

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE AND  
RELATED AUDIT REPORTS AND SCHEDULES

Eckerd College, Inc.  
Year Ended June 30, 2018  
With Report of Independent Auditors

Ernst & Young LLP



Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and  
State Financial Assistance and Related Audit Reports and Schedules

Year Ended June 30, 2018

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Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and  
State Financial Assistance

Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
<b>National Endowment for the Humanities</b>				
Pass-through from the Florida Humanities Council:				
Promotion of the Humanities Federal/State Partnership	45.129	SO-253160-17	\$ 40,000	\$ -
<b>Total National Endowment for the Humanities</b>			40,000	-
<b>Research and Development Cluster</b>				
National Science Foundation:				
Education and Human Resources	47.076		63,519	-
<b>Total National Science Foundation</b>			63,519	-
Department of Health and Human Services:				
Cardiovascular Diseases Research	93.837		65,066	29,218
<b>Total Department of Health and Human Services</b>			65,066	29,218
<b>Total Research and Development Cluster</b>			128,585	29,218
<b>Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		181,960	-
Federal Direct Student Loans	84.268		13,388,563	-
Federal Work-Study Program	84.033		270,629	-
Federal Perkins Loan – Federal Capital Contributions	84.038		1,146,054	-
Federal Pell Grant Program	84.063		1,734,080	-
Total Student Financial Assistance Cluster			16,721,286	-
<b>Total Department of Education</b>			16,721,286	-
<b>Department of the Interior</b>				
Migratory Bird Monitoring, Assessment and Conservation	15.655		14,999	-
U.S. Geological Survey, Research and Data Collection	15.808		27,222	-
<b>Total Department of the Interior</b>			42,221	-
<b>Department of Commerce</b>				
Pass-Through from the University of Georgia:				
Marine Fisheries Initiative	11.433	RC282-395/S000696	4,786	-
<b>Total Department of Commerce</b>			4,786	-
<b>Total Expenditures of Federal Awards</b>			\$ 16,936,878	\$ 29,218

Continued on next page

Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and  
State Financial Assistance (continued)

Grantor/Program or Cluster Title	State CSFA Number	State Expenditures
<b>Florida Department of Education and Commissioner of Education</b>		
Florida Student Assistance Grant (FSAG)	48.054	\$ 326,785
The Florida Bright Futures Scholarship Program	48.059	570,330
Florida Resident Access Grant (FRAG)	48.064	1,164,900
<b>Total Florida Department of Education and Commissioner of Education</b>		<u>2,062,015</u>
<b>Florida Department of Highway Safety and Motors Vehicles</b>		
Eckerd College License Plate Project	76.043	11,038
Protect Our Reefs License Plate Project	76.069	5,855
<b>Total Florida Department of Highway Safety and Motors Vehicles</b>		<u>16,893</u>
<b>Florida Department of State and Secretary of State</b>		
Cultural Facilities Grant Program	45.014	62,631
<b>Total Florida Department of State and Secretary of State</b>		<u>62,631</u>
<b>Total Expenditures of State Financial Assistance</b>		<u><u>\$ 2,141,539</u></u>

*See accompanying notes.*

# Eckerd College, Inc.

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2018

### **1. Basis of Presentation**

The purpose of the schedule of expenditures of federal awards and state financial assistance (the Schedule) is to present a summary of the activities of Eckerd College, Inc. (the College) for the year ended June 30, 2018, which have been financed by the U.S. Government and the State of Florida.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.650, *Rules of the Auditor General*. Therefore, the Schedule presents only a selected portion of the activities of the College. It is not intended to, and does not, present either the consolidated financial position or activities of the College.

The Schedule is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

### **2. Federal Perkins Loan – Federal Capital Contributions**

The College administers Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038). Loans disbursed during the year plus the balance of loans outstanding at July 1, 2017 are included in the federal expenditures presented in the schedule totaling \$1,146,054. The balance of loans outstanding at June 30, 2018 is \$973,089, as reflected in the College's consolidated statement of financial position.

### **3. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal and state laws and regulations.

Eckerd College, Inc.

Notes to Schedule of Expenditures of Federal Awards  
and State Financial Assistance (continued)

**4. Federal Direct Student Loans**

During the year ended June 30, 2018, the College processed new loans, for which the transactions are between the student and an outside third party, under the Federal Family Education Loan Program (which includes subsidized Stafford Loans, Parents' Plus Loans for Undergraduate Students, and unsubsidized Stafford Loans). The College is responsible only for the performance of certain administrative duties with respect to these loans and, accordingly, balances and transactions related to this loan program are not included in the College's consolidated financial statements. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of the College as of June 30, 2018. The amounts disbursed to students during fiscal 2018, however, are reflected in the schedule of expenditures of federal awards and state financial assistance within the federal direct student loans caption.

**5. De Minimis Indirect Cost Rate**

The College does not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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## Report of Independent Auditors 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*

The Board of Trustees Eckerd College, Inc.  
President and Vice President for Business and Finance

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

October 8, 2018

**Report of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General***

The Board of Trustees Eckerd College, Inc.  
President and Vice President for Business and Finance

***Report on Compliance for Each Major Federal Program and State Financial Assistance Project***

We have audited Eckerd College Inc.'s (the College's) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the College's major federal programs and state financial assistance projects for the year ended June 30, 2018. The College's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the College's compliance.

### ***Opinion on Each Major Federal Program and State Financial Assistance Project***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2018.

### ***Report on Internal Control Over Compliance***

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650**

We have audited the financial statements of the College as of and for the year June 30, 2018, and have issued our report thereon dated October 8, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Ernst + Young LLP*

October 8, 2018

Eckerd College, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ **Yes**      **X**   **no**

Significant deficiency(ies) identified?

\_\_\_\_\_ **Yes**      **X**   **none reported**

Noncompliance material to financial statements noted?

\_\_\_\_\_ **Yes**      **X**   **no**

**Federal Awards and State Financial Assistance Section**

Internal control over major federal programs and state financial assistance projects:

Material weakness(es) identified?

\_\_\_\_\_ **Yes**      **X**   **no**

Significant deficiency(ies) identified?

\_\_\_\_\_ **Yes**      **X**   **none reported**

Type of auditor’s report issued on compliance for major federal programs and state financial assistance projects:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650?

\_\_\_\_\_ **yes**      **X**   **no**

Identification of major federal programs:

**CFDA number(s)**

84.007, 84.268, 84.033, 84.038, 84.063

**Name of federal program or cluster**

Student Financial Assistance Cluster

Eckerd College, Inc.

Schedule of Findings and Questioned Costs (continued)

**Section I—Summary of Auditor’s Results (continued)**

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

Identification of major state projects:

<u>CSFA number(s)</u>	<u>Name of state project</u>
48.064	Florida Resident Access Grant (FRAG)
48.059	The Florida Bright Futures Scholarship Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

**Section II—Financial Statement Findings**

No matters reported.

**Section III—Federal Award and State Project Findings and Questioned Costs**

No matters reported.

Eckerd College, Inc.

State of Florida Student Financial Assistance Programs –  
Schedule of Populations, Samples Tested, and Questioned Costs

Year Ended June 30, 2018

	<u>Award Population</u>		<u>Award Sample</u>				<u>Questioned Costs</u>			
	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>	<u>% of Population Amount</u>	<u>Recipients</u>	<u>% of Population Recipients</u>	<u>Amount</u>	<u>% of Sample Amount</u>	<u>Recipients</u>	<u>% of Sample Recipients</u>
Florida Resident Access Grant	\$ 1,164,900	385	\$ 151,800	13%	50	13%	\$ –	–%	–	–%
Florida Bright Futures Scholarship program – Florida Medallion Scholars Award	173,866	78	44,814	26%	20	26%	–	–	–	–
Florida Bright Futures Scholarship program – Florida Academic Scholars Award	396,464	55	100,185	25%	14	25%	–	–	–	–

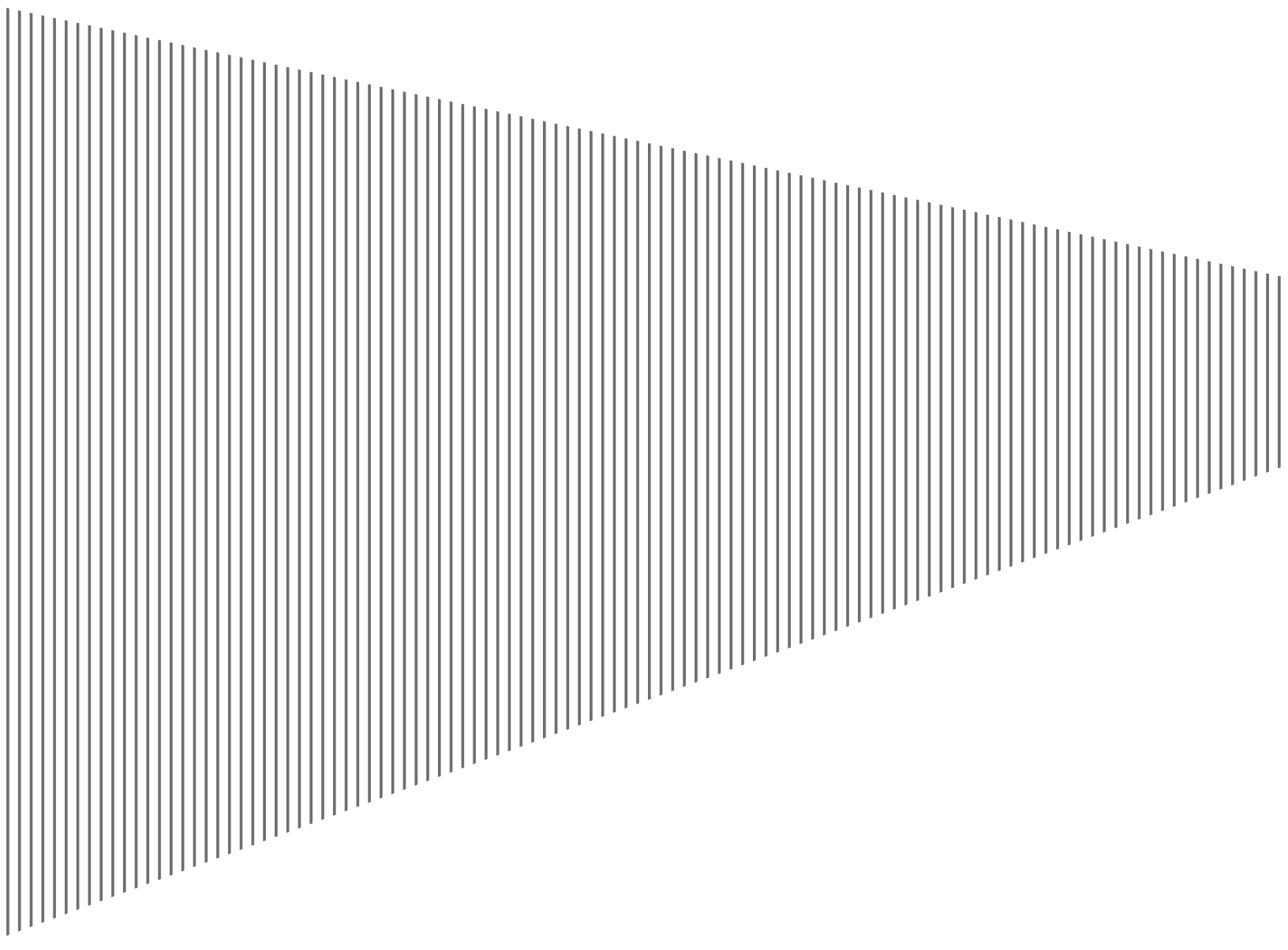
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CONSOLIDATED FINANCIAL STATEMENTS

Eckerd College, Inc.  
Years Ended June 30, 2018 and 2017  
With Report of Independent Auditors

Ernst & Young LLP



Building a better  
working world

Eckerd College, Inc.  
Consolidated Financial Statements  
Years Ended June 30, 2018 and 2017

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# Eckerd College, Inc.

## Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2018 and 2017

### **Introduction and Background**

The Management's Discussion and Analysis (MD&A) provides an overview of the consolidated financial position and activities of Eckerd College, Inc. (the Organization) for the fiscal years ended June 30, 2018 and 2017, and should be read in conjunction with the consolidated financial statements and notes thereto. The MD&A and the consolidated financial statements and notes thereto are the responsibility of Eckerd College (the College) management.

### **Overview of Consolidated Financial Statements**

The Organization's financial report as of and for the years ended June 30, 2018 and 2017, includes three basic statements: the consolidated statements of financial position, the consolidated statements of activities and changes in net assets, and the consolidated statements of cash flows. The consolidated financial statements and notes thereto encompass Eckerd College, Inc., Eckerd College Real Estate, LLC (ECRE), and ECP2, Inc. The Organization's consolidation policy is described in more detail in the notes to the consolidated financial statements.

The financial highlights for the 2017–18 fiscal year include:

- Total assets increased \$2,765,057 or 1.26% over the prior fiscal year.
- Net assets increased by \$5,575,015 or 3.54% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$2,434,942 or 4.36% from the prior fiscal year.

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Overview of Consolidated Financial Statements (continued)**

The financial highlights for the 2016–17 fiscal year include:

- Total assets increased \$8,306,385 or 3.94% over the prior fiscal year.
- Net assets increased by \$7,748,183 or 5.18% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$4,596,110 or 8.96% from the prior fiscal year.

**Consolidated Statements of Financial Position**

The consolidated statements of financial position reflect the assets and liabilities of the Organization, using the accrual basis of accounting, and present the consolidated financial position of the Organization at a specified time. The difference between total assets and total liabilities is net assets, and is one indicator of the Organization's current financial condition.

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

The changes in net assets that occur over time indicate improvement or deterioration in the Organization's financial condition. The following reflects the Organization's assets, liabilities, and net assets at June 30:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 25,250,646	\$ 21,007,204	\$ 18,240,915
Accounts receivable, net – students	640,879	1,047,754	715,408
Accounts receivable, net – other	970,122	1,122,726	1,246,366
Contributions receivable, net	3,212,494	3,251,077	3,058,278
Beneficial interest in assets held by others	923,323	935,648	927,901
Loans receivable, net – students	864,180	892,372	924,874
Investments at fair value	35,347,392	33,072,265	29,649,879
Assets limited as to use	32,991,612	44,297,422	49,451,887
Deferred charges, prepaid expenses, and other assets	1,333,896	1,421,836	1,225,394
Property and equipment, net	120,058,761	111,779,944	105,080,961
Total assets	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>	<u>\$ 210,521,863</u>
<b>Liabilities and net assets</b>			
Accounts payable and accrued liabilities	\$ 5,262,825	\$ 7,355,071	\$ 6,366,726
Deferred revenues and deposits	3,233,780	3,459,922	3,076,725
Amounts payable under split-interest agreements	1,796,078	1,774,918	1,838,645
Bonds payable	47,450,041	47,929,335	48,394,629
U.S. government grants refundable	645,897	633,956	804,562
Postretirement benefits and deferred compensation obligation	357,464	402,841	516,554
Total liabilities	<u>58,746,085</u>	<u>61,556,043</u>	<u>60,997,841</u>
Net assets:			
Unrestricted net assets exclusive of plant and plant-related debt	\$ 33,404,536	\$ 24,386,680	\$ 19,342,976
Unrestricted net assets invested in plant	82,724,370	80,174,594	81,249,117
Temporarily restricted	10,345,024	16,820,262	13,499,882
Permanently restricted	36,373,290	35,890,669	35,432,047
Total net assets	<u>162,847,220</u>	<u>157,272,205</u>	<u>149,524,022</u>
Total liabilities and net assets	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>	<u>\$ 210,521,863</u>

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

The Organization's assets totaled \$221,593,305 at June 30, 2018. This balance reflects a \$2,765,057 or 1.26% increase from the 2016–17 fiscal year and \$11,071,442 or 5.26% increase from the 2015–16 fiscal year. The largest changes within asset classes are discussed below.

Cash and cash equivalents increased from the 2016–17 fiscal year by \$4,243,442.

Assets limited as to use have decreased \$11,305,810 or 25.52% from the 2016–17 fiscal year. This change is primarily due to the use of proceeds from the issuance of debt financing in 2016 for residence hall renovations, and donor restricted funds for the Center for Visual Arts. The components of assets limited as to use are summarized below. Additional details are available in Note 6 of the audited consolidated financial statements:

	<b>Assets Limited as to Use</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Board-designated funds	<b>\$ 19,644,843</b>	\$ 19,136,599	\$ 19,080,314
Cumulative board-designated endowment gains (losses)	<b>1,660,363</b>	1,390,096	(13,927)
Debt service and other bond funds	<b>10,115,650</b>	16,323,985	25,411,285
Assets restricted for investments in building and equipment	<b>1,570,756</b>	7,446,742	4,974,215
Total	<b>\$ 32,991,612</b>	\$ 44,297,422	\$ 49,451,887

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

The activity of the College's endowment and the investments held by the endowment are summarized below. Additional details are available in Note 8 of the audited consolidated financial statements:

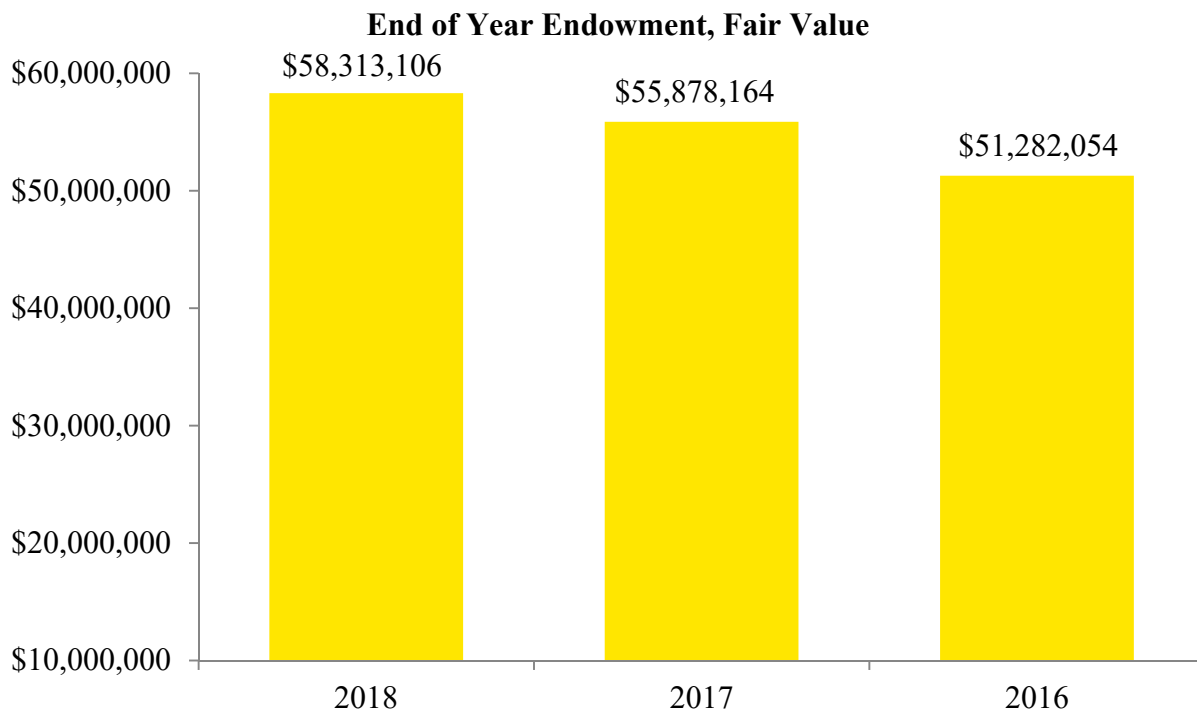
	<b>Endowment</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Beginning of year, at fair value	<b>\$ 55,878,164</b>	\$ 51,282,054	\$ 55,738,899
Investment return	<b>4,042,822</b>	6,752,018	(2,650,673)
Contributions	<b>1,031,773</b>	564,970	856,853
Investment return, reinvested	<b>(114,629)</b>	(114,656)	(127,183)
Investment return, distributed	<b>(2,525,024)</b>	(2,606,222)	(2,535,842)
End of year, at fair value	<b><u>\$ 58,313,106</u></b>	<u>\$ 55,878,164</u>	<u>\$ 51,282,054</u>
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	<b>\$ 363,861</b>	\$ 709,733	\$ 736,486
Equity securities	<b>37,376,023</b>	36,389,676	29,255,112
Investments in limited partnerships	<b>15,496,474</b>	13,381,576	15,591,371
Interfund loan receivable	<b>5,076,748</b>	5,397,179	5,699,085
Total endowment	<b><u>\$ 58,313,106</u></b>	<u>\$ 55,878,164</u>	<u>\$ 51,282,054</u>

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

The endowment spending distribution rate adopted and approved for distribution by the Board of Trustees in each of the last three years was 5.0%.



Liabilities totaled \$58,746,085 at June 30, 2018, compared to \$61,556,043 at June 30, 2017, a decrease of \$2,809,958 or 4.56%. The decrease is primarily due to the relief of accounts payable related to capital projects.

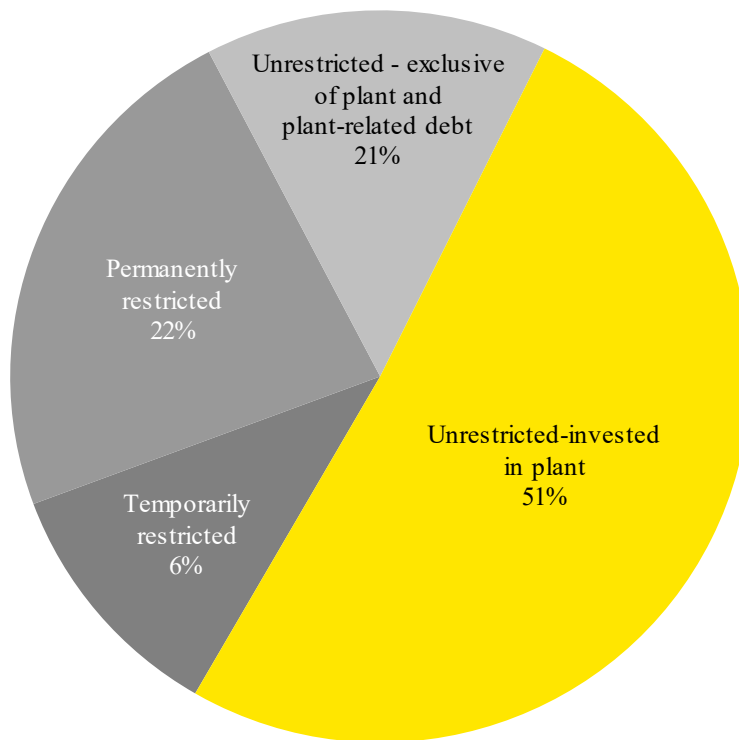
Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

As a result of the changes in assets and liabilities described above, the Organization's total net assets increased from 2016-17 by \$5,575,015 or 3.54%, reaching a year-end balance of \$162,847,220.

**End of Year Net Assets**



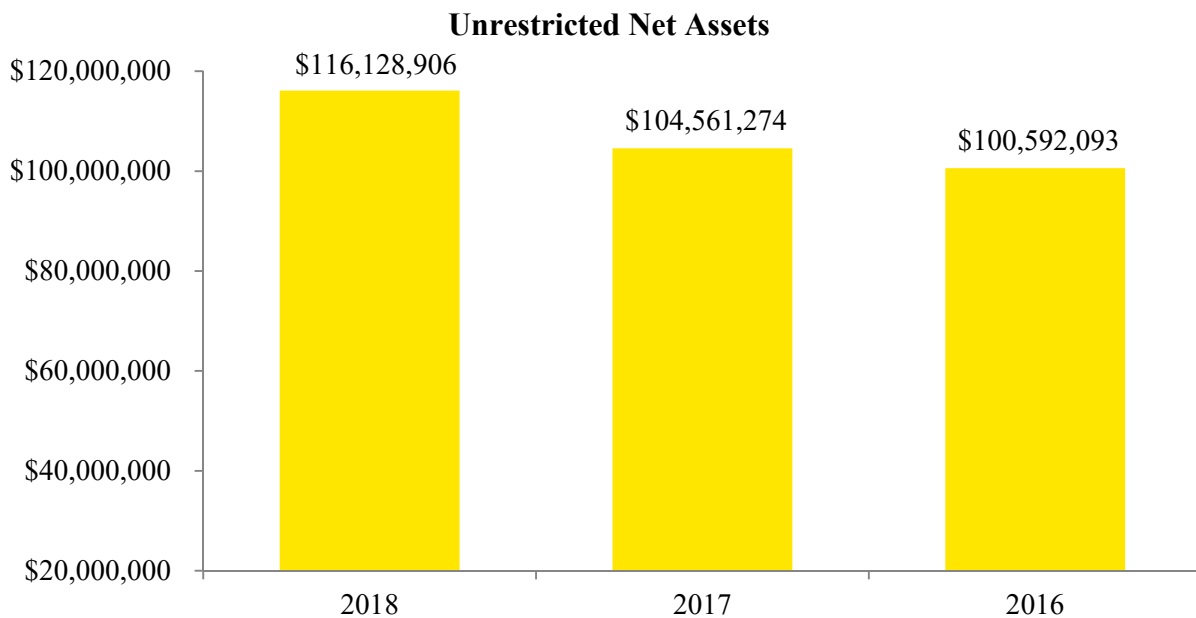
Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Financial Position (continued)**

Unrestricted net assets exclusive of plant assets and plant-related debt increased by \$9,017,856 or 36.98% from the 2016–17 fiscal year to a balance of \$33,404,536 in the 2017–18 fiscal year as calculated in the following table:

	<b>Statements of Financial Position of Unrestricted Net Assets, Exclusive of Plant Assets and Plant-Related Debt</b>		
	<b>June 30</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total unrestricted net assets	<b>\$ 116,128,906</b>	\$ 104,561,274	\$ 100,592,093
Less unrestricted property and equipment	<b>(120,058,761)</b>	(111,779,944)	(104,232,461)
Less assets limited for debt service	<b>(10,115,650)</b>	(16,323,985)	(25,411,285)
Add long-term debt	<b>47,450,041</b>	47,929,335	48,394,629
Unrestricted net assets, exclusive of plant assets and plant-related debt	<b><u>\$ 33,404,536</u></b>	<u>\$ 24,386,680</u>	<u>\$ 19,342,976</u>



Eckerd College, Inc.

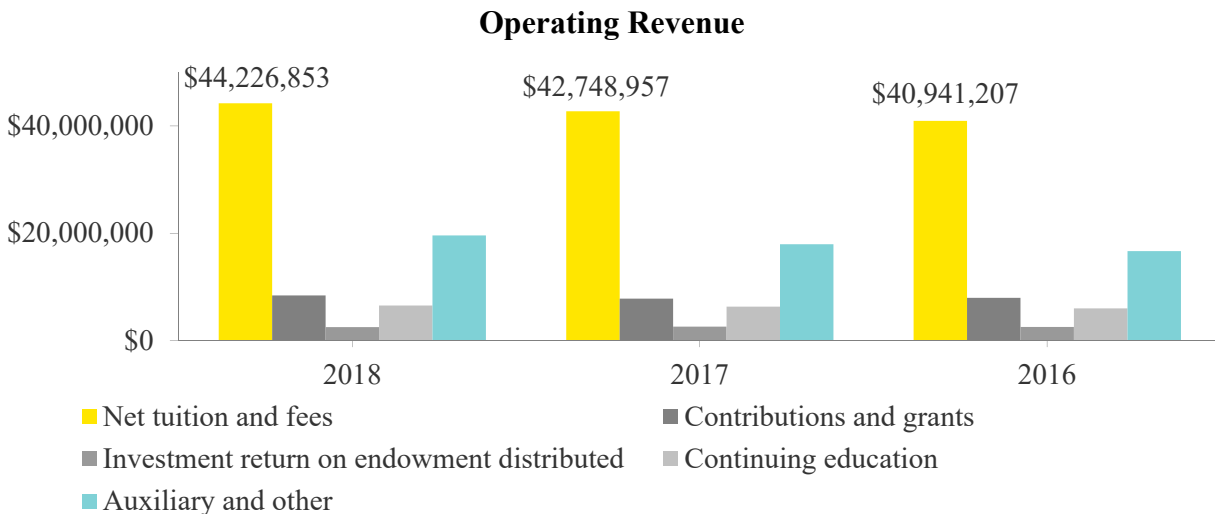
Management’s Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Activities and Changes in Net Assets**

The consolidated statements of activities and changes in net assets present the Organization’s revenue and expense activity on the accrual basis of accounting. The following is a summary of the Organization’s activity:

	<b>Consolidated Statements of Activities and Changes in Net Assets</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenues	<b>\$ 81,539,874</b>	\$ 78,740,838	\$ 74,107,052
Operating expenses	<b>77,182,217</b>	75,081,395	71,629,844
Nonoperating revenues (expenses)	<b>1,363,381</b>	4,194,142	(9,074,262)
Pension related changes	<b>(146,023)</b>	(105,402)	(128,555)
Change in net assets	<b>5,575,015</b>	7,748,183	(6,725,609)
Net assets, beginning of year	<b>157,272,205</b>	149,524,022	156,249,631
Net assets, end of year	<b>\$ 162,847,220</b>	\$ 157,272,205	\$ 149,524,022

The Organization’s operating revenues totaled \$81,539,874 for the 2017–18 fiscal year.



<b>Enrollment (FTE)</b>	1,930	1,825	1,770
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Eckerd College, Inc.

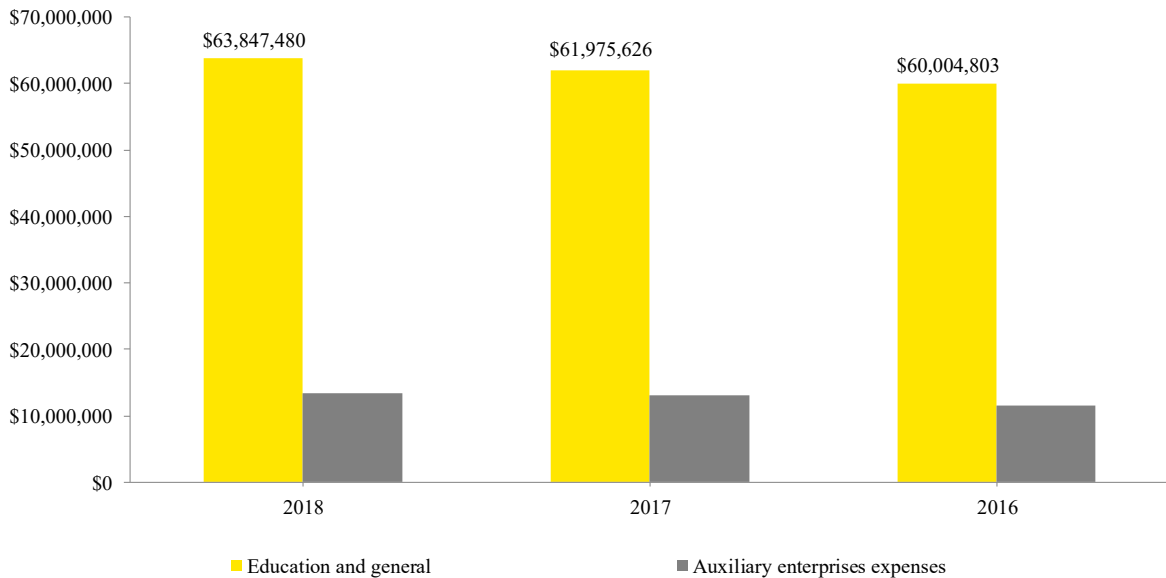
Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Activities and Changes in Net Assets (continued)**

The change in net tuition and fees 2015–16 to 2017–18 is due to higher total enrollment and increase in tuition rates. The increase from 2016–17 to 2017–18 is also due to greater student enrollment and increase in tuition rates, as well as greater participation in study abroad programs, generating additional student fees.

Total operating expenses of \$77,182,217 increased from the 2016–17 fiscal year by \$2,100,822, and \$5,552,373 from the 2015–16 fiscal year. The increases over the past two years were driven largely by increases in salaries, health insurance, and expenditures associated with higher than historical enrollment.

**Operating Expenses**



The changes in nonoperating revenues are primarily the result of investment gains on endowment as shown in the consolidated statements of activities and changes in net assets.

Eckerd College, Inc.

Management's Discussion and Analysis (continued)  
(Unaudited)

**Consolidated Statements of Cash Flows**

The consolidated statements of cash flows provide information about the Organization's financial results by reporting the major sources and uses of cash and cash equivalents. These statements will assist in evaluating the Organization's ability to generate net cash flows, meet its financial obligations as they come due, and meet its need for external financing. Cash flows from operating activities show the net cash used or generated by the operating activities of the Organization. Cash flows from investing activities show cash transactions related to the purchases and sales of investments and the acquisition and disposal of property and equipment. Cash flows from financing activities include activities related to long-term debt, student loans, and the receipt of restricted resources that by donor stipulation must be for long-term purposes. The following summarizes cash flows for 2017–18 and the prior two fiscal years:

	<b>Consolidated Statements of Cash Flows</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net cash provided by operating activities	<b>\$ 6,080,021</b>	\$ 5,911,143	\$ 3,102,732
Net cash used in investing activities	<b>(3,500,509)</b>	(4,486,943)	(34,805,098)
Net cash provided by financing activities	<b>1,663,930</b>	1,342,089	23,307,003
Change in cash and cash equivalents	<b>4,243,442</b>	2,766,289	(8,395,363)
Cash and cash equivalents, beginning of year	<b>21,007,204</b>	18,240,915	26,636,278
Cash and cash equivalents, end of year	<b>\$ 25,250,646</b>	\$ 21,007,204	\$ 18,240,915

Net cash continues to be provided by operating activities as a result of planned cash additions from operations.

The net cash used in investing activities over the three-year period has continued to be significant as the College incurred capital costs for residence hall renovations, campus infrastructure and the new Center for Visual Arts.

Issuance of debt in FY2015–16 provided the primary source of cash from financing activities over a three-year period. Gifts for the investment in buildings or for long-term purposes also provide a source of cash provided by financing activities.



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## Report of Independent Auditors

The Board of Trustees of Eckerd College, Inc.  
President and Vice President for Business and Finance

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the College as of June 30, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated October 8, 2018 on our consideration of the College's 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 solely 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 the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Ernst + Young LLP*

October 8, 2018

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 25,250,646	\$ 21,007,204
Accounts receivable, net – students	640,879	1,047,754
Accounts receivable, net – other	970,122	1,122,726
Contributions receivable, net	3,212,494	3,251,077
Beneficial interest in assets held by others	923,323	935,648
Loans receivable, net – students	864,180	892,372
Investments at fair value	35,347,392	33,072,265
Assets limited as to use	32,991,612	44,297,422
Deferred charges, prepaid expenses, and other assets	1,333,896	1,421,836
Property and equipment, net	120,058,761	111,779,944
Total assets	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>
<b>Liabilities and net assets</b>		
Accounts payable and accrued liabilities	\$ 5,262,825	\$ 7,355,071
Deferred revenues and deposits	3,233,780	3,459,922
Amounts payable under split-interest agreements	1,796,078	1,774,918
Bonds payable	47,450,041	47,929,335
U.S. government grants refundable	645,897	633,956
Postretirement benefits and deferred compensation obligation	357,464	402,841
Total liabilities	<u>58,746,085</u>	<u>61,556,043</u>
Net assets:		
Unrestricted	\$ 116,128,906	\$ 104,561,274
Temporarily restricted	10,345,024	16,820,262
Permanently restricted	36,373,290	35,890,669
Total net assets	<u>162,847,220</u>	<u>157,272,205</u>
Total liabilities and net assets	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018
Revenues and other support:				
Tuition and fees	\$ 84,644,918	\$ —	\$ —	\$ 84,644,918
Less: College funded scholarships	(40,418,065)	—	—	(40,418,065)
Net tuition and fees	44,226,853	—	—	44,226,853
Continuing education	6,526,890	—	—	6,526,890
Private gifts, grants, and contracts	4,040,005	3,209,267	486,335	7,735,607
Federal grants and contracts	—	685,561	—	685,561
Investment return on endowment, distributed	941,234	1,583,790	—	2,525,024
Other investment income and net realized gains on investments	221,304	—	—	221,304
(Loss) gain on sale of property, plant and equipment	9,280	—	—	9,280
Sales and service of auxiliary enterprises	19,087,431	—	—	19,087,431
Other sources	518,648	—	3,276	521,924
Net assets released from restrictions	12,814,123	(12,814,123)	—	—
Total revenues and other support	88,385,768	(7,335,505)	489,611	81,539,874
Expenses:				
Educational and general:				
Instruction	30,283,960	—	—	30,283,960
Research	358,632	—	—	358,632
Academic support	3,955,298	—	—	3,955,298
Student services	14,471,907	—	—	14,471,907
Institutional support	14,777,683	—	—	14,777,683
Total educational and general	63,847,480	—	—	63,847,480
Auxiliary enterprises expense	13,334,737	—	—	13,334,737
Total expenses	77,182,217	—	—	77,182,217
Increase in net assets from operating activities	11,203,551	(7,335,505)	489,611	4,357,657
Nonoperating revenues:				
Investment return after amounts distributed for current year operations	510,104	899,167	—	1,409,271
Change in value of split-interest agreements	—	(38,900)	(6,990)	(45,890)
Pension-related changes other than net periodic pension cost	(146,023)	—	—	(146,023)
Total nonoperating revenues	364,081	860,267	(6,990)	1,217,358
Change in net assets	11,567,632	(6,475,238)	482,621	5,575,015
Net assets, beginning of year	104,561,274	16,820,262	35,890,669	157,272,205
Net assets, end of year	<u>\$ 116,128,906</u>	<u>\$ 10,345,024</u>	<u>\$ 36,373,290</u>	<u>\$ 162,847,220</u>

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Activities and Changes in Net Assets

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
Revenues and other support:				
Tuition and fees	\$ 79,273,041	\$ —	\$ —	\$ 79,273,041
Less: College funded scholarships	(36,524,084)	—	—	(36,524,084)
Net tuition and fees	42,748,957	—	—	42,748,957
Continuing education	6,331,554	—	—	6,331,554
Private gifts, grants, and contracts	1,978,933	4,641,018	444,365	7,064,316
Federal grants and contracts	—	746,489	—	746,489
Investment return on endowment, distributed	950,171	1,656,051	—	2,606,222
Other investment income and net realized gains on investments	131,066	—	—	131,066
(Loss) gain on sale of property, plant and equipment	(2,543)	1,163,733	—	1,161,190
Sales and service of auxiliary enterprises	17,701,641	—	—	17,701,641
Other sources	245,166	—	4,237	249,403
Net assets released from restrictions	6,254,612	(6,254,612)	—	—
Total revenues and other support	76,339,557	1,952,679	448,602	78,740,838
Expenses:				
Educational and general:				
Instruction	29,491,343	—	—	29,491,343
Research	497,039	—	—	497,039
Academic support	3,491,136	—	—	3,491,136
Student services	14,299,594	—	—	14,299,594
Institutional support	14,196,514	—	—	14,196,514
Total educational and general	61,975,626	—	—	61,975,626
Auxiliary enterprises expense	13,105,769	—	—	13,105,769
Total expenses	75,081,395	—	—	75,081,395
Increase in net assets from operating activities	1,258,162	1,952,679	448,602	3,659,443
Nonoperating revenues:				
Investment return after amounts distributed for current year operations	2,816,421	1,329,375	—	4,145,796
Change in value of split-interest agreements	—	38,326	10,020	48,346
Pension-related changes other than net periodic pension cost	(105,402)	—	—	(105,402)
Total nonoperating revenues	2,711,019	1,367,701	10,020	4,088,740
Change in net assets	3,969,181	3,320,380	458,622	7,748,183
Net assets, beginning of year	100,592,093	13,499,882	35,432,047	149,524,022
Net assets, end of year	\$ 104,561,274	\$ 16,820,262	\$ 35,890,669	\$ 157,272,205

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Change in net assets	\$ 5,575,015	\$ 7,748,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,444,378	6,905,898
Gifts of noncash	(481,743)	(113,673)
Change in value of split-interest agreements	45,890	(48,346)
Net realized and unrealized gain on investments	(2,735,444)	(6,041,945)
Gain on sale of property and equipment	-	(1,161,190)
Contributions restricted for long-term investment	(2,135,738)	(1,795,587)
Changes in operating assets and liabilities:		
Accounts receivable, students	406,875	(332,346)
Accounts receivable, other	152,604	123,640
Contributions receivable and beneficial interest in assets held by others	50,908	(200,546)
Deferred charges, prepaid expenses, and other assets	87,940	(196,442)
Accounts payable and accrued liabilities	(2,092,246)	988,345
Deferred revenues and deposits	(226,142)	383,197
Amounts payable under split-interest agreements	21,160	(63,727)
U.S. government grants refundable	11,941	(170,605)
Postretirement benefits and deferred compensation obligation	(45,377)	(113,713)
Net cash provided by operating activities	<b>6,080,021</b>	5,911,143
<b>Investing activities</b>		
Proceeds from sales and maturities of investments	3,774,744	4,147,194
Purchases of investments	(3,669,936)	(2,283,130)
Cash restricted for purchases of property and equipment	12,102,959	10,424,110
Purchases of property and equipment	(15,708,276)	(16,775,117)
Net cash used in investing activities	<b>(3,500,509)</b>	(4,486,943)
<b>Financing activities</b>		
Contributions restricted for long-term investment	2,135,738	1,795,587
Disbursements of loans to students	(125,512)	(229,500)
Repayments of loans from students	153,704	262,002
Repayments of bonds payable	(500,000)	(486,000)
Net cash provided by financing activities	<b>1,663,930</b>	1,342,089
Change in cash and cash equivalents	4,243,442	2,766,289
Cash and cash equivalents, beginning of year	21,007,204	18,240,915
Cash and cash equivalents, end of year	<b>\$ 25,250,646</b>	<b>\$ 21,007,204</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	<b>\$ 1,749,180</b>	<b>\$ 1,803,270</b>
Purchases of property and equipment in accounts payable	<b>\$ 1,855,330</b>	<b>\$ 2,724,648</b>
Donated property	<b>\$ 481,743</b>	<b>\$ 113,673</b>

See accompanying notes.

# Eckerd College, Inc.

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 1. Organization and Principles of Consolidation

Eckerd College, Inc. (the College) is an independent, coeducational, liberal arts college located on 188 acres of waterfront property in St. Petersburg, Florida. The College is known distinctively for marine science, environmental studies, international relations and global affairs, creative writing, organizational studies, study abroad, and civic engagement. The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The consolidated financial statements include the accounts of the College; Eckerd College Real Estate, LLC (ECRE); and ECP2, Inc. (collectively, the Organization). ECRE was formed to hold title and liquidate certain real estate holdings. The College is the sole member of ECRE. ECP2, Inc. is a separate corporation related through an economic interest and the College's direct and indirect ability to control the direction of management. All significant interorganization balances and transactions are eliminated in these consolidated financial statements. See Note 15 for further discussion of these entities.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* include net assets that are not subject to donor-imposed stipulations and include amounts designated by the Board of Trustees (the Board) for specific purposes. Unrestricted net assets also include the cumulative excess of realized and unrealized investment losses over the corpus of donor-restricted endowments of \$1,778,026 and \$1,973,517 at June 30, 2018 and 2017, respectively.
- *Temporarily restricted net assets* include gifts, contributions and split-interest agreements limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or removed by action of the Organization pursuant to those stipulations.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

- *Permanently restricted net assets* include gifts and contributions whose use is limited by donor-imposed stipulations or applicable laws that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Losses on the investments of permanently restricted endowed funds shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets.

#### Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy is used for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs are defined as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, prepayment speeds, and credit risk, etc.)
- Level 3 – Significant unobservable inputs (including an entity's own assumptions)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

#### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less when purchased, unless designated for long-term purposes or the acquisition of long-term assets, and therefore are classified as assets limited as to use.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values based on quoted market prices. Investment income or loss (including realized and unrealized gains on investments and interest and dividends) is included in unrestricted total revenues and other support, unless the income or loss is restricted by the donor or by law.

##### **Investments Without Readily Determinable Values**

Investments without readily determinable values consist of funds-of-funds, investments in private equity companies, partnerships, and limited liability companies and are included with investments at fair value. Under generally accepted accounting principles, a reporting entity is permitted, as a practical expedient, to estimate the fair value of such an investment using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of certain investments, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of investment funds. At June 30, 2018 and 2017, the net asset value approximates the fair value of the funds as reported by the investment fund managers. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

##### **Recognition of Donor Restrictions**

Unconditional promises to give cash and other assets to the College are reported at fair value at the date the promise is received. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are presented as net assets released from restrictions in the consolidated statements of activities and changes in net assets.

# Eckerd College, Inc.

## Notes to Consolidated Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **Assets Limited as to Use**

Assets limited as to use include the fair value of investments so designated by the Board (quasi-endowment), cash restricted by donors for investment in buildings and equipment, and assets held by the Trustee under bond indenture agreements.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation. Donated property and equipment are recorded at estimated fair value at the date of donation and are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Expenditures in excess of \$1,500 with an estimated useful life of two or more years are capitalized. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized over the shorter of the useful life of the related asset or lease term. Buildings are depreciated over 60 years. Building improvements are depreciated over 15 years. Equipment is depreciated between 3 and 15 years.

Property and equipment activity funded by contributions of cash and other assets restricted for that specific use is reported as temporarily restricted until the asset is placed into service.

#### **Accrued Compensated Absences**

The Organization allows for the carryover of an employee's annual vacation accrual based on the type of position and length of service. Accrued compensation attributable to vacation leave is included in accounts payable and accrued liabilities in the consolidated statements of financial position and totals \$630,919 and \$619,395 at June 30, 2018 and 2017, respectively.

#### **Debt Issuance**

Debt issuance costs are a direct deduction from the carrying amount of the related debt liability, in the consolidated statements of financial position and are amortized using the straight-line method (approximates the effective yield method) over the life of the related debt. Amortization of debt issuance costs is allocated to the various functional expense classifications of educational and general expenses in the consolidated statements of activities and changes in net assets. Unamortized debt issuance costs amounted to \$266,959 and \$287,665 at June 30, 2018 and 2017, respectively.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Collections**

Collections of works of art are not recognized as assets in the consolidated statements of financial position. Proceeds from the sale of collection items are recognized as an increase in the appropriate class of net assets based on donor-imposed restrictions, if any.

##### **Tuition and Fee Revenue Recognition**

Tuition and fees are recorded when earned, along with the related expenses. Programs and academic terms that extend over more than one fiscal year are apportioned between the two fiscal years.

##### **Financial Aid**

A substantial amount of funding from federal and state governments is received for the benefit of certain eligible students attending the College. For most of these funds, the College acts in an agent capacity, and accordingly, such amounts are not recorded as revenue and expenses in the consolidated statements of activities and changes in net assets. Only the financial aid revenue for which the College has the ability to directly award to students is included in the consolidated statements of activities and changes in net assets.

##### **Income Taxes**

The College is incorporated as a nonprofit organization and is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. ECP2, Inc. is a taxable for-profit subsidiary wholly owned by the College. ECRE is a single-member LLC disregarded for tax purposes.

The College follows the guidance promulgated by Accounting Standards Codification (ASC) 740, *Income Taxes*. ASC 740 prescribes a “more likely than not” minimum recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements. There were no uncertain tax positions recorded in the consolidated financial statements for fiscal years 2018 and 2017.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions will impact tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees and various other provisions. The regulations necessary to implement those provisions have not yet been promulgated and, therefore, the ultimate outcome of these regulations and the impact to the College cannot be determined at this time. The College will continue to review and assess the impact of the legislation to the consolidated financial statements as additional information becomes available.

#### **Use of Estimates**

The College's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, to prepare these consolidated financial statements in conformity with U.S. GAAP. Although estimates are considered to be fairly stated at the time estimates are made, actual results could differ from those estimates.

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August of 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which makes ASU 2014-09 effective for the fiscal year ending June 30, 2020. The standard is effective for fiscal years beginning after December 15, 2018, which makes it effective for the fiscal year ending June 30, 2020. Management is currently evaluating the effect of adopting the new standard on the College's consolidated financial statements.

# Eckerd College, Inc.

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The standard is effective for fiscal years beginning after December 15, 2019, which makes it effective for the fiscal year ending June 30, 2021. Management is currently evaluating the effect of adopting the new standard on the College's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* which will change certain financial statement requirements for not-for-profit entities (NFP) in an effort to make information more meaningful to users and make reporting less complex for NFPs. NFPs will no longer be required to distinguish between resources with temporary and permanent restrictions on the face of the financial statements. NFP's will be required to present expenses by their natural and functional classification and present investment returns net of external and direct internal investment expenses. NFP's also will be required to provide more information about their available resources and liquidity. The standard is effective for fiscal years beginning after December 15, 2017, which makes it effective for the fiscal year ending June 30, 2019. Management is currently evaluating the effect of adopting the new standard on the College's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new guidance is intended to reduce diversity in practice on how certain transactions are classified in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018, which makes it effective for the fiscal year ending June 30, 2020. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The College does not expect the new guidance to have a material impact on the college's consolidated financial statements.

# Eckerd College, Inc.

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new amendments in this ASU *require* that amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end- of-period amounts shown on the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018, which makes it effective for the fiscal year ending June 30, 2020, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The College does not expect the new guidance to have a material impact on the college's consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments for this update are effective for fiscal years beginning after December 15, 2019, which makes it effective for the fiscal year ending June 30, 2021. Management is currently evaluating the effect of adopting the new guidance on the College's consolidated financial statements.

### 3. Contributions Receivable

Multiyear unconditional pledges are initially recognized at fair value as contributions receivable and revenue in the appropriate net asset category after discounting the contributions to the present value of future cash flows. The discount rate used to measure the present value is based on risk-adjusted interest rates applicable to the years in which promises are received and is not revised in subsequent periods. Amortization of the discounts is included in contribution revenue.

Contributions receivable at June 30 are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
One year or less	\$ 1,323,837	\$ 1,015,232
One to five years	2,743,253	2,974,613
	<u>4,067,090</u>	<u>3,989,845</u>
Net present value discount	(453,075)	(342,742)
Allowance for uncollectibles	(401,521)	(396,026)
Contributions receivable, net	<u>\$ 3,212,494</u>	<u>\$ 3,251,077</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**4. Beneficial Interest in Assets Held by Others**

Donors have established and funded trusts that are administered by parties other than the College. Under the terms of the trusts, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. The College's beneficial interest in assets administered by third parties is valued at the net present value of future cash flows less the present value of amounts due to third-party beneficiaries. The amounts recorded as beneficial interest in assets held by others are \$923,323 and \$935,648 at June 30, 2018 and 2017, respectively.

**5. Student Loans Receivable**

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2018 and 2017, student loans represented 0.39% and 0.41% of total assets, respectively.

At June 30, student loans consisted of the following:

	<u>2018</u>	<u>2017</u>
Federal government programs	\$ 973,089	\$ 1,020,042
Institutional programs	306,377	287,613
	<u>1,279,466</u>	<u>1,307,655</u>
Less allowance for doubtful accounts:		
Beginning of year	(415,283)	(414,373)
Increases	(3)	(910)
End of year	<u>(415,286)</u>	<u>(415,283)</u>
Loans receivable, net – students	<u>\$ 864,180</u>	<u>\$ 892,372</u>

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. The federal government did not renew the Perkins loan program after September 30, 2017. As a result, no disbursements were permitted after June 30, 2018. The College has elected to liquidate its participation in the program and is in the process

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**5. Student Loans Receivable (Continued)**

of liquidating the loan portfolio and returning the Federal government's share. The U.S. Department of Education will keep all monies collected and will not reimburse the institutional share.

The following amounts were past due under student loan programs:

<u>June 30</u>	<u>60–179 Days</u>	<u>180–729 Days Past Due</u>	<u>729+ Days Past Due</u>	<u>Total Past Due</u>
2018	\$ 14,535	\$ 40,310	\$ 206,902	\$ 261,747
2017	23,113	43,772	160,308	227,193

Allowances for doubtful accounts are established based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government, and therefore, reserves reduce the receivable and liability balances under the program.

**6. Investments and Assets Limited as to Use**

Investments at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Pooled investments:		
Endowment	\$ 48,325,625	\$ 46,299,593
Split-interest agreements	2,280,130	2,003,509
Nonpooled investments:		
Endowment	4,910,733	4,181,452
Split-interest agreements	1,136,110	1,114,406
Unspent bond proceeds	10,115,650	16,323,985
Restricted for investments in buildings and other long-term purposes	1,570,756	7,446,742
	<u>\$ 68,339,004</u>	<u>\$ 77,369,687</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**6. Investments and Assets Limited as to Use (continued)**

The investments are shown in the consolidated statements of financial position as follows:

	<u>2018</u>	<u>2017</u>
Investments	\$ 35,347,392	\$ 33,072,265
Assets limited as to use	32,991,612	44,297,422
Total investments and assets limited as to use	<u>\$ 68,339,004</u>	<u>\$ 77,369,687</u>

Assets limited as to use include funds so designated by the Board, increased or decreased by cumulative endowment gains or losses on Board-designated endowments, respectively; assets held by the Trustee under bond indenture agreements; and cash restricted by donors for investment in buildings and equipment. Assets that are limited as to use are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	\$ 19,644,843	\$ 19,136,599
Cumulative gains on Board-designated reserves	1,660,363	1,390,096
Total Board-designated reserves	<u>21,305,206</u>	20,526,695
Debt service and other bond funds:		
Unspent bond proceeds	10,115,650	16,323,985
	<u>10,115,650</u>	16,323,985
Assets restricted for investments in building and equipment	1,570,756	7,446,742
	<u>\$ 32,991,612</u>	<u>\$ 44,297,422</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements**

The following tables present assets and liabilities that are measured at fair value on a recurring basis by the valuation hierarchy as of June 30:

	<b>2018</b>			
	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>
Investments and assets limited to use:				
Cash and equivalents	\$ 11,855,513	\$ 11,855,513	\$	\$ –
Equity securities:				
Domestic	14,640,279	14,640,279	–	–
International	16,655,239	16,655,239	–	–
Fixed income mutual funds	8,947,456	8,947,456	–	–
Inflation hedging mutual funds	221,980	221,981	–	–
Assets held for sale <sup>(1)</sup>	522,063	–	522,063	–
	<u>52,842,530</u>	<u>\$ 52,320,468</u>	<u>\$ 522,062</u>	<u>\$ –</u>
Investments measured at net asset value:				
Investments in limited partnerships	15,496,474			
Total investments and assets limited as to use	<u>\$ 68,339,004</u>			
Beneficial interest in assets held by others <sup>(2)</sup>	<u>\$ 923,323</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 923,323</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

7. Fair Value Measurements (continued)

	2017			
	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments and assets limited to use:				
Cash and equivalents	\$ 23,974,354	\$ 23,974,354	\$ —	\$ —
Equity securities:				
Domestic	13,307,025	13,307,025	—	—
International	16,934,702	16,934,702	—	—
Fixed income mutual funds	8,977,908	8,977,908	—	—
Inflation hedging mutual funds	290,696	290,696	—	—
Assets held for sale <sup>(1)</sup>	503,426	—	503,426	—
	<u>63,988,111</u>	<u>\$ 63,484,685</u>	<u>\$ 503,426</u>	<u>\$ —</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>13,381,576</u>			
Total investments and assets limited as to use	<u>\$ 77,369,687</u>			
Beneficial interest in assets held by others <sup>(2)</sup>	<u>\$ 935,648</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 935,648</u>

<sup>(1)</sup> Assets held for sale consist of donated property and other noncash contributions, which are recorded at fair value as of the period end. The fair value is based on third-party appraisal, when required by the College's Gift Policy, or other observable inputs for similar assets.

<sup>(2)</sup> Included in beneficial interest in assets held by others are funded trusts that are administered by parties other than the College. Under the terms of the trust, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. Further explanation is disclosed in Note 4.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

The following table shows the College's investment in partnerships by asset class along with commitments and redemption ability:

	<b>June 30, 2018</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Global equity fund <sup>(a)</sup>	\$ 3,463,368	\$	Monthly	
Equity long/short hedge funds <sup>(b)</sup>	2,138,646		Quarterly	45 days
Multi-strategy hedge fund <sup>(c)</sup>	2,570,677		<sup>(c)</sup>	90 days
Fixed income fund <sup>(d)</sup>	850,174		Monthly	
Private equity <sup>(e)</sup>	3,340,889	5,679,367		
Private real assets <sup>(f)</sup>	3,132,720	1,802,058		
	<u>\$ 15,496,474</u>	<u>\$ 7,481,425</u>		

	<b>June 30, 2017</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Global equity fund <sup>(a)</sup>	\$ 3,341,341	\$ –	Monthly	
Equity long/short hedge funds <sup>(b)</sup>	2,178,879	–	Quarterly	45 days
Multi-strategy hedge fund <sup>(c)</sup>	2,311,218	–	<sup>(c)</sup>	90 days
Fixed income fund <sup>(d)</sup>	841,426	–	Monthly	
Private equity <sup>(e)</sup>	2,026,335	3,860,026		
Private real assets <sup>(f)</sup>	2,682,377	2,130,637		
	<u>\$ 13,381,576</u>	<u>\$ 5,990,663</u>		

<sup>(a)</sup> This class includes a fund that invests to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies outside of the U.S. and Canada. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital.

<sup>(b)</sup> This class includes investments in hedge funds that invest both long and short primarily in diversified portfolios of U.S. and international equities, as well as distressed illiquid securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Lockup provisions within this class have expired.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 7. Fair Value Measurements (continued)

- (c) This class invests primarily with a group of hedge fund managers diversifying across varying styles, including equity long/short and event driven strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The redemption frequency for this class occurs either annually or on a rolling three-year period depending on the investment class.
- (d) This class invests with the objective of achieving favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities. Associated objectives are the preservation and enhancement of principal. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital.
- (e) This class includes investments in U.S. and non-U.S. corporate-related investments, corporate real estate loans, asset-backed and securitized products, venture capital funds, buy-out funds, mezzanine funds, and other pooled investments vehicles. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital; however, the underlying investments are considered illiquid.
- (f) This class includes a fund that consists of portfolios of publicly traded U.S. real estate investment trusts and other publicly held real estate companies in North America, Europe, Australia and Asia. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital.

Student loans receivable are primarily federally sponsored student loans with U.S. government stated interest rates and repayment terms, which are recorded at net realizable value. The student loans receivable along with their associated liability, U.S. government grants refundable, have not been measured at fair value due to the significant restrictions as to their transfer or disposition, which could not be made without incurring excessive costs.

It is not practicable for the Organization to determine the fair value of long-term debt since the incremental rate of borrowing is not readily available. The information pertinent to estimating the fair value, such as the carrying amount, effective interest rate, and maturity, are disclosed in Note 11.

Management has ultimate responsibility for the valuation process and the fair value of the investments reported in the financial statements. In determining the fair value, management reviews periodic investor reports and interim and annual audited financial statements received from the underlying investments, while considering such other factors as material quarter-over-quarter changes in valuations, changes in valuation policies of fund managers, recent investment transactions, and the impact of macromarket factors on the performance of these investments.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

The components of net investment earnings, including the interest earned on cash and cash equivalents for the fiscal years ended June 30, are as follows:

	<u>2018</u>	<u>2017</u>
Investment income	\$ 1,518,161	\$ 1,129,556
Realized gains	14,770	119,966
Investment fees	<u>(98,006)</u>	<u>(86,641)</u>
Investment return before unrealized gains	1,434,925	1,162,881
Unrealized gains	<u>2,720,674</u>	<u>5,720,203</u>
Net investment return	<u>\$ 4,155,599</u>	<u>\$ 6,883,084</u>

Net investment return is shown on the accompanying consolidated statements of activities and changes in net assets as follows:

	<u>2018</u>	<u>2017</u>
Operating activities:		
Investment return on endowment, distributed	\$ 2,525,024	\$ 2,606,222
Other investment income	221,304	131,066
Nonoperating activities:		
Investment return after amounts distributed for current year operations	<u>1,409,271</u>	<u>4,145,796</u>
Net investment return	<u>\$ 4,155,599</u>	<u>\$ 6,883,084</u>

The amount of investment return distributed, in accordance with the College's spending policy, is reported on the consolidated statements of activities and changes in net assets as an operating activity as it supports current year programs and scholarships.

**8. Endowment**

The College's endowment consists of approximately 300 individual funds established for a variety of purposes and is included in the College's investments and assets limited as to use (Note 6). The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds contributed by donors are classified and reported based on the existence or absence of donor-imposed restrictions.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **8. Endowment (continued)**

Effective July 1, 2012, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in Chapter 617, *Florida Statutes*, replaced FUMIFA, and governs College's administration and reporting of the endowment.

The College's Board of Trustees has interpreted the statute as requiring the prudent management and expenditure of endowment funds in keeping with the donor's intended use of the funds. As a result of this interpretation, the College classifies the fair value of the original endowment gift along with subsequent additions made by the donor to the endowment as permanently restricted net assets on the date of each gift or addition.

Cumulative unexpended income, gains, and losses are accumulated in unrestricted (quasi-endowment) or temporarily restricted (donor-restricted) net assets based on the nature of each individual fund. Appropriation for expenditure is deemed to occur upon approval for expenditure, unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. Upon appropriation for expenditure, the time restriction expires to the extent of the amount appropriated and, in the absence of any purpose restrictions, results in a reclassification of that amount to unrestricted net assets. If the fund is also subject to a purpose restriction, the reclassification of the appropriated amount to unrestricted net assets shall not occur until that purpose restriction also has been met. The College's process for when an expenditure is considered appropriated is as of July 1, based on the formal budget approval.

Amounts are appropriated for expenditure by the College in a manner consistent with the standards for expenditure prescribed by *Florida Statutes*. Accordingly, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The general purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**8. Endowment (continued)**

- Other resources of the College
- The investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The spending policy adopted by the Board of Trustees is calculated at 5% of the moving average market value of the preceding eight quarters, and is made on December 31 for the following fiscal year. The calculated spending distributions for the 2018 and 2017 fiscal years were \$2,639,653 and \$2,720,878, respectively. Expended distributions were \$114,629 and \$114,656 less than the 2018 and 2017 calculations, respectively. These amounts were reinvested based on the needs and circumstances of the supported programs.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

At fiscal year end, the net asset composition by type of fund consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>June 30, 2017</b>				
Donor-restricted fund	\$ (1,973,517)	\$ 3,060,015	\$ 34,264,971	\$ 35,351,469
Board-designated funds	20,526,695	—	—	20,526,695
Total funds	<u>\$ 18,553,178</u>	<u>\$ 3,060,015</u>	<u>\$ 34,264,971</u>	<u>\$ 55,878,164</u>
<b>June 30, 2018</b>				
Donor-restricted fund	\$ (1,778,026)	\$ 3,959,182	\$ 34,826,744	\$ 37,007,900
Board-designated funds	21,305,206	—	—	21,305,206
Total funds	<u>\$ 19,527,180</u>	<u>\$ 3,959,182</u>	<u>\$ 34,826,744</u>	<u>\$ 58,313,106</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**8. Endowment (continued)**

Changes in endowment funds for the fiscal years ended June 30, 2018 and 2017, were as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets June 30, 2016	\$ 15,795,128	\$ 1,730,640	\$ 33,756,286	\$ 51,282,054
Investment return	3,766,592	2,985,426	–	6,752,018
Contributions	56,285	–	508,685	564,970
Reinvested	(114,656)	–	–	(114,656)
Expended	(950,171)	(1,656,051)	–	(2,606,222)
Net assets June 30, 2017	18,553,178	3,060,015	34,264,971	55,878,164
Investment return	<b>1,559,865</b>	<b>2,482,957</b>	–	<b>4,042,822</b>
Contributions	<b>470,000</b>	–	<b>561,773</b>	<b>1,031,773</b>
Reinvested	<b>(114,629)</b>	–	–	<b>(114,629)</b>
Expended	<b>(941,234)</b>	<b>(1,583,790)</b>	–	<b>(2,525,024)</b>
Net assets June 30, 2018	<b>\$ 19,527,180</b>	<b>\$ 3,959,182</b>	<b>\$ 34,826,744</b>	<b>\$ 58,313,106</b>

Cumulative endowment losses totaling \$1,778,026 and \$1,973,517 at June 30, 2018 and 2017, respectively, are included in unrestricted net assets.

**9. Interfund Receivable and Payable**

Interfund payables of the College's unrestricted fund total \$5,076,748 and \$5,397,179 as of June 30, 2018 and 2017, respectively, which is due to the permanently restricted fund for amounts borrowed from the endowment in previous years to fund certain capital projects. Prior to the 2006–07 fiscal year, quarterly interest payments at prime were paid from the operating fund to the endowment fund on this balance. In May 2006, the Board of Trustees approved an amortization schedule for repayment of the borrowed funds over a 30-year term at 6.0% interest. Payments made during the 2017–18 fiscal year include \$320,431 in principal and \$316,710 in interest. Payments made during the 2016–17 fiscal year include \$301,906 in principal and \$335,276 in interest. The interfund balances are eliminated in the consolidated financial statements.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**10. Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 23,606,651	\$ 23,548,613
Buildings and building improvements	146,835,736	124,348,554
Leasehold improvements	51,000	51,000
Equipment	54,564,888	51,674,114
Construction-in-progress	2,949,214	12,708,494
	<u>228,007,489</u>	<u>212,330,775</u>
Less accumulated depreciation	<u>(107,948,728)</u>	<u>(100,550,832)</u>
	<u>\$ 120,058,761</u>	<u>\$ 111,779,943</u>

Total depreciation for the years ended June 30, 2018 and 2017, is \$7,423,672 and \$6,885,192, respectively, and is allocated among all educational and general expenses in the accompanying consolidated statements of activities and changes in net assets.

**11. Bonds Payable**

Bonds payable at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
\$48,703,000 Pinellas County Educational Facilities Authority (PCEFA) Revenue Bonds, Series 2015, interest only until July 1, 2016, when principal payments of \$486,000 to \$1,562,000 are due in annual installments from FY2016-17 to FY2029-30, with balloon payments of \$17,860,000 and \$14,153,000 due in January 2031 and January 2032, respectively, with fixed per annum interest rate equal to 2.9915%	\$ 47,717,000	\$ 48,217,000
Unamortized debt issuance costs	(266,959)	(287,665)
Total bonds payable	<u>\$ 47,450,041</u>	<u>\$ 47,929,335</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**11. Bonds Payable (continued)**

On November 30, 2015, the Authority or PCEFA issued \$48,703,000 in tax-exempt revenue refunding bonds, Series 2015A and 2015B, on behalf of the College. Series 2015A issued in the amount of \$23,203,000 advance refunded the Series 2006 Revenue Bonds. The 2006 revenue bonds were used to finance and refinance the acquisition, construction, equipping, and installation of a new residence hall on the campus of the College; fund the renovation of the former Cobb Library building; and fund other capital improvements related to or required by such projects. In addition, proceeds from the 2006 revenue bonds were used to refund the Authority's Revenue Bonds, Series 1989, Series 1991, Series 1993, and the 1997 loan to the College from the Authority's Refunding Program Revenue Bonds. Series 2015B issued in the amount of \$25,500,000 is for the purpose of renovations to residence halls, a new visual arts center, and various campus infrastructure improvements. The costs of issuance were funded from the respective proceeds of Series 2015A and 2015B. A Financing Agreement, UCC-1 Financing Statements, and a Non-Taxable Agreement Not to Encumber or Transfer Property were executed among a financial institution, the Authority and the College. Those documents each evidence the sales of the Series 2015 Bonds by the Authority to the financial institution, the loan of the proceeds thereof to the College and the obligation of the College to repay such loan secured by a negative pledge agreement. As of June 30, 2018, there were no known events of default by the College in the fulfillment of any of the terms, covenants, provisions or conditions of the debt.

Maturities of bonds payable in each of the next five years ending June 30 and thereafter are as follows:

Years ending June 30:	
2019	\$ 824,000
2020	1,161,000
2021	1,197,000
2022	1,233,000
2023	1,270,000
Thereafter	<u>42,032,000</u>
	<u>\$ 47,717,000</u>

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **11. Bonds Payable (continued)**

Total interest expense for the years ended June 30, 2018 and 2017, is \$1,749,180 and \$1,803,270, respectively, which is allocated primarily to education and general and auxiliary enterprise expenses in the accompanying consolidated statements of activities and changes in net assets. The portion of interest expense related to unallocated debt is reported in institutional support and totaled \$299,286 and \$487,250 during 2018–17 and 2017–16, respectively. Of the total interest expense, \$316,710 and \$335,276 was paid for the interfund loan related to the College's endowment in fiscal years 2017–18 and 2016–17, respectively (Notes 8 and 9).

#### **12. Postretirement Benefits and Deferred Compensation Obligation**

##### **Postretirement Benefits Obligation**

The College has two unfunded postretirement benefit plans that provide life insurance and medical benefits for retired employees. The College recognizes the expected cost of providing postretirement benefits to current and future retirees in the periods in which employee services are rendered, thereby matching total compensation cost with revenues generated by employee service. Prior to February 8, 2014, the plans were contributory and were provided to all employees who had completed five years of full-time service and faculty who had completed seven years of full-time service and retired after age 55.

Effective February 8, 2014, the College changed the terms of postretirement benefits. The opportunity for current employees to participate in group postretirement life insurance was discontinued. The termination of this postretirement benefit is a negative plan amendment attributable to employee service already rendered. The negative plan amendment constitutes a curtailment because it also eliminates the accrual and benefits for all of the future services of active participants.

As it relates to retirees currently participating in the postretirement life insurance plan, there is a continuing obligation for future death benefits maximized at \$10,000 per participant.

Eligibility for participation in the postretirement medical benefits has been changed, effective February 8, 2014, to those who retire after age 60, instead of age 55.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**12. Postretirement Benefits and Deferred Compensation Obligation (continued)**

The activity of the postretirement benefit plan consists of the following as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Unfunded postretirement benefit, beginning of year	\$ 378,121	\$ 467,114
Service cost	17,877	22,305
Interest cost	13,272	14,719
Actuarial gain	(72,846)	(111,235)
Benefits paid	(5,117)	(31,050)
Plan participant contributions	26,157	16,268
Unfunded postretirement benefit, end of year	<u>\$ 357,464</u>	<u>\$ 378,121</u>

The weighted-average assumptions used in computing the plan obligations are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate at year-end	4.16%	3.68%
Healthcare cost trend rate:		
Rate assumed for next year	8.50%	8.50%
Ultimate healthcare cost trend rate	4.50%	4.50%
Year ultimate healthcare cost trend rate is attained	2025	2025

The weighted-average discount rate used to calculate net periodic cost was 3.68% and 3.30% for the years ended June 30, 2018 and 2017, respectively.

The following represents the College's best estimate of contributions expected to be paid to the plan and the expected amortization during the next fiscal year:

Year ending June 30, 2019:	
Expected employer contributions	\$ 41,212
Expected employee contributions	45,413
	<u>\$ 86,625</u>
Expected amortization of prior service credit	<u>\$ 122,625</u>
Expected amortization of net gain	<u>\$ (87,621)</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**12. Postretirement Benefits and Deferred Compensation Obligation (continued)**

Benefits expected to be paid in the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

Year ending June 30:	
2019	\$ 86,625
2020	86,814
2021	80,751
2022	60,660
2023	53,402
Years 2024–2028	295,080

The amounts recognized as a credit against unrestricted net assets are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Prior service credit	\$ (1,019,028)	\$ (1,141,643)
Unrecognized net gain	<u>(1,140,467)</u>	<u>(1,163,875)</u>
Total amount reflected as a credit to unrestricted net assets	<u>\$ (2,159,495)</u>	<u>\$ (2,305,518)</u>

Changes in the charge (credit) to unrestricted net assets during the years ended June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ (2,305,518)	\$ (2,410,920)
Amortization of prior service cost	122,625	122,625
Amortization of net gain	96,244	94,012
Net gain for the period	<u>(72,846)</u>	<u>(111,235)</u>
Balance, end of year	<u>\$ (2,159,495)</u>	<u>\$ (2,305,518)</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**12. Postretirement Benefits and Deferred Compensation Obligation (continued)**

**Deferred Compensation Obligation**

The College had a deferred compensation plan covering certain faculty members who completed 15 years of full-time service, had attained the age of 60, and had elected early retirement prior to February 2009. Persons who elected to participate in the plan received 40% of the annual salary they would have received if early retirement were not elected, with payments ceasing upon reaching age 70 or death, whichever occurs first. The plan was not pre-funded; therefore, payments to retirees are made currently by the College. The remaining deferred compensation obligation at June 30, 2018 and 2017, is \$0 and \$24,720, respectively.

The College also maintains a defined contribution retirement plan for qualified employees. Under the plan, the College purchases individual annuity contracts from a financial institution. The contracts vest immediately upon the employee's entrance to the plan. Contributions are based on 10% of eligible participants' salaries. The total contributions for the years ended June 30, 2018 and 2017 are \$2,098,197 and \$2,097,903, respectively.

**13. Net Assets**

The College has satisfied time and/or use restrictions pursuant to the terms of certain contributions. The temporarily restricted net assets released from restrictions consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Collection of pledges	\$ 188,795	\$ 231,287
Satisfaction of program activities and scholarships	4,957,873	5,731,698
Gifts to plant fund expended for capital projects purchased and placed into service	7,667,455	291,627
	<u>\$ 12,814,123</u>	<u>\$ 6,254,612</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**13. Net Assets (continued)**

Temporarily restricted net assets at June 30 are restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Assets restricted for investment in buildings and equipment	\$ 1,049,102	\$ 6,944,776
Contributions receivable	3,006,759	3,041,770
Beneficial interest in assets held by others	307,378	319,703
Programs and scholarships, including unappropriated cumulative endowment gains	4,286,715	5,155,080
Split-interest agreements	1,450,042	1,249,693
Student loan funds	245,028	109,240
	<u>\$ 10,345,024</u>	<u>\$ 16,820,262</u>

Permanently restricted net assets at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Endowment corpus, primarily for scholarships	\$ 34,826,744	\$ 34,264,971
Contributions receivable	205,735	209,307
Beneficial interest in assets held by others	615,945	615,945
Student loan funds and loans receivable	554,746	707,143
Split-interest agreements	170,120	93,303
	<u>\$ 36,373,290</u>	<u>\$ 35,890,669</u>

The composition of permanently restricted net assets at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 30,136,286	\$ 29,425,759
Interfund loan receivable	5,076,748	5,397,179
Contributions receivable	205,735	209,307
Beneficial interest in assets held by others	615,945	615,945
Student loans receivable	168,456	149,176
Split-interest agreements	170,120	93,303
	<u>\$ 36,373,290</u>	<u>\$ 35,890,669</u>

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 14. Split-Interest Agreements

The College administers and is the beneficiary of various split-interest agreements, including charitable lead trusts, charitable remainder trusts, charitable gift annuities, and life income funds. The College recognizes irrevocable split-interest agreements when they are executed. All distributions or remainder interests in the split-interest agreements are available for the College's use based on the existence or absence of donor-imposed restrictions. The College maintained investments of \$3,416,240 and \$3,117,914 at June 30, 2018 and 2017, respectively, which met the reserves and investment limitations required by *Florida Statute 627.481*, which requires reserves to be maintained equal to the sum of the reserves on its outstanding annuity agreements plus a surplus of 10%. In addition, the annuity investments are limited to no more than 50% equities (including mutual funds) and no more than 10% may be invested in any one stock or fund.

If an unrelated third-party acts as trustee or fiscal agent, a contribution is recognized as a beneficial interest in assets held by others. See Note 4 for more information on balances related to beneficial interest in assets held by others.

Accounting standards require that the following instruments be recorded as income and net assets at the present value of their ultimate interest:

*Charitable Lead Trusts* – Donors have established and funded trusts, held by the College, under which specific distributions are to be made to the College over a specified period. Upon termination of the trust, the remainder of the trust assets is paid back to the donor or to the beneficiary or beneficiaries designated by the donor. Trusts were recorded as contributions from split-interest agreements at the fair value of the assets received less the present value of the estimated future payments associated with remainder interests, if any. The assets held in trust by the College were recorded at their fair value at the date of recognition.

*Charitable Remainder Trusts* – Donors have established and funded trusts, held by the College, under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the College receives its designated share of the assets remaining in the trust. Trusts were recorded as contributions from split-interest agreements at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trust. The assets in the trusts are assumed to earn rates ranging from 6.0% to 8.0% over the estimated life of the trust and are discounted at rates ranging from 6.8% to 7.8% in 2018 and 2017.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **14. Split-Interest Agreements (continued)**

*Charitable Gift Annuities* – Donors have contributed assets to the College in exchange for a promise by the College to pay a fixed amount or percentage for a specified period of time to the donor or to individuals or colleges designated by the donor. Under the terms of such agreements, no trust exists as the assets received are held as assets and the related annuity liability is an obligation of the College. The liability for charitable gift annuities is discounted at rates ranging from 1.2% to 9.6% during 2018 and 2017. The College maintains assets sufficient to meet annuity reserve requirements under Florida state law.

#### **15. Affiliated Entities**

##### **Eckerd College Real Estate, LLC**

In May 2009, the College, as sole member, formed ECRE to hold title to and liquidate certain real estate holdings. In September 2009, real estate consisting of an office/assembly building of 29,850 square feet located on approximately 7.33 acres of land was donated to the College and then transferred to ECRE.

The property held by ECRE was sold on December 21, 2016. In conformity with the donor agreement, the proceeds were used to fund construction of the new Center for Visual Arts building, which was placed into service during fiscal year 2018.

##### **ECP2, Inc.**

ECP2, Inc. holds title to certain residential roads remaining from the donation of a development in the U.S. Virgin Islands. The roads do not have an economic value and are therefore not reflected in the College's consolidated financial statements. Ownership of the roads will be transferred locally within the development.

#### **16. Related-Party Transactions**

Certain board members have outstanding pledges to the Organization at June 30, 2018 and 2017, which are included in contributions receivable in the accompanying consolidated statements of financial position (as described in Note 3). The net present value of these pledges is \$884,250 and \$1,338,978 at June 30, 2018 and 2017, respectively.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 17. Concentration of Credit Risk

Revenues of the College are generated principally from tuition and fees from its students. In this regard, credit is extended in the form of accounts receivable and student loans.

The College limits credit risk by diversifying its investment portfolio among equities, various index funds, limited partnerships, and cash equivalents. As a result, management believes that significant concentrations of credit risk do not exist within the investment pool.

The College maintains bank balances in excess of the \$250,000 guaranteed by the Federal Deposit Insurance Corporation.

#### 18. Advancement and Fund-Raising Costs

The College incurred expenses of \$1,831,259 and \$1,713,773 during the years ended June 30, 2018 and 2017, respectively, related to advancement and fund-raising.

#### 19. Commitments and Contingencies

##### Leases

The Organization leases certain vehicles, equipment, and classroom space under operating leases expiring in various years through 2029.

Future minimum lease payments under operating leases are as follows:

Years ending June 30:	
2019	\$ 363,598
2020	102,516
2021	86,709
2022	79,229
2023	72,127
Thereafter	464,744
	<u>\$ 1,168,923</u>

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **19. Commitments and Contingencies (continued)**

Total rent expense under operating leases was \$511,664 and \$423,521 for the years ended June 30, 2018 and 2017, respectively, and is included in the various functional classifications of educational and general expenses in the accompanying consolidated statements of activities and changes in net assets.

#### **Construction-in-Progress**

The Organization has committed to various capital projects during the fiscal year. As of June 30, 2018, the College has approximately \$4,756,000 in outstanding commitments for certain renovations primarily related to residence halls.

#### **Grants**

The grant revenue amounts are subject to audit and adjustment by the grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

#### **20. Subsequent Events**

Management of the College has reviewed subsequent events through October 8, 2018 (the date the accompanying consolidated financial statements are to be issued), for events or transactions that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position.

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