

Eckerd College, Inc.  
Consolidated Financial Statements  
Years Ended June 30, 2021 and 2020

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# Eckerd College, Inc.

## Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2021 and 2020

### 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, 2021 and 2020, 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, 2021 and 2020, 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 2020–21 fiscal year include:

- Total assets increased \$20,131,581 or 8.89% over the prior fiscal year.
- Net assets increased by \$18,797,988 or 11.04% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$18,685,958 or 29.93% 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 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.

**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>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 47,898,072	\$ 42,097,890	\$ 38,126,722
Accounts receivable, net – students	93,696	155,337	161,002
Accounts receivable, net – other	376,156	680,736	1,068,418
Contributions receivable, net	2,918,790	2,923,039	3,078,578
Beneficial interest in assets held by others	1,134,892	984,649	1,008,287
Loans receivable, net – students	103,044	135,644	416,410
Investments at fair value	51,103,381	38,699,084	36,458,269
Assets limited as to use	27,944,081	21,453,546	23,371,237
Deferred charges, prepaid expenses, and other assets	1,456,058	1,459,085	2,003,178
Property and equipment, net	113,582,909	117,890,488	120,046,671
Total assets	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>
<b>Liabilities and net assets</b>			
Accounts payable and accrued liabilities	\$ 7,616,212	\$ 5,402,982	\$ 5,213,627
Deferred revenues and deposits	4,603,290	4,007,507	2,883,616
Amounts payable under split-interest agreements	644,611	956,114	1,007,952
Bonds payable	44,330,159	45,506,453	46,646,747
U.S. government grants refundable	–	–	335,665
Other liabilities	372,030	359,653	359,653
Total liabilities	<u>57,566,302</u>	<u>56,232,709</u>	<u>56,447,260</u>
Net assets:			
Without donor restrictions	124,341,049	120,255,997	121,971,882
With donor restrictions	64,703,728	49,990,792	47,319,630
Total net assets	<u>189,044,777</u>	<u>170,246,789</u>	<u>169,291,512</u>
Total liabilities and net assets	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>	<u>\$ 225,738,772</u>

Eckerd College, Inc.

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

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

The Organization's assets totaled \$246,611,079 at June 30, 2021. This balance reflects a \$20,131,581 or 8.89% increase from the 2019–20 fiscal year and \$20,872,307 or 9.25% increase from the 2018-19 fiscal year. The most significant changes within asset classes are in cash and cash equivalents, investments and assets limited as to use. Cash and cash equivalents increased from the 2019–20 fiscal year by \$5,800,182, investments increased by \$12,404,297, and assets limited as to use increased over the prior year by \$6,490,535. Additional details on changes in cash, cash equivalents and restricted cash are available in the consolidated statements of cash flows.

The components of assets limited as to use are summarized below. Additional details are available in Note 7 of the audited consolidated financial statements:

	<b>Assets Limited as to Use</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Board-designated funds	\$ 21,825,561	\$ 20,612,129	\$ 20,453,209
Cumulative board-designated endowment gains	5,300,247	424,872	1,503,732
Cash restricted for investments in building and equipment	489,784	247,883	1,033,394
Board-designated cash for insurance reserves	167,048	–	–
Assets restricted for investments in building and equipment	161,441	168,662	380,902
Total	<u>\$ 27,944,081</u>	<u>\$ 21,453,546</u>	<u>\$ 23,371,237</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:

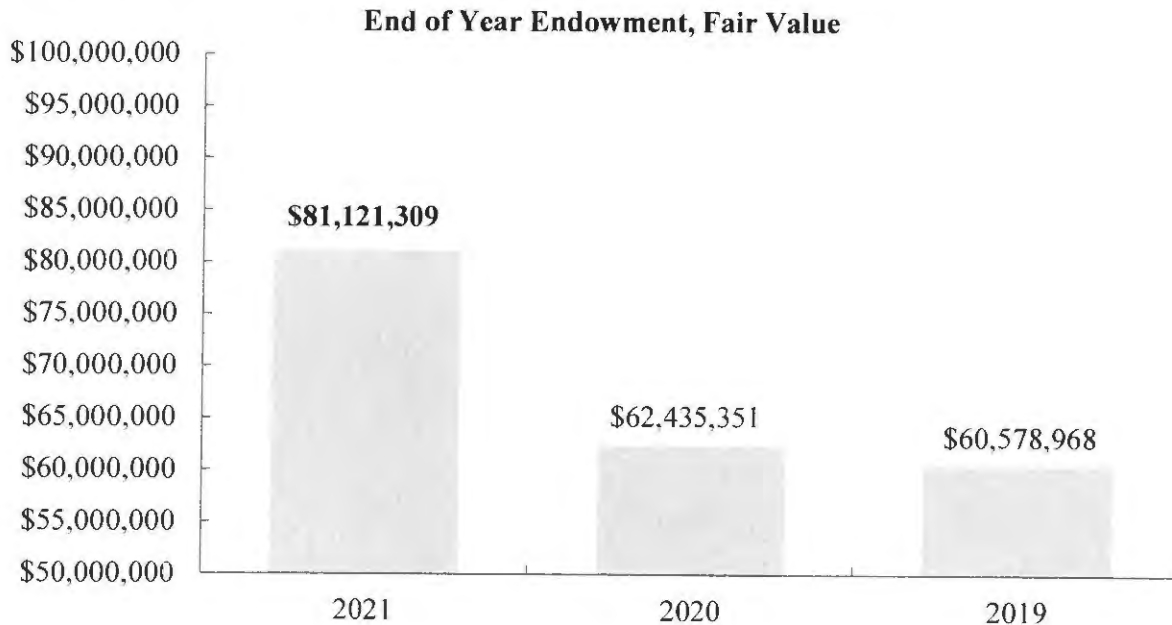
	<b>Endowment</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Beginning of year, at fair value	<b>\$ 62,435,351</b>	\$ 60,578,968	\$ 58,313,106
Investment return	<b>19,266,269</b>	188,136	2,312,488
Contributions	<b>3,179,901</b>	4,644,116	2,745,119
Investment return, reinvested	<b>(848,917)</b>	(120,048)	(315,786)
Investment return, distributed	<b>(2,911,295)</b>	(2,855,821)	(2,475,959)
End of year, at fair value	<b>\$ 81,121,309</b>	\$ 62,435,351	\$ 60,578,968
Cash and cash equivalents	<b>\$ 2,314,536</b>	\$ 2,157,477	\$ 1,409,724
Equity securities	<b>50,228,335</b>	38,292,754	37,244,313
Investments in limited partnerships	<b>24,110,482</b>	17,517,164	17,188,278
Interfund loan receivable	<b>4,467,956</b>	4,467,956	4,736,653
Total endowment	<b>\$ 81,121,309</b>	\$ 62,435,351	\$ 60,578,968

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 2020-21 fiscal year the Organization's endowment increased by \$18,685,958 to reach a total of \$81,121,309 on June 30, 2021. This overall increase in the endowment was due to the continued generosity of the College's donors, unrealized investment gains, and contributions to quasi-endowment from operations as approved by the Board of Trustees. Additional details on the endowment are available in Note 9 of the audited consolidated financial statements.

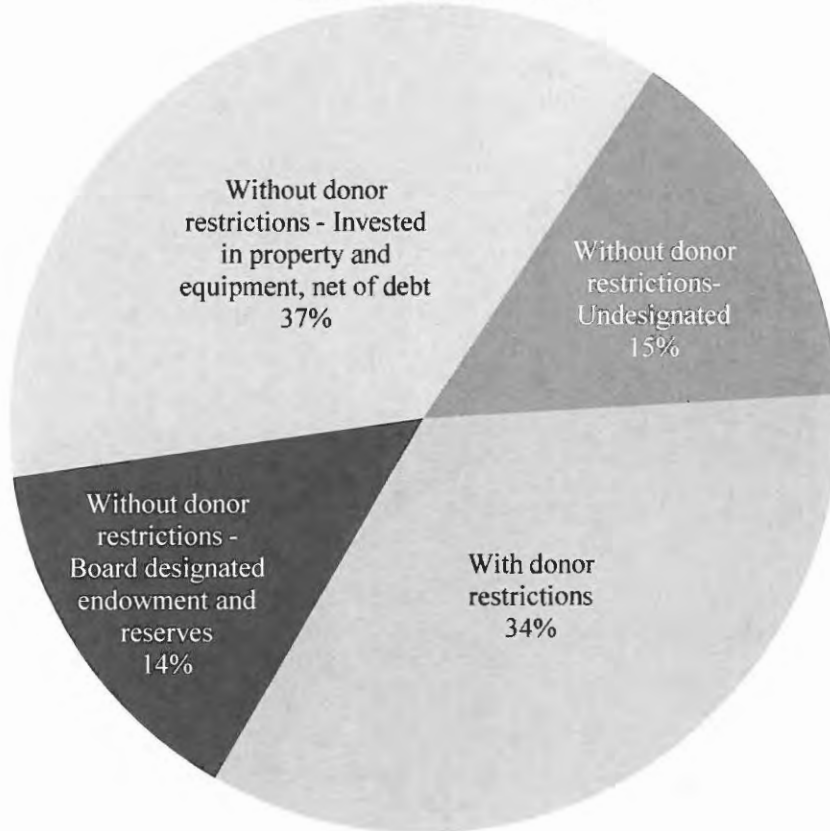
Eckerd College, Inc.

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 2019-20 by \$18,797,988 or 11.04%, reaching a year-end balance of \$189,044,777.

**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, 66% 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 29% of total net assets, or \$55,220,840. 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 increased by \$6,859,599 or 14.18% from the 2019-20 fiscal year and \$5,907,920 or 11.98% from the 2018-19 fiscal year as calculated in the following table:

	<b>Statements of Financial Position of Net Assets Without Donor Restrictions, Exclusive of Plant Assets and Plant-Related Debt</b>		
	<b>June 30</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Without Donor Restrictions</b>			
Total net assets	<b>\$ 124,341,049</b>	\$ 120,255,997	\$ 121,971,882
Less property and equipment	<b>(113,582,909)</b>	(117,890,488)	(120,046,671)
Add accounts payable related to property and equipment	<b>132,541</b>	489,279	740,962
Add long-term debt	<b>44,330,159</b>	45,506,453	46,646,747
Net assets, exclusive of plant assets and plant-related debt	<b>\$ 55,220,840</b>	\$ 48,361,241	\$ 49,312,920

Board-designated (quasi) endowment is included in this net asset classification with unrealized investment returns in the 2020-21 fiscal year of \$6,210,978. The decrease from the 2018-19 fiscal year to the 2019-20 fiscal year was due to the prorated refund of spring housing and dining fees caused by the coronavirus pandemic.

Eckerd College, Inc.

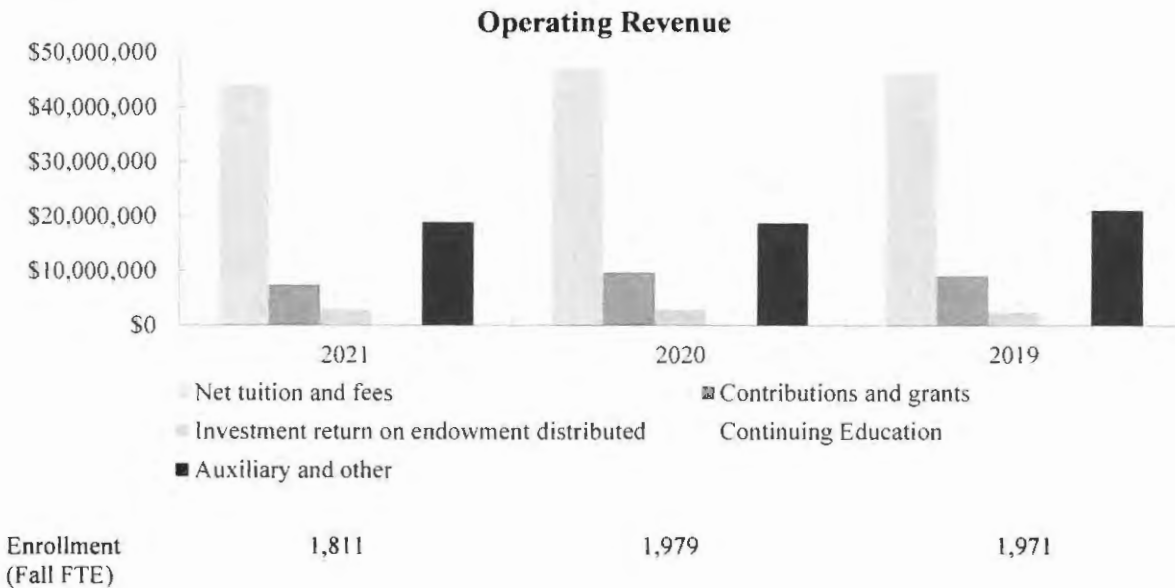
Management's Discussion and Analysis (continued)  
(Unaudited)

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

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

<b>Consolidated Statements of Activities and Changes in Net Assets</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenues	<b>\$ 76,073,327</b>	\$ 83,390,041	\$ 85,967,842
Operating expenses	<b>73,010,249</b>	79,518,617	79,689,121
Nonoperating (expenses) revenues	<b>15,734,910</b>	(2,916,147)	165,571
Change in net assets	<b>18,797,988</b>	955,277	6,444,292
Net assets, beginning of year	<b>170,246,789</b>	169,291,512	162,847,220
Net assets, end of year	<b>\$ 189,044,777</b>	\$ 170,246,789	\$ 169,291,512

The Organization's operating revenues of \$76,073,327 for the 2020–21 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 in 2020-21 by \$7,316,714 or 9.62%, primarily due to the effects of the worldwide coronavirus pandemic. Net tuition and fees decreased \$2,929,232 or 6.64% as the result of the enrollment decline of 168 FTE from 1,979 FTE (Fall Semester 2019) to 1,811 FTE (Fall Semester 2020). The overall net tuition and fees decrease was mitigated by improved fall-to-spring retention. The retention rate for fall-to-spring 2020 was 99.7% with Spring enrollment of 1,805 FTE compared to 2019 at 96.1% and Spring enrollment of 1,902 FTE.

Sales and services of auxiliary enterprises decreased from 2019-20 by \$1,278,715 or 8.0%. In addition to the decrease in enrollment, the College reopened residence halls for a phased return of students in the fall, resulting in prorated charges based on the date of return. In addition, 250 students opted for remote program delivery. While remote delivery improved student retention, there was a negative impact on auxiliary services revenue for room and board.

Continuing education revenue also declined in 2020-21 by \$2,339,221 or 46% due to the impacts of the pandemic. The market for corporate training services declined as client budgets were reduced and travel for in-person programs restricted. While a pivot to on-line services allowed some management training programs to move forward, summer conferences and residential programs for international students in English language studies were curtailed.

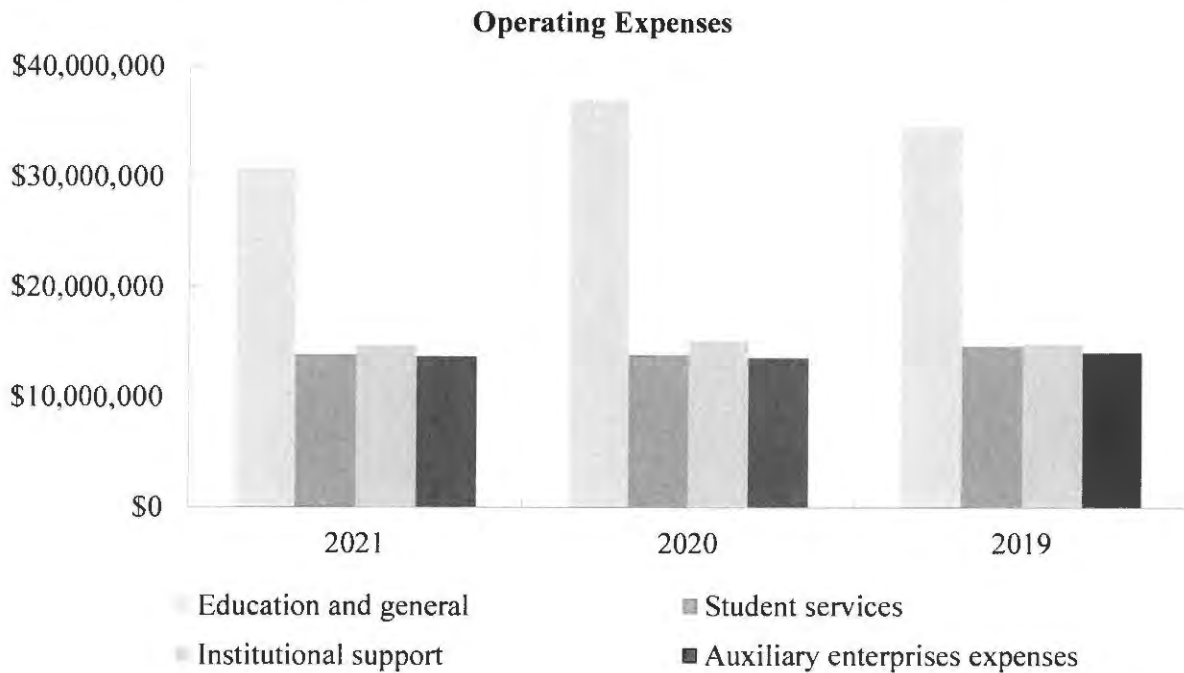
In 2019-20, as a result of the pandemic, the College closed residence halls effective March 18, 2020. Delivery of the academic program continued uninterrupted in a remote environment through the end of the spring term. Tuition was not discounted due to the change in delivery of the academic program. 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 in 2019-20 was partially offset with a related decrease in operating costs.

Total operating expenses of \$73,010,249 decreased from the 2019-20 fiscal year by \$6,508,368. This decrease was due to reduced operating costs related to the pandemic and action taken during the year to manage costs given the decline in revenues.

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 2020-21 year was \$18,378,944, an increase of \$17,720,346 from the 2019-20 fiscal year. The College continued its endowment spending policy of 5% in 2020-21, distributing \$2,911,295 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:

	<b>Consolidated Statements of Activities and Changes in Net Assets</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Without Donor Restrictions</b>			
Revenues	\$ 72,514,298	\$ 78,900,842	\$ 83,906,247
Operating expenses	73,010,249	79,518,617	79,689,121
Change in net assets from operating activities	(495,951)	(617,775)	4,217,126
Adjustments:			
Gifts released for capital projects placed into service	(495,959)	(2,054,881)	(2,066,197)
Change in net assets from operating activities, adjusted	<u>\$ (991,910)</u>	<u>\$ (2,672,656)</u>	<u>\$ 2,150,929</u>

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 the 2019-20 and 2020-21 fiscal years. The decrease in operating revenues without donor restrictions from 2019-20 was \$6,386,544 or 8.09%. The primary reason for the decrease was the decline in enrollment from 1,971 to 1,811 FTEs. Also contributing to the decrease in operating revenues, was the phased return of students in the fall semester resulting in partial semester housing and dining fees. In addition, continuing education programs at Eckerd College experienced a significant decline in revenue of \$2,339,221, or 46.01%, from the prior year due to the cancellation of many programs planned for 2020-21. As noted above, operating expenses of \$73,010,249 decreased from the 2019-20 fiscal year by \$6,508,368 or 8.18%. This decrease was due to reduced operating costs related to the pandemic and action taken during the year to manage costs given the decline in revenues.

**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

Eckerd College, Inc.

Management's Discussion and Analysis (continued)

(Unaudited)

**Consolidated Statements of Cash Flows (continued)**

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.

The following summarizes cash flows for 2020–21 and the prior two fiscal years:

	<b>Consolidated Statements of Cash Flows</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities	\$ 8,633,015	\$ 6,136,355	\$ 6,758,298
Net cash used in investing activities	(3,947,627)	(7,958,027)	(7,091,959)
Net cash provided by financing activities	1,523,743	5,007,329	3,082,629
Change in cash, cash equivalents and restricted cash	6,209,131	3,185,657	2,748,968
Cash, cash equivalents, and restricted cash at beginning of year	42,345,773	39,160,116	25,250,646
Implementation of ASU 2016-18*	–	–	11,160,502
Cash, cash equivalents, and restricted cash at end of year	<b>\$ 48,554,904</b>	<b>\$ 42,345,773</b>	<b>\$ 39,160,116</b>

\* 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. A reconciliation with the consolidated statements of financial position is shown below:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 47,898,072	\$ 42,097,890	\$ 38,126,722
Restricted cash shown as assets limited as to use	656,832	247,883	1,033,394
Total cash, cash equivalents, and restricted cash	<b>\$ 48,554,904</b>	<b>\$ 42,345,773</b>	<b>\$ 39,160,116</b>

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 net cash provided by operating activities is \$8,633,015 for the 2020-21 fiscal year, or \$2,496,660 more than 2019-20. 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 of \$3,947,627 includes additions to property and equipment as the College incurred capital costs for improvements to the Seibert Humanities building, 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. Additional details on the endowment are 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, 2021 and 2020, 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, 2021 and 2020, 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 October 29, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Ernst + Young LLP*

October 29, 2021

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 47,898,072	\$ 42,097,890
Accounts receivable, net – students	93,696	155,337
Accounts receivable, net – other	376,156	680,736
Contributions receivable, net	2,918,790	2,923,039
Beneficial interest in assets held by others	1,134,892	984,649
Loans receivable, net – students	103,044	135,644
Investments at fair value	51,103,381	38,699,084
Assets limited as to use	27,944,081	21,453,546
Deferred charges, prepaid expenses, and other assets	1,456,058	1,459,085
Property and equipment, net	113,582,909	117,890,488
Total assets	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,616,212	\$ 5,402,982
Deferred revenues and deposits	4,603,290	4,007,507
Amounts payable under split-interest agreements	644,611	956,114
Bonds payable	44,330,159	45,506,453
U.S. government grants refundable	–	–
Other liabilities	372,030	359,653
Total liabilities	<u>57,566,302</u>	<u>56,232,709</u>
Net assets:		
Without donor restrictions:		
Board-designated endowment and reserves	27,292,856	21,037,001
Invested in property and equipment, net of related debt	69,120,209	71,894,756
Undesignated	27,927,984	27,324,240
Total without donor restrictions	<u>124,341,049</u>	<u>120,255,997</u>
With donor restrictions:		
Perpetual in nature	46,082,556	44,046,539
Purpose or time period restricted	18,621,172	5,944,253
Total with donor restrictions	<u>64,703,728</u>	<u>49,990,792</u>
Total net assets	<u>189,044,777</u>	<u>170,246,789</u>
Total liabilities and net assets	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>

*See accompanying notes.*

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021
Revenues and other support:			
Tuition and fees	\$ 87,082,730	\$ —	\$ 87,082,730
Less: College funded scholarships	(42,987,866)	—	(42,987,866)
Net tuition and fees	44,094,864	—	44,094,864
Continuing education	2,744,500	—	2,744,500
Private gifts, grants, and contracts	1,995,832	5,410,029	7,405,861
Federal grants and contracts	—	3,501,220	3,501,220
Investment return on endowment, distributed	1,047,590	1,863,705	2,911,295
Other investment income and net realized gains (loss) on investments	61,341	—	61,341
Loss on disposal of property, plant and equipment	(313,297)	—	(313,297)
Sales and service of auxiliary enterprises	15,048,466	—	15,048,466
Other sources	616,575	2,502	619,077
Net assets released from restrictions	7,218,427	(7,218,427)	—
Total revenues and other support	72,514,298	3,559,029	76,073,327
Expenses:			
Educational and general:			
Instruction	26,118,817	—	26,118,817
Research	344,367	—	344,367
Academic support	4,290,329	—	4,290,329
Student services	13,837,787	—	13,837,787
Institutional support	14,714,784	—	14,714,784
Total educational and general	59,306,084	—	59,306,084
Auxiliary enterprises expense	13,704,165	—	13,704,165
Total expenses	73,010,249	—	73,010,249
(Decrease) increase in net assets from operating activities	(495,951)	3,559,029	3,063,078
Nonoperating revenues (expenses):			
Investment return after amounts distributed for current year operations	4,772,068	10,634,240	15,406,308
Change in value of split-interest agreements	—	519,667	519,667
Pension-related changes other than net periodic pension cost	(191,065)	—	(191,065)
Loss on Perkins loan program liquidation	—	—	—
Total nonoperating revenues (expenses)	4,581,003	11,153,907	15,734,910
Change in net assets	4,085,052	14,712,936	18,797,988
Net assets, beginning of year	120,255,997	49,990,792	170,246,789
Net assets, end of year	\$ 124,341,049	\$ 64,703,728	\$ 189,044,777

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)
Pension-related changes other than net periodic pension cost	—	—	—
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 Statements of Cash Flows

	Year Ended June 30	
	2021	2020
<b>Operating activities</b>		
Change in net assets	\$ 18,797,988	\$ 955,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,416,565	8,430,013
Recovery of doubtful accounts	(58,203)	(276,856)
Gifts of noncash	(544,103)	(254,676)
Change in value of split-interest agreements	(519,667)	3,509
Net realized and unrealized loss (gain) on investments	(17,876,063)	847,435
Loss on disposal of property and equipment	313,297	–
Contributions restricted for long-term investment	(2,688,143)	(5,610,707)
Changes in operating assets and liabilities:		
Accounts receivable, students	119,844	5,665
Accounts receivable, other	304,580	387,682
Contributions receivable and beneficial interest in assets held by others	(145,994)	179,177
Deferred charges, prepaid expenses, and other assets	3,027	544,093
Accounts payable and accrued liabilities	2,213,230	189,355
Deferred revenues and deposits	595,783	1,123,891
Amounts payable under split-interest agreements	(311,503)	(51,838)
U.S. government grants refundable	–	(335,665)
Other liabilities	12,377	–
Net cash provided by operating activities	<u>8,633,015</u>	<u>6,136,355</u>
<b>Investing activities</b>		
Proceeds from sales and maturities of investments	4,251,030	4,290,884
Purchases of investments	(3,845,580)	(5,930,339)
Purchases of property and equipment	(4,353,077)	(6,318,572)
Net cash used in investing activities	<u>(3,947,627)</u>	<u>(7,958,027)</u>
<b>Financing activities</b>		
Contributions restricted for long-term investment	2,688,143	5,610,707
Disbursements of loans to students	–	(14,000)
Repayments of loans from students	32,600	22,432
Assignment of loan to the federal government	–	549,190
Repayments of bonds payable	(1,197,000)	(1,161,000)
Net cash provided by financing activities	<u>1,523,743</u>	<u>5,007,329</u>
Change in cash, cash equivalents, and restricted cash	6,209,131	3,185,657
Cash, cash equivalents, and restricted cash at beginning of year	42,345,773	39,160,116
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 48,554,904</u>	<u>\$ 42,345,773</u>
<b>Supplemental disclosures of cash flow information</b>		
Restricted cash shown as assets limited as to use	\$ 656,832	\$ 247,883
Cash paid for interest	\$ 1,344,518	\$ 1,589,127
Purchases of property and equipment in accounts payable	\$ 132,541	\$ 489,279
Donated property	\$ 544,103	\$ 254,676

See accompanying notes.

# Eckerd College, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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, 2021 and 2020, 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 \$758,615 and \$787,951 at June 30, 2021 and 2020 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 \$204,841 and \$225,547 at June 30, 2021 and 2020, 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.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

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

##### **Tuition and Fees**

Under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the College expects to be entitled in exchange for those goods or services (i.e., the transaction price). The College's operating revenue is primarily derived from undergraduate academic programs provided to students. The cost of attendance includes certain fees, such as technology fees, that are mandatory. Tuition and fees are recognized in the reporting period in which the academic programs are delivered and are not considered separate performance obligations. Nearly all programs are delivered on-campus in a modified 4-1-4 calendar. The modified calendar includes fall and spring academic terms, with one short term. During the short term, students enroll in an academic project providing for independent investigation of a topic.

College funded scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students were \$42,987,866 and \$42,214,006 for fiscal years 2021 and 2020, respectively. Payments for tuition are due prior to the start of classes.

The college also offers academic courses and programs in the summer. Programs and academic terms that extend over more than one fiscal year are apportioned between the two fiscal years.

First-year students secure their enrollment with a \$400 nonrefundable deposit by May 1 for the following fall academic term. The deposit is applied against the charges for the academic and residential programs.

Tuition and fees received in advance of service delivery including enrollment deposits, summer programs and summer academic sessions are included in deferred revenue of \$4,603,290 and \$4,007,507 at June 30, 2021 and 2020, respectively.

##### **Sales and Service of Auxiliary Enterprises**

Sales and service of auxiliary enterprises includes student housing, dining facilities, the campus bookstore, and postal services. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Payments for housing and dining services

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

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

are billed and due with tuition and fees. Performance obligations for housing and dining services are delivered over the academic terms, and accordingly are earned and recognized over the course of each term as the services are delivered.

#### **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 2021 and 2020.

#### **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, was enacted on March 27, 2020 to respond to the COVID-19 outbreak. During the 2020-21 fiscal year, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), was signed into law on December 27, 2020 and American Rescue Plan (ARP) was signed into law on March 11, 2021. These three legislative actions provided funding through the Higher Education Emergency Relief Funds to support institutions of higher education in serving student and to ensure learning continues during the COVID-19 pandemic.

Some of the expenses incurred and revenues forgone by the College as a result of the COVID-19 outbreak can be offset by grants provided under the CARES Act, CRRSAA and ARP through the Higher Education Emergency Relief Fund (HEERF). The College has been granted cumulative funds in the amount of \$3,574,283 for emergency aid to students and \$4,250,540 for institutional relief under the these funding authorizations. Under the varying legislation, the timing of direct emergency aid to students limits the timing of revenue recognition for the institutional portion. The College recognized HEERF grant revenue with donor restrictions in the amount of \$2,912,311 and \$899,234 within federal grants and contracts as presented in the consolidated statements of activities and changes in net assets for the year ended June 30, 2021 and 2020, respectively.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

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

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

##### 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. Therefore the standard was implemented for the 2020-21 fiscal year and did not have a material impact 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 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 40,384,402	\$ 38,429,510
Accounts receivable, net	469,852	836,073
Contributions receivable within one year	2,143,010	1,838,456
Distributions from donor restricted endowment funds	1,854,845	1,929,517
Distributions from board-designated endowment fund	1,047,590	1,047,590
Financial assets available at year end for current use	<u>\$ 45,899,699</u>	<u>\$ 44,081,146</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the college anticipates having sufficient financial resources to cover general expenditures not covered by donor-restricted funds.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**3. Liquidity and Availability (continued)**

The board-designated endowment of \$27,125,808 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, and board-designated cash for insurance reserves of \$167,048, could be made available for operations.

As part of the liquidity management plan, the college has access to a \$10 million line of credit and invests cash in excess of daily requirements in a deposit account overnight sweep and money market funds that are FDIC insured.

**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>2021</u>	<u>2020</u>
One year or less	\$ 2,143,010	\$ 1,838,456
One to five years	1,646,442	1,814,674
	<u>3,789,452</u>	<u>3,653,130</u>
Net present value discount	(505,344)	(401,310)
Allowance for uncollectibles	(365,318)	(328,781)
Contributions receivable, net	<u>\$ 2,918,790</u>	<u>\$ 2,923,039</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**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 \$1,134,892 and \$984,649 at June 30, 2021 and 2020, respectively.

**6. Student Loans Receivable**

The College makes uncollateralized loans to students based on financial need. Student loans have been funded through institutional resources.

At June 30, student loans consisted of the following:

	<u>2021</u>	<u>2020</u>
Institutional programs	241,002	274,065
	<u>241,002</u>	<u>274,065</u>
Less allowance for doubtful accounts:		
Beginning of year	(138,421)	(415,277)
Decreases	463	276,856
End of year	<u>(137,958)</u>	<u>(138,421)</u>
Loans receivable, net – students	<u>\$ 103,044</u>	<u>\$ 135,644</u>

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>Due</u>
2021	\$ 271	\$ 13,319	\$ 133,883	\$ 147,473
2020	5,000	3,433	152,502	160,935

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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**6. Student Loans Receivable (continued)**

The College participated in the Perkins loan program prior to the federal government expiration of the program on September 30, 2017. Final disbursements were allowed through June 30, 2018. The College submitted all Perkins loans for assignment to the federal government which were accepted by the U.S. Department of Education (DOE) during the 2019-2020 fiscal year, 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 for the year ended June 30, 2020. The final Fiscal Operations Report and Application to Participate (FISAP) was submitted as required by the closeout process.

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

Investments at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Pooled investments:		
Endowment	\$ 69,490,475	\$ 52,992,015
Split-interest agreements	1,376,916	1,242,840
Nonpooled investments:		
Endowment	7,162,878	4,975,380
Split-interest agreements	198,920	525,850
Restricted for investments in buildings and other long-term purposes	818,273	416,545
	<u>\$ 79,047,462</u>	<u>\$ 60,152,630</u>

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 51,103,381	\$ 38,699,084
Assets limited as to use	27,944,081	21,453,546
Total investments and assets limited as to use	<u>\$ 79,047,462</u>	<u>\$ 60,152,630</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>2021</u>	<u>2020</u>
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	\$ 21,825,561	\$ 20,612,129
Cumulative gains on Board-designated reserves	5,300,247	424,872
Total Board-designated reserves	<u>27,125,808</u>	21,037,001
Cash and bond funds restricted for investments in building and equipment	489,784	247,883
Board-designated cash for insurance reserves	167,048	-
Assets restricted for investments in building and equipment	161,441	168,662
	<u>\$ 27,944,081</u>	<u>\$ 21,453,546</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:

	2021			
	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	\$ 2,969,910	\$ 2,969,910	\$ -	\$ -
Equity securities:				
Domestic	23,240,394	23,240,394	-	-
International	21,210,093	21,210,093	-	-
Fixed income mutual funds	7,203,596	7,203,596	-	-
Inflation hedging mutual funds	151,548	151,548	-	-
Assets held for sale <sup>(1)</sup>	161,441	-	161,441	-
	<u>54,936,982</u>	<u>\$ 54,775,541</u>	<u>\$ 161,441</u>	<u>\$ -</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>24,110,480</u>			
Total investments and assets limited as to use	<u>\$ 79,047,462</u>			
Beneficial interest in assets held by others <sup>(2)</sup>	<u>\$ 1,134,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,134,892</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	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 <sup>(1)</sup>	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	17,517,164			
Total investments and assets limited as to use	<u>\$ 60,152,630</u>			
Beneficial interest in assets held by others <sup>(2)</sup>	\$ 984,649	\$ -	\$ -	\$ 984,649

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

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

	<b>June 30, 2021</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Global equity fund <sup>(a)</sup>	\$ 3,158,890	\$ —	Monthly	—
Equity long/short hedge funds <sup>(b)</sup>	4,912,368	—	Quarterly	45 days
Fixed income fund <sup>(d)</sup>	1,316,050	—	Monthly	—
Private equity <sup>(c)</sup>	10,459,497	2,622,785	—	—
Private real assets <sup>(f)</sup>	4,263,675	3,104,664	—	—
	<b>\$ 24,110,480</b>	<b>\$ 5,727,449</b>		

	<b>June 30, 2020</b>			
	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Global equity fund <sup>(a)</sup>	\$ 2,936,085	\$ —	Monthly	—
Equity long/short hedge funds <sup>(b)</sup>	4,416,509	—	Quarterly	45 days
Fixed income fund <sup>(d)</sup>	660,307	—	Monthly	—
Private equity <sup>(c)</sup>	6,660,244	3,493,293	—	—
Private real assets <sup>(f)</sup>	2,844,019	2,289,697	—	—
	<b>\$ 17,517,164</b>	<b>\$ 5,782,990</b>		

<sup>(a)</sup> This class includes a fund that invests to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies outside of the 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>2021</u>	<u>2020</u>
Investment income	\$ 607,146	\$ 1,535,193
Realized gains (losses)	2,294	(775,913)
Investment fees	(104,265)	(94,981)
Investment return before unrealized (losses) gains	<u>505,175</u>	<u>664,299</u>
Unrealized gains (losses)	17,873,769	(5,701)
Net investment return	<u>\$ 18,378,944</u>	<u>\$ 658,598</u>

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

	<u>2021</u>	<u>2020</u>
Operating activities:		
Investment return on endowment, distributed	\$ 2,911,295	\$ 2,855,821
Other investment income	61,341	483,440
Nonoperating activities:		
Investment gains (loss) after amounts distributed for current year operations	<u>15,406,308</u>	<u>(2,680,663)</u>
Net investment return	<u>\$ 18,378,944</u>	<u>\$ 658,598</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 nearly 350 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 2021 and 2020 fiscal years were \$2,911,295 and \$2,855,821, respectively. Expended distributions were \$848,917 and \$120,048 less than the 2021 and 2020 calculations, respectively. These amounts were reinvested based on the needs and circumstances of the supported programs, and in the current year, the inability to travel for study abroad and other endowed 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:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>June 30, 2020</b>			
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>
<b>June 30, 2021</b>			
Donor-restricted fund	\$ —	\$ 54,102,655	\$ 54,102,655
Board-designated funds	27,125,808	—	27,125,808
Underwater endowments	—	(107,154)	(107,154)
Total funds	<u>\$ 27,125,808</u>	<u>\$ 53,995,501</u>	<u>\$ 81,121,309</u>

Changes in endowment funds for the fiscal years ended June 30, 2021 and 2020, were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment, June 30, 2019	\$ 21,956,941	\$ 38,622,027	\$ 60,578,968
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>
Investment return	6,210,978	13,055,291	19,266,269
Contributions	1,216,990	1,962,911	3,179,901
Reinvested	(291,571)	(557,346)	(848,917)
Expended	(1,047,590)	(1,863,705)	(2,911,295)
Endowment, June 30, 2021	<u>\$ 27,125,808</u>	<u>\$ 53,995,501</u>	<u>\$ 81,121,309</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>2021</u>	<u>2020</u>
Aggregate fair value	\$ 2,024,916	\$ 25,692,822
Aggregate original gift	2,132,070	28,699,107
Aggregate deficiency	<u>\$ (107,154)</u>	<u>\$ (3,006,285)</u>

**10. Interfund Receivable and Payable**

Interfund payables of the College's operating fund total \$4,467,956 as of June 30, 2021 and 2020, 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. 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. As a result, no principal or interest payments were made during the 2020–21 fiscal year. Payments made during the 2019–20 fiscal year include \$268,698 in principal and \$209,159 in interest. The interfund balances are eliminated in the consolidated financial statements.

**11. Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 23,801,369	\$ 23,801,369
Buildings and building improvements	161,570,145	158,490,851
Leasehold improvements	51,000	51,000
Equipment	58,944,952	58,455,986
Construction-in-progress	<u>1,164,628</u>	<u>1,458,210</u>
	245,532,094	242,257,416
Less accumulated depreciation	<u>(131,949,185)</u>	<u>(124,366,928)</u>
	<u>\$ 113,582,909</u>	<u>\$ 117,890,488</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

**11. Property and Equipment (continued)**

Total depreciation for the years ended June 30, 2021 and 2020, is \$8,395,859 and \$8,409,307, 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:

	<u>2021</u>	<u>2020</u>
\$48,703,000 Pinellas County Educational Facilities Authority (PCEFA) Revenue Bonds, Series 2015, interest only until July 1, 2016, when principal payments of \$486,000 to \$1,562,000 are due in annual installments from FY2016-17 to FY2029-30, with balloon payments of \$17,860,000 and \$14,153,000 due in January 2031 and January 2032, respectively, with fixed per annum interest rate equal to 2.9915%	<b>\$ 44,535,000</b>	\$ 45,732,000
Unamortized debt issuance costs	<b>(204,841)</b>	(225,547)
Total bonds payable	<b><u>\$ 44,330,159</u></b>	<b><u>\$ 45,506,453</u></b>

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, 2021, 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:	
2022	\$ 1,233,000
2023	1,270,000
2024	1,307,000
2025	1,347,000
2026	1,387,000
Thereafter	<u>37,991,000</u>
	<u>\$ 44,535,000</u>

Total interest expense for the years ended June 30, 2021 and 2020, is \$1,344,516 and \$1,589,127, 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, \$0 and \$209,159 was paid for the interfund loan related to the College's endowment in fiscal years 2020-21 and 2019-20, 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 \$372,030 and \$359,653 for years ended June 30, 2021 and 2020, respectively, 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 plan sponsor controlled 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, 2021 and 2020, are \$2,325,057 and \$2,159,042, respectively. 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, but reinstated the contributions before fiscal year end.

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>2021</u>	<u>2020</u>
Amounts with perpetual restrictions:		
Financial aid scholarships and loans	\$ 27,107,359	\$ 25,596,078
Program and operating support	12,611,512	11,953,621
Faculty professorships and development	6,363,685	6,496,840
	<u>\$ 46,082,556</u>	<u>\$ 44,046,539</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>2021</u>	<u>2020</u>
Assets restricted for investment in buildings and equipment	\$ 537,835	\$ 279,883
Contributions receivable	1,937,152	1,882,001
Beneficial interest in assets held by others	327,942	345,183
Programs and scholarships, including unappropriated cumulative endowment gains	15,225,730	5,801,588
Split-interest agreements	699,667	641,883
Underwater endowments	(107,154)	(3,006,285)
	<u>\$ 18,621,172</u>	<u>\$ 5,944,253</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>2021</u>	<u>2020</u>
Collection of pledges – time restricted only	\$ 141,467	\$ 148,397
Satisfaction of program activities and scholarships	6,581,001	3,821,630
Gifts to plant fund expended for capital projects purchased and placed into service	495,959	2,054,881
	<u>\$ 7,218,427</u>	<u>\$ 6,024,908</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 \$1,575,837 and \$1,768,689 at June 30, 2021 and 2020, 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 2021 and 2020.

## 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 2.6% to 8.6% during 2021 and 2020. 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:

	2021						Total
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	
Salaries and wages	\$ 14,781,825	\$ 1,812,529	\$ 155,978	\$ 5,035,624	\$ 4,988,789	\$ 392,936	\$ 27,167,681
Benefits	4,561,369	502,425	20,113	1,712,736	2,396,320	97,088	9,290,051
Residential meal plans	-	-	-	-	-	4,617,709	4,617,709
Program and operations	2,364,522	634,964	168,276	4,837,877	5,932,070	1,191,215	15,128,924
Interest	178,705	7,840	-	25,030	133,711	1,019,938	1,365,224
Depreciation	2,274,842	674,279	-	1,126,616	602,241	3,717,881	8,395,859
Operation and maintenance of plant	1,957,554	658,292	-	1,099,904	661,653	2,667,398	7,044,801
	<u>\$ 26,118,817</u>	<u>\$ 4,290,329</u>	<u>\$ 344,367</u>	<u>\$ 13,837,787</u>	<u>\$ 14,714,784</u>	<u>\$ 13,704,165</u>	<u>\$ 73,010,249</u>

	2020						Total
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	
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>

**18. Related-Party Transactions**

Certain board members have outstanding pledges to the Organization at June 30, 2021 and 2020, 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 \$1,269,338 and \$483,850 at June 30, 2021 and 2020, 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 \$1,455,877 and \$2,003,217 during the years ended June 30, 2021 and 2020, 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:	
2022	\$ 272,299
2023	265,418
2024	256,480
2025	122,234
2026	69,687
Thereafter	219,800
	<u>\$ 1,205,918</u>

Total rent expense under operating leases was \$346,257 and \$387,121 for the years ended June 30, 2021 and 2020, 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.

## Eckerd College, Inc.

### Notes to Consolidated Financial Statements (continued)

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

##### **Line of Credit**

On January 14, 2021, the Organization entered into a revolving line of credit to provide the ability to borrow up to \$10 million. The principal balance is payable upon maturity on January 14, 2023, with interest payable monthly based on the U.S. Prime Rate. The revolving line of credit also bears an unused line fee equal to 0.125% per annum of the unused portion payable quarterly commencing January 1, 2022. The revolving line of credit has not been used, and therefore no amounts are outstanding as of June 30, 2021.

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

The Organization has committed to various capital projects during the fiscal year. As of June 30, 2021, the College has approximately \$2,760,000 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. 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)**

**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. 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.

**23. Subsequent Events**

Management of the College has reviewed subsequent events through October 29, 2021 (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, 2021

Reference to GAAP Financial Statements		DOF 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	\$ 124,341,049	\$ 124,341,049						
SEP	Net assets with donor restrictions	Net assets with donor restrictions	64,703,728	64,703,728						
Note 18	Related-Party Transactions	Unsecured related party receivable	1,269,338	(1,269,338)						
SFP	Property and equipment, net	PP&E, net (includes construction in progress)	113,582,909	(113,582,909)						
N/A	N/A	Intangible assets								
SFP	Other liabilities	Post-employment and pension liabilities	372,030	372,030						
SEP	Bonds payable	Long-term debt for long term purposes	44,330,159	44,330,159						
Note 14	Net assets with donor restrictions	Annuities with donor restrictions (split-interest agreements)	699,667	(699,667)						
SEP	Net assets with donor restrictions	Net assets with donor restrictions, perpetual in nature	26,082,556	(46,082,556)						
		<i>Total expenses and losses</i>				72,112,495				
SOA	Total expenses	Total expenses without donor restrictions	73,010,249	73,010,249						
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 charges other than net periodic costs (included in losses above)								
						73,010,249	0.988	3.0	40%	1.2
		<i>Equity ratio</i>								
		<i>Modified net assets</i>								
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 124,341,049	\$ 124,341,049						
SEP	Net assets with donor restrictions	Net assets with donor restrictions	64,703,728	64,703,728						
Note 18	Related-Party Transactions	Unsecured related party receivables	1,269,338	(1,269,338)						
						187,775,439				
SFP	Total assets	Total assets	246,611,079	246,611,079						
N/A	N/A	Intangible assets								
Note 18	Related-Party Transactions	Unsecured related party receivable	1,269,338	(1,269,338)						
						245,341,741	0.765	3.0	40%	1.2
		<i>Net income ratio</i>								
		<i>Change in net assets without donor restrictions</i>								
SOA	Changes in net assets without donor restrictions	Change in net assets without donor restrictions	\$ 4,085,052	\$ 4,085,052	\$ 4,085,052					
SOA	Total revenues and other support without donor restrictions	Total revenues and gains without donor restrictions	\$ 72,514,298	\$ 72,514,298	\$ 72,514,298					
SOA	Donor restrictions						0.056	3.0	20%	0.6
									3.0	

# Eckerd College, Inc.

## Notes to Financial Responsibility Supplemental Schedule

### I. 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:

	<b>Ratio</b>	<b>Strength Factor</b>	<b>Weight</b>	<b>Composite Score</b>
Primary Reserve Ratio	0.988	3.0	40%	1.2
Equity Ratio	0.765	3.0	40	1.2
Net Income Ratio	0.056	3.0	20	0.6
				<u>3.0</u>



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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, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

### **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.



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## 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.

*Ernst + Young LLP*

October 29, 2021

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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, 2021  
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, 2021

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Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and  
State Financial Assistance

Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
<b>Research and Development Cluster</b>				
National Science Foundation:				
Social, Behavioral, and Economic Sciences	47.075		\$ 42,854	\$ -
Total National Science Foundation			<u>42,854</u>	<u>-</u>
<b>Total Research and Development Cluster</b>			<u>42,854</u>	<u>-</u>
<b>Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		207,877	-
Federal Direct Student Loans	84.268		12,350,920	-
Federal Work-Study Program	84.033		263,908	-
Federal Pell Grant Program	84.063		1,964,674	-
Total Student Financial Assistance Cluster			<u>14,787,379</u>	<u>-</u>
Higher Education Emergency Relief Fund (HEERF):				
COVID-19 HEERF Student Aid Portion	84.425E		1,118,027	-
COVID-19 HEERF Institutional Portion	84.425F		3,464,568	-
Total Higher Education Emergency Relief Fund			<u>4,582,595</u>	<u>-</u>
<b>Total Department of Education</b>			<u>19,369,974</u>	<u>-</u>
<b>Department of the Interior</b>				
Passed through the State of Alabama:				
Cooperactive Endangered Species Conservation Fund	15.615	AL-E-F19AP00787	36,862	-
U.S. Geological Survey, Research and Data Collection	15.808		25,185	-
<b>Total Department of the Interior</b>			<u>62,047</u>	<u>-</u>
<b>Department of Commerce</b>				
Marine Debris Program	11.999		49,737	1,805
<b>Total Department of Commerce</b>			<u>49,737</u>	<u>1,805</u>
<b>Department of Defense</b>				
Passed through the University of Georgia Research Foundation, Inc.:				
Basic, Applied, and Advanced Research in Science & Engineering	12.630	SUB00002224	12,001	-
<b>Total Department of Defense</b>			<u>12,001</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,536,613</u>	<u>\$ 1,805</u>

Continued on next page

Eckerd College, Inc.

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

<u>Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>State Expenditures</u>
<b>Florida Department of Education and Commissioner of Education</b>		
Florida Student Assistance Grant (FSAG)	48.054	\$ 291,327
FL Child of Deacs/Disab Vets	48.055	13,144
The Florida Bright Futures Scholarship Program	48.059	860,758
Florida Resident Access Grant	48.064	900,597
<b>Total Florida Department of Education and Commissioner of Education</b>		<u>2,065,826</u>
<b>Florida Fish and Wildlife Conservation Commission</b>		
Cooperative Red Tide Research Program	77.010	957
<b>Total Florida Fish and Wildlife Conservation Commission</b>		<u>957</u>
<b>Florida Department of Highway Safety and Motors Vehicles</b>		
Eckerd College License Plate Project	76.043	11,166
Protect Our Reefs License Plate Project	76.069	2,788
<b>Total Florida Department of Highway Safety and Motors Vehicles</b>		<u>13,954</u>
Total Expenditures of State Financial Assistance		<u>\$ 2,080,737</u>

*See accompanying notes.*

Eckerd College, Inc.

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

Year Ended June 30, 2021

**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, 2021, 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. 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.

**3. Federal Direct Student Loans**

During the year ended June 30, 2021, 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, 2021. The amounts disbursed to students during fiscal 2021, however, are reflected in the schedule of expenditures of federal awards and state financial assistance within the federal direct student loans caption.

**4. 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, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

### **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.



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## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

October 29, 2021



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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 U.S. 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, 2021. 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



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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, 2021.

### **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.



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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, 2021, and have issued our report thereon dated October 29, 2021, which contained an unmodified opinion on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 29, 2021. 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*

November 19, 2021

Eckerd College, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

**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:

Assistance Listing number(s)

Name of federal program or cluster

84.425E, 84.425F

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

<u>CSFA number(s)</u>	<u>Name of state program or cluster</u>
48.054	Florida Student Assistance Grant (FSAG)
48.059	The Florida Bright Futures Scholarship Program

Dollar threshold used to distinguish between  
Type A and Type B programs: \$ 608,673

**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, 2021

	Award Population		Award Sample			Questioned Costs				
	Amount	Recipients	Amount	% of Population	Recipients	% of Population	Amount	% of Sample	Recipients	% of Sample
Florida Resident Access Grant	\$ 291,327	104	\$ 75,990	26%	26	25%	\$ -	%	-	%
Florida Medallion Scholars Award	320,424	70	80,100	25%	18	26%	-			
Florida Academic Scholars Award	488,509	71	117,890	24%	18	25%				

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