

CONSOLIDATED FINANCIAL STATEMENTS

Eckerd College, Inc.
Years Ended June 30, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP



Eckerd College, Inc.
Consolidated Financial Statements
Years Ended June 30, 2020 and 2019

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Eckerd College, Inc.

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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) which was dissolved September 27, 2019, and ECP2, Inc. The Organization's consolidation policy is described in more detail in the notes to the consolidated financial statements.

In FY2018-19, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changed certain financial statement requirements for not-for-profit entities in an effort to make information more meaningful to users and make reporting less complex for not-for-profit entities. Most notably, the three classes of net assets have been replaced with two classes: *without donor restrictions* and *with donor restrictions*.

The financial highlights for the 2019–20 fiscal year include:

- Total assets increased \$740,726 or 0.33% over the prior fiscal year.
- Net assets increased by \$955,277 or 0.56% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$1,856,383 or 3.06% 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 2018–19 fiscal year include:

- Total assets increased \$4,145,467 or 1.87% over the prior fiscal year.
- Net assets increased by \$6,444,292 or 3.96% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$2,265,862 or 3.89% 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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Cash and cash equivalents	\$ 42,097,890	\$ 38,126,722	\$ 25,250,646
Accounts receivable, net – students	155,337	161,002	640,879
Accounts receivable, net – other	680,736	1,068,418	970,122
Contributions receivable, net	2,923,039	3,078,578	3,212,494
Beneficial interest in assets held by others	984,649	1,008,287	923,323
Loans receivable, net – students	135,644	416,410	864,180
Investments at fair value	38,699,084	36,458,269	35,347,392
Assets limited as to use	21,453,546	23,371,237	32,991,612
Deferred charges, prepaid expenses, and other assets	1,459,085	2,003,178	1,333,896
Property and equipment, net	117,890,488	120,046,671	120,058,761
Total assets	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>
Liabilities and net assets			
Accounts payable and accrued liabilities	\$ 5,402,982	\$ 5,213,627	\$ 5,262,825
Deferred revenues and deposits	4,007,507	2,883,616	3,233,780
Amounts payable under split-interest agreements	956,114	1,007,952	1,796,078
Bonds payable	45,506,453	46,646,747	47,450,041
U.S. government grants refundable	–	335,665	645,897
Other liabilities	359,653	359,653	357,464
Total liabilities	<u>56,232,709</u>	<u>56,447,260</u>	<u>58,746,085</u>
Net assets:			
Without donor restrictions	120,255,997	121,971,882	117,906,932
With donor restrictions	49,990,792	47,319,630	44,940,288
Total net assets	<u>170,246,789</u>	<u>169,291,512</u>	<u>162,847,220</u>
Total liabilities and net assets	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The Organization's assets totaled \$226,479,498 at June 30, 2020. This balance reflects a \$740,726 or 0.33% increase from the 2018–19 fiscal year and \$4,886,193 or 2.21% increase from the 2017-18 fiscal year. The most significant changes within asset classes are in cash and cash equivalents and property and equipment, net of accumulated depreciation. Cash and cash equivalents increased from the 2018–19 fiscal year by \$3,971,168, while property and equipment, net of accumulated depreciation decreased by \$2,156,183. Additional details on changes in cash, cash equivalents and restricted cash are available in the consolidated statements of cash flows, while additional details of property and equipment are available in Note 11 of the audited consolidated financial statements.

Assets limited as to use have decreased \$1,917,691 or 8.21% from the 2018–19 fiscal year. This change is primarily due to the expenditure of donor gifts related to capital projects completed in the 2019-20 fiscal year. The components of assets limited as to use are summarized below. Additional details are available in Note 7 of the audited consolidated financial statements:

	Assets Limited as to Use		
	2020	2019	2018
Board-designated funds	\$ 20,612,129	\$ 20,453,209	\$ 19,644,843
Cumulative board-designated endowment gains	424,872	1,503,732	1,660,363
Cash and bond funds restricted for investments in building and equipment	247,883	1,033,394	11,160,502
Assets restricted for investments in building and equipment	168,662	380,902	525,904
Total	<u>\$ 21,453,546</u>	<u>\$ 23,371,237</u>	<u>\$ 32,991,612</u>

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:

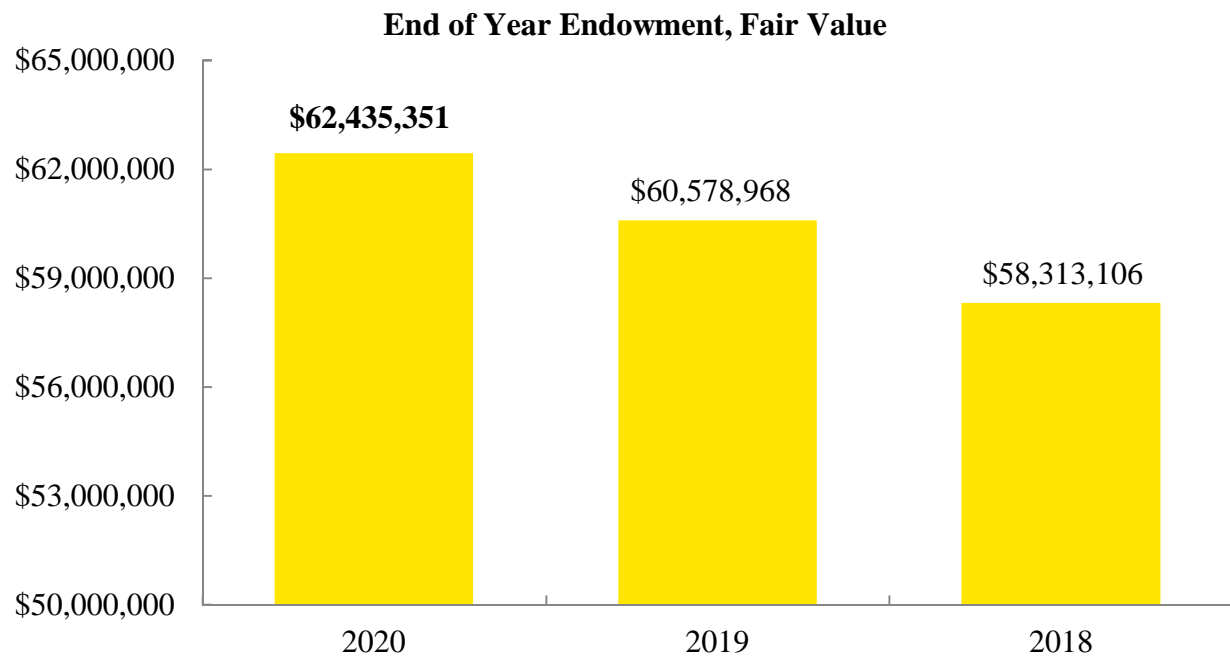
	Endowment		
	2020	2019	2018
Beginning of year, at fair value	\$ 60,578,968	\$ 58,313,106	\$ 55,878,164
Investment return	188,136	2,312,488	4,042,822
Contributions	4,644,116	2,745,119	1,031,773
Investment return, reinvested	(120,048)	(315,786)	(114,629)
Investment return, distributed	(2,855,821)	(2,475,959)	(2,525,024)
End of year, at fair value	\$ 62,435,351	\$ 60,578,968	\$ 58,313,106
Cash and cash equivalents	\$ 2,157,477	\$ 1,409,724	\$ 363,861
Equity securities	38,292,754	37,244,313	37,376,023
Investments in limited partnerships	17,517,164	17,188,278	15,496,474
Interfund loan receivable	4,467,956	4,736,653	5,076,748
Total endowment	\$ 62,435,351	\$ 60,578,968	\$ 58,313,106

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The endowment spending distribution rate adopted and approved by the Board of Trustees in each of the last three years was 5.0% of the rolling 8-quarter average market value.



The College's endowment continues to grow. During the 2019-20 fiscal year the Organization's endowment increased by \$1,856,383 to reach a total of \$62,435,351 on June 30, 2020. This overall increase in the endowment was due to the continued generosity of the College's donors. Contributions to the endowment increased by \$1,898,997 over the 2018-19 year and \$3,612,343 over the 2017-18 year. Additional details on the endowment are available in Note 9 of the audited consolidated financial statements.

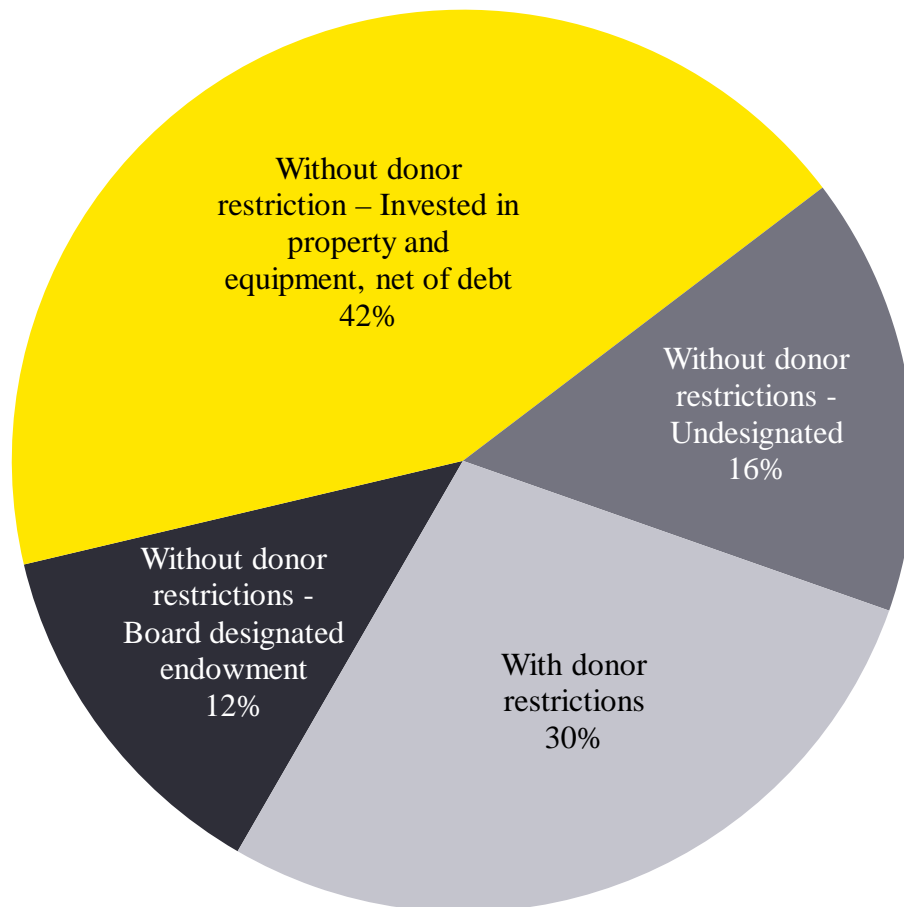
Eckerd College, Inc.

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 2018-19 by \$955,277 or 0.56%, reaching a year-end balance of \$170,246,789.

End of Year Net Assets



Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

As shown on the previous chart, 70% of total net assets are without donor restrictions. However, this amount is not all available for operating expenses, as property and equipment are generally not liquid and therefore not available to meet obligations. Net assets without donor restrictions, exclusive of property and equipment and related debt, represent 28% of total net assets, or \$48,361,241. More information on the liquidity and availability of resources is in Note 3 to the consolidated financial statements.

Net assets without donor restrictions, exclusive of plant assets and plant-related debt decreased by \$951,679 or 1.9% from the 2018–19 fiscal year, but increased \$1,207,699 from the 2017-18 fiscal year as calculated in the following table:

	Statements of Financial Position of Net Assets Without Donor Restrictions, Exclusive of Plant Assets and Plant- Related Debt		
	June 30		
	2020	2019	2018
Without Donor Restrictions			
Total net assets	\$120,255,997	\$121,971,882	\$117,906,932
Less property and equipment	(117,890,488)	(120,046,671)	(120,058,761)
Add accounts payable related to property and equipment	489,279	740,962	1,855,330
Add long-term debt	45,506,453	46,646,747	47,450,041
Net assets, exclusive of plant assets and plant-related debt	\$ 48,361,241	\$ 49,312,920	\$ 47,153,542

As described in more detail in the consolidated statements of activities and changes in net assets narrative below, the primary reason for the decrease in net assets, exclusive of plant assets and plant-related debt from the 2018-19 fiscal year, is due to the prorated refund of spring housing and dining fees.

Eckerd College, Inc.

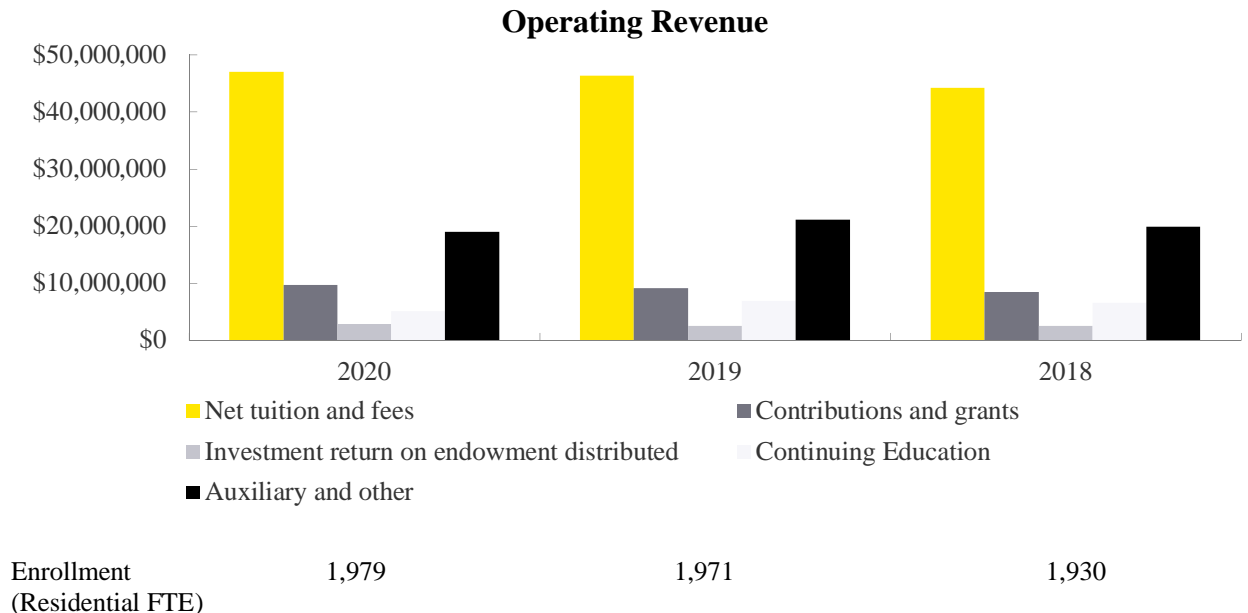
Management’s Discussion and Analysis (continued)
(Unaudited)

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:

Consolidated Statements of Activities and Changes in Net Assets			
	2020	2019	2018
Revenues	\$ 83,390,041	\$ 85,967,842	\$ 81,539,874
Operating expenses	79,518,617	79,689,121	77,182,217
Nonoperating (expenses) revenues	(2,916,147)	165,571	1,217,358
Change in net assets	955,277	6,444,292	5,575,015
Net assets, beginning of year	169,291,512	162,847,220	157,272,205
Net assets, end of year	\$ 170,246,789	\$ 169,291,512	\$ 162,847,220

The Organization’s operating revenues of \$83,390,04 for the 2019–20 fiscal year are shown in the following graph.



Eckerd College, Inc.

Management's Discussion and Analysis (continued)

(Unaudited)

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

Total revenues declined from 2018-19 by \$2,577,801 or 3.0%, primarily due to the effects of the worldwide coronavirus pandemic. Net tuition and fees increased \$682,891 or 1.5%; however, sales and services of auxiliary enterprises decreased \$3,747,809 or 18.7%. Tuition increased due to an increase in rates and a slight increase in enrollment from 1,971 FTE to 1,979 FTE. As a result of the pandemic, the College closed residence halls effective March 18, 2020. Delivery of the academic program continued uninterrupted in a remote environment through the end of the spring term.

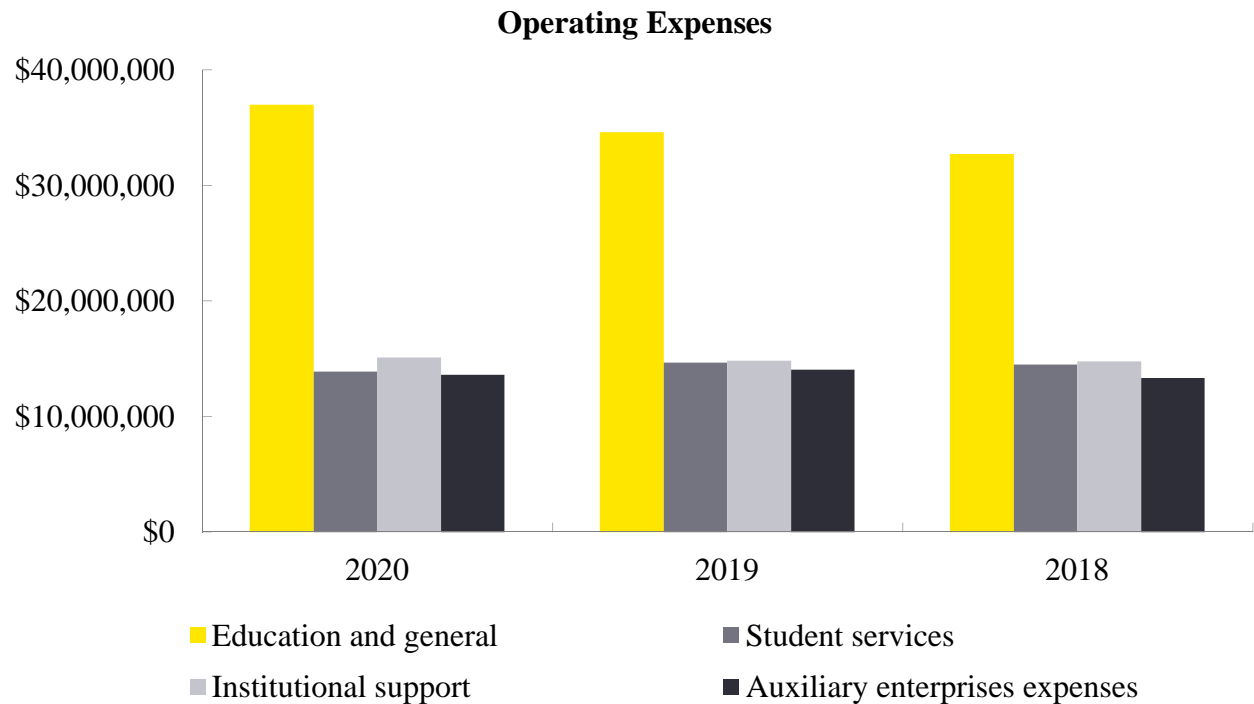
Tuition was not discounted due to the change in delivery of the academic program. Certain lab fees and student activity fees were refunded on a prorated basis. Housing and dining fees included in sales and services of auxiliary enterprises revenue were also refunded on a prorated basis and totaled approximately \$4.3 million. The decline in sales and services of auxiliary enterprises revenue was partially offset with a related decrease in operating costs.

Total operating expenses of \$79,518,617 decreased slightly from the 2018-19 fiscal year by \$170,504. This decrease was due to reduced operating costs related to the pandemic and action taken during the spring semester to curtail costs. The increase over the 2017-18 fiscal year is driven largely by increases in salaries, health insurance, and expenditures associated with increased enrollment.

Eckerd College, Inc.

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

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



The changes in nonoperating revenues (expenses) are primarily the result of investment gains (losses) on endowment as shown on the consolidated statements of activities and changes in net assets. Net investment return for the 2019-20 year was \$658,598, a decrease of \$2,551,672 from the 2018-19 fiscal year. The College continued its endowment spending policy of 5% in 2019-20, distributing \$2,855,821 of investment return. More information is shown in Note 8 of the consolidated financial statements.

Eckerd College, Inc.

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

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

The following table presents the change in net assets from operating activities, adjusted for items that are not actually available for operational use:

	Consolidated Statements of Activities and Changes in Net Assets		
	2020	2019	2018
Without Donor Restrictions			
Revenues	\$ 78,900,842	\$ 83,906,247	\$ 88,385,768
Operating expenses	79,518,617	79,689,121	77,182,217
Change in net assets from operating activities	(617,775)	4,217,126	11,203,551
Adjustments:			
Gifts released for capital projects placed into service	(2,054,881)	(2,066,197)	(7,667,455)
Change in net assets from operating activities, adjusted	\$ (2,672,656)	\$ 2,150,929	\$ 3,536,096

Operating income is planned to be sufficient to meet operating expenses on an annual basis; however, operations were negatively impacted by the coronavirus pandemic in 2019-20. The decrease in operating revenues without donor restrictions from 2018-19 was \$5,005,405 or 5.9%. As described above, the primary reason for the decrease was the prorated refunds for the spring semester housing and dining fees of approximately \$4.3 million along with the refund of certain fee revenue. In addition, the continuing education program at Eckerd College also experienced a significant decline in revenue of \$1,840,059, or 26.7%, from the prior year due to the cancellation of many programs in the spring of 2020.

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, cash equivalents, and restricted cash. 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 and the receipt of restricted resources that by donor stipulation must be for long-term purposes.

Eckerd College, Inc.

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

Consolidated Statements of Cash Flows (continued)

The following summarizes cash flows for 2019–20 and the prior two fiscal years:

	Consolidated Statements of Cash Flows		
	2020	2019	2018
Net cash provided by operating activities	\$ 6,136,355	\$ 6,758,298	\$ 6,080,021
Net cash (used in) provided by investing activities	(7,958,027)	(7,091,959)	(3,500,509)
Net cash provided by financing activities	5,007,329	3,082,629	1,663,930
Change in cash, cash equivalents and restricted cash	3,185,657	2,748,968	4,243,442
Cash, cash equivalents, and restricted cash at beginning of year	39,160,116	25,250,646	21,007,204
Implementation of ASU 2016-18*	–	11,160,502	–
Cash, cash equivalents, and restricted cash at end of year	\$ 42,345,773	\$ 39,160,116	\$ 25,250,646

*The College implemented 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 consolidated statement of cash flows. Restricted cash that is classified as assets limited as to use in the consolidated statements of financial position is summed with cash and cash equivalents and reported as cash, cash equivalents, and restricted cash on the consolidated statements of cash flows. Balances prior to July 1, 2018 were not adjusted with the implementation of this ASU. A reconciliation with the consolidated statements of financial position is shown below:

	2020	2019	2018
Cash and cash equivalents	\$ 42,097,890	\$ 38,126,722	\$ 25,250,646
Restricted cash shown as assets limited as to use	247,883	1,033,394	–
Total cash, cash equivalents, and restricted cash	\$ 42,345,773	\$ 39,160,116	\$ 25,250,646

Eckerd College, Inc.

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

Consolidated Statements of Cash Flows (continued)

Net cash continues to be provided by operating activities as planned. The 2019-20 results are \$621,943 less than the 2018-19 fiscal year primarily due to the prorated refund of housing and dining fees, but an increase from 2017-18 fiscal year of \$56,334. Cash provided by operating activities is a resource used to fund the College's capital budget.

Purchases of property and equipment are a component of investing activities on the consolidated statement of cash flows. The net cash used in investing activities has been significant over the last several years as the College incurred capital costs for the renovation of the McArthur Gymnasium, the admissions and financial aid offices, residence hall renovations and campus infrastructure.

Financing activities include contributions restricted for long-term investment. This includes gifts restricted for the investment in buildings which provides an additional resource for the College's capital projects as described above. Other gifts restricted for long-term investment include contributions to the endowment. Contributions to the endowment continue to grow as shown in Note 9 to the consolidated financial statements.



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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 statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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

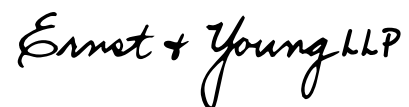
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule as required by the U.S. Department Of Education is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 18, 2020 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.



December 18, 2020

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2020	2019
Assets		
Cash and cash equivalents	\$ 42,097,890	\$ 38,126,722
Accounts receivable, net – students	155,337	161,002
Accounts receivable, net – other	680,736	1,068,418
Contributions receivable, net	2,923,039	3,078,578
Beneficial interest in assets held by others	984,649	1,008,287
Loans receivable, net – students	135,644	416,410
Investments at fair value	38,699,084	36,458,269
Assets limited as to use	21,453,546	23,371,237
Deferred charges, prepaid expenses, and other assets	1,459,085	2,003,178
Property and equipment, net	117,890,488	120,046,671
Total assets	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,402,982	\$ 5,213,627
Deferred revenues and deposits	4,007,507	2,883,616
Amounts payable under split-interest agreements	956,114	1,007,952
Bonds payable	45,506,453	46,646,747
U.S. government grants refundable	–	335,665
Other liabilities	359,653	359,653
Total liabilities	<u>56,232,709</u>	<u>56,447,260</u>
Net assets:		
Without donor restrictions:		
Board-designated endowment	21,037,001	21,956,941
Invested in property and equipment, net of related debt	71,894,756	72,658,962
Undesignated	27,324,240	27,355,979
Total without donor restrictions	<u>120,255,997</u>	<u>121,971,882</u>
With donor restrictions:		
Perpetual in nature	44,046,539	39,296,836
Purpose or time period restricted	5,944,253	8,022,794
Total with donor restrictions	<u>49,990,792</u>	<u>47,319,630</u>
Total net assets	<u>170,246,789</u>	<u>169,291,512</u>
Total liabilities and net assets	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Revenues and other support:			
Tuition and fees	\$ 91,759,862	\$ -	\$ 91,759,862
Less: College funded scholarships	(44,735,766)	-	(44,735,766)
Net tuition and fees	47,024,096	-	47,024,096
Continuing education	5,083,721	-	5,083,721
Private gifts, grants, and contracts	2,463,832	7,193,752	9,657,584
Federal grants and contracts	-	1,517,304	1,517,304
Investment return on endowment, distributed	1,052,770	1,803,051	2,855,821
Other investment income and net realized gains (loss) on investments	483,440	-	483,440
(Loss) gain on sale of property, plant and equipment	(65,448)	-	(65,448)
Sales and service of auxiliary enterprises	16,327,181	-	16,327,181
Other sources	506,342	-	506,342
Net assets released from restrictions	6,024,908	(6,024,908)	-
Total revenues and other support	78,900,842	4,489,199	83,390,041
Expenses:			
Educational and general:			
Instruction	32,167,717	-	32,167,717
Research	368,251	-	368,251
Academic support	4,423,426	-	4,423,426
Student services	13,849,639	-	13,849,639
Institutional support	15,107,108	-	15,107,108
Total educational and general	65,916,141	-	65,916,141
Auxiliary enterprises expense	13,602,476	-	13,602,476
Total expenses	79,518,617	-	79,518,617
(Decrease) increase in net assets from operating activities	(617,775)	4,489,199	3,871,424
Nonoperating revenues (expenses):			
Investment (loss) return after amounts distributed for current year operations	(1,098,110)	(1,582,553)	(2,680,663)
Change in value of split-interest agreements	-	(3,509)	(3,509)
Loss on Perkins loan program liquidation	-	(231,975)	(231,975)
Total nonoperating revenues (expenses)	(1,098,110)	(1,818,037)	(2,916,147)
Change in net assets	(1,715,885)	2,671,162	955,277
Net assets, beginning of year	121,971,882	47,319,630	169,291,512
Net assets, end of year	\$ 120,255,997	\$ 49,990,792	\$ 170,246,789

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Without	With	2019
	Donor Restrictions	Donor Restrictions	
Revenues and other support:			
Tuition and fees	\$ 88,555,211	\$ –	\$ 88,555,211
Less: College funded scholarships	(42,214,006)	–	(42,214,006)
Net tuition and fees	46,341,205	–	46,341,205
Continuing education	6,923,780	–	6,923,780
Private gifts, grants, and contracts	2,381,697	6,313,216	8,694,913
Federal grants and contracts	–	439,552	439,552
Investment return on endowment, distributed	854,860	1,621,099	2,475,959
Other investment income and net realized			
gains (loss) on investments	756,129	–	756,129
Sales and service of auxiliary enterprises	20,074,990	–	20,074,990
Other sources	261,314	–	261,314
Net assets released from restrictions	6,312,272	(6,312,272)	–
Total revenues and other support	83,906,247	2,061,595	85,967,842
Expenses:			
Educational and general:			
Instruction	31,401,881	–	31,401,881
Research	381,292	–	381,292
Academic support	4,366,927	–	4,366,927
Student services	14,646,016	–	14,646,016
Institutional support	14,835,136	–	14,835,136
Total educational and general	65,631,252	–	65,631,252
Auxiliary enterprises expense	14,057,869	–	14,057,869
Total expenses	79,689,121	–	79,689,121
Increase in net assets from operating activities	4,217,126	2,061,595	6,278,721
Nonoperating revenues (expenses):			
Investment return after amounts distributed for current year operations	(7,131)	(14,687)	(21,818)
Change in value of split-interest agreements	–	332,434	332,434
Pension-related changes other than net periodic pension cost	(145,045)	–	(145,045)
Total nonoperating (expenses) revenues	(152,176)	317,747	165,571
Change in net assets	4,064,950	2,379,342	6,444,292
Net assets, beginning of year	117,906,932	44,940,288	162,847,220
Net assets, end of year	\$ 121,971,882	\$ 47,319,630	\$ 169,291,512

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2020	2019
Operating activities		
Change in net assets	\$ 955,277	\$ 6,444,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,430,013	8,070,795
Recovery of doubtful accounts	(276,856)	(9)
Gifts of noncash	(254,676)	(663,606)
Change in value of split-interest agreements	3,509	(332,434)
Net realized and unrealized loss (gain) on investments	847,435	(1,567,610)
Contributions restricted for long-term investment	(5,610,707)	(3,458,850)
Changes in operating assets and liabilities:		
Accounts receivable, students	5,665	479,877
Accounts receivable, other	387,682	(98,296)
Contributions receivable and beneficial interest in assets held by others	179,177	48,952
Deferred charges, prepaid expenses, and other assets	544,093	(669,282)
Accounts payable and accrued liabilities	189,355	(49,198)
Deferred revenues and deposits	1,123,891	(350,164)
Amounts payable under split-interest agreements	(51,838)	(788,126)
U.S. government grants refundable	(335,665)	(310,232)
Other liabilities	-	2,189
Net cash provided by operating activities	6,136,355	6,758,298
Investing activities		
Proceeds from sales and maturities of investments	4,290,884	4,792,241
Purchases of investments	(5,930,339)	(3,840,848)
Purchases of property and equipment	(6,318,572)	(8,043,352)
Net cash (used in) provided by investing activities	(7,958,027)	(7,091,959)
Financing activities		
Contributions restricted for long-term investment	5,610,707	3,458,850
Disbursements of loans to students	(14,000)	(5,000)
Repayments of loans from students	22,432	137,875
Assignment of loan to the federal government	549,190	314,904
Repayments of bonds payable	(1,161,000)	(824,000)
Net cash provided by financing activities	5,007,329	3,082,629
Change in cash, cash equivalents, and restricted cash	3,185,657	2,748,968
Cash, cash equivalents, and restricted cash at beginning of year	39,160,116	36,411,148
Cash, cash equivalents, and restricted cash at end of year	\$ 42,345,773	\$ 39,160,116
Supplemental disclosures of cash flow information		
Restricted cash shown as assets limited as to use	\$ 247,883	\$ 1,033,394
Cash paid for interest	\$ 1,589,127	\$ 1,710,652
Purchases of property and equipment in accounts payable	\$ 489,279	\$ 740,962
Donated property	\$ 276,856	\$ 663,606

See accompanying notes.

Eckerd College, Inc.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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) which was dissolved September 27, 2019; and ECP2, Inc. (collectively, the Organization). ECRE was formed to hold title and liquidate certain real estate holdings. The College was 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 16 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. 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:

- *Without donor restrictions* include net assets that are not subject to donor-imposed restrictions and include amounts designated by the Board of Trustees (Board) for specific purposes.
- *With donor restrictions* include net assets limited by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or can be fulfilled or removed by action of the Organization pursuant to those restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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, Cash Equivalents, and Restricted Cash

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. Amounts designated for long-term purposes or the acquisition of long-term assets are classified as assets limited as to use.

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 without donor restriction total revenues and other support, unless the income or loss is restricted by the donor or by law.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, 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 net assets without donor restrictions if the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are presented as net assets released from restrictions in the consolidated statements of activities and changes in net assets.

Assets Limited as to Use

Assets limited as to use include the fair value of investments so designated by the Board (quasi-endowment) and cash restricted by donors for investment in buildings and equipment.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated property and equipment are recorded as support at estimated fair value at the date of donation and are reported as without donor restriction 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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 5 and 10 years.

Property and equipment activity funded by contributions of cash and other assets restricted for that specific use is reported as with donor restriction 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 \$787,951 and \$659,173 at June 30, 2020 and 2019 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 \$225,547 and \$246,253 at June 30, 2020 and 2019, respectively.

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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 was a single-member LLC disregarded for tax purposes.

The College follows the guidance promulgated by Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740). 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 2020 and 2019.

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 accounting principles generally accepted in the United States. Although estimates are considered to be fairly stated at the time estimates are made, actual results could differ from those estimates.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

U.S. Department of Education Financial Responsibility Ratios

In September 2019, the U.S. Department of Education (DOE) revised three financial responsibility ratios due to regulatory changes and new accounting standard updates. The Primary Reserve, Equity, and Income Ratios are now required to be included within the College's consolidated financial statements. These financial responsibility ratios are presented as a supplementary schedule. Refer to Note 22 for items from the supplementary schedule that are more disaggregated than those presented in the consolidated financial statements and other disclosures.

Coronavirus (COVID-19) Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a public health emergency of international concern stemming from the global spread of the 2019 novel coronavirus (the COVID-19 outbreak). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic. The College and its stakeholders have been significantly affected by the disruptions experienced in the global, national, and local economic environments in response to the COVID-19 outbreak.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020 to respond to the COVID-19 outbreak, includes a number of income tax provisions aimed to provide relief that are required to be accounted for in the period of enactment. One such provision allows net operating losses (NOLs) from 2018, 2019, or 2020 to be carried back five years and temporarily eliminates the 80% of taxable income limitation to fully allow NOLs to offset income.

Some of the expenses incurred and revenues forgone by the College as a result of the COVID-19 outbreak may be offset by grants provided under the CARES Act through the Higher Education Emergency Relief Fund. During the 2019-20 fiscal year, the College was granted funds in the amount of \$1,561,944 under the CARES Act. Under the legislation, no less than 50% of the full grant must be used for direct emergency aid to students, limiting the timing of revenue recognition for the institutional portion. During the 2019-20 fiscal year, the College recognized CARES Act grant revenue with donor restrictions in the amount of \$899,234 within federal grants and contracts as presented in the consolidated statements of activities and changes in net assets.

The full impact of the COVID-19 outbreak on the College remains uncertain as of the date of this report.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which made ASU 2014-09 effective for the fiscal year ended June 30, 2020. However, in May 2020, the FASB voted to extend by one year the effective date to all nonpublic entities that have not yet issued their financial statements. The College continues to evaluate the impact this will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 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 an 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 was effective for fiscal years beginning after December 15, 2019. However, in May 2020, the FASB voted to extend by one year the effective date to all nonpublic entities that have not yet issued their financial statements. 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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changed the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, held-to-maturity debt securities, loans and certain other instruments, entities are required to use a new forward-looking “expected loss” model that generally will result in earlier recognition of credit losses than under the legacy incurred loss model. For available-for-sale debt securities, entities are required to recognize an allowance for credit losses rather than a reduction in the carrying value of the asset. This standard will be effective for fiscal years beginning after December 15, 2022. 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 changed 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 are no longer required to distinguish between resources with temporary and permanent restrictions on the face of the financial statements. NFPs present expenses by their natural and functional classification and present investment returns net of external and direct internal involvement expenses. NFPs also are required to provide more information about their available resources and liquidity. The College adopted this standard in the prior year.

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. In addition, 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 adoption of these provisions changed the presentation of the consolidated statement of cash flows and added a required reconciliation to illustrate the line items and amounts of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position for each period presented which sum to the total amounts of cash, cash equivalents, and restricted cash reported within the consolidated statement of cash flows.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update 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 adoption of these provisions had no material impact on the accompanying consolidated financial statements.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 38,429,510	\$ 36,228,006
Accounts receivable, net	836,073	1,229,420
Contributions receivable within one year	1,838,456	1,439,268
Distributions from donor restricted endowment funds	1,929,517	1,794,603
Distributions from board-designated endowment fund	1,047,590	1,059,734
Financial assets available at year end for current use	<u>\$ 44,081,146</u>	<u>\$ 41,751,031</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the college has implemented cost reduction and cash preservation strategies to help mitigate the fiscal risk and uncertainty caused by the COVID-19 outbreak. The college anticipates having sufficient financial resources to cover general expenditures not covered by donor-restricted funds.

The board-designated endowment of \$21,037,001 is subject to the same spending policy as the donor-restricted endowment, which is 5% of the rolling average market value of the preceding eight quarters. Although the college does not intend to spend over its spending policy, the full amount of the board-designated endowment could be made available for operations.

As part of the liquidity management plan, the college invests cash in excess of daily requirements in a deposit account overnight sweep and money market funds that are FDIC insured.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

4. 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>2020</u>	<u>2019</u>
One year or less	\$ 1,838,456	\$ 1,439,268
One to five years	1,814,674	2,305,904
	<u>3,653,130</u>	<u>3,745,172</u>
Net present value discount	(401,310)	(339,432)
Allowance for uncollectibles	(328,781)	(327,162)
Contributions receivable, net	<u>\$ 2,923,039</u>	<u>\$ 3,078,578</u>

5. 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 \$984,649 and \$1,008,287 at June 30, 2020 and 2019, respectively.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

6. Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans have been funded through the Perkins federal revolving loan program and from institutional resources.

At June 30, student loans consisted of the following:

	<u>2020</u>	<u>2019</u>
Federal government programs	\$ —	\$ 544,620
Institutional programs	274,065	287,067
	274,065	831,687
Less allowance for doubtful accounts:		
Beginning of year	(415,277)	(415,286)
Decreases	276,856	9
End of year	(138,421)	(415,277)
Loans receivable, net – students	\$ 135,644	\$ 416,410

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 following amounts were past due under student loan programs:

<u>June 30</u>	<u>60–179 Days</u>	<u>180–729 Days</u>	<u>729+ Days</u>	<u>Total Past</u>
	<u>Past Due</u>	<u>Past Due</u>	<u>Past Due</u>	<u>Due</u>
2020	\$ 5,000	\$ 3,433	\$ 152,502	\$ 160,935
2019	5,265	10,833	182,369	198,467

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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

6. Student Loans Receivable (continued)

The federal government did not extend the Perkins loan program, and thus it expired on September 30, 2017. Final disbursements were allowed through June 30, 2018. During the 2018-2019 year, the College submitted all Perkins loans for assignment to the federal government. As of June 30, 2019, acceptance of these loans was pending. During the 2019-2020 year, the assignment of these loans was accepted by the DOE and the Perkins loan portfolio was liquidated. Cash on hand of \$203,110 related to the Perkins Loan program was returned to the DOE, and all balances related to loans receivable, allowable for doubtful accounts, and U.S. government grants refundable were eliminated resulting in a loss on the Perkins loan program liquidation of \$231,975 as shown within non-operating expenses on the consolidated statements of activities and changes in net assets. The final Fiscal Operations Report and Application to Participate (FISAP) has been submitted as required by the closeout process.

7. Investments and Assets Limited as to Use

Investments at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Pooled investments:		
Endowment	\$ 52,992,015	\$ 50,959,065
Split-interest agreements	1,242,840	2,041,489
Nonpooled investments:		
Endowment	4,975,380	4,883,250
Split-interest agreements	525,850	531,406
Restricted for investments in buildings and other long-term purposes	416,545	1,414,296
	<u>\$ 60,152,630</u>	<u>\$ 59,829,506</u>

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

	<u>2020</u>	<u>2019</u>
Investments	\$ 38,699,084	\$ 36,458,269
Assets limited as to use	21,453,546	23,371,237
Total investments and assets limited as to use	<u>\$ 60,152,630</u>	<u>\$ 59,829,506</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

7. Investments and Assets Limited as to Use (continued)

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>2020</u>	<u>2019</u>
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	\$ 20,612,129	\$ 20,453,209
Cumulative gains on Board-designated reserves	424,872	1,503,732
Total Board-designated reserves	<u>21,037,001</u>	21,956,941
Cash and bond funds restricted for investments in building and equipment	247,883	1,033,394
Assets restricted for investments in building and equipment	168,662	380,902
	<u>\$ 21,453,546</u>	<u>\$ 23,371,237</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. 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:

	2020			
	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:				
Money market funds	\$ 2,439,371	\$ 2,439,371	\$ -	\$ -
Equity securities:				
Domestic	17,181,153	17,181,153	-	-
International	15,859,135	15,859,135	-	-
Fixed income mutual funds	6,768,810	6,768,810	-	-
Inflation hedging mutual funds	223,577	223,577	-	-
Assets held for sale ⁽¹⁾	163,420	-	163,420	-
	<u>42,635,466</u>	<u>\$ 42,472,046</u>	<u>\$ 163,420</u>	<u>\$ -</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>17,517,164</u>			
Total investments and assets limited as to use	<u>\$ 60,152,630</u>			
Beneficial interest in assets held by others ⁽²⁾	<u>\$ 984,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984,649</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	2019			
	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:				
Money market funds	\$ 2,516,554	\$ 2,516,554	\$ –	\$ –
Equity securities:				
Domestic	14,715,977	14,715,977	–	–
International	16,154,573	16,154,573	–	–
Fixed income mutual funds	8,702,345	8,702,345	–	–
Inflation hedging mutual funds	357,268	357,268	–	–
Assets held for sale ⁽¹⁾	194,511	–	194,511	–
	<u>42,641,228</u>	<u>\$ 42,446,717</u>	<u>\$ 194,511</u>	<u>\$ –</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>17,188,278</u>			
Total investments and assets limited as to use	<u>\$ 59,829,506</u>			
Beneficial interest in assets held by others ⁽²⁾	<u>\$ 1,008,287</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,008,287</u>

⁽¹⁾ 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.

⁽²⁾ 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 5.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

	June 30, 2020			
	Net Asset	Unfunded	Redemption	Redemption
	Value	Commitment	Frequency	Notice Period
		s		
Global equity fund ^(a)	\$ 2,936,085	\$ —	Monthly	—
Equity long/short hedge funds ^(b)	4,416,509	—	Quarterly	45 days
Fixed income fund ^(d)	660,307	—	Monthly	—
Private equity ^(e)	6,660,244	3,493,293	—	—
Private real assets ^(f)	2,844,019	2,289,697	—	—
	<u>\$ 17,517,164</u>	<u>\$ 5,782,990</u>		
	June 30, 2019			
	Net Asset	Unfunded	Redemption	Redemption
	Value	Commitment	Frequency	Notice Period
		s		
Global equity fund ^(a)	\$ 3,338,658	\$ —	Monthly	—
Equity long/short hedge funds ^(b)	2,289,491	—	Quarterly	45 days
Multi-strategy hedge fund ^(c)	2,598,754	—	(c)	90 days
Fixed income fund ^(d)	893,714	—	Monthly	—
Private equity ^(e)	5,411,165	3,691,684	—	—
Private real assets ^(f)	2,656,496	1,681,286	—	—
	<u>\$ 17,188,278</u>	<u>\$ 5,372,970</u>		

^(a) 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 United States 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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

- ^(b) 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.
- ^(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 investment 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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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.

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>2020</u>	<u>2019</u>
Investment income	\$ 1,535,193	\$ 1,738,132
Realized (losses) gains	(775,913)	181,861
Investment fees	(94,981)	(99,878)
Investment return before unrealized (losses) gains	<u>664,299</u>	<u>1,820,115</u>
Unrealized (losses) gains	(5,701)	1,390,155
Net investment return	<u>\$ 658,598</u>	<u>\$ 3,210,270</u>

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

	<u>2020</u>	<u>2019</u>
Operating activities:		
Investment return on endowment, distributed	\$ 2,855,821	\$ 2,475,959
Other investment income	483,440	756,129
Nonoperating activities:		
Investment loss after amounts distributed for current year operations	(2,680,663)	(21,818)
Net investment return	<u>\$ 658,598</u>	<u>\$ 3,210,270</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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment

The College's endowment consists of approximately 325 individual funds established for a variety of purposes and is included in the College's investments and assets limited as to use (Note 7). 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.

Effective July 1, 2012, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in Chapter 617, *Florida Statutes*, replaced FUMIFA, and governs the 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 net assets with perpetual donor restrictions on the date of each gift or addition.

Cumulative unexpended income, gains, and losses are accumulated in quasi-endowment (without restriction) or with 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 net assets without donor restrictions. If the fund is also subject to a purpose restriction, the reclassification of the appropriated amount 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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- 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 rolling 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 2020 and 2019 fiscal years were \$2,975,869 and \$2,791,745, respectively. Expended distributions were \$120,048 and \$315,786 less than the 2020 and 2019 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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Donor-restricted fund	\$ –	\$ 40,543,089	\$ 40,543,089
Board-designated funds	21,956,941	–	21,956,941
Underwater endowments	–	(1,921,062)	(1,921,062)
Total funds	<u>\$ 21,956,941</u>	<u>\$ 38,622,027</u>	<u>\$ 60,578,968</u>
June 30, 2020			
Donor-restricted fund	\$ –	\$ 44,404,635	\$ 44,404,635
Board-designated funds	21,037,001	–	21,037,001
Underwater endowments	–	(3,006,285)	(3,006,285)
Total funds	<u>\$ 21,037,001</u>	<u>\$ 41,398,350</u>	<u>\$ 62,435,351</u>

Changes in endowment funds for the fiscal years ended June 30, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, June 30, 2018	\$ 21,305,206	\$ 37,007,900	\$ 58,313,106
Investment return	743,342	1,569,146	2,312,488
Contributions	808,366	1,936,753	2,745,119
Reinvested	(45,113)	(270,673)	(315,786)
Expended	(854,860)	(1,621,099)	(2,475,959)
Endowment, June 30, 2019	<u>21,956,941</u>	<u>38,622,027</u>	<u>60,578,968</u>
Investment return	(48,170)	236,306	188,136
Contributions	184,558	4,459,558	4,644,116
Reinvested	(3,558)	(116,490)	(120,048)
Expended	(1,052,770)	(1,803,051)	(2,855,821)
Endowment, June 30, 2020	<u>\$ 21,037,001</u>	<u>\$ 41,398,350</u>	<u>\$ 62,435,351</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

At June 30, the amount by which funds were underwater was calculated as follows:

	<u>2020</u>	<u>2019</u>
Aggregate fair value	\$ 25,692,822	\$ 16,343,712
Aggregate original gift	28,699,107	18,264,774
Aggregate deficiency	<u>\$ (3,006,285)</u>	<u>\$ (1,921,062)</u>

10. Interfund Receivable and Payable

Interfund payables of the College's operating fund total \$4,467,956 and \$4,736,653 as of June 30, 2020 and 2019, respectively, which is due to the endowment for amounts borrowed 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 2019–20 fiscal year include \$268,698 in principal and \$209,159 in interest. Payments made during the 2018–19 fiscal year include \$340,094 in principal and \$297,048 in interest. The interfund balances are eliminated in the consolidated financial statements. In order to preserve financial resources due to the COVID-19 outbreak, the Board of Trustees voted to suspend quarterly repayments for the period April 1, 2020 through June 30, 2021.

11. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 23,801,369	\$ 23,606,651
Buildings and building improvements	158,490,851	153,196,065
Leasehold improvements	51,000	51,000
Equipment	58,455,986	56,582,078
Construction-in-progress	1,458,210	2,596,645
	242,257,416	236,032,439
Less accumulated depreciation	(124,366,928)	(115,985,768)
	<u>\$ 117,890,488</u>	<u>\$ 120,046,671</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

11. Property and Equipment (continued)

Total depreciation for the years ended June 30, 2020 and 2019, is \$8,409,307 and \$8,049,888, respectively, and is allocated among all educational and general expenses in the accompanying consolidated statements of activities and changes in net assets.

12. Bonds Payable

Bonds payable at June 30 consist of the following:

	2020	2019
\$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%	\$ 45,732,000	\$ 46,893,000
Unamortized debt issuance costs	(225,547)	(246,253)
Total bonds payable	\$ 45,506,453	\$ 46,646,747

On November 30, 2015, the Pinellas County Educational Facilities Authority (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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

12. Bonds Payable (continued)

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, 2020, 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:

Year ending June 30:	
2021	\$ 1,197,000
2022	1,233,000
2023	1,270,000
2024	1,307,000
2025	1,347,000
Thereafter	39,378,000
	<u>\$ 45,732,000</u>

Total interest expense for the years ended June 30, 2020 and 2019, is \$1,589,127 and \$1,710,652, respectively, which is allocated primarily to auxiliary enterprise expenses in the accompanying consolidated statements of activities and changes in net assets. Of the total interest expense, \$209,159 and \$297,048 was paid for the interfund loan related to the College's endowment in fiscal years 2019–20 and 2018–19, respectively (Notes 9 and 10).

Annual amortization of the debt issuance costs is \$20,706 and is included in interest expense for reporting of functional expenses.

13. 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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

13. Postretirement Benefits and Deferred Compensation Obligation (continued)

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.

The unfunded postretirement benefit amounts to \$359,653 for years ended June 30, 2020 and 2019 and is shown in other liabilities on the consolidated statements of financial position.

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, 2020 and 2019, are \$2,159,042 and \$2,303,483, respectively. Subsequent to year-end, in order to preserve financial resources due to the fiscal uncertainty caused by the COVID-19 outbreak, the Board of Trustees voted to suspend the employer contributions effective September 16, 2020.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

14. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Amounts with perpetual restrictions:		
Financial aid scholarships and loans	\$ 25,596,078	\$ 24,697,435
Program and operating support	11,953,621	7,844,731
Faculty professorships and development	6,496,840	6,754,670
	<u>\$ 44,046,539</u>	<u>\$ 39,296,836</u>

Net assets with donor restrictions at June 30 that are expected to be released when a time or purpose has been satisfied include the following:

	<u>2020</u>	<u>2019</u>
Assets restricted for investment in buildings and equipment	\$ 279,883	\$ 1,067,394
Contributions receivable	1,882,001	2,311,571
Beneficial interest in assets held by others	345,183	345,323
Programs and scholarships, including unappropriated cumulative endowment gains	5,801,588	4,582,195
Split-interest agreements	641,883	1,392,002
Student loan funds	-	245,371
Underwater endowments	(3,006,285)	(1,921,062)
	<u>\$ 5,944,253</u>	<u>\$ 8,022,794</u>

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

	<u>2020</u>	<u>2019</u>
Collection of pledges – time restricted only	\$ 148,397	\$ 188,795
Satisfaction of program activities and scholarships	3,821,630	4,057,280
Gifts to plant fund expended for capital projects purchased and placed into service	2,054,881	2,066,197
	<u>\$ 6,024,908</u>	<u>\$ 6,312,272</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

15. 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 \$1,768,689 and \$2,572,895 at June 30, 2020 and 2019, 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 5 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 7.2% to 7.8% in 2020 and 2019.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

15. 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 8.6% during 2020 and 2019. The College maintains assets sufficient to meet annuity reserve requirements under Florida state law.

16. 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 visual arts building. ECRE was dissolved September 27, 2019.

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.

17. Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The tables below present the natural classification of certain expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

17. Functional Expenses (continued)

Total expenses for the fiscal years ended June 30 were as follows:

	2020						
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	Total
Salaries and wages	\$ 15,485,442	\$ 1,658,727	\$ 178,301	\$ 5,382,032	\$ 4,995,865	\$ 396,643	\$ 28,097,010
Benefits	4,863,530	539,017	38,205	1,786,251	2,397,928	105,468	9,730,399
Residential meal plans	–	–	–	–	–	3,863,404	3,863,404
Program and operations	7,058,364	923,871	151,745	4,345,807	6,253,291	1,394,213	20,127,291
Interest	184,320	7,486	–	25,601	137,128	1,255,298	1,609,833
Depreciation	2,358,812	628,415	–	1,121,516	599,515	3,701,049	8,409,307
Operation and maintenance of plant	2,217,249	665,910	–	1,188,432	723,381	2,886,401	7,681,373
	<u>\$ 32,167,717</u>	<u>\$ 4,423,426</u>	<u>\$ 368,251</u>	<u>\$ 13,849,639</u>	<u>\$ 15,107,108</u>	<u>\$ 13,602,476</u>	<u>\$ 79,518,617</u>

	2019						
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	Total
Salaries and wages	\$ 14,670,385	\$ 1,645,005	\$ 160,202	\$ 5,320,026	\$ 5,076,852	\$ 424,610	\$ 27,297,080
Benefits	4,658,633	524,256	17,388	1,763,815	2,577,014	108,033	9,649,139
Residential meal plans	–	–	–	–	–	4,563,449	4,563,449
Program and operations	7,522,411	946,501	203,702	5,316,711	5,758,230	1,344,643	21,092,198
Interest	188,866	7,670	–	26,232	140,356	1,368,235	1,731,359
Depreciation	2,257,995	601,556	–	1,073,582	573,891	3,542,865	8,049,889
Operation and maintenance of plant	2,103,591	641,939	–	1,145,650	708,793	2,706,034	7,306,007
	<u>\$ 31,401,881</u>	<u>\$ 4,366,927</u>	<u>\$ 381,292</u>	<u>\$ 14,646,016</u>	<u>\$ 14,835,136</u>	<u>\$ 14,057,869</u>	<u>\$ 79,689,121</u>

18. Related-Party Transactions

Certain board members have outstanding pledges to the Organization at June 30, 2020 and 2019, 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 \$483,850 and \$688,324 at June 30, 2020 and 2019, respectively.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

19. 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.

20. Advancement and Fund-Raising Costs

The College incurred expenses of \$2,003,217 and \$1,745,802 during the years ended June 30, 2020 and 2019, respectively, related to advancement and fund-raising.

21. 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:	
2021	\$ 271,724
2022	263,485
2023	256,604
2024	256,604
2025	120,574
Thereafter	253,147
	<u>\$ 1,422,138</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

Total rent expense under operating leases was \$387,121 and \$394,183 for the years ended June 30, 2020 and 2019, 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, 2020, the College has approximately \$2,300,000 in outstanding commitments for several facility renovations.

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.

22. U.S. Department of Education Supplemental Disclosure

The DOE issued regulations that became effective July 1, 2020 regarding additional disclosures deemed necessary in order to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The following information is not required by U.S. GAAP.

Property, Plant and Equipment (PP&E), net

PP&E, net includes construction-in-progress and is referred to as Property and equipment, net in the consolidated statements of financial position. PP&E, net, post-implementation includes all additions to PP&E during the fiscal year ended June 30, 2020. Refer to Note 11 for further information regarding PP&E.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

22. U.S. Department of Education Supplemental Disclosure (continued)

PP&E, net, pre-implementation:	
Ending PP&E, net, at June 30, 2019	\$ 120,046,671
Less depreciation	(8,409,307)
Less net disposals	(65,448)
PP&E, net, pre-implementation	<u>111,571,916</u>
PP&E, net, post-implementation with outstanding debt	—
PP&E, net, post-implementation without outstanding debt	6,318,572
Total PP&E, net, June 30, 2020	<u><u>\$ 117,890,488</u></u>

Long-Term Debt Obtained for Long-Term Purposes

Long-term (LT) debt obtained for LT purposes is referred to as bonds payable in the consolidated statements of financial position. LT debt for LT purposes is comprised of the following:

LT debt for LT purposes, pre-implementation:	
Ending long-term debt for long-term purposes, at June 30, 2019	\$ 46,646,747
Less repayments	(1,161,000)
Plus amortization of debt issuance costs	20,706
LT debt for LT purposes, pre-implementation	<u>45,506,453</u>
LT debt for LT purposes, post-implementation	—
LT debt not for PP&E or liability greater than PP&E	—
Total LT debt for LT purposes, June 30, 2020	<u><u>\$ 45,506,453</u></u>

Series	June 30, 2019	Principal Payments	Amortization (Premium and Cost of Issuance)	Debt Refunded	Subtotal (Pre-Implementation Debt)	New Debt (Post-Implementation Debt)	June 30, 2020
Series 2015A	\$21,578,582	\$ (532,000)	\$ 9,859	\$ —	\$ 21,056,441	\$ —	\$21,056,441
Series 2015B	25,068,165	(629,000)	10,847	—	24,450,012	—	24,450,012
Total	<u>\$ 46,646,747</u>	<u>\$ (1,161,000)</u>	<u>\$ 20,706</u>	<u>\$ —</u>	<u>\$ 45,506,453</u>	<u>\$ —</u>	<u>\$ 45,506,453</u>

Refer to Note 12 for further information regarding each series of debt, including the applicable issue and maturity dates. Each series is long term in nature.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

23. Subsequent Events

Management of the College has reviewed subsequent events through December 18, 2020 (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.

Supplemental Schedule

Eckerd College, Inc.

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2020

Reference to GAAP Financial Statements		DOE Ratio Components			Ratio Calculation			Composite Score Calculation		
Statement and/or Note	Statement Category or Note Description	Elements	Amount	Inputs	Result	Ratio	Strength Factor	Weight	Composite Score	
Primary reserve ratio										
<i>Expendable net assets</i>										
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 120,255,997	\$ 120,255,997						
SFP	Net assets with donor restrictions	Net assets with donor restrictions	49,990,792	49,990,792						
Note 18	Related-Party Transactions	Unsecured related party receivable	483,850	(483,850)						
SFP	Property and equipment, net	PP&E, net (includes construction in progress)	117,890,488	(117,890,488)						
Note 22	U.S. DOE Supplemental Disclosure	PP&E, pre-implementation	111,571,916							
Note 22	U.S. DOE Supplemental Disclosure	PP&E, post-implementation with outstanding debt for original purchase	–							
Note 22	U.S. DOE Supplemental Disclosure	PP&E, post-implementation without outstanding debt for original purchase	6,318,572							
N/A	N/A	Intangible assets	–	–						
SFP	Other liabilities	Post-employment and pension liabilities	359,653	359,653						
SFP	Bonds payable	Long-term debt - for long term purposes	45,506,453	45,506,453						
Note 12	Bonds payable	Long-term debt - for long term purposes, pre-implementation	45,506,453							
N/A	N/A	Long-term debt - for long term purposes, post-implementation	–							
Note 14	Net assets with donor restrictions	Annuities with donor restrictions (Split-interest agreements)	641,883	(641,883)						
SFP	Net assets with donor restrictions	Net assets with donor restrictions, perpetual in nature	44,046,539	(44,046,539)						
Total expenses and losses			163,396,941		53,050,135					
SOA	Total expenses	Total expenses without donor restrictions	79,518,617	79,518,617						
N/A	N/A	Losses without donor restrictions (Non-operating and net investment losses not included in total expenses above)	–	–						
N/A	N/A	Net investment losses (included in losses above)	–	–						
N/A	N/A	Pension-related changes other than net periodic costs (included in losses above)	–	–						
					79,518,617	0.667	3.0	40%	1.2	
Equity ratio										
<i>Modified net assets</i>										
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 120,255,997	\$ 120,255,997						
SFP	Net assets with donor restrictions	Net assets with donor restrictions	49,990,792	49,990,792						
Note 18	Related-Party Transactions	Unsecured related party receivables	483,850	(483,850)						
					169,762,939					
<i>Modified assets</i>										
SFP	Total assets	Total assets	226,479,498	226,479,498						
N/A	N/A	Intangible assets	–	–						
Note 18	Related-Party Transactions	Unsecured related party receivable	483,850	(483,850)						
					225,995,648	0.751	3.0	40%	1.2	
Net income ratio										
<i>Change in net assets without donor restrictions</i>										
SOA	Changes in net assets without donor restrictions	<i>Change in net assets without donor restrictions</i>	\$ (1,715,885)	\$ (1,715,885)	\$ (1,715,885)					
SOA	Total revenues and other support without donor restrictions	<i>Total revenues and gains without donor restrictions</i>	\$ 78,900,842	\$ 78,900,842	\$ 78,900,842					
						(0.022)	0.5	20%	<u>0.1</u>	
									2.5	

Eckerd College, Inc.

Notes to Financial Responsibility Supplemental Schedule

1. Basis of Presentation

The U.S. Department of Education (DOE) issued regulations, effective July 1, 2020, regarding information deemed necessary to calculate ratios for determining sufficient financial responsibility under Federal Title IV regulations. The Financial Responsibility Supplemental Schedule (the Schedule) is presented in accordance with the DOE regulations, and is not part of financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP Financial Statements). However, each element listed in the Schedule has been derived from the accompanying GAAP Financial Statements, which includes the Consolidated Statement of Financial Position (SFP), Consolidated Statement of Activities (SOA), Consolidated Statement of Cash Flows (SOCF), and the Notes to Consolidated Financial Statements (Notes).

The DOE establishes the following ratios, each of which is defined in the regulations with underlying data elements that correspond to the elements listed in the Schedule. Definitions for certain data elements may include items that are not applicable to the College and are therefore not referred to in the Schedule or in the Notes, such as lease right-of-use assets and liabilities since the College has not yet adopted the Financial Accounting Standards Board (FASB)'s Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*.

Primary Reserve Ratio:	$\frac{\text{Expendable Net Assets}}{\text{Total Expenses without Donor Restrictions and Losses without Donor Restrictions}}$
Equity Ratio:	$\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$
Net Income Ratio:	$\frac{\text{Change in Net Assets without Donor Restrictions}}{\text{Total Revenue without Donor Restrictions and Gains without Donor Restrictions}}$

Eckerd College, Inc.

Notes to Financial Responsibility Supplemental Schedule (continued)

2. Composite Score Calculation

A strength factor score is assigned to each ratio by applying a prescribed algorithm, with the maximum allowable strength factor score being 3.0. A standard weight percentage is then applied to the strength factor score to generate a weighted score for each ratio. The composite score is derived by adding the three weighted scores. The College's composite score calculation is summarized as follows:

	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.667	3.0	40%	1.2
Equity Ratio	0.751	3.0	40	1.2
Net Income Ratio	(0.022)	0.5	20	0.1
				<hr/> <hr/> 2.5



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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, 2020, 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 December 18, 2020.

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) as a basis for designing 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.

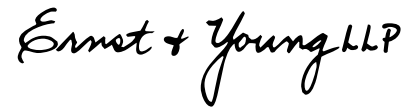
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



December 18, 2020

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

Eckerd College, Inc
Year Ended June 30, 2020
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, 2020

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Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and
State Financial Assistance

Year Ended June 30, 2020

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
Research and Development Cluster				
National Science Foundation:				
Social, Behavioral, and Economic Sciences	47.075		\$ 74,548	\$ -
Total National Science Foundation			<u>74,548</u>	<u>-</u>
Total Research and Development Cluster			74,548	-
Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		207,039	-
Federal Direct Student Loans	84.268		14,674,735	-
Federal Work-Study Program	84.033		263,908	-
Federal Perkins Loan – Federal Capital Contributions	84.038		544,620	-
Federal Pell Grant Program	84.063		1,945,250	-
Total Student Financial Assistance Cluster			<u>17,635,552</u>	<u>-</u>
Higher Education Emergency Relief Fund:				
COVID-19 Student Program	84.425E		449,617	-
COVID-19 Institutional Program	84.425F		780,972	-
Total Higher Education Emergency Relief Fund			<u>1,230,589</u>	<u>-</u>
Total Department of Education			18,866,141	-
Department of the Interior				
Passed through the State of Alabama:				
Cooperative Endangered Species Conservation Fund	15.615	AL-E-F19AP00787	1,171	-
U.S. Geological Survey, Research and Data Collection	15.808		22,289	-
Total Department of the Interior			<u>23,460</u>	<u>-</u>
Department of Commerce				
Passed through University of Southern California:				
Coral Reef Conservation Program	11.482	107810803	3,189	-
Marine Debris Program	11.999		37,623	-
Total Department of Commerce			<u>40,812</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,004,961</u>	<u>\$ -</u>

Continued on next page

Eckerd College, Inc.

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

Grantor/Program Title	State CSFA Number	State Expenditures
Florida Department of Education and Commissioner of Education		
Florida Student Assistance Grant (FSAG)	48.054	\$ 294,500
FL Child of Deacs/Disab Vets	48.055	8,904
The Florida Bright Futures Scholarship Program	48.059	881,858
Florida Resident Access Grant	48.064	984,413
Total Florida Department of Education and Commissioner of Education		2,169,675
Florida Division of Emergency Management		
Hurricane Loss Mitigation Program	31.066	194,000
Total Florida Division of Emergency Management		194,000
Florida Department of Highway Safety and Motors Vehicles		
Eckerd College License Plate Project	76.043	11,210
Protect Our Reefs License Plate Project	76.069	13,685
Total Florida Department of Highway Safety and Motors Vehicles		24,895
Total Expenditures of State Financial Assistance		\$ 2,388,570

See accompanying notes.

Eckerd College, Inc.

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

Year Ended June 30, 2020

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, 2020, 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 OMB 2 CFR 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 completed its liquidation of the Federal Perkins Loan program during the 2020 fiscal year. As part of the liquidation, the College assigned all outstanding Perkins loans to the federal government. The balance of federal loans outstanding at June 30, 2020, is \$0 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, 2020, 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, 2020. The amounts disbursed to students during fiscal 2020, 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 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 Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2020, 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 December 18, 2020.

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 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

December 18, 2020



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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, 2020. 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; 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, 2020.

Other Matter

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N 9, Gramm-Leach Bliley Act-Student Information Security as outlined in the OMB Compliance Supplement for the year ended June 30, 2020. We determined whether the College has designated an individual to coordinate the information security program. We determined whether the College performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether the College documented a safeguard for each risk identified from the three required to be risk assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

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 ended June 30, 2020, and have issued our report thereon dated December 18, 2020, which contained an unmodified opinion on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 18, 2020. 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

February 12, 2021

Eckerd College, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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

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
84.425E, 84.425F

Name of federal program or cluster

Student Financial Assistance Cluster
Higher Education Emergency Relief
Fund

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>CFDA number(s)</u>	<u>Name of federal program or cluster</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: \$ 716,571

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, 2020

	Award Population		Award Sample				Questioned Costs			
	Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	Recipients	% of Sample Recipients
Florida Resident Access Grant	\$ 984,413	368	\$ 137,789	14%	50	14%	\$ –	–%	–	–%
Florida Medallion Scholars Award	372,249	79	98,118	26%	20	25%	–	–	–	–
Florida Academic Scholars Award	509,609	71	123,807	24%	18	25%	–	–	–	–

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