NSU FACILITIES CORPORATION
THIBODAUX, LA

FINANCIAL STATEMENTS

June 30, 2012
with
INDEPENDENT AUDITORS' REPORT
THEREON

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NSU Facilities Corporation

June 30, 2012

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Lanaux & Felger

Certified Public Accountants
A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have audited the accompanying statements of financial position of NSU Facilities Corporation (the Corporation) (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's 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. 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 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 Corporation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Houma, Louisiana
October 8, 2012

Lanaux & Felger

NSU Facilities Corporation
Statements of Financial Position
June 30, 2012 and 2011

ASSETS

	2012	2011
Current assets:		
Investment - bond reserves	$ 5,199,982	$ 16,983,306
Lease income receivable	59,386	58,712
Accrued interest receivable	18,072	12,388
Total current assets	5,277,440	17,054,406
Restricted for debt service:		
Investment - debt service reserves	5,577,307	5,305,513
Fixed assets:		
Infrastructure improvements	2,905,424	2,905,424
Building improvements	6,363,555	6,363,555
Buildings	47,869,256	44,773,555
Construction in progress	14,736,873	4,349,352
	71,875,108	58,391,886
Less accumulated depreciation	(10,103,309)	(7,647,417)
Total fixed assets	61,771,799	50,744,469
Other assets:		
Debt issuance costs, net	2,439,340	2,556,470
Total assets	$ 75,065,886	$ 75,660,858

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities:		
Accounts payable	$ 929,877	$ -
Accrued interest payable	278,778	277,817
Current maturities of long-term debt	1,250,000	965,000
Total current liabilities	2,458,655	1,242,817
Long-term liabilities:		
Tax-exempt bonds payable, net	59,962,690	61,065,760
Taxable bonds payable, net	4,208,195	4,326,510
Unamortized swap interest	192,515	199,381
Deferred lease income	7,830,295	8,301,725
Total long-term liabilities	72,193,695	73,893,376
Total liabilities	74,652,350	75,136,193
Net assets, unrestricted	413,536	524,665
Total liabilities and net assets	$ 75,065,886	$ 75,660,858

See accompanying notes to financial statements.

NSU Facilities Corporation
Statements of Activities
Years Ended June 30, 2012 and 2011

	2012	2011
Changes in unrestricted net assets:		
Revenues:		
Lease income	$ 5,553,285	$ 4,884,377
Interest income	361,210	202,865
Gain (loss) on investments	(85,181)	(58,652)
Total revenues	5,829,314	5,028,590
Expenses:		
Amortization expense	145,744	135,823
Depreciation expense	2,455,891	2,393,548
Interest expense	2,974,751	2,769,620
Professional and legal	364,057	272,570
Total expenses	5,940,443	5,571,561
Change in net assets	(111,129)	(542,971)
Net assets:		
Beginning of the year	524,665	1,067,636
End of the year	$ 413,536	$ 524,665

See accompanying notes to financial statements.

NSU Facilities Corporation

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating activities:		
Change in net assets	$ (111,129)	$ (542,971)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,455,891	2,393,548
Amortization of bond discount and bond issuance costs	145,744	135,823
Gain (loss) on investments	85,181	58,562
Amortization of swap interest	(6,866)	(6,867)
Net interest capitalized	(19,184)	(12,263)
Changes in assets and liabilities:		
Lease income receivable	(674)	(3,159)
Accrued interest receivable	(5,684)	(11,623)
Accrued interest payable	960	4,488
Accounts payable	-	(38,239)
Deferred lease income	(471,430)	(349,208)
Total adjustments	2,183,938	2,171,062
Net cash provided by (used in) operating activities	2,072,809	1,628,091
Investing activities:		
Purchase of investments	-	(14,578,122)
Proceeds from investments	11,426,349	-
Payments for fixed assets	(2,336,055)	(91,833)
Payments for construction in progress	(10,198,103)	(3,401,687)
Net cash provided by (used in) investing activities	(1,107,809)	(18,071,642)
Financing activities:		
Proceeds from bond issuance	-	10,724,450
Bond payments	(965,000)	(840,000)
Deferred lease income received	-	7,182,500
Debt issuance costs	-	(623,399)
Net cash provided by (used in) financing activities	(965,000)	16,443,551
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	$ -	$ -
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,986,109	$ 2,784,100
Non-cash investing and financing activities:		
Non-cash increase in construction in progress and accounts payable	$ 929,877	$ -

See accompanying notes to financial statements.

NOTE 1- FORMATION, OWNERSHIP, AND BUSINESS OF THE CORPORATION

The Organization

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

The Corporation is a nonprofit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Corporation participated in bond issuances by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued $3,320,000 (Series 2006A), $5,000,000 (Series 2006B), $17,680,000 (Series 2007A), $32,380,000 (Series 2007B) and $10,860,000 (Series 2010) in revenue bonds which will be payable solely from the revenues of the Corporation. The bond proceeds are used to acquire, construct, develop, and renovate fixed assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

Investment securities

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

Unrestricted net assets

None of the Corporation's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Revenue recognition

Lease revenue consists of base rentals and additional rental. Base rentals are determined by the annual debt service requirement of the corporation and are accrued ratably over the lease. Additional rentals consist of any and all expenses, of every nature, character, and kind whatsoever, incurred by the management, operation, ownership, and/or maintenance of the facilities. Additional rentals are recorded as revenue when the related expense is incurred.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months except for short-term investments held in the Corporation's investment account, which are primarily held for investment in long-term assets or reserved for the payment of long-term debt. The carrying value of cash and cash equivalents is cost, which approximates fair value because of the short maturities of those financial instruments. The Corporation has no cash or cash equivalents at June 30, 2012 and 2011.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Corporation's borrowings, offset by the investment income earned on the related tax-exempt bond proceeds. Total interest incurred for the years ended June 30, 2012 and 2011 was $2,993,935 and $2,769,620, respectively. Of those amounts, $19,184 and $12,263 was capitalized for the years ended June 30, 2012 and 2011, respectively.

Debt issuance costs

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds and are reported net of accumulated amortization as follows at June 30,:

	2012	2011
Debt issuance costs, gross	$ 2,976,747	$ 2,976,747
Accumulated amortization	(537,407)	(420,277)
Debt issuance costs, net	$ 2,439,340	$ 2,556,470

NOTE 3 – INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustees consist of cash, money market investments, municipal obligations and a guaranteed investment contract issued by an insurance company. The municipal obligations are measured on a recurring basis at market value based on quoted prices in active markets (Level 1). No other assets or liabilities are measured at fair value. All other short-term investments are 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 monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Investment income is generally reported as a change in net assets. Investment income on the proceeds of tax-exempt bonds is reported as a change in net assets to the extent it exceeds capitalized interest on the related project.

Investments consist of the following at June 30,:

	2012 Carrying Value	2011 Carrying Value
Investment – bond reserves:		
Money Market Funds	$ 4,124,962	$ 7,162,714
Municipal Bonds	1,075,000	9,820,592
	$ 5,199,962	$ 16,983,306
Investment – debt services reserves:		
Money Market Funds	$ 2,301,362	$ 2,029,568
Guaranteed investment contract:		
Natixis Funding Corp 4.213%	3,275,945	3,275,945
	$ 5,577,307	$ 5,305,513

Investment return consists of the following for the years ended June 30,:

	2012	2011
Interest income	$ 361,210	$ 202,865
Gain (loss) on investments	(85,181)	(58,652)
	$ 276,029	$ 144,213

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following at June 30:

	2012	2011
Infrastructure improvements	$ 2,905,424	$ 2,905,424
Building improvements	6,363,555	6,363,555
Buildings	47,869,256	44,773,555
Construction in progress	14,736,873	4,349,352
	$ 71,875,108	$ 58,391,886

Fixed assets are recorded at cost and include interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred. Depreciation expense for the years ended June 30, 2012 and 2011 is $2,455,891 and $2,393,548, respectively. Depreciation is computed using the straight-line method over the life of the lease period. Substantially all of the Corporation's fixed assets are pledged to secure long-term debt as discussed in Note 7.

NOTE 5 – GROUND LEASE

The Corporation leases the land on which the facilities are located from the Board of Supervisors of the University of Louisiana System, pursuant to two ground lease agreements commencing on May 1, 2006 and August 1, 2007. Lease payments of $2 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased or the Board exercises its option to purchase under the Facilities Lease.

The Corporation leases the land and improvements on which the recreation center will be constructed from the Board of Supervisors of the University of Louisiana System, pursuant to the ground lease agreement commencing on April 1, 2009. Lease payments of $1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased. The lease may also terminate upon failure to commence construction of the project within three years, mutual agreement of the Corporation and the Board, or if the Board exercises its option to purchase under the Facilities Lease.

NOTE 6 – FACILITIES LEASE

The Corporation leases facilities to the Board under three facilities lease agreements (the "Facilities Leases"), beginning on May 1, 2006, August 1, 2007 and December 1, 2010. The rental payments under three Facilities Leases consist of Base Rentals and Additional Rentals. Base Rentals are equal to the annual debt service payments due on the Corporation's long-term bonds. Additional Rental consists of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation on behalf of the Board and/or by the Board or the University in the management, operation, ownership, and/or maintenance of the facilities. The Board shall be entitled to a credit against and reduction of each Base Rental payment in an amount equal to any amounts derived from accrued interest from the sale of the Bonds and/or surplus moneys, including investment earnings.

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

Minimum future lease revenues consist of Base Rental payments. Additional Rentals are considered contingent rentals because they are not fixed in the lease agreements. Contingent rentals of $983,337 and $2,716,983 are included in rental income for the years ended June 30, 2012 and 2011, respectively. Minimum rental payments to be received under non-cancelable operating leases over the next five years are as follows:

Year Ending June 30,	Amount
2013	$ 4,381,623
2014	4,474,864
2015	4,568,858
2016	4,656,082
2017	4,666,388
Total	$ 22,747,815

NOTE 7 – LONG-TERM DEBT

Bonds payable

On May 1, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $3,320,000 of non-taxable Series 2006A Bonds and $5,000,000 of taxable Series 2006B Bonds pursuant to an Indenture of Trust between the Issuer and the J.P. Morgan Trust Company, N.A. (the Trustee).

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds are being used to finance improvements to streets and parking facilities and the cafeteria and Student Union facilities, provide working capital for operation of the new and renovated facilities, fund interest on the bonds during the construction and renovation period, fund a Debt Service Reserve Fund, and pay the cost of issuing the bonds.

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

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds are being used to finance improvements to demolish four existing housing facilities and a university police building, the renovation of La Maison du Bayou, Calecas Hall and Ellender Hall, the development and construction of approximately 606 new suite configuration on-campus student housing beds and related facilities, the acquisition by the Corporation of a leasehold interest in 408 existing apartment beds on campus, the defeasance of the prior bonds associated therewith, currently outstanding in the amount of $15,720,000, funding a deposit to the Debt Service Reserve Fund, paying capitalized interest on the Series 2007 Bonds and paying the cost of issuance of the Series 2007 Bonds.

On December 1, 2010, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued $10,860,000 of non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the Issuer and Regions Bank (the Trustee).

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

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and the Trustees, the Corporation grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the bonds.

Long-term debt consists of the following at June 30:

Taxable bonds:	2012	2011
Series 2006B - $5,000,000 taxable term bonds payable dated May 1, 2006; due at various intervals through April 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 6.6899%; secured by leasehold deed and assignment of rents.	$ 4,360,000	$ 4,475,000
Less unamortized discount	(31,805)	(33,490)
Less current maturities	(120,000)	(115,000)
Taxable bonds payable, net	$ 4,208,195	$ 4,326,510

	2012	2011
Tax-exempt bonds:		
Series 2006A - $3,320,000 tax-exempt term bonds payable dated May 1, 2006; due at various intervals through April 1, 2026; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.649%; secured by leasehold deed and assignment of rents.	$ 2,595,000	$ 2,725,000
Series 2007A - $17,680,000 tax-exempt term bonds payable dated August 23, 2007; due at various intervals through June 1, 2024; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.3839%; secured by leasehold deed and assignment of rents.	15,665,000	16,385,000
Series 2007B - $32,380,000 tax-exempt term bonds payable dated August 23, 2007; due at various intervals through June 1, 2039; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.122%; secured by leasehold deed and assignment of rents.	32,380,000	32,380,000
Series 2010 - $10,860,000 tax-exempt term bonds payable dated Decebmer 1, 2010; due at various intervals through October 1, 2041; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.6110%; secured by leasehold deed and assignment of rents.	10,860,000	10,860,000
Subtotal tax-exempt bonds	61,500,000	62,350,000
Less unamortized discount	(407,310)	(434,240)
Less current maturities	(1,130,000)	(850,000)
Tax-exempt bonds payable, net	$ 59,962,690	$ 61,065,760

Net unamortized discount

The net bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method which materially approximates the effective interest method.

Maturities of long-term debt at June 30, 2012 are as follows:

	Tax-exempt bonds payable	Taxable bonds payable
Year ending June 30,:		
2013	$ 1,130,000	$ 120,000
2014	1,265,000	130,000
2015	1,405,000	140,000
2016	1,550,000	145,000
2017	1,620,000	155,000
2018 and thereafter	54,530,000	3,670,000
	$ 61,500,000	$ 4,360,000

Interest Rate Swap Agreement

The Louisiana Local Government Environmental Facilities and Community Development authority (the "Authority") issued its $32,380,000 Revenue Bonds (Nicholls State University Student Housing / NSU Facilities Corporation Project) Series 2007B Bonds (the "Bonds"), the proceeds of which were loaned to the NSU Facilities Corporation (the "Corporation"). The Bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time. On December 16, 2010 the bonds were converted to a different variable rate mode, from auction rate to a variable rate demand bond secured by the existing Assured Guaranty bond insurance with liquidity provided by a Regions Bank stand-by bond purchase agreement confirmed by a Federal Home Loan Bank-Atlanta letter of credit. The necessity of this conversion was due to the disruption in the market place.

Objective of the interest rate swap: In order to hedge interest rate exposure on the Bonds at the request of the Corporation, the Authority entered into an interest rate swap (the "Swap") with Morgan Keegan Financial Products, Inc. (the "Provider"). The Swap was originally effective as of August 15, 2007 and was subsequently amended on June 20, 2008 as more fully described in the Master Agreement, Schedule to the Master Agreement, Replacement Transaction Agreement and Confirmation dated August 15, 2007 and the Amended Confirmation dated June 20, 2008 (the "Swap Documents").

Corporation Liable for Swap Payments. The Corporation is liable to the Authority to make Swap payments and Bond debt service payments pursuant to the terms of the transaction documents. Any amounts owed by the Authority to the Provider of the Swap are obligations of the Corporation.

Terms: Under the terms of the Swap since July 1, 2010, the Authority pays a fixed rate of 4.122%, and the Provider pays a variable rate equal to 70% of the London Interbank Offered Rate (LIBOR) beginning July 1, 2010 through June 1, 2039, all as more fully described in the Swap Documents.

Fair Value: The fair value of the swap agreement as of June 30, 2012, which is not reported in the financial statements, was $13,202,000 in favor of the Provider. The fair value was provided by Sisung Securities Corporation.

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2012, the Authority is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the swap's fair value.

Basis Risk: Basis risk is the risk that arises when variable interest rates on a swap and the associated debt are based on different indexes. The interest rates for the swap are a variable rate equal to 70% of the one month London Interbank Offered Rate (LIBOR) and the bonds are based on the Securities Industry and Financial Markets Association Swap Index (formerly the Bone Market Association Municipal Swap Index, also known as SIFMA or BMA); therefore, the Authority is subject to basis risk.

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

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

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

NOTE 8 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Substantially all of the Corporation's revenues are generated through the lease of student housing and other facilities to Nicholls State University. The University's primary sources of funding for the lease payments are student fees for room and board, parking and other student assessments. The Legislature of the State of Louisiana and the Board of Supervisors of the University of Louisiana System have significant control over the future funding and operations of the University. Changes in funding or policy by these entities, which result in a significant decrease in student enrollment, could have a significant adverse impact on the Corporation.

NOTE 9 – SUBSEQUENT EVENTS

The Corporation evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 8, 2012, the date the financial statements were available for issuance.