

UNIVERSITY COLUMNS
Natchitoches, Louisiana

Financial Report

Year Ended June 30, 2011 and 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 30 2012**

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	4
Statements of Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Summary of Prior Year Findings	14
Schedule of Findings and Questioned Costs	15
SUPPLEMENTAL INFORMATION	
Schedules of Operating, General and Administrative Expenses	17



**Darnall, Sikes,
Gardes & Frederick.**

(A Corporation of Certified Public Accountants)

E. Larry Sikes, CPA/PFS, CVA, CFP™
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. Higginbotham, CPA
John P. Armato, CPA/PFS
J. Steven Gardes, CPA, CVA
Jennifer S. Ziegler, CPA/PFS, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA
M. Rebecca Gardes, CPA
Pamela Mayeaux Bonin, CPA, CVA
Joan B. Moody, CPA
Erich G. Loewer, III, MTX, CPA, M.S. Tax
Lauren F. Hebert, CPA/PFS
Barbara Ann Watts, CPA
Craig C. Babineaux, CPA/PFS, CFP™
Jeremy C. Meaux, CPA

Kathleen T. Darnall, CPA
Dustin B. Baudin, CPA, MBA
Kevin S. Young, CPA
Adam J. Curry, CPA
Chad M. Bailey, CPA
Carol C. Guillory, CPA
Christy S. Dew, CPA
Cecelia A. Hoyt, CPA
Blaine M. Crochet, CPA, M.S.
Rachel W. Ashford, CPA
Veronica L. LeBleu, CPA
Jacob C. Roberie, CPA
S. Luke Sonnier, CPA
Kyle P. Saltzman, CPA
Elise B. Fauchaux, CPA

Independent Auditor's Report

The Board of Directors
University Columns
Natchitoches, Louisiana

We have audited the accompanying financial statements of the business-type activities of University Columns, as of and for the years ended June 30, 2011 and 2010, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of University Columns' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of University Columns as of June 30, 2011 and 2010, and changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2000 Kaliste Saloom Rd.
Suite 300
Lafayette, LA 70508
Phone: 337.232.3312
Fax: 337.237.3614

1231 E. Laurel Ave.
Eunice, LA 70535
Phone: 337.457.4146
Fax: 337.457.5060

1201 Brashear Ave.
Suite 301
Morgan City, LA 70380
Phone: 985.384.6264
Fax: 985.384.8140

203 S. Jefferson Street
Abbeville, LA 70510
Phone: 337.893.5470
Fax: 337.893.5470

Member of:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants
www.dsicpas.com

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2012, on our consideration of University Columns' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of University Columns taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
March 15, 2012

BASIC FINANCIAL STATEMENTS

UNIVERSITY COLUMNS

Statements of Net Assets
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 129,185	\$ 99,106
Rents and fees receivable, net	78,429	182,443
Cash - restricted	89,285	113,671
Prepaid expenses	<u>35,929</u>	<u>34,143</u>
	<u>332,828</u>	<u>429,363</u>
PROPERTY AND EQUIPMENT, at cost	7,145,765	7,072,680
Less: accumulated depreciation	<u>(3,418,125)</u>	<u>(3,253,240)</u>
	<u>3,727,640</u>	<u>3,819,440</u>
OTHER ASSETS		
Loan costs, net of amortization	<u>-</u>	<u>262</u>
TOTAL ASSETS	<u>\$ 4,060,468</u>	<u>\$ 4,249,065</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 200,199	\$ 66,349
Intercompany accounts payable	143,178	143,526
Accrued interest payable	213,194	412,014
Deferred rent revenue	10,177	-
Security deposits	<u>74,043</u>	<u>61,873</u>
	<u>640,791</u>	<u>683,762</u>
Notes payable - affiliates	<u>948,489</u>	<u>1,807,290</u>
	<u>948,489</u>	<u>1,807,290</u>
TOTAL LIABILITIES	<u>1,589,280</u>	<u>2,491,052</u>
NET ASSETS		
Invested in capital assets, net of debt	2,565,957	1,600,136
Unrestricted	<u>(94,769)</u>	<u>157,877</u>
Total net assets	<u>2,471,188</u>	<u>1,758,013</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,060,468</u>	<u>\$ 4,249,065</u>

See accompanying notes.

UNIVERSITY COLUMNS

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
SUPPORT AND REVENUES		
Apartment rent	\$ 2,312,999	\$ 2,247,105
Fee income	35,768	30,844
Interest income	4,660	11,348
Miscellaneous	<u>39,516</u>	<u>21,464</u>
Total support and revenues	2,392,943	2,310,761
OPERATING, GENERAL, AND AND ADMINISTRATIVE EXPENSES	<u>1,679,768</u>	<u>1,212,995</u>
INCREASE IN NET ASSETS	713,175	1,097,767
NET ASSETS, beginning	<u>1,758,013</u>	<u>660,246</u>
NET ASSETS, ending	<u>\$ 2,471,188</u>	<u>\$ 1,758,013</u>

See accompanying notes.

UNIVERSITY COLUMNS
 Statements of Cash Flows
 Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and users	\$ 2,407,395	\$ 2,148,497
Interest received	4,660	11,348
Payments to suppliers	(952,302)	(700,347)
Payments to employees and related benefits	(233,388)	(222,647)
Interest paid	(288,786)	(517,929)
Net cash provided by operating activities	<u>937,579</u>	<u>718,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(73,085)	(45,228)
Net cash used by investing activities	<u>(73,085)</u>	<u>(45,228)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long term debt	(858,801)	(603,295)
Net cash used by financing activities	<u>(858,801)</u>	<u>(603,295)</u>
Net increase in cash and cash equivalents	5,693	70,399
CASH AND CASH EQUIVALENTS, beginning of year	<u>212,777</u>	<u>142,378</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 218,470</u>	<u>\$ 212,777</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 713,175	\$ 1,097,767
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debts	95,079	25,640
Depreciation and amortization	165,147	182,387
Increase (decrease) in:		
Rent and fees receivable	8,935	(149,814)
Prepaid expenses	(1,786)	(888)
(Increase) decrease in:		
Accounts payable	133,850	6,800
Intercompany accounts	(348)	33,562
Interest payable	(198,820)	(496,830)
Deferred rent revenue	10,177	(1,102)
Security deposits payable	12,170	21,400
Net cash provided by operating activities	<u>\$ 937,579</u>	<u>\$ 718,922</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents, end of year		
Cash - unrestricted	\$ 129,185	\$ 99,106
Cash - restricted	89,285	113,671
Total cash and cash equivalents	<u>\$ 218,470</u>	<u>\$ 212,777</u>

See accompanying notes.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

University Columns provides student housing to students on the campus of Northwestern State University, Natchitoches, Louisiana. University Columns apartment complex is managed under contract by Campus Living Villages Fund (Campus), a student housing organization based in Australia. All personnel employed in the leasing, management, maintenance and operation of University Columns are employees of Campus.

Basis of Accounting

University Columns utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

Use of Estimates

Preparation of University Columns' financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loan Costs

Loan costs are being amortized on a straight line basis over the term of the related loan.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS

	2011	2010
Unrestricted:		
J. P. Morgan Chase - operating	\$ 129,185	\$ 96,857
Bank of America	-	2,249
Total unrestricted	129,185	99,106
Restricted:		
Sabine State Bank - rent deposits	-	44,174
Sabine State Bank - security deposits	89,285	69,294
Bank of New York Trust Co. of Florida:		
Project Holding Account	-	203
Total restricted	89,285	113,671
Total cash and cash equivalents	\$ 218,470	\$ 212,777
	Bank Balance 2011	Bank Balance 2010
Unrestricted:		
J. P. Morgan Chase - operating	\$ 121,800	\$ 133,304
Bank of America	-	2,249
Total unrestricted	121,800	135,553
Restricted:		
Sabine State Bank - rent deposits	-	33,154
Sabine State Bank - security deposits	133,621	66,461
Bank of New York Trust Co. of Florida:		
Project Holding Account	-	203
Total restricted cash and cash equivalents	133,621	99,818
Total cash and cash equivalents	\$ 255,421	\$ 235,371

NOTE 3 PROPERTY AND EQUIPMENT

Category	Cost	Estimated Useful Lives
Building	\$ 5,613,269	40 years
Streets, sidewalks and pool	578,150	40 years
Fences, gates and signs	130,491	15 years
Interior fixtures	209,994	5 years
Furniture and lighting	136,297	10 years
Equipment	477,564	10 years
Total depreciable assets	7,145,765	
Less: Accumulated depreciation	(3,418,125)	
Net depreciable assets	\$ 3,727,640	

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 4 RELATED PARTY TRANSACTIONS

During development and opening of the project, a total of \$700,000 in construction management, marketing, value engineering, and development expenses were paid to a related party and capitalized as part of the building cost.

A monthly management fee of 5% of gross revenues is paid to a related part as compensation for running the daily operations of the apartment complex. The amount recorded as due to related parties includes costs paid on behalf of the complex by related parties for management fees, expenses and construction.

NOTE 5 COMMITMENTS

Campus has built and operates the apartment complex on land leased from Northwestern State University of Louisiana at Natchitoches. The lease expires on September 1, 2034. The annual rent is equal to an annual base rent of \$1,000 plus an amount equal to 25% of the fund's net cash flow as defined in the ground lease agreement. Additionally, an annual rental of 5% of the net cash flow is to be paid to the improvements owner, an organization in connection with the project. All furniture, fixtures and equipment permanently affixed to the land become the property of Northwestern State University at Natchitoches, Louisiana upon expiration of the lease. However, at any time during the term of the lease, Northwestern State University at Natchitoches, Louisiana, has the right to purchase the complex at a purchase price as defined in the ground lease agreement.

NOTE 6 RELATED PARTY LOANS

A loan procedure exists whereby, the complex cash flows, after the payment of percentage rent to the Lessor, are made available to support the payment of the Project Mortgage and Permitted Mortgages of other affiliated partnerships with interest at 10% per annum. At June 30, 2011, \$82,197 is owed affiliates under this loan procedure.

There is a note obligation to an affiliate with interest at an effective rate of 3% per annum. Unpaid scheduled principal and interest, if any, do not accrue further interest. The note is payable monthly from the cash flow after payment of all project costs and expenses, the Project Mortgage, related party loans, percentage rent to the Lessor and advances under related party loan procedures.

The Complex is a co-obligor with other affiliated entities on notes and accrued interest to an affiliate and is a contingent beneficiary or is contingently liable on such notes. Once the note is current, any excess cash flow is made available as loans to support the payment of the notes of other affiliated companies. The amount of outstanding principal on the note is \$866,292 at June 30, 2011.

UNIVERSITY COLUMNS

Notes to Financial Statements

NOTE 7 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by University Columns in estimating fair values of financial instruments as disclosed herein:

Cash and interest-bearing deposits—The carrying amount of cash and short-term instruments approximate their fair value.

Accounts receivables and other current assets—These items are recorded at amounts that approximate fair value due to their short term nature.

Accounts Payable and other accrued liabilities—These items are recorded at amounts that approximate fair value due to their short term nature.

Long-term debt—The carrying amounts of all long-term debt instruments approximate fair value.

INTERNAL CONTROL AND COMPLIANCE



**Darnall, Sikes,
Gardes & Frederick.**

(A Corporation of Certified Public Accountants)

E. Larry Sikes, CPA/PFS, CVA, CFP™
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. Higginbotham, CPA
John P. Armato, CPA/PFS
J. Steven Gardes, CPA, CVA
Jennifer S. Ziegler, CPA/PFS, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA
M. Rebecca Gardes, CPA
Pamela Mayeaux Bonin, CPA, CVA
Joan B. Moody, CPA
Erich G. Loewer, III, MTX, CPA, M.S. Tax
Lauren F. Hebert, CPA/PFS
Barbara Ann Watts, CPA
Craig C. Babineaux, CPA/PFS, CFP™
Jeremy C. Meaux, CPA

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

To the Board of Directors of
University Columns
Natchitoches, Louisiana

Kathleen T. Darnall, CPA
Dustin B. Baudin, CPA, MBA
Kevin S. Young, CPA
Adam J. Curry, CPA
Chad M. Bailey, CPA
Carol C. Guillory, CPA
Christy S. Dew, CPA
Cecelia A. Hoyt, CPA
Blaine M. Crochet, CPA, M.S.
Rachel W. Ashford, CPA
Veronica L. LeBleu, CPA
Jacob C. Roberie, CPA
S. Luke Sommer, CPA
Kyle P. Saltzman, CPA
Elise B. Fauchaux, CPA

We have audited the financial statements of the business-type activities of University Columns as of and for the year ended June 30, 2011 and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Columns' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Columns' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

2000 Kaliste Saloom Rd.
Suite 300
Lafayette, LA 70508
Phone: 337.232.3312
Fax: 337.237.3614

1231 E. Laurel Ave.
Eunice, LA 70535
Phone: 337.457.4146
Fax: 337.457.5060

1201 Brashear Ave.
Suite 301
Morgan City, LA 70380
Phone: 985.384.6264
Fax: 985.384.8140

203 S. Jefferson Street
Abbeville, LA 70510
Phone: 337.893.5470
Fax: 337.893.5470

Member of:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants
www.dsfcpas.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Columns' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Dannall, Sikes, Gardner & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
March 15, 2012

UNIVERSITY COLUMNS

**Summary of Prior Year Findings
Year Ended June 30, 2011**

There are no prior year audit findings.

UNIVERSITY COLUMNS

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on University Columns' financial statements as of and for the year ended June 30, 2011.

Significant Deficiencies and Material Weaknesses - Financial Reporting

There were no reportable conditions in internal control over financial reporting noted during the audit of the financial statements.

Material Noncompliance - Financial Reporting

The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2011.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no reportable conditions or instances of material noncompliance noted during the audit.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the fiscal year ended June 30, 2011.

SUPPLEMENTAL INFORMATION

UNIVERSITY COLUMNS

Schedules of Operating, General and Administrative Expenses
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Advertising	\$ 39,596	\$ 15,040
Amortization	262	12,436
Bad debts	95,079	25,640
Contract services	112,853	83,997
Depreciation	164,885	169,951
Insurance	88,370	92,329
Interest expense	89,966	116,505
Management fee	119,672	107,175
Meals and entertainment	1,302	1,211
Miscellaneous	29,418	23,403
Office expense	2,722	14,496
Payroll taxes	20,208	15,654
Postage	475	3,919
Professional fees	50,811	26,724
Rent	124,854	1,000
Repair and maintenance	193,769	80,014
Salaries	233,388	206,993
Supplies	19,942	588
Telephone	6,916	11,575
Training	1,457	1,034
Travel	10,164	4,856
Utilities	<u>273,659</u>	<u>198,455</u>
	<u>\$1,679,768</u>	<u>\$1,212,995</u>

See independent auditor's report on additional information.