

PUBLIC SAFETY ACADEMY HOUSING, INC.
Havana, Florida

FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited the accompanying financial statements of Public Safety Academy Housing, Inc. (a Florida non-profit organization) which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 evaluation of 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Public Safety Academy Housing, Inc. as of March 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2020, on our consideration of Public Safety Academy Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiring with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Thomson Block Impact Company

Tallahassee, Florida
September 11, 2020

PUBLIC SAFETY ACADEMY HOUSING, INC.
Management's Discussion and Analysis

The discussion and analysis of Public Safety Academy Housing, Inc.'s financial statements provides an overview of the financial activities for the year ended March 31, 2020. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains activities of the Public Safety Academy Housing Inc. for fiscal years 2020 and 2019.

Public Safety Academy Housing, Inc. was incorporated on February 26, 2003, as a direct support organization of Tallahassee Community College for the purpose of financing and constructing a housing facility at the College's Florida Public Safety Institute. The housing facility was financed by a \$9 million mortgage note and was completed on January 4, 2006. Upon completion, Public Safety Academy Housing, Inc. executed an agreement with the College whereby the College leases the housing facility from Public Safety Academy Housing, Inc. and is responsible for operating and maintaining the facility. During the fiscal year ended March 31, 2015, the Organization refinanced its original mortgage rate and borrowed an additional \$575,000 in a separate mortgage note payable to renovate and refurbish the dormitory. All revenues generated by the facility are retained by the College. In exchange, Public Safety Academy Housing, Inc. receives a monthly lease payment in the amount of \$62,500 through October 31, 2019, then increased to \$62,750 for the remainder of the fiscal year, for its mortgage payment and operating expenses.

By design, Public Safety Academy Housing, Inc. was limited in its establishment to obtaining the financing and constructing the housing facility, with all post completion activities to be the responsibility of the College. Accordingly, 2020 financial activities consist of monthly lease receipts, mortgage payments, and the recognition of certain costs (depreciation) incurred during prior years but recognized as current year expenses. The nature of Public Safety Academy Housing, Inc.'s future activities can be expected to remain consistent with those of the 2020 fiscal year.

See independent auditors' report.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ <u>5,838</u>	\$ <u>11,715</u>
TOTAL CURRENT ASSETS	5,838	11,715
PROPERTY AND EQUIPMENT, Net	<u>5,436,642</u>	<u>5,690,092</u>
	<u>\$ 5,442,480</u>	<u>\$ 5,701,807</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of mortgage notes payable	\$ <u>598,881</u>	\$ <u>563,880</u>
TOTAL CURRENT LIABILITIES	598,881	563,880
LONG-TERM LIABILITIES		
Mortgage notes payable	<u>2,930,062</u>	<u>3,590,402</u>
TOTAL LIABILITIES	3,528,943	4,154,282
NET ASSETS		
Invested in capital assets, net of related debt	1,907,699	1,535,810
Unrestricted	<u>5,838</u>	<u>11,715</u>
	<u>1,913,537</u>	<u>1,547,525</u>
	<u>\$ 5,442,480</u>	<u>\$ 5,701,807</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Lease income	\$ 751,250	\$ 747,500
OPERATING EXPENSES		
Depreciation	253,450	253,450
Contractual services	7,221	7,242
Materials and supplies	<u>-</u>	<u>41</u>
	<u>260,671</u>	<u>260,733</u>
OPERATING INCOME	490,579	486,767
NONOPERATING EXPENSE		
Interest expense	<u>124,567</u>	<u>154,768</u>
CHANGES IN NET ASSETS	366,012	331,999
BEGINNING NET ASSETS	<u>1,547,525</u>	<u>1,215,526</u>
ENDING NET ASSETS	\$ <u>1,913,537</u>	\$ <u>1,547,525</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rents and fees collected	\$ 751,250	\$ 747,500
Payments to vendors	(7,221)	(7,283)
Payments for interest expense	(124,567)	(154,768)
NET CASH PROVIDED BY OPERATING ACTIVITIES	619,462	585,449
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(625,339)	(592,341)
NET CASH USED IN FINANCING ACTIVITIES	(625,339)	(592,341)
NET DECREASE IN CASH	(5,877)	(6,892)
CASH AT BEGINNING OF YEAR	<u>11,715</u>	<u>18,607</u>
CASH AT END OF YEAR	\$ <u>5,838</u>	\$ <u>11,715</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 366,012	\$ 331,999
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>253,450</u>	<u>253,450</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>619,462</u>	\$ <u>585,449</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Formation and Nature of Business - Public Safety Academy Housing, Inc. (the "Organization") was incorporated on February 26, 2003 as a direct support organization of Tallahassee Community College (the "College"), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Organization was formed, among other purposes, to make available housing to participants in programs affiliated with the Florida Public Safety Institute. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Organization, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College. The Organization is a component unit of Tallahassee Community College and is included in the College's annual report.

A summary of significant accounting policies follows.

Basis of Accounting - The Organization follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recognized when incurred.

Property and Equipment - Cost directly associated with the construction of the housing complex, including interest incurred from financing during the construction period is capitalized to the cost of the building, and depreciation is provided over the building's estimated life of thirty-nine (39) years on a straight line basis.

Furniture and equipment with a value of or costing over \$500 is recorded at cost and depreciated over its estimated useful life of five (5) to seven (7) years on a straight line basis.

Income Taxes - The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Organization has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Cash Equivalents - For purposes of the statement of cash flows, all highly liquid instruments with a maturity of three (3) months or less are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Election to Apply FASB Accounting Standards Codification - The Organization has elected to apply all FASB Accounting Standards Codification, except for those that conflict with GASB pronouncements, as permitted by GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements."

Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to March 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2020. Management has performed their analysis through the date of this report.

NOTE 2 - RELATED PARTY TRANSACTIONS

On May 21, 2004, the College entered into a long-term lease to rent ten (10) acres of land to the Organization in order to build the housing complex. Terms of the lease grants the Organization the use of the land for a ninety-nine (99) year term at less than fair market value rates of \$1 each year, paid in advance.

In November 2005, the Organization executed an agreement with the College to operate the housing complex. Terms of the agreement include monthly lease revenue amounting to \$62,500 through October 31, 2019, then increased to \$62,750 for the remainder of the fiscal year, with automatic annual lease renewals unless thirty (30) day prior notice of cancellation is given by either party. Total lease income earned amounted to \$751,250 and \$747,500 for the years ended March 31, 2020 and 2019, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Building	\$ 8,491,790	\$ 8,491,790
Furniture and equipment	<u>592,650</u>	<u>592,650</u>
	9,084,440	9,084,440
Accumulated depreciation	<u>(3,647,798)</u>	<u>(3,394,348)</u>
	<u>\$ 5,436,642</u>	<u>\$ 5,690,092</u>

Depreciation expense for the years ended March 31, 2020 and 2019 amounted to \$253,450 for each year.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTES 4 - MORTGAGE NOTES PAYABLE

Mortgage notes payable as of March 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
<p>\$6,017,876 refinanced mortgage note payable executed November 10, 2014 with Gadsden County, Florida and assigned to a commercial lender; bearing interest at 2.75% through December 31, 2017, then at 3.34% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 2.45%; payable in monthly installments of principal and interest, maturing June 1, 2025. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	\$ 3,168,375	\$ 3,730,688
<p>\$575,000 mortgage note payable executed November 10, 2014, with Gadsden County, Florida and assigned to a commercial lender. The note bears interest at 3.99% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 3.25%; payable in monthly installments of principal and interest; maturing June 1, 2025. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	<u>360,568</u> 3,528,943	<u>423,594</u> 4,154,282
<p>Less current portion</p>	(<u>598,881</u>)	(<u>563,880</u>)
	\$ <u>2,930,062</u>	\$ <u>3,590,402</u>

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTES 4 - MORTGAGE NOTES PAYABLE (Continued)

As of March 31, 2020, the scheduled maturities of the mortgage notes payable were as follows:

	<u>Principal</u>	<u>Interest</u>
March 31, 2021	\$ 598,881	\$ 83,987
2022	659,144	66,713
2023	678,643	49,759
2024	698,651	32,304
2025	719,417	14,310
Thereafter	<u>174,207</u>	<u>710</u>
	<u>\$ 3,528,943</u>	<u>\$ 247,783</u>

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

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

Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Safety Academy Housing, Inc. (a Florida nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated September 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Public Safety Academy Housing, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Safety Academy Housing, Inc.'s internal control. Accordingly we do not express an opinion on the effectiveness of Public Safety Academy Housing, Inc.'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 a 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 financial statements of Public Safety Academy Housing, Inc. 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 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 results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomson Black & Veatch Company

Tallahassee, Florida
September 11, 2020

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

MANAGEMENT LETTER

Board of Directors
Public Safety Academy Housing, Inc.
Tallahassee, Florida

In planning and performing our audit of the financial statements of Public Safety Academy Housing, Inc. (the "Organization") as of and for the years ended March 31, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audits, we have become aware of matters that are an opportunity for strengthening internal control and operating efficiency. This letter does not affect our report dated September 11, 2020, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these matters previously with management and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing any recommendations. Our comments are summarized as follows:

Prior Year's Recommendations

None.

Current Year's Recommendations

Reconciliation of Loan Principal Payments with Bond Document: While reviewing the reconciliation of principal payments for both loans with the bond documents, we noted the following discrepancies as of March 31, 2020:

- On the Series A Loan, as of March 31, 2020, the principal applied was more than the bond amortization schedule in the amount of \$11,146 and interest was not properly accrued in the amount of \$6,583.
- On the Series B Loan, as of March 31, 2020, interest was not properly accrued in the amount of \$991.

We recommend that management work with the financial institution in reconciling and correcting the discrepancies and on a monthly basis, match up principal payments on invoices with the amortization schedule prior to remitting payment.

We wish to thank the Executive Director and his staff for their support and timely assistance during our audit.

The report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Impact Company

September 11, 2020

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

September 11, 2020

To the Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited the financial statements of Public Safety Academy Housing, Inc. for the years ended March 31, 2020 and 2019, and have issued our report thereon dated September 11, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 23, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Public Safety Academy Housing, Inc. are described in Note 1 to the financial statements. No changes were made to the significant accounting policies for the fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all proposed misstatements; a listing of the adjustments is attached to this letter. Additionally, certain misstatements were considered to be immaterial and were not proposed as adjustments. These uncorrected misstatements are summarized in a schedule, Audit Difference Evaluation Form, which is attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

There was a current year recommendation requested to be communicated in a separate letter titled Management Letter for the fiscal year ended March 31, 2020.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Public Safety Academy Housing, Inc.
September 11, 2020
Page 3

This information is intended solely for the use of the board and management of Public Safety Academy Housing, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Legal Company

September 11, 2020