



SOUTHEASTERN

L O U I S I A N A U N I V E R S I T Y

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

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Statement of Net Position
Fiscal Year Ended June 30, 2020

ASSETS**Current Assets**

Cash and cash equivalents	\$36,884,026
Investments	8,318,106
Receivables, net	9,806,442
Due from state treasury	5,395,828
Due from federal government	6,496,144
Inventories	766,988
Prepaid expenses and advances	1,231,982
Notes receivable	254,647

Total current assets 69,154,163

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	16,536,652
Investments	21,845,974
Notes receivable, net	1,004,782
Capital assets, net	216,690,745

Total noncurrent assets 256,078,153

Total assets 325,232,316

Deferred Outflows of Resources

Deferred outflows relating to pensions	38,958,982
Deferred outflows relating to other postemployment benefits (OPEB)	8,171,664

Total deferred outflows of resources 47,130,646

Total assets and deferred outflows 372,362,962

LIABILITIES**Current Liabilities**

Accounts payable and accrued liabilities	7,955,795
Due to state treasury	2,990
Unearned revenues	6,147,174
Amounts held in custody for others	3,316,026

Statement of Net Position
Fiscal Year Ended June 30, 2020

Current Portion of Noncurrent Liabilities

Compensated absences payable	\$543,364
Capital lease obligations	530,000
Bonds payable	4,415,000
OPEB liability	3,800,000
Other current liabilities	167

Total current liabilities	26,710,516
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Long-term Portion of Noncurrent Liabilities

Compensated absences payable	7,986,128
Capital lease obligations	545,000
Bonds payable	98,410,611
Net pension liability	153,005,515
OPEB liability	127,167,828

Total noncurrent liabilities	387,115,082
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Total liabilities	413,825,598
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Deferred Inflows of Resources

Deferred inflows relating to pensions	9,708,238
Deferred inflows relating to OPEB	23,465,122

Total deferred outflow of resources	33,173,360
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Total liabilities and deferred inflows	446,998,958
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Net Position

Net investment in capital assets	117,667,512
Restricted for:	
Nonexpendable	13,034,098
Expendable	39,375,088
Unrestricted	(244,712,694)

Total net position	(74,635,996)
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Total liabilities, deferred inflows, and net position	\$372,362,962
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Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2020

Operating Revenues

Student tuition and fees	\$104,431,679
Less scholarship allowances	<u>(29,526,677)</u>
Net student tuition and fees	74,905,002
Federal grants and contracts	10,030,705
State and local grants and contracts	4,013,342
Nongovernmental grants and contracts	328,393
Sales and services of educational departments	643,048
Auxiliary enterprise revenues	24,748,622
Less scholarship allowances	<u>(5,741,020)</u>
Net auxiliary revenues	19,007,602
Other operating revenues	<u>2,148,024</u>
 Total operating revenues	 <u>111,076,116</u>

Operating Expenses

Educational and general:	
Instruction	68,481,344
Research	1,378,665
Public service	3,055,677
Academic support	14,913,588
Student services	10,720,086
Institutional support	13,352,747
Operations and maintenance of plant	16,336,448
Depreciation	10,259,445
Scholarships and fellowships	18,984,845
Auxiliary enterprises	15,222,327
Other operating expenses	<u>1,708,891</u>
 Total operating expenses	 174,414,063

Operating loss	<u>(63,337,947)</u>
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Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended June 30, 2020

Nonoperating Revenues (Expenses)	
State appropriations	\$34,563,108
Gifts	1,283,680
Federal nonoperating revenues	34,891,552
Net investment income	1,493,991
Interest expense	(4,260,338)
Other nonoperating revenues	<u>635,494</u>
Net nonoperating revenues	<u>68,607,487</u>
Income before other revenues, expenses, gains and losses	<u>5,269,540</u>
Capital appropriations	592,620
Capital grants and gifts	777,379
Additions to permanent endowments	<u>200,000</u>
Increase in net position	6,839,539
Net position at the beginning of the year, restated	<u>(81,475,535)</u>
Net position at the end of the year	<u><u>(\$74,635,996)</u></u>

Statement of Cash Flows
Fiscal Year Ended June 30, 2020

Cash Flows From Operating Activities	
Tuition and fees	\$73,299,272
Grants and contracts	13,897,887
Sales and services of educational departments	1,425,838
Auxiliary enterprise receipts	19,016,687
Payments for employee compensation	(78,750,669)
Payments for benefits	(34,386,981)
Payments for utilities	(4,214,300)
Payments for supplies and services	(38,175,546)
Payments for scholarships and fellowships	(13,233,891)
Collection of loans to students	445,178
Other receipts	<u>4,801,607</u>
Net cash used by operating activities	<u>(55,874,918)</u>
Cash Flows From Non-Capital Financing Activities	
State appropriations	29,352,160
Gifts and grants for other than capital purposes	1,283,680
Pell Grant receipts	24,865,685
Private gifts for endowment purposes	200,000
TOPS receipts	26,282,674
TOPS disbursements	(26,204,757)
CARES Act receipts	9,614,367
Direct lending receipts	45,438,653
Direct lending disbursements	(45,504,168)
Other receipts	<u>1,227,780</u>
Net cash provided by noncapital financing sources	<u>66,556,074</u>
Cash Flows From Capital Financing Activities	
Purchases of capital assets	(3,525,144)
Principal paid on capital debt and leases	(5,705,257)
Interest paid on capital debt and leases	<u>(4,260,338)</u>
Net cash used by capital financing activities	<u>(13,490,739)</u>
Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	2,414,700
Interest received on investments	2,460,883
Purchases of investments	<u>(5,201,620)</u>
Net cash used by investing activities	<u>(326,037)</u>
Net decrease in cash and cash equivalents	(3,135,620)
Cash and cash equivalents at the beginning of the year	<u>56,556,298</u>
Cash and cash equivalents at the end of the year	<u><u>\$53,420,678</u></u>

Statement of Cash Flows
Fiscal Year Ended June 30, 2020

**Reconciliation of Net Operating Revenues (Expenses) to
Net Cash Provided (Used) by Operating Activities**

Operating loss	(\$63,337,947)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation expense	10,259,445
Retirement contributions paid by third parties	458,732
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Increase in accounts receivable, net	(3,189,977)
Increase in inventories	(59,700)
Increase in prepaid expenses and advances	(238,880)
Decrease in other assets	445,178
Increase in deferred outflows related to pensions	(9,395,837)
Increase in deferred outflows related to OPEB	(1,333,953)
Decrease in accounts payable and accrued liabilities	(289,763)
Increase in unearned revenue	882,115
Increase in amounts held in custody for others	915,831
Increase in compensated absences	618,846
Increase in net pension liability	12,424,057
Decrease in OPEB liability	(13,071,183)
Decrease in deferred inflows related to pensions	(2,605,743)
Increase in deferred inflows related to OPEB	<u>11,643,861</u>
Net cash used by operating activities:	<u><u>(\$55,874,918)</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and cash equivalents classified as current assets	\$36,884,026
Cash and cash equivalents classified as noncurrent assets	<u>16,536,652</u>
Total cash and cash equivalents	<u><u>\$53,420,678</u></u>

Schedule of Noncash Investing, Capital, and Financing Activities

Capital appropriations	\$592,620
Change in fair market value of investments	(\$966,892)
Capital gifts and grants	\$777,379
Retirement contributions paid by third parties	\$458,732

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Southeastern Louisiana University (University), a publicly supported institution of higher education, is a component unit of the University of Louisiana System (System). The System is a component unit of the State of Louisiana within the executive branch of government. The University is under the management and supervision of the University of Louisiana System Board of Supervisors; however, the annual budget of the System and the University and changes to the degree programs, departments of instruction, *et cetera*, of the University require the approval of the Board of Regents for Higher Education. The Board of Supervisors is comprised of 15 members appointed for staggered six-year terms by the Governor, with the consent of the Senate, and one student member appointed for a one-year term by a council composed of the student body presidents of the universities within the System. As a state university, operations of the University's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the System is the president. In addition, the chief executive officer of the University is the university president.

The university had approximately 14,260 students enrolled during the fall semester of the 2019/2020 academic year and employed approximately 1,569 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The System is considered a component unit of the State of Louisiana because the State exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the Governor; (2) the State has control and exercises authority over budget matters; (3) the State issues bonds to finance certain construction; and (4) the universities within the System primarily serve State residents. The accompanying financial statements present information only as to the transactions of the programs of the University as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The System's financial statements are audited by the Louisiana Legislative Auditor.

Blended Component Unit

University Facilities, Inc. is a Louisiana nonprofit corporation that is considered a blended component unit of the University because it is fiscally dependent on the University. The purpose of the organization is to promote, assist, and benefit the mission of the University through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management, or leasing of student housing or other facilities on behalf of the University. Although this facility corporation is legally separate, it is reported as a part of the University because:

- The majority of its revenue comes from leasing facilities to the university, and/or
- In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, a component unit shall be blended with its primary government if the component unit's total outstanding debt, including leases, is expected to be repaid entirely or almost entirely with the resources of its primary government.

To obtain the corporation's latest audit report, write to:

- University Facilities, Inc., c/o Mr. Sam Domiano, Southeastern Louisiana University, SLU 10709, Hammond, Louisiana 70402

C. BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. All activities of the University are accounted for within a single proprietary (enterprise) fund. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-system transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer

school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under State law, the University may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the University may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Position include all negotiable certificates of deposit, regardless of maturity.

The University follows Louisiana Revised Statute (R.S.) 49:327 as applicable to institutions of higher education in establishing investment policy. R.S. 49:327 authorizes the University to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds.

Funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The University's foundation holds and manages funds received by the University for the Endowed Chairs and Endowed Professorship programs; the Louisiana Board of Regents has established investment policies and procedures related to how endowment funds may be invested.

Investments are reported at fair value, or at net asset value, where applicable, for certain endowment investments, in accordance with GASB Statement No. 31, as amended by GASB Statement No. 72. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. For purposes of the Statement of Cash Flows, the University considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. NONCURRENT RESTRICTED ASSETS

Cash, investments, receivables, and other assets that are externally restricted for grants, endowments, debt service payments, maintenance of sinking or reserve funds, or to purchase or construct capital assets are classified as noncurrent restricted assets in the Statement of Net Position.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, three to 10 years for most movable property, three years for software with an acquisition cost of \$1,000,000 or more, and three to 10 years for internally generated software with development costs of \$1,000,000 or more.

H. UNEARNED REVENUES

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

I. COMPENSATED ABSENCES

The University's compensated absences liability is computed in accordance with GASB Codification Section C60.

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System (LASERS), upon application for

retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave, which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid is based on the classified employee's hourly rate of pay at termination or transfer.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; amounts for accrued compensated absences; the University's proportionate shares of the LASERS and Teachers' Retirement System of Louisiana (TRSL) actuarially accrued net pension liability and the actuarially accrued liability for other postemployment benefits (OPEB); and other liabilities that will not be paid within the next fiscal year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LASERS and TRSL, and additions to/deductions from the retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plans' investments are reported at fair value.

K. NET POSITION

The University's net position is classified as follows:

(1) Net Investment in Capital Assets

Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

(2) Restricted Net Position – Expendable

Restricted expendable net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) Restricted Net Position – Nonexpendable

Restricted nonexpendable net position consists of endowment and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(4) Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward unrestricted resources, and then toward restricted resources.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The University has classified its revenues as either operating or non-operating according to the following criteria:

(1) Operating Revenue

Operating revenue includes activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, net of scholarship discounts and allowances; (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (c) most federal, state, and local grants and contracts, and federal appropriations.

(2) Nonoperating revenue

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

(3) Operating expenses

Operating expenses generally include transactions resulting from providing goods or services, such as (a) payments to vendors for goods or services; (b) payments to employees for services; and (c) payments for employee benefits.

(4) Nonoperating expenses

Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. USE OF ESTIMATES

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2020, there were no new GASB pronouncements affecting the University's financial statements.

2. CASH AND CASH EQUIVALENTS

At June 30, 2020, the University has cash and cash equivalents of \$53,420,678, as follows:

Demand Deposits	\$22,887,639
Certificates of Deposit	14,782,986
Petty Cash	13,750
Blended Component Unit Cash	<u>15,736,303</u>
Total Cash	<u><u>\$53,420,678</u></u>

Custodial credit risk is the risk that in the event of a bank failure the University's deposits may not be returned to it. Under State law, the University's deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the University or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2020, the University's bank balance totaled \$54,627,582.

3. INVESTMENTS

At June 30, 2020, the University has investments totaling \$30,164,080, of which \$17,367,480 was held by the University's foundation.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

(1) Level 1

Valuations are based on quoted market prices for identical assets or liabilities traded in active markets.

(2) Level 2

Valuations are based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability.

(3) Level 3

Valuations are determined by using the best information available under the circumstances and might include the government's own data. In developing unobservable inputs, a government may begin with its own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

Fair values of assets measured on a recurring basis at June 30, 2020, are as follows:

Description	Totals	Quoted Prices in Active Markets for Identical Assets Level 1	Other Observable Inputs Level 2
Investments held by foundations:			
U.S. government securities:			
U.S. Treasury Notes	\$1,719,584	\$1,719,584	
Federal Home Loan Mortgage Corporation	809,500		\$809,500
Federal National Mortgage Association	595,151		595,151
Mutual funds	480,928	480,928	
Money market accounts	108,768		108,768
Equity funds	590,644	590,644	
Common and preferred stock	11,236,972	11,236,972	
Corporate bonds/obligations	1,286,356		1,286,356
Other	539,577	39,802	499,775
Subtotal	17,367,480	<u>\$14,067,930</u>	<u>\$3,299,550</u>
Not categorized	<u>12,796,600</u>		
Total	<u>\$30,164,080</u>		

Fair values for the University's investments categorized in Level 1 (e.g., equity securities, certain mutual funds, money market accounts) have been obtained using quoted prices from active markets in which these securities are traded (e.g., New York Stock Exchange). Fair values for investments categorized in Level 2 (e.g., United States government securities, certain mutual funds, corporate bonds and obligations) have been provided by the University's investment advisors, financial institutions, or other sources and are based on other observable inputs.

Investments not categorized totaling \$12,796,600 represent the University's investments held by the University's blended component unit reported under Financial Accounting Standards Board Accounting Standards Codification (ASC) §958.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. In addition, the University does not have policies to limit interest rate risk. The University's fixed-income investments and maturities at June 30, 2020, follow:

Description	Percentage of Investments	Fair Value	Investment Maturities in Years				
			Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
Investments held by foundations:							
US Government Securities:							
US Treasury Notes	5.70%	\$1,719,584	\$284,765	\$429,668	\$1,005,151		
Federal Home Loan Mortgage Corporation	2.68%	809,500			3,000	\$68,458	\$738,043
Federal National Mortgage Association	1.97%	595,151			14,162	100,605	480,384
Mutual Funds	1.59%	480,928		392,954	87,974		
Money Market Accounts	0.36%	108,768					
Equity Funds	1.96%	590,644					
Common and Preferred Stock	37.25%	11,236,972					
Corporate Bonds/Obligations	4.26%	1,286,356	171,114	654,204	461,038		
Other	1.79%	539,577					
Held by Blended Component Units	42.42%	12,796,600					
Totals	100.00%	\$30,164,080	\$455,879	\$1,476,826	\$1,571,325	\$169,063	\$1,218,427

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For U.S. Treasury obligations and U.S. government agency obligations, the University's investment policies generally require that issuers must provide the University with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. State law requires that at no time shall the funds invested in U.S. government agency obligations exceed 60% of all monies invested with maturities of 30 days or longer. In addition, State law limits the investment in commercial paper and corporate notes and bonds to 20% of all investments. The University does not have policies to further limit concentration of credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated above, the University follows R.S. 49:327 to limit credit risk. The University does not have policies to further limit credit risk. The University's foundation follows guidelines established by the Board of Regents to limit credit risk for the University's endowment investments.

Rating Agency	Ratings	Fair Value
Standard & Poor's	AA+	\$480,928
Moody's	Aaa	1,719,588
Moody's	Aa1	87,471
Moody's	Aa2	79,520
Moody's	A1	112,460
Moody's	A2	207,503
Moody's	A3	401,291
Moody's	Baa1	226,100
Moody's	Baa2	172,010
Unrated		26,677,209
Totals		\$30,164,080

4. RECEIVABLES

Receivables, net of an allowance for doubtful accounts, at June 30, 2020, reported on the Statement of Net Position are composed of the following:

Account	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$10,903,920	(\$3,423,505)	\$7,480,415
Auxiliary enterprises	1,228,037		1,228,037
Federal, state, and private grants and contracts	351,942		351,942
Insurance recoveries	76,687		76,687
Other	671,130	(1,769)	669,361
Total Receivables	\$13,231,716	(\$3,425,274)	\$9,806,442

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2020, follow:

Description	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	\$1,464,209				\$1,464,209
Land improvements	6,347,327	\$144,834	\$269,620		6,761,781
Capitalized collections	314,621				314,621
Construction-in-progress	886,488	1,465,361	(1,318,325)		1,033,524
Total assets not being depreciated	9,012,645	1,610,195	(1,048,705)	NONE	9,574,135
Capital assets being depreciated:					
Land improvements	2,207,396		787,427		2,994,823
Buildings	345,961,086	1,439,425	261,278	(\$723,733)	346,938,056
Equipment (including library books)	21,745,434	1,845,523		(2,230,116)	21,360,841
Software	1,066,242				1,066,242
Total capital assets being depreciated	370,980,158	3,284,948	1,048,705	(2,953,849)	372,359,962
Less accumulated depreciation:					
Land improvements	(878,530)	(145,227)			(1,023,757)
Buildings	(138,112,006)	(8,654,844)		200,302	(146,566,548)
Equipment	(17,241,460)	(1,459,374)		2,114,029	(16,586,805)
Software	(1,066,242)				(1,066,242)
Total accumulated depreciation	(157,298,238)	(10,259,445)	NONE	2,314,331	(165,243,352)
Total capital assets, net	\$222,694,565	(\$5,364,302)	NONE	(\$639,518)	\$216,690,745

Southeastern Louisiana University capitalizes collections that include various works of art and historical items, including sculptures, statues, portraits, murals, book collections, war artifacts, and maps.

6. PAYABLES

Payables and accrued expenses at June 30, 2020, are summarized in the following:

Description	Amount
Vendor payables	\$3,367,655
Accrued salaries and benefits	2,830,902
Accrued interest	1,757,238
Total payables	<u>\$7,955,795</u>

7. COMPENSATED ABSENCES

At June 30, 2020, employees of the University have accumulated vested annual, sick, and compensatory leave, the total balance of which is recorded in the accompanying financial statements and is summarized as follows:

Description	Amount
Annual Leave	\$3,862,911
Sick Leave	4,510,342
Compensatory Leave	<u>156,239</u>
Total Compensated Absences	<u><u>\$8,529,492</u></u>

8. PENSION LIABILITY

The University participates in two State public employee retirement systems, the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRSL). The System includes the required disclosures for LASERS and TRSL in its audited financial statements.

9. OPTIONAL RETIREMENT SYSTEM

The University participates in the optional retirement plan (ORP), a defined contribution plan, which is administered by TRSL and which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The System includes the required disclosures for ORP in its audited financial statements.

10. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The University provides certain continuing health care and life insurance benefits for its retired employees, offering them the opportunity to participate in the State's Office of Group Benefits plan. Substantially, all University employees become eligible for these benefits if they reach normal retirement age while working for the University. The System includes the required disclosures for the other postemployment benefit plan in its audited financial statements.

11. LEASE OBLIGATIONS*Operating Leases*

For the year ended June 30, 2020, the total rental expense for all operating leases is \$116,761. Following is a schedule, by years, of future minimum annual rental payments required under operating leases:

Fiscal Year Ending June 30,	Office Space	Equipment	Total Minimum Payments Required
2021	\$27,902	\$56,960	\$84,862
2022	4,502	20,100	24,602
2023	2	5,025	5,027
2024	2		2
2025	2		2
2026-2030	10		10
2031-2035	10		10
2036-2040	10		10
2041-2045	10		10
2046-2050	5		5
Thereafter	43		43
Total	\$32,498	\$82,085	\$114,583

Capital Leases

The University records items under capital leases as assets and obligations in the accompanying financial statements. The University's capital leases at June 30, 2020, consist of various leases as follows:

Nature of Lease	Buildings
Gross amount of leased assets (historical cost)	\$5,523,464
Remaining interest to end of lease	\$23,707
Remaining principal to end of lease	\$1,075,000

Following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments at June 30, 2020:

Fiscal Year Ending June 30,	Amount
FY 2021	\$547,739
FY 2022	<u>550,968</u>
Total minimum lease payments	1,098,707
Less - amount representing interest	<u>(23,707)</u>
Present value of net minimum lease payments	<u>\$1,075,000</u>

Lessor - Operating Leases

The University's leasing operations consist primarily of leasing property for providing food services to students; bookstore operations; and office space for postal and banking services and vending operations.

The following schedule provides an analysis of the University's investment in property on operating leases and property held for lease by major classes as of June 30, 2020:

	<u>Buildings</u>
Cost	\$14,586,250
Accumulated depreciation	<u>(2,674,189)</u>
Carrying amount	<u><u>\$11,912,061</u></u>

Following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 30, 2020:

Fiscal Year Ending June 30,	Buildings
2021	\$1,041,133
2022	1,049,833
2023	950,536
2024	<u>707,541</u>
Total minimum future rentals	<u><u>\$3,749,043</u></u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume or customer usage of services provided. Contingent rentals received from operating leases of buildings for the year ended June 30, 2020, were \$209,916.

12. LONG-TERM LIABILITIES

The following is a summary of bond and other long-term debt transactions of the University for the year ended June 30, 2020:

Southeastern Louisiana University	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Notes and bonds payable:					
Bonds payable - publicly offered	\$108,010,868	\$164,028	(\$5,349,285)	\$102,825,611	\$4,415,000
Other liabilities:					
Accrued compensated absences payable	7,910,646	1,122,787	(503,941)	8,529,492	543,364
Capital lease obligations	1,595,000		(520,000)	1,075,000	530,000
Total other liabilities	9,505,646	1,122,787	(1,023,941)	9,604,492	1,073,364
Total	\$117,516,514	\$1,286,815	(\$6,373,226)	\$112,430,103	\$5,488,364

Details of all debt outstanding at June 30, 2020, follow:

Bonds Payable

Issue	Date of Issue	Original Issue	Beginning Principal Outstanding	Issued (Redeemed)	Ending Principal Outstanding	Maturities	Interest Rates	Ending Interest Outstanding
Publicly Offered:								
Student Recreation and Activity Center Revenue Bonds Series 2011	December 7, 2011	\$3,650,000	\$460,000	(\$460,000)		2020	2.00 - 3.375%	
University Facilities, Inc. (blended component unit):								
Intermodal Parking Series 2007 A and B	March 14, 2007	8,035,000	3,755,000	(225,000)	\$3,530,000	2037	4.0 - 4.375%	\$1,065,269
Student Union Series 2010	November 17, 2010	31,255,000	26,300,000	(735,000)	25,565,000	2041	0.80 - 5.00%	15,050,680
Student Housing Series Refunding Bonds Series 2013	November 13, 2013	40,910,000	26,545,000	(3,265,000)	23,280,000	2027	4.00 - 5.25%	3,247,881
Housing Project Series Revenue Bonds Series 2017	June 6, 2017	35,465,000	35,465,000		35,465,000	2048	5.00%	25,441,125
Student Housing Series Revenue Bonds Series 2019	February 7, 2019	11,960,000	11,960,000		11,960,000	2035	4.00 - 5.00%	5,747,375
Subtotal		131,275,000	104,485,000	(4,685,000)	99,800,000			\$50,552,330
Discounts			(44,691)	11,759	(32,932)			
Premiums			6,381,392	(676,044)	5,705,348			
Bond issuance and insurance costs			(2,810,833)	164,028	(2,646,805)			
Total Publicly Offered		\$131,275,000	\$108,010,868	(\$5,185,257)	\$102,825,611			

The annual requirements to amortize all University bonds outstanding at June 30, 2020, follow:

Fiscal Year	Principal	Interest
2021	\$4,415,000	\$4,591,116
2022	4,625,000	4,377,927
2023	4,855,000	4,153,759
2024	5,055,000	3,935,624
2025	5,270,000	3,712,524
2026-2030	28,625,000	14,758,552
2031-2035	22,535,000	8,303,703
2036-2040	12,690,000	4,574,125
2041-2045	7,570,000	1,826,250
2046-2050	4,160,000	318,750
Sub-total	99,800,000	50,552,330
Unamortized Discount/ Premium/Issuance Costs	3,025,611	
	\$102,825,611	\$50,552,330

Following are the debt service reserve requirements of the various bond issues outstanding at June 30, 2020:

Issue	Reserves Available	Reserve Requirement	Excess/ (Deficiency)
Publicly Offered:			
University Facilities, Inc. (blended component unit):			
Revenue Bonds Series 2007	\$402,418	\$386,138	\$16,280
Revenue Bonds Series 2010A	1,578,741	1,578,569	172
Revenue Bonds Series 2010B	360,903	358,540	2,363
Revenue Refunding Bonds Series 2013	2,136,430	2,045,500	90,930
Totals	\$4,478,492	\$4,368,747	\$109,745

In addition to the debt reserves above, as permitted by the University Facilities, Inc.'s bond indentures, University Facilities, Inc. obtained surety bonds issued by insurance companies that meet the definition as reserve fund investments and guarantee payments to fund reserve requirements as follows:

Bond Issue - Publicly Offered	Guaranteed Payment Not to Exceed
University Facilities, Inc.:	
Revenue Bonds 2017	\$4,532,875
Revenue Bonds 2019	\$2,254,200

13. REFUNDING OF BONDS

Not applicable for the fiscal year ending June 30, 2020.

14. INTEREST RATE SWAP AGREEMENTS

Not applicable for the fiscal year ending June 30, 2020.

15. REVENUE USED AS SECURITY FOR REVENUE BONDS

Not applicable for the fiscal year ending June 30, 2020.

16. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on the Statement of Revenues, Expenses, and Changes in Net Position has been restated to reflect the following changes:

Description	
PY Ending Net Position	(\$81,463,059)
Revenues	<u>(12,476)</u>
Net position at June 30, 2019, restated	<u><u>(\$81,475,535)</u></u>

17. RESTRICTED NET POSITION

The University has the following restricted expendable net position at June 30, 2020:

Account Title	Amount
Endowments	\$5,262,283
Student Fees	6,690,082
Student Loan Fund	2,573,742
Auxiliary Enterprises	12,097,449
Grants and Contracts	35,701
Maintenance Reserves	2,604,310
Capital Construction/Plant Projects	59,476
Debt Service/Retirement of Indebtedness	2,415,402
Scholarships	125,286
Other	<u>7,511,357</u>
Total expendable	<u><u>\$39,375,088</u></u>

Of the total net position reported on the Statement of Net Position for the year ended June 30, 2020, \$6,690,082 was restricted by enabling legislation.

The University's restricted nonexpendable net position totaling \$13,034,098 as of June 30, 2020, was comprised entirely of endowment funds.

Donor Restricted Endowments

If a donor has not provided specific instructions, State law permits the University of Louisiana System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2020, the University reported restricted-expendable endowments totaling \$5,262,283, all of which is available to be spent for restricted purposes. The University limits endowment spending to the income earned for purposes specified by donors. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

18. CONDENSED FINANCIAL INFORMATION

Following is condensed financial information for University Facilities, Inc., the University's blended component unit.

Statement of Net Position

Assets:	
Current Assets	\$25,647,801
Capital Assets	119,234,049
Other Assets	<u>4,478,494</u>
Total assets	<u>\$149,360,344</u>
Liabilities:	
Current Liabilities	\$7,451,203
Long-term Liabilities	<u>98,410,611</u>
Total liabilities	<u>\$105,861,814</u>
Net Position:	
Net Investment in Capital Assets	\$21,285,816
Restricted Net Position - Expendable	12,097,449
Unrestricted Net Position	<u>10,115,265</u>
Total net position	<u>\$43,498,530</u>

Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues	\$18,305,580
Operating expenses	(8,507,944)
Depreciation expense	<u>(4,201,380)</u>
Net operating income	5,596,256
Nonoperating revenues (expenses):	
Investment income	414,897
Interest expense	(4,215,917)
Other (net)	<u>(566,983)</u>
Changes in net position	1,228,253
Net position beginning of the year	<u>42,270,277</u>
Net position end of the year	<u>\$43,498,530</u>

Statement of Cash Flows

Net cash flows provided (used) by:	
Operating Activities	\$10,816,292
Capital and Related Financing Activities	(10,281,975)
Investing Activities	<u>(532,120)</u>
Net Increase (Decrease) in Cash	2,197
Cash, Beginning of the Year	<u>194,940</u>
Cash, End of the Year	<u><u>\$197,137</u></u>

19. FUNCTIONAL VERSUS NATURAL CLASSIFICATION OF EXPENSES

Function	Employee Compensation	Benefits	Utilities	Supplies and Services	Scholarships and Fellowships	Depreciation	Totals
Instruction	\$44,763,371	\$17,426,109		\$5,645,859	\$646,005		\$68,481,344
Research	712,411	169,385		496,869			1,378,665
Public Service	1,907,887	623,997		523,793			3,055,677
Academic Support	6,234,120	2,371,651		6,307,817			14,913,588
Student Services	6,363,956	2,373,254		1,982,876			10,720,086
Institutional Support	7,686,799	3,269,664	\$677,535	1,718,749			13,352,747
Operations and Maintenance of Plant	5,100,671	2,926,053	2,868,870	5,440,854			16,336,448
Depreciation						\$10,259,445	10,259,445
Scholarships and Fellowships		9,934			18,974,911		18,984,845
Auxiliary Enterprises	5,798,797	2,866,599	1,951,534	6,910,275	(2,304,878)		15,222,327
Other	33,883	626,841		1,048,167			1,708,891
Total operating expenses	<u>\$78,601,895</u>	<u>\$32,663,487</u>	<u>\$5,497,939</u>	<u>\$30,075,259</u>	<u>\$17,316,038</u>	<u>\$10,259,445</u>	<u>\$174,414,063</u>

20. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies such as guaranty of mortgage loans on sorority and fraternity houses are considered State liabilities and are paid upon appropriation by the Legislature and not the University. Therefore, the University, through its legal advisors, estimates that potential claims not covered by insurance would not materially affect the financial statements. Other losses of the University arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The Office of Risk Management insures all of these lawsuits.

21. ON-BEHALF PAYMENTS FOR SALARIES AND FRINGE BENEFITS

On-behalf payments for salaries and fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary

supplements or stipends. For example, a nongovernmental fundraising foundation affiliated with a governmental university may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the University.

The amount of on-behalf payments for salaries and fringe benefits included in the accompanying financial statements for the fiscal year ended June 30, 2020, was \$458,732, which consists of contributions to the TRSL pension plan from non-employer contributing entities.

22. FOUNDATIONS

The accompanying financial statements do not include the accounts of the following foundations:

Lion Athletic Association
Southeastern Louisiana University Foundation
Southeastern Louisiana University Alumni Association, Inc.

These foundations are separate corporations whose financial statements are subject to audit by other independent certified public accountants.

23. DEFERRED COMPENSATION PLAN

Certain employees of the University participate in the Louisiana Public Employees' Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at www.lla.la.gov.

24. COOPERATIVE ENDEAVOR AGREEMENTS

Southeastern Louisiana University/Livingston Parish School Board

General

In October 2017, Southeastern Louisiana University (University) accepted from the Southeastern Educational Foundation, a subsidiary of the Southeastern Louisiana University Foundation (Foundation), its leasehold estate, authority, sublease, and all other rights to the Livingston Parish Literacy and Technology Center (Livingston Center) pursuant to the terms of the Livingston Educational Public Benefit Agreement dated June 18, 2002. The construction and operation of the 39,000 square foot Livingston Center stems from a collaboration between the University and the Livingston Parish School Board (School Board) and was funded through a \$4.5 million 1999 settlement grant to the Foundation from the United States District Court for the Western District of Louisiana. Since its completion, the facility has been utilized by the parties for education programming, including collegiate credit courses and non-credit courses and other programming provided by the University.

Obligations

Pursuant to the cooperative endeavor agreement, the facility is maintained and operated in accordance with guidelines jointly developed by the parties in accordance with the Court Order, with the University serving as a critical operational participant. The Foundation held a leasehold estate in the facility, while the School Board owns the land on which the facility was constructed. Pursuant to the original terms, at the termination of the agreement on June 18, 2027, full ownership of the building reverts to the School Board.

25. SUBSEQUENT EVENTS

On August 13, 2020, the Southland Athletic Conference announced that the Conference was postponing all Fall 2020 sports for its member universities, of which Southeastern Louisiana University is a member. The Conference's current plans are to play these sports in Spring 2021. Therefore, the impact on the University's revenues and expenses is not known at the current time.