



**Eastern Florida State College Student
Housing Corporation, Inc.**
(A Component Unit of Eastern Florida State College)
FINANCIAL STATEMENTS
For the Year Ended June 30, 2021 and 2020



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Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
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Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Executive Board of Trustees
June 30, 2021

Chair

Alan H. Landman

Treasurer

Dr. James H. Richey

President of EFSC

Dr. James H. Richey

Board Member

Scott Glover

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Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eastern Florida State College Student Housing Corporation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Florida State College Student Housing Corporation, Inc. (a component unit of Eastern Florida State College) as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Eastern Florida State College Student Housing Corporation, Inc.'s basic financial statements as listed in the table of contents.

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 audit. We conducted our audit 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 from 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 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Eastern Florida State College Student Housing Corporation, Inc., as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 9-14 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 inquiries of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of Eastern Florida State College Student Housing Corporation, Inc.'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 Eastern Florida State College Student Housing Corporation, Inc.'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 Eastern Florida State College Student Housing Corporation, Inc.'s internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
September 20, 2021

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Corporation for the fiscal year ended June 30, 2021 and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements— and Management's Discussion and Analysis—for Governmental Entities, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of management.

Financial Highlights

The District Board of Trustees of Eastern Florida State College established the Corporation on December 11, 2017 to promote and support the development of student housing facilities and related improvements and infrastructure on college property. The Corporation is authorized to develop, finance, acquire, construct and operate such housing facilities.

On August 12, 2019, the Corporation entered into a loan agreement with a national banking association to secure financing for a 96-bed student housing facility and related improvements and personal property to be constructed on the college's Melbourne campus. In December of 2020, the Corporation finalized the loan financing with South State Bank in the amount of \$5,650,937 with a twenty-year note. Interest and principal on the note are to be paid in semi-annual installments that began in December of 2020.

On August 15th, 2020, the Corporation opened its doors and students were able to move in before the start of the Fall semester. The Corporation's net position increased by \$473 thousand for the year ended June 30, 2021. The increase was due to the Corporation being fully operational during fiscal year 2020-21. The Corporation's net position decreased by \$49 thousand for the year ended June 30, 2020. The decrease in net position was primarily due to organizational and financing costs to create the Corporation and commence financing and construction activities.

One of the most important questions asked about the Corporation's finances is, "Is the Eastern Florida State College Student Housing Corporation as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the Corporation as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Corporation's operating results.

These two statements report the Corporation's net position and changes in them. You can think of the Corporation's net position, the difference between assets and liabilities, as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net position are one indication of whether its financial health is improving or deteriorating.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

Statement of Net Position: The Statement of Net Position presents the assets, liabilities and net position of the Corporation at the end of each fiscal year. The purpose of this statement is to present a snapshot of the financial condition of the organization. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Total net position, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the Corporation.

Assets and liabilities are categorized between current and non-current. Current assets and liabilities are those that are expected to mature or become payable within the 12 month operating cycle. Non-current assets and liabilities are expected to mature or become payable after 12 months.

The following is a summarized version of the Corporation's Statement of Net Position as of June 30, 2021:

EASTERN FLORIDA STATE COLLEGE STUDENT HOUSING CORPORATION
CONDENSED STATEMENT OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
In Thousands

ASSETS	2021	2020
Current Assets	\$547.0	\$0.4
Noncurrent Assets	5,429.1	4,782.4
Total Assets	5,976.1	4,782.8
LIABILITIES		
Current Liabilities	230.4	857.8
Noncurrent Liabilities	5,321.8	3,974.0
Total Liabilities	5,552.2	4,831.8
NET POSITION		
Net Investment in Capital Assets	(92.8)	(49.4)
Restricted – Renewal and Replacement	19.3	0.0
Unrestricted	497.4	0.4
Total Net Position	\$423.9	(\$49.0)
Increase/(Decrease) in Net Position	\$472.9	(\$49.0)

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

Current Assets - Current assets consist of cash and cash equivalents, accounts receivable, prepaid expenses, investments in Florida State Treasury Pool and other short-term investments. Surplus cash not needed for operations is deposited into a Special Purpose Investment Account (SPIA). Investment earnings are used to support unrestricted activities of the Corporation.

During fiscal year 2020-21, the Corporation's receivables increased by approximately \$10 thousand and is a result of an increase in student accounts receivables. For the year ended June 30, 2020, the Corporation had no receivables due to not being operational during the fiscal year.

Non-current Assets – As of June 30, 2021, the Corporation added the building to depreciable capital assets totaling \$5.4 million as construction was completed on the Corporation's building. For the year ended June 30, 2020, the Corporation has capitalized construction in progress expenditures totaling \$4.8 million reported as a non-depreciable capital asset. These expenditures were incurred for constructing the student housing building.

Liabilities – During fiscal year 2020-21, the Corporation's liabilities increased \$720 thousand and is a result of a decrease of \$317 thousand in accounts payable, \$269 thousand in due to College net of increases of \$1,302 million in notes payable and accrued compensated absences of \$5 thousand. For fiscal year 2019-20, the Corporation's current liabilities increased approximately \$858 thousand and is comprised of \$324 thousand for end of year accruals for construction costs, \$269 thousand in due to the college for working capital, and \$265 thousand in loan proceeds to cover FY 2021-21 initial debt service payment. Noncurrent liabilities increased approximately \$4 million for capital financing for building construction costs.

Net Position - Net position is presented in three major categories. The three categories are Net Investment in Capital Assets, which represents the Corporation's equity in its property, plant and equipment, Unrestricted and Restricted for Renewal and Replacement.

The unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the Corporation. This includes funds that have been designated by the Board of Directors for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received.

Statement of Revenues, Expenses and Changes in Net Position: The Statement of Revenues, Expenses and Changes in Net Position presents the financial results of operations for the year. Activities are reported as either operating or non-operating. Operating Revenues of the Corporation include rents and application fees. The utilization of long-lived assets, referred to as Net Investment in Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The following is a summarized version of the Corporations revenues, expenses and changes in net position for the fiscal year ended June 30, 2021:

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

EASTERN FLORIDA STATE COLLEGE STUDENT HOUSING CORPORATION
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

In Thousands

	2021	2020
Operating Revenues	\$859.1	\$10.6
Operating Expenses	237.2	58.7
Operating Income (Loss)	621.9	(48.1)
Nonoperating Expenses	(149.0)	(0.9)
Other Revenues	0.0	0.0
Total Increase (Decrease) in Net Position	472.9	(49.0)
Net Position at Beginning of Year	(49.0)	0.0
Net Position at End of Year	\$423.9	\$(49.0)

Application and housing fees were the Corporation's primary source of operating revenues for the year.

The Corporation's fiscal year 2020-21 operating expenses increased \$179 thousand and is primarily due to an increase of \$73 thousand in salaries due to a full operating year and an increase of \$106 thousand for contractual, materials, and supplies. Operating expenses for fiscal year 2019-20 were \$59 thousand primarily for organizational and financing costs.

Statement of Cash Flows: Another important factor to consider when evaluating financial viability is the Corporation's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities.

The Statement of Cash Flows helps users assess:

- The Corporation's ability to generate future cash inflows
- The ability to meet obligations as they come due
- The need for external financing

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

EASTERN FLORIDA STATE COLLEGE STUDENT HOUSING CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2021 AND 2020
In Thousands

CASH AND CASH EQUIVALENTS PROVIDED/(USED) BY:	2021	2020
Operating Activities	\$ 700.2	\$(57.3)
Capital and Related Financing Activities	(166.8)	57.7
Investing Activities	(517.3)	0.0
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	16.1	0.4
	<hr/>	<hr/>
Cash and Cash Equivalents - Beginning of Year	0.4	0.0
	<hr/>	<hr/>
Cash and Cash Equivalents - End of Year	<u>\$16.5</u>	<u>\$0.4</u>

The Corporation's cash receipts from operating activities consist of application and housing fees. Cash outlays include payments to employees, suppliers, and utility providers.

For the year ended June 30, 2021, loan proceeds were the sole source of capital financing inflows. Net cash flows used in capital financing activities totaled \$167 thousand and were comprised of inflows of \$1,547 million, purchases of capital assets of \$1,317 million and repayment of capital debt and accrued interest totaling \$397 thousand were the sources of cash outflows.

For the year ended June 30, 2020, loan proceeds were the sole source of capital financing inflows. Net cash flows from capital financing activities totaled \$57.7 thousand and were comprised of inflows of \$4.2 million. Capital construction costs of \$4.2 million were the sole cash outflow.

Economic Factors that will Affect the Future

The Eastern Florida State College Housing Corporation's economic condition is closely tied to that of the Eastern Florida State College and to the State of Florida. While the State of Florida and Brevard County have experienced positive financial growth in the last year, the College faces financial challenges in the near term.

Eastern Florida State College's State noncapital appropriations increased by \$1.6 million for the 2021-22 fiscal year; however, capital appropriations were not funded for the third straight year. Funding for the maintenance, renovation, and construction of facilities is needed to maintain the quality of programs offered at the College; enhance the student experience; incorporate measures that support campus safety; address critical deferred maintenance issues; and provide long-term utilities and infrastructure stability. The absence of capital appropriations puts a strain on College operating funds to maintain aging facilities in need of renovation.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Management Discussion and Analysis

The College received \$34.8 million in Federal Higher Education Emergency Relief Funds (HEERF) to assist the College with the extraordinary costs related to the COVID-19 pandemic. As of June 30, 2021, \$9.4 million has been expended for cleaning, personal protective equipment, social distancing, facilities modifications, information technology infrastructure improvements, and to recover lost revenue. Included in this amount is an estimated \$36 thousand for a COVID social distancing suite in the Student Housing Corporation.

The College also received \$25.3 million to provide Emergency Financial Aid Grants to Students to assist with expenses due to the disruption of campus operations. As of June 30, 2021, \$10.4 million in HEERF grants were disbursed to students.

The College Board of Trustees elected again to continue the 2011-12 fiscal year tuition rates into the 2020-21 fiscal year. Enrollment since the start of the pandemic, however, has declined 20% from 2019. The need for financial support of students from Foundation scholarships will become greater as Federal pandemic relief funds expire.

The College's current financial and capital plans indicate that the resources from cost savings and increased efficiencies will enable it to maintain consistent services over the coming year.

The College has returned to on-campus/online instruction for the Fall 2020 semester, while adjusting classroom capacities to maintain CDC recommended social distancing. Despite the impact of the pandemic on College operations, the newly constructed housing facility opened for students in August 2020. The facility is fully occupied less one suite held vacant to house residents which may become infected. With occupancy exceeding initial projections, management projects the Corporation will be able to operate the facility and meet all debt obligations and debt coverage ratios as required by the lender.

Requests for Information:

Questions about this report or requests for additional financial information should be addressed to:

Eastern Florida State College Corporation
1519 Clearlake Road
Cocoa, FL 32922
321-632-1111

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Statement of Net Position

<i>June 30,</i>	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,462	\$ 387
Accounts receivable	9,970	-
Due from College	519,741	-
Prepaid expenses	872	-
Total current assets	547,045	387
Noncurrent assets:		
Nondepreciable capital assets	-	4,782,419
Depreciable capital assets, net	5,429,078	-
Total noncurrent assets	5,429,078	4,782,419
Total assets	\$ 5,976,123	\$ 4,782,806
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 6,166	\$ 323,529
Due to College	-	269,273
Notes payable	224,242	265,053
Total current liabilities	230,408	857,855
Noncurrent liabilities:		
Accrued compensated absences	4,938	-
Notes payable	5,316,898	3,973,996
Total noncurrent liabilities	5,321,836	3,973,996
Total liabilities	5,552,244	4,831,851
NET POSITION		
Net investment in capital assets	(92,776)	(49,432)
Restricted for:		
Renewal and replacement	19,286	-
Unrestricted	497,369	387
Total net position	423,879	(49,045)
Total liabilities and net position	\$ 5,976,123	\$ 4,782,806

The accompanying footnotes are an integral part of these financial statements.

Eastern Florida State College Students Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Statement of Revenues, Expenses and Changes in Net Position

<i>For the year ended June 30,</i>	2021	2020
Operating revenues		
Charges for service	\$ 859,105	\$ 10,650
Total operating revenues	859,105	10,650
Operating expenses		
Salaries, wages and employee benefits	72,974	-
Contractual, materials, and supplies	164,236	58,395
Other operating expenses	-	327
Total operating expenses	237,210	58,722
Operating income (loss)	621,895	(48,072)
Nonoperating revenues (expenses)		
Interest and fiscal charges	(151,459)	(973)
Investment income	2,488	-
Total nonoperating revenues (expenses)	(148,971)	(973)
Change in net position	472,924	(49,045)
Net position, beginning of year	(49,045)	-
Net position, end of year	\$ 423,879	\$ (49,045)

The accompanying footnotes are an integral part of these financial statements.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Statement of Cash Flows

<i>For the year ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Payments to suppliers	\$ (14,867)	\$ (58,722)
Payments to utilities	(75,353)	-
Payments to employees	(68,036)	-
Cash received for services provided, and other sources	858,416	1,369
Net cash provided by (used in) operating activities	700,160	(57,353)
Cash flows from capital and related activities:		
Proceeds from capital debt	1,547,280	4,239,049
Purchases of capital assets	(1,317,464)	(4,180,336)
Repayment of capital related debt	(245,189)	-
Interest paid on capital debt and lease	(151,459)	(973)
Net cash provided by (used in) capital and related activities	(166,832)	57,740
Cash flows from investing activities:		
Interest on investments	2,488	-
Purchase of investments	(519,741)	-
Net cash used in investing activities	(517,253)	-
Net increase in cash and cash equivalents	16,075	387
Net cash and cash equivalents at the beginning of the year	387	-
Net cash and cash equivalents at the end of the year	\$ 16,462	\$ 387

<i>For the years ended June 30,</i>	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ 621,895	\$ (48,072)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	68,723	-
Changes in net position		
Increase in accounts receivable	(9,970)	-
Increase in prepaid expenses	(872)	-
Increase in accounts payable	11,103	-
Increase (decrease) in due to College	9,281	(9,281)
Net cash used in operating activities	\$ 700,160	\$ (57,353)

The accompanying footnotes are an integral part of these financial statements.

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Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Eastern Florida State College Student Housing Corporation, Inc. (the “Corporation”) is a Florida not-for-profit corporation. It is also designated as a component unit and a direct-support organization of Eastern Florida State College (the “College”) under Section 1004.70, Florida Statutes. As such, the Student Housing Corporation is organized to provide a means for the development, financing, acquisition and construction of the College’s student housing facilities.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Corporation follows GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*.

GASB Statements No. 34 and 35 establish standards for external financial reporting, which includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted.

The Corporation uses the proprietary fund basis for the presentation of its financial statements. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of the related cash flows.

The Corporation functions as an enterprise fund that accounts for the operations of the Corporation. An enterprise fund is a type of proprietary fund that provides services to the general public. This fund is used to account for the operations of governmental facilities and services, which are entirely or predominantly self-supported.

When both restricted and unrestricted resources are available for use, it is the Corporation’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

The Corporation’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are defined by the Corporation as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost, if purchased and at fair market value at date of gift, if donated. Depreciation is recognized on the straight-line method or double declining balance over the estimated useful lives of the assets. The estimated useful lives of the buildings are 40 years and other estimated useful lives range between 5 to 10 years. Land, buildings and equipment held for sale are not depreciated.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Categories and Classification of Net Position

Net position flow assumption – Sometimes the Corporation will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and as net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporations' policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The provisions of GASB Codification P80 *Proprietary Fund Accounting and Financial Reporting*, specifies the following classifications:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Restricted net position are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Unrestricted net position is the residual classification.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. REVENUE AND EXPENDITURES/EXPENSES

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation are the revenues related to application fees and housing rentals. Operating expenses include contractual, materials, supplies, and other costs to operate the Corporation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued and determined there were no events that occurred that required disclosure.

Recently Implemented Accounting Pronouncements

The Corporation implemented GASB 89, *Accounting for Interest Cost before the End of a Construction Period*, which requires such interest to be recognized as an expense in the period in which that cost is incurred for financial statements prepared using the economic resources measurement focus for the year ending June 20, 2021. The statement was implemented prospectively.

Note 2: DEPOSITS

At June 30, 2021 and June 30, 2020, the Corporation's carrying amount of cash deposits was \$16,462 and \$387, respectively, and bank balance was \$209,395 and \$387, respectively. The Corporation's cash deposits are covered 100% by federal depository insurance (FDIC). The Corporation maintains cash accounts at a financial institution that are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021 and June 30, 2020, there was \$0 in excess of federal-insurance limits.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Notes to Financial Statements

Note 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 4,782,419	\$ 715,382	\$ (5,497,801)	\$ -
Total capital assets, not being depreciated	4,782,419	715,382	(5,497,801)	-
Capital assets, being depreciated:				
Buildings	-	5,497,801	-	5,497,801
Total capital assets being depreciated	-	5,497,801	-	5,497,801
Less accumulated depreciation for:				
Buildings	-	68,723	-	68,723
Total accumulated depreciation	-	68,723	-	68,723
Total capital assets, being depreciated, net	-	5,429,078	-	5,429,078
Capital assets, net	\$ 4,782,419	\$ 6,144,460	\$ (5,497,801)	\$ 5,429,078

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 4,782,419	\$ -	\$ 4,782,419
Total capital assets, not being depreciated	-	4,782,419	-	4,782,419
Capital assets, net	\$ -	\$ 4,782,419	\$ -	\$ 4,782,419

Depreciation expense was \$68,723 for the year ended June 30, 2021 and \$0 for the year ended June 30, 2020. Additionally, the Corporation capitalized interest costs of \$0 for the year ended June 30, 2021 and \$35,260 for the year ended June 30, 2020.

Eastern Florida State College Student Housing Corporation, Inc.
(A Component Unit of Eastern Florida State College)
Notes to Financial Statements

Note 4: LONG-TERM DEBT AND LIABILITIES

On August 12, 2019, the Corporation borrowed a principal sum not to exceed of \$7,000,000 through a local bank for the purpose of constructing a student housing facility for the College. Interest is a fixed rate of 2.81% and is paid semi-annually on every June 30 and December 31, commencing December 31, 2019 until the note is paid in full. Principal on the note shall be paid in semi-annual installments beginning December 31, 2020, and each June 30 and December 31 thereafter. The note is secured solely by net revenues and matures on June 30, 2040. As of June 30, 2021, the principal outstanding and accrued interest on the note was \$5,541,140 and \$0, respectively. As of June 30, 2020, the principal outstanding and accrued interest on the note was \$4,239,049 and \$31,751, respectively.

The following is a summary of notes payable for the year ended June 30, 2021:

<i>Year ending June 30,</i>	Principal	Interest	Total
2022	\$ 224,242	\$ 154,142	\$ 378,384
2023	230,587	147,796	378,383
2024	237,112	141,271	378,383
2025	243,821	134,562	378,383
2026	250,721	127,662	378,383
2027 - 2031	1,364,129	527,788	1,891,917
2032 - 2036	1,568,373	323,544	1,891,917
2037 - 2040	1,422,155	91,379	1,513,534
Total	\$ 5,541,140	\$ 1,648,144	\$ 7,189,284

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 4,239,049	\$ 1,547,280	\$ (245,189)	\$ 5,541,140	\$ 224,242
Total notes from direct borrowings	\$ 4,239,049	\$ 1,547,280	\$ (245,189)	\$ 5,541,140	\$ 224,242

Eastern Florida State College Student Housing Corporation, Inc.
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Notes to Financial Statements

Note 4: LONG-TERM DEBT AND LIABILITES (Continued)

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ -	\$ 4,239,049	\$ -	\$ 4,239,049	\$ 265,053
Total notes from direct borrowings	\$ -	\$ 4,239,049	\$ -	\$ 4,239,049	\$ 265,053

Note 5: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

	2021	2020
Capital assets (net)	\$ 5,429,078	\$ 4,782,419
Accounts payable	-	(323,529)
Unexpended debt proceeds	19,286	-
Due to College	-	(269,273)
Outstanding debt related to capital assets	(5,541,140)	(4,239,049)
Net investment in capital assets	\$ (92,776)	\$ (49,432)

Note 6: RELATED PARTY TRANSACTIONS

Use of Property Facilities and Personal Services - Section 1004.70(3)(a), Florida Statutes, authorizes a College board of trustees to permit the use of its property, facilities and personal services by the College's direct support organizations. During the years ended June 30, 2021 and June 30, 2020, the College allowed the Corporation to utilize the services of its employees in the amounts of \$13,039 and \$13,052, respectively.

Due to/Due From the College – The Corporation, as a direct support organization of the College, uses the College's bank account to receipt student resident housing payments and disburse some expenses. An agency account is set up on the books of the College to record this activity and it is reconciled monthly with the accounting records of the Corporation. At June 30, 2021, the cash position in the agency account reflected a positive cash balance of \$32,253.

In the prior year, the Corporation used the College's clearing account to pay for the construction costs in between loan draw requests. These amounts were paid by the College on behalf of the Housing Corporation and then repaid to the College once the amount from the loan draw request was received. The amount due to the College from the construction clearing account at June 30, 2020 was \$269,273, which included retainage payable of \$22,527 and accrued interest on the loan of \$31,751.

Eastern Florida State College Student Housing Corporation, Inc.
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Notes to Financial Statements

Note 6: RELATED PARTY TRANSACTIONS (Continued)

The College, in its role as fiscal agent for the Corporation, participates in the Florida Treasury Investment Pool, which combines short and intermediate term fixed income investment strategies. The asset structure is designed to provide strong liquidity using short term, high quality investments and additional investment income using intermediate investments. Funds of organizations can be used if they are participating in the Treasury Special Purpose Investment Accounts (“SPIA”). As of June 30, 2021 and 2020, \$487,488 and \$0, respectively, of the Corporation’s funds are included in this account. The total amount due from the College to the Corporation as of June 30, 2021 and 2020 is \$519,741 and \$0, respectively.

Interest earnings are allocated to the Corporation in proportion to the amount of Corporation funds to total funds.

During the year ended June 30, 2021, the College awarded \$406,000 in student athletic scholarships to the Corporation in accordance with the LOI and scholarship agreement.

Note 7: RETIREMENT PLAN

As a direct support organization of the College, all regular employees of the Corporation participate in the Florida Retirement System (“System”). The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services’ website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Eastern Florida State College Student Housing Corporation, Inc.
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Notes to Financial Statements

Note 7: RETIREMENT PLAN (Continued)

Benefits Provided – Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions – The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer’s contribution rates as of June 30, 2021 and 2020, were as follows:

2021	FRS	HIS
Regular class	8.34%	1.66%
2020	FRS	HIS
Regular class	6.81%	1.66%

The employer’s contributions to the FRS for the years ended June 30, 2021 and 2020, were \$4,589 and \$0, respectively. The employer’s contributions to the HIS for the years ended June 30, 2021 and 2020, were \$913 and \$0, respectively. The amount of covered payroll for College employees funded by the Corporation for the years ended June 30, 2021 and 2020, was \$55,026 and \$0, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Corporation reported a liability of \$0 for its proportionate share of the Pension Plan’s net pension liability. Employees eligible to participate in the system are employed by the College and therefore none of the net pension liability is allocated to the Corporation.

Eastern Florida State College Student Housing Corporation, Inc.
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Notes to Financial Statements

Note 7: RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liability for each of the defined benefit plans was measured as of June 30, 2020. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2020. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2019, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.21%

Mortality assumptions for the FRS Pension Plan was based on the PUB-2010 with projected generations with scale MP-2018

Mortality assumptions for the HIS Pension Plan was based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2020:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.90% to 6.80%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.50% to 2.21%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Eastern Florida State College Student Housing Corporation, Inc.
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Notes to Financial Statements

Note 7: RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.2%	2.2%
Fixed income	19%	3.0%	2.9%
Global equity	54%	8.0%	6.7%
Real estate (property)	10%	6.4%	5.8%
Private equity	11%	10.8%	8.1%
Strategic investments	5%	5.5%	5.3%
	<u>100%</u>		

Discount Rate – The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. FRS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.21% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Pension Plans’ Fiduciary Net Position – Detailed information about the pension plans’ fiduciary net position is available in the State’s separately issued financial reports.

Note 8: RECLASSIFICATION

Certain amounts were reclassified on the statement of cash flows to conform with the current year presentation.

Note 9: UNCERTAINTY

Management evaluated all events or transactions that occurred after June 30, 2021 through September 20, 2021, the date the Corporation’s financial statements were available to be issued. In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Corporation. The occurrence and extent of such an impact will depend on future developments, including: (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

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*

To the Board of Trustees
Eastern Florida State College Student Housing Corporation, Inc.

We have audited, in accordance with the 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 Eastern Florida State College Student Housing Corporation as of and for the years ended June 30, 2021 and June 30, 2020, and the related notes to the financial statements, which collectively comprise Eastern Florida State College Student Housing Corporation's basic financial statements and have issued our report thereon dated September 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Florida State College Student Housing Corporation'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 Eastern Florida State College Student Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Florida State College Student Housing Corporation'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 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 Eastern Florida State College Corporation's financial statements are free from 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 results 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
September 20, 2021