Black & Gold Facilities, Inc.

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

June 30, 2017

CohnReznick
Accounting • Tax • Advisory

Black & Gold Facilities, Inc.

Index

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, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2017, Black & Gold Facilities, Inc. adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2017 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 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 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 32 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.

CohnReznick LLP

Atlanta, Georgia
October 20, 2017

Black & Gold Facilities, Inc.

Statement of Financial Position
June 30, 2017

Assets

Current assets	
Cash and cash equivalents	$ 14,003
Total current assets	14,003
Restricted deposits and funded reserves	
Investments	725,257
Total restricted deposits and funded reserves	725,257
Rental property	
Buildings and improvements	4,177,323
Accumulated depreciation	(1,323,190)
	2,854,133
Land	334,029
Total rental property	3,188,162
Total assets	$ 3,927,422

Black & Gold Facilities, Inc.

Statement of Financial Position
June 30, 2017

Liabilities and Net Assets (Deficit)

Current liabilities		
Accrued interest - bonds payable	$	69,478
Current maturities of long-term debt - bonds payable		125,000
Total current liabilities		194,478
Long-term liabilities		
Bonds payable, net of bond discount and premiums		4,531,382
Total long-term liabilities		4,531,382
Commitments		-
Net Assets		
Invested in capital assets, net of related debt	$	(742,963)
Unrestricted net assets (deficit)		(55,475)
Total net assets		(798,438)
Total liabilities and net assets (deficit)	$	3,927,422

See Notes to Financial Statements.

Black & Gold Facilities, Inc.

Statement of Activities
Year Ended June 30, 2017

Revenue	
Rental income	$ 6,961,786
Vacancies and concessions	(749,003)
Total revenue	6,212,783
Operating expenses	
Salaries and employee benefits	183,327
Repairs and maintenance	403,089
Utilities	386,570
Property management fee	243,747
Property insurance	95,819
Miscellaneous operating expenses	298,120
Total operating expenses	1,610,672
Net operating income (loss)	4,602,111
Other income (expense)	
Interest income	1,910
Interest expense - bonds payable	(2,153,906)
Other financial income (expense)	(21,700)
Miscellaneous other income (expense)	65,937
Depreciation	(1,467,028)
Total other income (expense)	(3,574,787)
Net income (loss) before extraordinary item	1,027,324
Transfer of property	9,828,501
Change in net assets	$ 10,855,825
Net assets (deficit) - beginning of year	(11,654,263)
Net assets (deficit) - end of year	$ (798,438)

See Notes to Financial Statements.

Black & Gold Facilities, Inc.

Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities	
Change in net assets	$ 10,855,825
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	1,467,028
Amortization of debt issuance costs	82,098
Amortization of bond premium	(6,975)
Amortization of bond discount	4,437
Gain on transfer of property and defeasance of bonds	(9,828,501)
Changes in:	
Accounts receivable - other	(1,033,759)
Prepaid expenses	117,640
Accounts payable	(458,552)
Accrued expenses	(832,938)
Property management fee payable	(357,585)
Accrued interest payable - first mortgage	(409,050)
Due to related parties	273,960
Net cash used in operating activities	(126,372)
Cash flows from investing activities	
Expenditures on rental property	(62,113)
Change in other reserves	1,383,757
Net cash provided by investing activities	1,321,644
Cash flows from financing activities	
Principal payments on mortgage payable	(2,255,000)
Net cash used in financing activities	(2,255,000)
Net decrease in cash and cash equivalents	(1,059,728)
Cash and cash equivalents, beginning	1,073,731
Cash and cash equivalents, end	$ 14,003
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 2,486,025
Supplemental schedule of non-cash investing and financing activities	
Fixed assets	$ 58,202,829
Bonds payable	(85,485,461)
Transfer of trust account for defeasance	15,884,945
Other	1,569,186
	$ (9,828,501)

See Notes to Financial Statements.

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 is 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 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, 2017. 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 2014 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, 2017.

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.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Change in accounting principle

During 2017, the Facilities adopted the provisions of Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Facilities on a retrospective basis. As a result, total assets as well as loans payable for the year ended June 30, 2016, have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization of $3,922,929.

Note 3 - Fixed assets

Fixed assets are comprised of the following at June 30, 2017:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Land	$ 334,029	$ -	$ -	$ 334,029
Buildings	79,854,340	-	(79,854,340)	-
Furniture, fixtures and equipment	4,146,160	62,113	(4,208,273)	-
Leasehold improvements	4,177,323	-	-	4,177,323
	88,511,852	62,113	(84,062,613)	4,511,352
Accumulated depreciation	(25,715,947)	(1,467,028)	25,859,785	(1,323,190)
	$ 62,795,905	$ (1,404,915)	$ (58,202,828)	$ 3,188,162

Depreciation expense totaled $85,467 for the year ended June 30, 2017. Effective December 1, 2016, Facilities transferred the ownership of the student housing facilities and all related interest in the student housing facilities to Grambling State University (see Note 9).

Note 4 - 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, 2017, the Facilities were not in excess of insured limits.

The Facilities also had credit risk principally related to partially secured amounts for student accounts receivable. However, such risk was mitigated by the inability of students to obtain college transcripts if amounts are owed to the Facilities. This risk was transferred to the University as part of the defeasance of the bonds and transfer of the property to the University (see Note 9).

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 5 - 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, 2017:

	Reserve Requirement	Reserve Balance
Debt service	$ -	$ 408,546
Maintenance	-	316,711
	$ -	$ 725,257

The investment-bond reserves account balances total $725,257 in short- term investments and cash equivalents, with $- being classified as current assets and $725,257 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.

Note 6 - 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) leased the land, on which the student housing was 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. On December 1, 2016, the bonds associated with the student housing facilities were defeased and considered to be paid in full.

Note 7 - 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, 2017 were as follows:

Series 2006A $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. These bonds were feased effective December 1, 2016.	$ -
Series 2006C $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.	4,795,000
Series 2007A $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. These bonds were defeased effective December 1, 2016.	-
Total bonds payable	$4,795,000
Less: current maturities	(125,000)
Less: bond discount, net of amortization (see Note 9)	(46,790)
Less: debt issuance costs, net of amortization	(91,828)
Total long-term bonds payable	$4,531,382

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

2018	$	125,000
2019		130,000
2020		140,000
2021		145,000
2022		165,000
Thereafter		4,043,210
Total		4,748,210
Less current maturities		(125,000)
Net long-term portion	$	4,623,210

Interest incurred during the year ended June 30, 2017, was $2,512,833, which includes $82,098 of amortization of debt issuance costs, $4,437 of amortization of bond discount, and $6,975 of amortization of bond premium.

Debt issuance costs, net of accumulated amortization, totaled $91,828 as of June 30, 2017 and are related to the Series 2006C Bonds. Debt issuance costs on the above note are being amortized using an imputed rate of 5.19%.

As of June 30, 2017, the 2006A Series Bonds and 2007A Series Bonds were defeased and the related debt issuance costs related to the bonds were written off. During the year ended June 30, 2017, debt issuance costs of $3,752,443, net of accumulated amortization, were written as part of the defeasance of the bonds and transfer of property (see Note 9).

Note 8 - Bonds premium/discount

The bond premium and discount received upon the issuance of the bonds are being amortized using the straight-line method, which approximates the effective interest method, over the life of the bonds and included with long-term debt. Total bond premium and bond discount at issuance totaled $767,784 and $223,516, respectively. Annual amortization is charged against interest expense.

	Bond Premium		Bond Discount	
Beginning balance	$	767,784	$	(223,516)
Prior year accumulated amortization		(168,964)		64,908
Current year amortization		(6,975)		4,437
Total accumulated amortization		(175,939)		69,345
Transferred at defeasance		(591,845)		107,381
Ending Balance	$	-	$	(46,790)

As of June 30, 2017, the 2006A Series Bonds and 2007A Series Bonds were defeased and the related premium and discount relating to the bonds were written off. During the year ended June 30, 2017, the net bond premium of $591,845 relating to the Series 2006A Bonds and the net bond discount of $107,381 relating to the Series 2007A Bonds were written as part of the defeasance of the bonds and transfer of property (see Note 9).

Note 9 - Transfer of property and defeasance of bonds

Effective December 1, 2016, the Series 2006A Bonds and Series 2007A Bonds were fully defeased and all obligations of the Facilities with respect to the defeased bonds were discharged and satisfied at that time. In connection with the defeasance of the bonds, the Facilities transferred the ownership of the student housing facilities and all related interest in the student housing facilities to Grambling State University. The purchase price was equal to the principal of the Series 2006A Bonds and 2007A Bonds plus the interest and premium, if any, to accrue on such bonds until the redemption date.

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 operated and managed the housing facilities constructed with the bond proceeds and leased the rooms to the students of the University. The University collected all room and board on behalf of the Facilities, and remitted all amounts collected to the Bond Trustee. As of June 30, 2017, the ownership of the student housing facilities was transferred to Grambling State University (see Note 9).

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 $413,197 for the year ended June 30, 2017.

The University also charged 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 $442,966 for the year ended June 30, 2017.

Inc. conjunction with the defeasance of the bonds and the transfer of assets on December 1, 2016, all intercompany balances were forgiven by the affiliates.

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.

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, 2017.

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, 2017.

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, 2017 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 $798,438 at June 30, 2017. Included in the net asset balance is accumulated depreciation of fixed assets and amortization of deferred charges totaling a combined $1,382,254.

Additionally, the Facilities have established operations and maintenance cash reserves of approximately $316,710.

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. In conjunction with the defeasance of the bonds and transfer of the property on December 1, 2016, the arrangement between the Facilities and the management company was transferred to the University. The total amount incurred by the Facility for the year ended June 30, 2017 totaled $243,747, of which $- remains payable.

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 October 20, 2017 (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 Position
Year Ended June 30, 2017

<u>Assets</u>

Current assets	
Cash	$ 14,003
Total current assets	14,003
Non-current assets	
Investments	725,257
Capital assets, net	3,188,162
Total non-current assets	3,913,419
Total assets	$ 3,927,422

<u>Liabilities and Net Position</u>

Current liabilities	
Other current liabilities	$ 69,478
Current maturities of long-term debt - bonds payable	125,000
Total current liabilities	194,478
Long-term liabilities	
Bonds payable, net of bond discount and premiums	4,531,382
Total long-term liabilities	4,531,382
Commitments	-
Net position	
Invested in capital assets, net of related debt	(742,963)
Unrestricted net position	(55,475)
Total net position	(798,438)
Total liabilities and net position	$ 3,927,422

Black & Gold Facilities, Inc.

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017

Operating Revenues	
Auxiliary revenue	$ 6,212,783
Total operating revenues	6,212,783
Operating expenses	
Depreciation	1,467,028
Auxiliary	1,610,672
Total operating expenses	3,077,700
Net operating income (loss)	3,135,083
Non-operating revenues and (expenses)	
Net investment income	1,910
Interest expense - bonds payable	(2,153,906)
Other financial income (expense)	(21,700)
Miscellaneous other income (expense	65,937
Net non-operating expenses	(2,107,759)
Net income before other revenues and expenses	1,027,324
Transfer of property	9,828,501
Change in net position	$ 10,855,825
Net position - beginning of year	(11,654,263)
Net position - end of year	$ (798,438)

Other Supplementary Information

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, 2017

SCHEDULE OF CAPITAL ASSETS

	Balance 6/30/2016	Additions	Transfers	Retirements	Balance 6/30/2017
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	$ 334,029	$ -	$ -	$ -	$ 334,029
Depreciable capital assets					
Land improvements	$ 4,177,323	$ -	$ -	$ -	$ 4,177,323
Buildings	78,392,289	-	(78,392,289)	-	-
Equipment	5,608,211	62,113	(5,670,324)	-	-
Less: accumulated depreciation	(25,715,947)	(1,467,028)	25,859,785	-	(1,323,190)
Capital assets, net	$ 62,461,876	$ (1,404,915)	$ (58,202,828)	$ -	$ 2,854,133

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information
Year Ended June 30, 2017

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Bonds and notes payable				
Bonds payable	$ 95,800,000	-	(91,005,000)	$ 4,795,000
Notes payable	-	-	-	-
Total bonds and notes payable	$ 95,800,000	$ -	$ (91,005,000)	$ 4,795,000
Other liabilities				
Amounts held in custody for others	$ -	$ -	$ -	$ -
Total other liabilities	$ -	$ -	$ -	$ -
Total long-term liabilities	$ 95,800,000	$ -	$ (91,005,000)	$ 4,795,000

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information
Year Ended June 30, 2017

SCHEDULE OF BONDS PAYABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 7/1/2016	(Redeemed) Issued	Defeased	Principal Outstanding 6/30/2017	Amounts Due Within One Year
Louisiana Public Facilitie Authority Revenue Bonds							
Tax Exempt - Grambling Black and Gold Facilities, Inc. Project 2006A	10/1/2006	$ 55,705,000	$ 52,060,000	$ (1,265,000)	$(50,795,000)	$ -	$ -
Taxable - Grambling Black and Gold Facilities, Inc. Project 2006C	6/25/2007	5,700,000	4,915,000	(120,000)	-	4,795,000	125,000
Tax Exempt - Grambling Black and Gold Facilities, Inc. Project 2007A	7/25/2007	39,330,000	38,825,000	(870,000)	(37,955,000)	-	-
Total		$100,735,000	$ 95,800,000	$ (2,255,000)	$(88,750,000)	$4,795,000	$ 125,000

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information
Year Ended June 30, 2017

Fiscal Year Ending	Principal	Interest	Total
2018	$ 125,000	$ 276,565	$ 401,565
2019	130,000	269,435	399,435
2020	140,000	262,020	402,020
2021	145,000	254,035	399,035
2022	160,000	245,765	405,765
2023	165,000	236,635	401,635
2024	175,000	227,220	402,220
2025	185,000	217,235	402,235
2026	195,000	206,680	401,680
2027	205,000	195,555	400,555
2028	215,000	183,860	398,860
2029	230,000	171,390	401,390
2030	245,000	158,050	403,050
2031	255,000	143,840	398,840
2032	270,000	129,050	399,050
2033	290,000	113,390	403,390
2034	305,000	96,570	401,570
2035	320,000	78,880	398,880
2036	340,000	60,320	400,320
2037	360,000	40,600	400,600
2038	340,000	19,720	359,720
TOTAL	$ 4,795,000	$ 3,586,815	$ 8,381,815

Black & Gold Facilities, Inc.

Notes to the Other Supplementary Information
Year Ended June 30, 2017

	Phase I	Phase II	Total
OPERATING REVENUES			
Student Housing Income	$ 4,117,706	$ 1,681,880	$ 5,799,586
Rental Income	413,197	-	413,197
Total Operating Revenues	$ 4,530,903	$ 1,681,880	$ 6,212,783
OPERATING EXPENSES			
Salaries and employee benefits	140,557	42,770	183,327
Repairs and maintenance	234,369	168,720	403,089
Utilities	289,788	96,782	386,570
Property management fee	153,277	90,470	243,747
Property insurance	57,954	37,865	95,819
Miscellaneous operating expenses	207,531	90,589	298,120
Total operating expenses	1,083,476	527,196	1,610,672
Change in assets from operating activities	$ 3,447,427	$ 1,154,684	$ 4,602,111
Other income (expense)			
Interest income	490	1,420	1,910
Interest expense - bonds payable	(1,177,166)	(976,740)	(2,153,906)
Other financial income (expense)	(11,100)	(10,600)	(21,700)
Surplus fund fee	65,937	-	65,937
Depreciation	(1,259,444)	(207,584)	(1,467,028)
Total other income (expense)	(2,381,283)	(1,193,504)	(3,574,787)
Net income (loss) before extraordinary item	$ 1,066,144	$ (38,820)	$ 1,027,324
Transfer of assets			9,828,501
Change in net assets			$ 10,855,825

Statistics and Disclosures

Black & Gold Facilities, Inc.

Additional Statistics and Disclosures

Enrollment

For the past 108 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 2016 enrollment totaled 3,884 students, of which approximately 90% were full-time undergraduate students.

Enrollment

Fall Semester	Undergraduate	Graduate	Total	Change Undergraduate	Change Graduate	Change Total
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%
2016	3,598	286	3,884	8.77%	-15.63%	6.50%

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

Fall Semester	Capacity	Occupancy*	Occupany Rate
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	2,561	1,864	73%
2016	2,581	2,044	79%
Average	2,470	2,241	91%

* 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.

Freshman & Sophomore Students vs. Historical Capacity

Fall Semester	Capacity*	Freshman and Sophomore Students	Percentage of Freshman and Sophomore Students to Capacity
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	2584	1,171	45%
2015	2561	1,259	49%
2016	2581	1,507	58%

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

Black & Gold Facilities, Inc.

Additional Statistics and Disclosures

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 2017, the University Portion resulted in revenues for the University in the amount of $748,314.

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 $229,306 for the year ended June 30, 2017.

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, 2017 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 excess of Residence Hall Revenues over the Current Expenses (excluding interest, amortization and depreciation expense). The Debt Service Coverage Ratio as of June 30, 2017 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, 2017.

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:

Grambling Black and Gold Facilities
Calculation of Debt Service Ratio

The schedule below represents the debt service ratio calculation for the Black and Gold Facilities for the year ended June 30, 2015 based on the definitions per the bond covenants.

		Series C 2017
(1) Food Plan Revenues	$	748,314
(1) Annex Fee Revenues		229,306
Net Auxiliary Revenues	$	977,620
(2) Annual debt Service at beginning of the year	$	402,950
(3) Debt Service Calculation (Total Revenues / Annual Debt Service)		2.43

NOTE:

(1) Food plan and Annex fee revenues are assessed, collected, and maintained by the University. The 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, $408,515 in a debt service reserve account for the year ended June 30, 2017.

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