitments	-
Net assets	
Invested in capital assets, net of related debt	(11,527,418)
Unrestricted net assets (deficit)	<u>(126,845)</u>
Total liabilities and net assets (deficit)	<u>\$ 88,488,765</u>

Black & Gold Facilities, Inc.

Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2016

Operating Revenues	
Other operating revenues	<u>\$ 10,289,012</u>
Total operating revenues	<u>10,289,012</u>
Operating expenses	
Depreciation and amortization	3,504,609
Other operating expenses	<u>3,615,970</u>
Total operating expenses	<u>7,120,579</u>
Net operating income (loss)	<u>3,168,433</u>
Non-operating revenues and (expenses)	
Net investment income	1,772
Interest expense - bonds payable	(4,677,624)
Other financial income (expense)	(22,000)
Miscellaneous other income (expense)	<u>9,317</u>
Net non-operating expenses	<u>(4,688,535)</u>
Change in net assets	<u>\$ (1,520,102)</u>
Net assets (deficit) - beginning of year	<u>(10,134,161)</u>
Net assets (deficit) - end of year	<u>\$ (11,654,263)</u>

## **Other Supplementary Information**

**Black & Gold Facilities, Inc.**

**Notes to the Other Supplementary Information  
Year Ended June 30, 2016**

**Note 1 - Organization**

The Black & Gold Facilities, Inc. "The Facilities" is a legally separate, tax exempt organization supporting the University of Louisiana System, specifically Grambling State University "The University". The Facilities are included in the University's financial statements because their assets equaled 3% or more of the assets of Grambling State University.

Complete financial statements for Grambling Black and Gold Facilities, Inc. can be obtained from the President's Office at 403 Main Street, Grambling, LA 71245.

The Black & Gold Facilities, Inc. is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, which is codified in FASB ASC Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information  
Year Ended June 30, 2016

SCHEDULE OF CAPITAL ASSETS

	Balance 6/30/2015	Additions	Transfers	Retirements	Balance 6/30/2016
Capital assets not being depreciated					
Land	\$ 334,029	\$ -	\$ -	\$ -	\$ 334,029
Non-depreciable land improvements	-	-	-	-	-
Capitalized collections	-	-	-	-	-
Livestock	-	-	-	-	-
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>\$ 334,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,029</u>
Depreciable capital assets					
Land improvements	\$ 4,177,324	\$ -	\$ -	\$ -	\$ 4,177,324
Buildings	78,392,289	-			78,392,289
Equipment	5,447,271	160,940			5,608,211
Less: accumulated depreciation	(22,406,788)	(3,309,159)			(25,715,947)
Capital assets, net	<u>\$ 65,610,096</u>	<u>\$ (3,148,219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,461,877</u>



**Black & Gold Facilities, Inc.**

**Notes to the Other Supplementary Information  
Year Ended June 30, 2016**

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts due within one year</u>
Bonds and notes payable					
Bonds payable	\$ 97,955,000	-	(2,155,000)	\$ 95,800,000	\$ 2,255,000
Notes payable	-	-	-	-	-
Total bonds and notes payable	<u>\$ 97,955,000</u>	<u>\$ -</u>	<u>\$ (2,155,000)</u>	<u>\$ 95,800,000</u>	<u>\$ 2,255,000</u>
Other liabilities					
Amounts held in custody for others	\$ -	\$ -	\$ -	\$ -	\$ -
Total other liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total long-term liabilities	<u>\$ 97,955,000</u>	<u>\$ -</u>	<u>\$ (2,155,000)</u>	<u>\$ 95,800,000</u>	<u>\$ 2,255,000</u>

**Black & Gold Facilities, Inc.**

**Notes to the Other Supplementary Information  
Year Ended June 30, 2016**

SCHEDULE OF BONDS PAYABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 7/1/2015	(Redeemed) Issued	Principal Outstanding 6/30/2016	Interest Rates
<b>Louisiana Public Facilities Authority Revenue Bonds</b>						
Tax Exempt - Gambling Black and Gold Facilities, Inc. Project 2006A	10/1/2006	\$ 55,705,000	\$ 53,265,000	\$ (1,205,000)	\$ 52,060,000	4.50% - 5.00%
Taxable - Gambling Black and Gold Facilities, Inc. Project 2006B	10/1/2006	3,595,000	-	-	-	5.32% - 5.41%
Taxable - Gambling Black and Gold Facilities, Inc. Project 2006C	6/25/2007	5,700,000	5,030,000	(115,000)	4,915,000	5.30% - 5.80%
Tax Exempt - Gambling Black and Gold Facilities, Inc. Project 2007A	7/25/2007	39,330,000	39,330,000	(505,000)	38,825,000	4.00% - 5.00%
Tax Exempt - Gambling Black and Gold Facilities, Inc. Project 2007B	7/25/2007	2,595,000	330,000	(330,000)	-	4.13% - 5.00%
Total		<u>\$ 106,925,000</u>	<u>\$ 97,955,000</u>	<u>\$ (2,155,000)</u>	<u>\$ 95,800,000</u>	

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information  
Year Ended June 30, 2016

SCHEDULE OF BOND AMORTIZATION

Fiscal Year Ending	Principal	Interest	Total
2017	\$ 2,255,000	\$ 4,641,851	\$ 6,896,851
2018	2,380,000	4,532,991	6,912,991
2019	2,485,000	4,414,080	6,899,080
2020	2,615,000	4,285,915	6,900,915
2021	2,745,000	4,151,055	6,896,055
2022	2,895,000	4,009,410	6,904,410
2023	3,035,000	3,860,155	6,895,155
2024	3,185,000	3,703,740	6,888,740
2025	3,350,000	3,539,380	6,889,380
2026	3,515,000	3,366,700	6,881,700
2027	3,690,000	3,185,450	6,875,450
2028	3,875,000	2,995,130	6,870,130
2029	4,070,000	2,795,160	6,865,160
2030	4,280,000	2,584,945	6,864,945
2031	4,490,000	2,363,985	6,853,985
2032	4,720,000	2,138,658	6,858,658
2033	4,950,000	1,908,723	6,858,723
2034	5,180,000	1,667,603	6,847,603
2035	5,425,000	1,415,112	6,840,112
2036	5,685,000	1,150,665	6,835,665
2037	5,960,000	873,382	6,833,382
2038	6,200,000	582,790	6,782,790
2039	6,135,000	278,412	6,413,412
2040	2,680,000	67,000	2,747,000
TOTAL	<u>\$ 95,800,000</u>	<u>\$ 64,512,292</u>	<u>\$ 160,312,292</u>

**Black & Gold Facilities, Inc.**

**Notes to the Other Supplementary Information  
Year Ended June 30, 2016**

	<u>Phase I</u>	<u>Phase II</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Student Housing Income	\$ 7,039,348	\$ 2,845,594	\$ 9,884,942
Rental Income	404,070	-	404,070
Total Operating Revenues	<u>\$ 7,443,418</u>	<u>\$ 2,845,594</u>	<u>\$ 10,289,012</u>
<b><u>OPERATING EXPENSES</u></b>			
Salaries and employee benefits	305,469	135,971	441,440
Repairs and maintenance	531,218	371,063	902,281
Utilities	593,132	218,033	811,165
Property management fee	371,092	220,845	591,937
Property insurance	130,224	83,108	213,332
Miscellaneous operating expenses	412,281	243,534	655,815
Total operating expenses	<u>2,343,416</u>	<u>1,272,554</u>	<u>3,615,970</u>
Change in assets from operating activities	\$ 5,100,002	\$ 1,573,040	\$ 6,673,042
Other income (expense)			
Interest income	1,010	762	1,772
Interest expense - bonds payable	(2,767,665)	(1,909,959)	(4,677,624)
Other financial income (expense)	(11,000)	(11,000)	(22,000)
Surplus fund fee	9,317	-	9,317
Depreciation	(1,931,887)	(1,377,272)	(3,309,159)
Amortization	(195,450)	-	(195,450)
Total other income (expense)	<u>(4,895,675)</u>	<u>(3,297,469)</u>	<u>(8,193,144)</u>
Change in net assets	<u>\$ 204,327</u>	<u>\$ (1,724,429)</u>	<u>\$ (1,520,102)</u>

## **Statistics and Disclosures**

## Black & Gold Facilities, Inc.

### Additional Statistics and Disclosures

#### Enrollment

For the past 107 years, the University has honored an "open" admissions policy and is currently in the process of transitioning to meet new statewide admissions standards implemented in 2005 by all other Louisiana public colleges and universities. The University has been granted an extension to fall 2010 to comply with the new standards and, to help mitigate any potential adverse impacts on enrollment, is gradually implementing the new requirements. The new admissions standards require that students who enroll in a Louisiana public, four year institution must complete the Board of Regents' Core Academic Curriculum (the TOP score), earn a high school grade point average of 2.0 or higher, have an ACT composite score of 20 or higher, and graduate from high school in the top 50% of their class. Within the University's implementation plan, they are requiring beginning freshmen to meet one of three requirements: an ACT composite score of 20, ranking in the upper 50% of their high school class or earning a "C" (at least 2.0) high school grade point average. Transfer students must have earned 12 hours of course work and have at least a 2.0 grade point average, or be in good academic standing and eligible to re-enter the institution from which they are transferring.

The University's fall 2015 enrollment totaled 3,647 students, of which approximately 90% were full-time undergraduate students.

#### Enrollment

<u>Fall Semester</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Change Undergraduate</u>	<u>Change Graduate</u>	<u>Change Total</u>
2005	4,573	591	5,164	3.00%	-1.34%	2.48%
2006	4,584	481	5,065	0.24%	-18.61%	-1.92%
2007	4,754	407	5,161	3.71%	-15.38%	1.90%
2008	4,804	449	5,253	1.05%	10.32%	1.78%
2009	4,538	454	4,992	-5.54%	1.11%	-4.97%
2010	4,406	588	4,994	-2.91%	29.52%	0.04%
2011	4,461	746	5,207	1.25%	26.87%	4.27%
2012	4,435	842	5,277	-0.58%	12.86%	1.34%
2013	4,155	916	5,071	-6.31%	-8.79%	-3.90%
2014	3,264	387	3,651	21.44%	57.75%	28.00%
2015	3,308	339	3,647	-1.35%	12.40%	0.11%

**Black & Gold Facilities, Inc.**

**Additional Statistics and Disclosures**

**Housing**

Current housing inventory consists of 18 facilities with a mix of traditional dormitory style beds constructed between 1937 and 1969 and suite style beds constructed in 2003. Demand for housing has been high, as evidenced by strong occupancy rates for the past 5 years.

On-Campus Housing Occupancy

<u>Fall Semester</u>	<u>Capacity</u>	<u>Occupancy*</u>	<u>Occupancy Rate</u>
2006	2,224	2,224	100%
2007	2,276	2,305	101%
2008	2,264	2,387	105%
2009	2,380	2,360	99%
2010	2,500	2,201	88%
2011	2,407	2,320	96%
2012	2,587	2,244	87%
2013	2,584	2,304	89%
2014	2,561	2,382	93%
2015	<u>2,561</u>	<u>1,864</u>	<u>73%</u>
Average	2,434	2,259	93%

\* Includes occupancy in temporary housing facilities, where occupancy exceeds capacity.

By policy, the University requires all students with less than 60 credit hours, except for students who reside with their parents or legal guardians, to live in the residence halls and purchase a meal plan. However, given the University's need to close halls due to poor conditions of the facilities, a shortage of housing exists making this policy difficult to enforce while still meeting the demands for housing for upperclassmen students. Furthermore, based on the University's current ratio of first and second year students to total housing capacity and its goals to grow enrollment, it is forecasted that the total of the University's first and second year students will exceed the availability of beds.

**Black & Gold Facilities, Inc.**

**Additional Statistics and Disclosures**

Freshman & Sophomore Students vs. Historical Capacity

<u>Fall Semester</u>	<u>Capacity*</u>	<u>Freshman and Sophomore Students</u>	<u>Percentage of Freshman and Sophomore Students to Capacity</u>
2006	2,224	2,700	121%
2007	2,276	2,824	124%
2008	2,264	2,806	123%
2009	2,380	2,432	102%
2010	2,500	2,303	92%
2011	2,407	1,748	72%
2012	2,585	1,600	6%
2013	2,584	1,514	59%
2014	2,584	1,171	45%
2015	2,561	1,259	49%

\* Capacity is based on the total number of habitable beds, not the total number of originally constructed beds.

**Food Services**

The Auxiliary Revenues which will secure the debt service on the Bonds are currently comprised of the following fees which the University charges students: (1) the University Portion and (2) the Annex Fee, as each are hereinafter defined. The University has agreed to pay the Auxiliary Revenues to the Trustee until the University has satisfied its obligations under the Facilities Lease.

As identified above, under the sub-heading "Housing," the University requires all students with less than 60 credit hours, except for students who reside with their parents or legal guardians to live in the residence halls and purchase a meal plan. Currently, the rate for each meal plan is \$1,230 per student per semester (the "Board Plan Rate") plus a fee of \$126 per student per semester (the "University Portion") collected in excess of the Board Plan Rate. Pursuant to the Food Services Facilities Agreement, the Permitted Sublessee is entitled to, and is disbursed, the Board Plan Rate, but has no claim to and no interest in the University Portion. In Fiscal Year 2016, the University Portion resulted in revenues for the University in the amount of \$571,536.

Additionally, beginning in the fall semester of 2007, the University began charging and collecting a student annex fee in the amount of \$22.00 per semester and \$11.00 per summer session (collectively, the "Annex Fee") from all enrolled students taking at least 6 credit hours. This self-assessed annex fee was passed by the students and generated \$214,830 for the year ended June 30, 2015.

**Debt Service Coverage Ratio**

Debt Service Coverage Ratio as described in the loan agreement represents the Net Residence Hall Rentals for the Fiscal Year ended June 30, 2016 divided by the debt service payable during such Fiscal Year on all Long-Term Indebtedness outstanding as of the first day of such Fiscal Year; provided, however, that in any calculation of the debt service for any Fiscal Year there shall be excluded any amounts irrevocably deposited in trust for the payment of interest on any Long-Term Indebtedness, including amounts in the Capitalized Interest Account. Net Residence Hall Rentals is described as the



**Black & Gold Facilities, Inc.**

**Additional Statistics and Disclosures**

excess of Residence Hall Revenues over the Current Expenses (excluding interest, amortization and depreciation expense). The Debt Service Coverage Ratio as of June 30, 2016 totaled 1.43.

The total annual debt service totaled \$6,902,203 as of the first day of the fiscal year, and the total deposited in reserve accounts to cover the payment of interest on Long-Term indebtedness totaled \$6,662,131 at June 30, 2016.

**Black & Gold Facilities, Inc.**

**Additional Statistics and Disclosures**

**Debt Service Coverage Ratio - Series 2006 Bonds**

The schedule below represents the debt service coverage ratio for the Facilities' Series 2006 Revenue Bonds:

	<b>Series C</b>
	<b><u>2016</u></b>
(1) Food Plan Revenues	\$ 571,536
(1) Annex Fee Revenues	214,830
Net Auxiliary Revenues	<u>\$ 786,366</u>
(2) Annual debt Service at beginning of the year	\$ 404,070
(3) Debt Service Calculation	1.95
(Total Revenues / Annual Debt Service)	

NOTE:

(1) Food plan and Annex fee revenues are assessed, collected, and maintained by the University. The University remits amounts required to service debt annually to the Black and Gold Facilities.

There are no expenses as the only expenses to be included would be deducted per bond document (interest & amortization costs). The Food Court is leased back to the University, who leases party food vendors. The University is responsible for all expenses pertaining to Food Court.

(2) Annual debt service is obtained from 2006C amortization schedule.

(3) In addition to the debt service calculation, the Black & Gold Facilities has deposited the Trustee, \$408,208 in a debt service reserve account for the year ended June 30, 2016.

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