

Eckerd College, Inc.
Consolidated Financial Statements
Years Ended June 30, 2022 and 2021

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Eckerd College, Inc.

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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. and ECP2, Inc. The Organization's consolidation policy is described in more detail in the notes to the consolidated financial statements.

The financial highlights for the 2021–22 fiscal year include:

- Total assets decreased \$13,487,325 or 5.47% under the prior fiscal year.
- Net assets decreased by \$11,902,403 or 6.30% under the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), decreased \$5,707,842 or 7.04% from the prior fiscal year.

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)

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.

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>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Cash and cash equivalents	\$ 16,789,813	\$ 47,898,072	\$ 42,097,890
Accounts receivable, net – students	116,280	93,696	155,337
Accounts receivable, net – other	802,036	376,156	680,736
Contributions receivable, net	2,882,734	2,918,790	2,923,039
Beneficial interest in assets held by others	1,905,284	1,134,892	984,649
Loans receivable, net – students	91,005	103,044	135,644
Investments at fair value	50,370,959	51,103,381	38,699,084
Assets limited as to use	47,645,527	27,944,081	21,453,546
Deferred charges, prepaid expenses, and other assets	2,163,556	1,456,058	1,459,085
Property and equipment, net	110,356,560	113,582,909	117,890,488
Total assets	<u>\$ 233,123,754</u>	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>
Liabilities and net assets			
Accounts payable and accrued liabilities	\$ 8,385,902	\$ 7,616,212	\$ 5,402,982
Deferred revenues and deposits	3,569,751	4,603,290	4,007,507
Amounts payable under split-interest agreements	611,062	644,611	956,114
Bonds payable	43,117,865	44,330,159	45,506,453
Other liabilities	296,800	372,030	359,653
Total liabilities	<u>55,981,380</u>	<u>57,566,302</u>	<u>56,232,709</u>
Net assets:			
Without donor restrictions	116,600,698	124,341,049	120,255,997
With donor restrictions	60,541,676	64,703,728	49,990,792
Total net assets	<u>177,142,374</u>	<u>189,044,777</u>	<u>170,246,789</u>
Total liabilities and net assets	<u>\$ 233,123,754</u>	<u>\$ 246,611,079</u>	<u>\$ 226,479,498</u>

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The Organization's assets totaled \$233,123,754 at June 30, 2022. This balance reflects a \$13,487,325 or 5.47% decrease from the 2020–21 fiscal year and \$20,131,581 or 8.89% increase from the 2019–20 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 decreased from the 2020–21 fiscal year by \$31,108,259, investments decreased by \$732,422, and assets limited as to use increased over the prior year by \$19,701,446. These fluctuations are primarily the result of the Board of Trustee's designation of \$21,000,000 in cash for capital projects, deferred maintenance and insurance reserve funds, and the designation of \$2,544,420 as quasi-endowment. The Board of Trustees also approved the use of \$4,467,956 in cash to repay the interfund loan to the endowment. Additional details regarding the interfund loan are available in Note 10 of the audited consolidated financial statements. 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:

	Assets Limited as to Use		
	2022	2021	2020
Board-designated funds	\$ 24,407,752	\$ 21,825,561	\$ 20,612,129
Cumulative board-designated endowment gains	1,909,548	5,300,247	424,872
Cash restricted for investments in building and equipment	349,572	489,784	247,883
Board-designated for reserves	20,815,555	167,048	–
Assets restricted for investments in building and equipment	163,100	161,441	168,662
Total	\$ 47,645,527	\$ 27,944,081	\$ 21,453,546

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The activity of the College's endowment and the investments held by the endowment are summarized below:

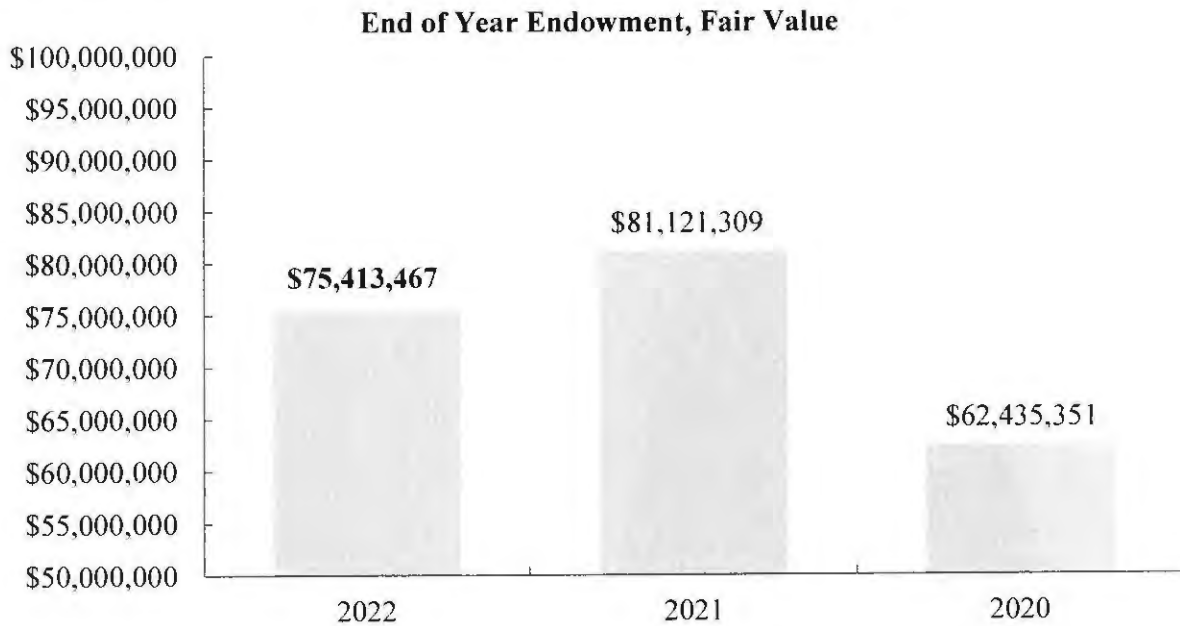
	Endowment		
	2022	2021	2020
Beginning of year, at fair value	\$ 81,121,309	\$ 62,435,351	\$ 60,578,968
Investment return	(6,730,908)	19,266,269	188,136
Contributions	4,582,464	3,179,901	4,644,116
Investment return, reinvested	(437,371)	(848,917)	(120,048)
Investment return, distributed	(3,122,027)	(2,911,295)	(2,855,821)
End of year, at fair value	\$ 75,413,467	\$ 81,121,309	\$ 62,435,351
Cash and cash equivalents	\$ 4,378,182	\$ 2,314,536	\$ 2,157,477
Equity securities	46,223,113	50,228,335	38,292,754
Investments in limited partnerships	24,812,172	24,110,482	17,517,164
Interfund loan receivable	-	4,467,956	4,467,956
Total endowment	\$ 75,413,467	\$ 81,121,309	\$ 62,435,351

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.



During the 2021-22 fiscal year the Organization's endowment decreased by \$5,707,842. Although the endowment decreased overall due to significant unrealized losses, the College continued to benefit from the generosity of donors with \$2,038,044 received in endowed funds. Contributions to quasi-endowment from operations as approved by the Board of Trustees amounted to \$2,544,420 in the 2021-22 fiscal year. Additional details on the endowment are available in Note 9 of the audited consolidated financial statements.

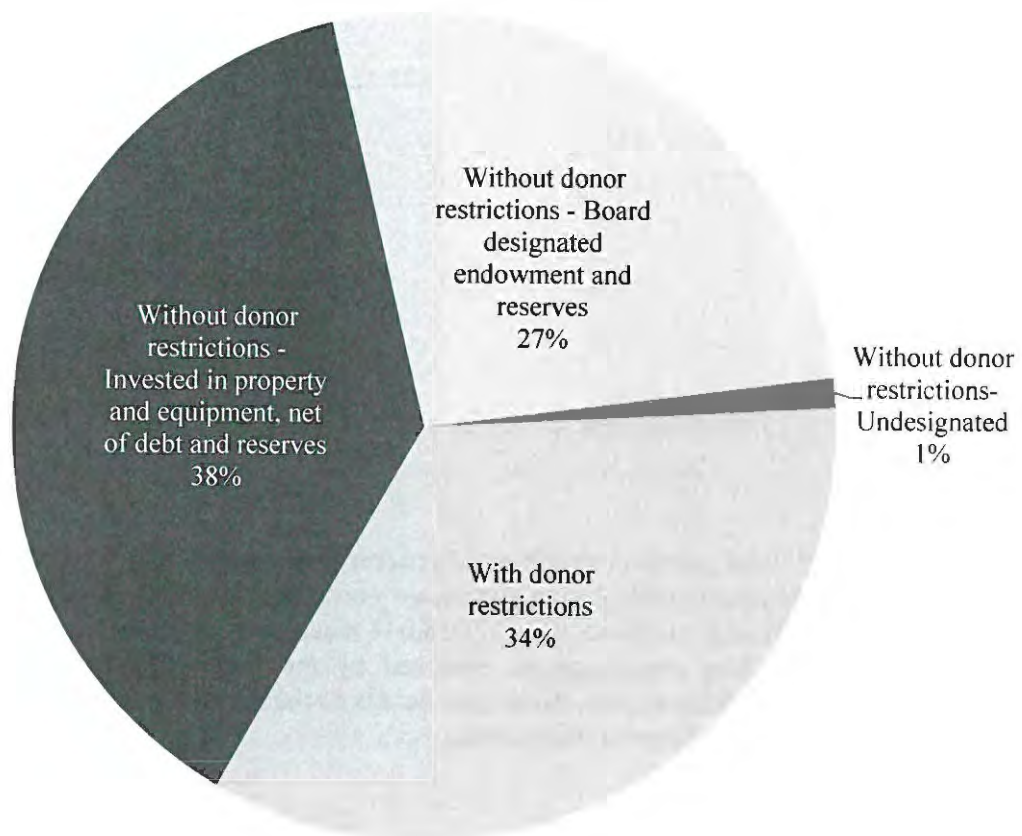
Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

As a result of the changes in assets and liabilities described above, the Organization's total net assets decreased from 2020-21 by \$11,902,403 or 6.30%, reaching a year-end balance of \$177,142,374.

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 28% of total net assets, or \$49,970,013. More information on the liquidity and availability of resources is in Note 3 to the consolidated financial statements.

Net assets without donor restrictions, exclusive of plant assets and plant-related debt decreased by \$5,250,827 or 9.5% from the 2020–21 fiscal year and increased \$1,608,772 or 3.3% from the 2019–20 fiscal year as calculated in the following table:

	Statements of Financial Position of Net Assets Without Donor Restrictions, Exclusive of Plant Assets and Plant-Related Debt		
	June 30		
	2022	2021	2020
Without Donor Restrictions			
Total net assets	\$ 116,600,698	\$ 124,341,049	\$ 120,255,997
Less property and equipment	(110,356,560)	(113,582,909)	(117,890,488)
Add accounts payable related to property and equipment	608,010	132,541	489,279
Add long-term debt	43,117,865	44,330,159	45,506,453
Net assets, exclusive of plant assets and plant-related debt	\$ 49,970,013	\$ 55,220,840	\$ 48,361,241

Board-designated (quasi) endowment is included in this net asset classification with unrealized investment losses in the 2021-22 fiscal year of \$2,028,711, which contributed to the decrease from the 2020-21 fiscal year.

Eckerd College, Inc.

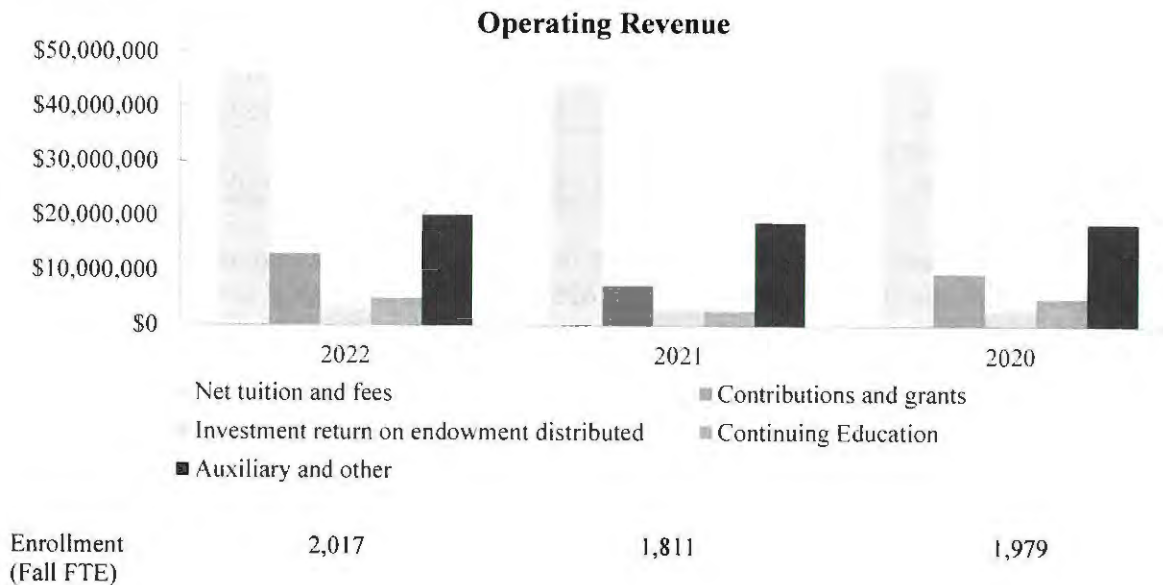
Management's Discussion and Analysis (continued)
(Unaudited)

Consolidated Statements of Activities and Changes in Net Assets

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

	Consolidated Statements of Activities and Changes in Net Assets		
	2022	2021	2020
Revenues	\$ 87,454,219	\$ 76,073,327	\$ 83,390,041
Operating expenses	88,787,567	73,010,249	79,518,617
Nonoperating (expenses) revenues	(10,569,055)	15,734,910	(2,916,147)
Change in net assets	(11,902,403)	18,797,988	955,277
Net assets, beginning of year	189,044,777	170,246,789	169,291,512
Net assets, end of year	\$ 177,142,374	\$ 189,044,777	\$ 170,246,789

The Organization's operating revenues of \$87,454,219 for the 2021–22 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 increased in 2021-22 by \$11,380,892 or 14.9%, primarily due to the increase in enrollment after the decline resulting from the worldwide coronavirus pandemic in FY2020-21. Net tuition and fees increased \$1,943,697 or 4.4% as the result of the enrollment increase of 206 FTE from 1,811 FTE (Fall Semester 2020) to 2,017 FTE (Fall Semester 2021). The College held tuition and fee rates level as compared to the 2020-21 fiscal year to be responsive to the pandemic environment, with a goal to maximize enrollment through recruitment and retention.

Sales and services of auxiliary enterprises increased from 2020-21 by \$5,111,719 or 33.9%. In addition to the increase in enrollment, the College residence halls and dining program returned with a full year of service and an increase in available beds with the release of rooms previously reserved for isolation space. In the 2020-21 fiscal year, there was a phased return for students in the fall, resulting in prorated charges based on the date of return. 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 2020-21 was partially offset with a related decrease in operating costs.

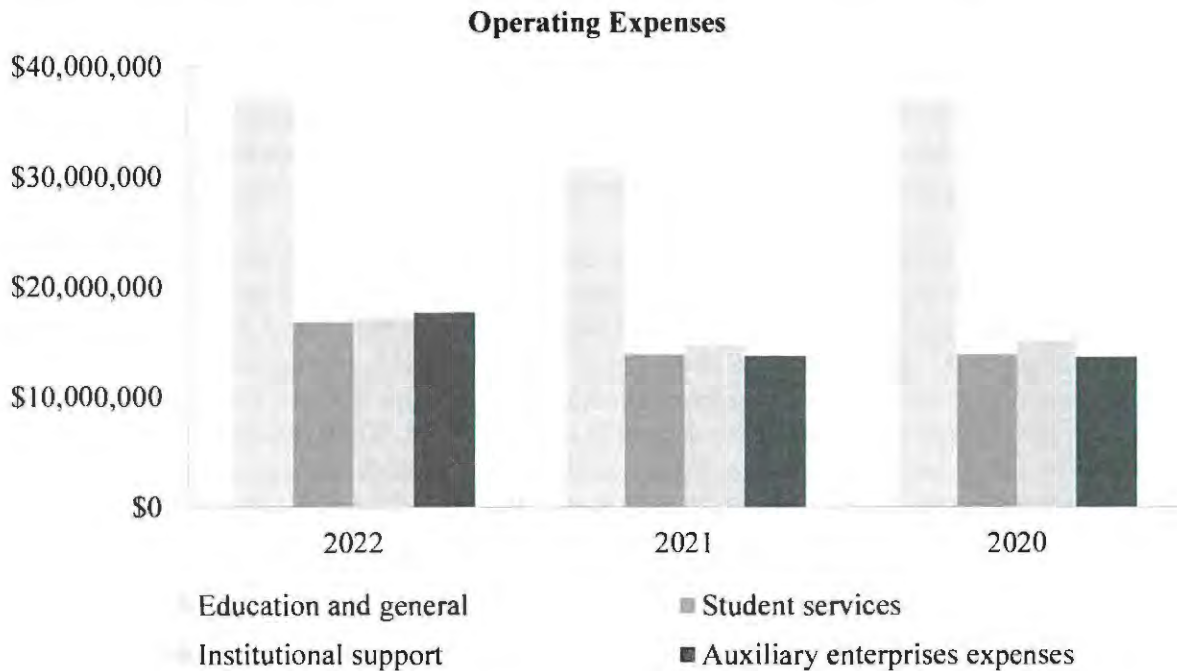
Continuing education revenue also increased in 2021-22 by \$2,236,209 or 81.5% due to the return of programming after a reduction caused by the pandemic. In the 2020-21 fiscal year, the market for corporate training services declined as client budgets were reduced and travel for in-person programs restricted. 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. Many programs and summer conferences successfully resumed in 2021-22 after a two year suspension.

Total operating expenses of \$88,787,567 increased from the 2020-21 fiscal year by \$15,777,318 or 21.6%. This increase is due to return of programs to pre-pandemic levels and the costs necessary to serve students given the increase in enrollment by over 200 FTE in the 2021-22 fiscal year.

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 (losses) gains on endowment as shown on the consolidated statements of activities and changes in net assets. Net investment return for the 2021-22 year was a loss \$7,194,520, as compared to a positive net investment return of \$18,378,944 the 2020-21 fiscal year. The College continued its endowment spending policy of 5% in 2021-22, distributing \$3,122,027 of accumulated investment returns. More information is shown in Note 8 of the consolidated financial statements.

Eckerd College, Inc.

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

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

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

	Consolidated Statements of Activities and Changes in Net Assets		
	2022	2021	2020
Without Donor Restrictions			
Revenues	\$ 84,545,818	\$ 72,514,298	\$ 78,900,842
Operating expenses	88,787,567	73,010,249	79,518,617
Change in net assets from operating activities	(4,241,749)	(495,951)	(617,775)
Adjustments:			
Gifts released for capital projects placed into service	(886,474)	(495,959)	(2,054,881)
Change in net assets from operating activities, adjusted	\$ (5,128,223)	\$ (991,910)	\$ (2,672,656)

Operating income is planned to be sufficient to meet operating expenses, net of depreciation, on an annual basis; however, operations were negatively impacted by the coronavirus pandemic in the last two fiscal years. In the 2021-22 fiscal year, the College experienced an increase in operating expenses in relation to the increased enrollment. In addition, the Board of Trustees approved a plan to utilize reserves to fund deferred maintenance projects.

Consolidated Statements of Cash Flows

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

Eckerd College, Inc.

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

Consolidated Statements of Cash Flows (continued)

The following summarizes cash flows for 2021–22 and the prior two fiscal years:

	Consolidated Statements of Cash Flows		
	2022	2021	2020
Net cash provided by operating activities	\$ 183,918	\$ 8,633,015	\$ 6,136,355
Net cash used in investing activities	(32,474,809)	(3,947,627)	(7,958,027)
Net cash provided by financing activities	875,372	1,523,743	5,007,329
Change in cash, cash equivalents and restricted cash	(31,415,519)	6,209,131	3,185,657
Cash, cash equivalents, and restricted cash at beginning of year	48,554,904	42,345,773	39,160,116
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 17,139,385</u>	<u>\$ 48,554,904</u>	<u>\$ 42,345,773</u>

* In conformity with ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, the College reports amounts generally described as restricted cash and cash equivalents 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:

	2022	2021	2020
Cash and cash equivalents	\$ 16,789,813	\$ 47,898,072	\$ 42,097,890
Restricted cash shown as assets limited as to use	349,572	656,832	247,883
Total cash, cash equivalents, and restricted cash	<u>\$ 17,139,385</u>	<u>\$ 48,554,904</u>	<u>\$ 42,345,773</u>

Eckerd College, Inc.

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

Consolidated Statements of Cash Flows (continued)

The net cash provided by operating activities is \$183,918 for the 2021-22 fiscal year.

Cash and cash equivalents reported in the Statement of Financial Position decreased from the 2020–21 fiscal year by \$31,108,259. This decrease is primarily the result of the Board of Trustee's designation of \$21,000,000 in liquid resources for capital projects, deferred maintenance and insurance reserve funds. The Board of Trustees also approved the use of \$4,467,956 in cash to repay the interfund loan to the endowment, and designated \$2,544,420 of cash reserves as quasi-endowment. These transactions are included in investing activities on the consolidated statement of cash flows.

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. Principal payments on debt are also included in financing activities



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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Eckerd College, Inc (the College), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College at June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 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 information is fairly stated, in all material respects, in relation to the 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 28, 2022 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 28, 2022

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2022	2021
Assets		
Cash and cash equivalents	\$ 16,789,813	\$ 47,898,072
Accounts receivable, net – students	116,280	93,696
Accounts receivable, net – other	802,036	376,156
Contributions receivable, net	2,882,734	2,918,790
Beneficial interest in assets held by others	1,905,284	1,134,892
Loans receivable, net – students	91,005	103,044
Investments at fair value	50,370,959	51,103,381
Assets limited as to use	47,645,527	27,944,081
Deferred charges, prepaid expenses, and other assets	2,163,556	1,456,058
Property and equipment, net	110,356,560	113,582,909
Total assets	<u>\$ 233,123,754</u>	<u>\$ 246,611,079</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,385,902	\$ 7,616,212
Deferred revenues and deposits	3,569,751	4,603,290
Amounts payable under split-interest agreements	611,062	644,611
Bonds payable	43,117,865	44,330,159
Other liabilities	296,800	372,030
Total liabilities	<u>55,981,380</u>	<u>57,566,302</u>
Net assets:		
Without donor restrictions:		
Board-designated endowment and reserves	47,283,205	27,292,856
Invested in property and equipment, net of related debt	67,238,695	69,120,209
Undesignated	2,078,798	27,927,984
Total without donor restrictions	<u>116,600,698</u>	<u>124,341,049</u>
With donor restrictions:		
Perpetual in nature	48,388,347	46,082,556
Purpose or time period restricted	12,153,329	18,621,172
Total with donor restrictions	<u>60,541,676</u>	<u>64,703,728</u>
Total net assets	<u>177,142,374</u>	<u>189,044,777</u>
Total liabilities and net assets	<u>\$ 233,123,754</u>	<u>\$ 246,611,079</u>

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022
Revenues and other support:			
Tuition and fees	\$ 94,516,659	\$ —	\$ 94,516,659
Less: College funded scholarships	(48,478,098)	—	(48,478,098)
Net tuition and fees	46,038,561	—	46,038,561
Continuing education	4,980,709	—	4,980,709
Private gifts, grants, and contracts	2,681,039	5,713,783	8,394,822
Federal grants and contracts		4,687,977	4,687,977
Investment return on endowment, distributed	1,043,506	2,078,521	3,122,027
Other investment income and net realized loss on investments	(103,717)	(14,675)	(118,392)
Loss on disposal of property, plant and equipment	(2,561)	—	(2,561)
Sales and service of auxiliary enterprises	20,160,185	—	20,160,185
Other sources	189,455	1,436	190,891
Net assets released from restrictions	9,558,641	(9,558,641)	—
Total revenues and other support	84,545,818	2,908,401	87,454,219
Expenses:			
Educational and general:			
Instruction	31,622,258	—	31,622,258
Research	463,583	—	463,583
Academic support	5,127,810	—	5,127,810
Student services	16,763,785	—	16,763,785
Institutional support	17,158,943	—	17,158,943
Total educational and general	71,136,379	—	71,136,379
Auxiliary enterprises expense	17,651,188	—	17,651,188
Total expenses	88,787,567	—	88,787,567
(Decrease) increase in net assets from operating activities	(4,241,749)	2,908,401	(1,333,348)
Nonoperating revenues (expenses):			
Investment return after amounts distributed for current year operations	(3,390,062)	(6,808,093)	(10,198,155)
Change in value of split-interest agreements	—	(262,360)	(262,360)
Pension-related changes other than net periodic pension cost	(108,540)	—	(108,540)
Total nonoperating revenues (expenses)	(3,498,602)	(7,070,453)	(10,569,055)
Change in net assets	(7,740,351)	(4,162,052)	(11,902,403)
Net assets, beginning of year	124,341,049	64,703,728	189,044,777
Net assets, end of year	<u>\$ 116,600,698</u>	<u>\$ 60,541,676</u>	<u>\$ 177,142,374</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 Statements of Cash Flows

	Year Ended June 30	
	2022	2021
Operating activities		
Change in net assets	\$ (11,902,403)	\$ 18,797,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,457,318	8,416,565
Recovery of doubtful accounts	10,143	(58,203)
Gifts of noncash	(309,277)	(544,103)
Change in value of split-interest agreements	262,360	(519,667)
Net realized and unrealized loss (gain) on investments	8,032,618	(17,876,063)
Loss on disposal of property and equipment	2,561	313,297
Contributions restricted for long-term investment	(2,096,333)	(2,688,143)
Changes in operating assets and liabilities:		
Accounts receivable, students	(32,727)	119,844
Accounts receivable, other	(425,880)	304,580
Contributions receivable and beneficial interest in assets held by others	(734,336)	(145,994)
Deferred charges, prepaid expenses, and other assets	(707,498)	3,027
Accounts payable and accrued liabilities	769,690	2,213,230
Deferred revenues and deposits	(1,033,539)	595,783
Amounts payable under split-interest agreements	(33,549)	(311,503)
Other liabilities	(75,230)	12,377
Net cash provided by operating activities	183,918	8,633,015
Investing activities		
Proceeds from sales and maturities of investments	3,507,416	4,251,030
Purchases of investments	(30,879,274)	(3,845,580)
Purchases of property and equipment	(5,102,951)	(4,353,077)
Net cash used in investing activities	(32,474,809)	(3,947,627)
Financing activities		
Contributions restricted for long-term investment	2,096,333	2,688,143
Repayments of loans from students	12,039	32,600
Repayments of bonds payable	(1,233,000)	(1,197,000)
Net cash provided by financing activities	875,372	1,523,743
Change in cash, cash equivalents, and restricted cash	(31,415,519)	6,209,131
Cash, cash equivalents, and restricted cash at beginning of year	48,554,904	42,345,773
Cash, cash equivalents, and restricted cash at end of year	\$ 17,139,385	\$ 48,554,904
Supplemental disclosures of cash flow information		
Restricted cash shown as assets limited as to use	\$ 349,572	\$ 656,832
Cash paid for interest	\$ 1,307,992	\$ 1,344,518
Purchases of property and equipment in accounts payable	\$ 608,010	\$ 132,541
Donated property	\$ 309,277	\$ 544,103

See accompanying notes.

Eckerd College, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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 and ECP2, Inc. (collectively, the Organization). 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, 2022 and 2021, 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 \$743,966 and \$758,615 at June 30, 2022 and 2021 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 \$184,135 and \$204,841 at June 30, 2022 and 2021, 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 \$48,478,098 and \$42,987,866 for fiscal years 2022 and 2021, 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 \$3,569,751 and \$4,603,290 at June 30, 2022 and 2021, 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 2022 and 2021.

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 have been offset by grants provided under the CARES Act, CRRSAA and ARP through the Higher Education Emergency Relief Fund (HEERF). The College was granted cumulative funds in the amount of \$3,574,283 for emergency aid to students and \$4,250,540 for institutional relief under 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 \$4,013,278, \$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, 2022 2021 and 2020, respectively.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The ongoing 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 extended the effective date to all nonpublic entities that had not yet issued their financial statements, to adopt the new standard for annual periods beginning after December 15, 2021. 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.

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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 10,970,705	\$ 40,384,402
Accounts receivable, net	918,316	469,852
Contributions receivable within one year	2,161,607	2,143,010
Distributions from donor restricted endowment funds	2,419,301	1,854,845
Distributions from board-designated endowment fund	1,234,106	1,047,590
Financial assets available at year end for current use	<u>\$ 17,704,035</u>	<u>\$ 45,899,699</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.

The board-designated endowment of \$26,317,300 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 plus board-designated cash for reserves of \$20,815,555, could be made available for operations.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability (continued)

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>2022</u>	<u>2021</u>
One year or less	\$ 2,161,607	\$ 2,143,010
One to five years	<u>1,893,650</u>	<u>1,646,442</u>
	4,055,257	3,789,452
Net present value discount	(774,800)	(505,344)
Allowance for uncollectibles	<u>(397,723)</u>	<u>(365,318)</u>
Contributions receivable, net	<u>\$ 2,882,734</u>	<u>\$ 2,918,790</u>

5. Beneficial Interest in Assets Held by Others

Donors have established and funded trusts that are administered by parties other than the College. Under the terms of the trusts, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. The College's beneficial interest in assets administered by third parties is valued at the net present value of future cash flows less the present value of amounts due to third-party beneficiaries. The amounts recorded as beneficial interest in assets held by others are \$1,905,284 and \$1,134,892 at June 30, 2022 and 2021, respectively.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

6. Student Loans Receivable

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

At June 30, student loans consisted of the following:

	<u>2022</u>	<u>2021</u>
Institutional programs	\$ 228,963	\$ 241,002
	<u>228,963</u>	<u>241,002</u>
Less allowance for doubtful accounts:		
Beginning of year	(137,958)	(138,421)
Decreases	–	463
End of year	<u>(137,958)</u>	<u>(137,958)</u>
Loans receivable, net – students	<u>\$ 91,005</u>	<u>\$ 103,044</u>

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.

7. Investments and Assets Limited as to Use

Investments at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Pooled investments:		
Endowment	\$ 69,363,250	\$ 69,490,475
Split-interest agreements	1,119,656	1,376,916
Nonpooled investments:		
Endowment	6,050,217	7,162,878
Split-interest agreements	155,136	198,920
Donor restricted and board-designated reserves for investments in buildings and deferred maintenance	<u>21,328,227</u>	<u>818,273</u>
	<u>\$ 98,016,486</u>	<u>\$ 79,047,462</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

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

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

	<u>2022</u>	<u>2021</u>
Investments	\$ 50,370,959	\$ 51,103,381
Assets limited as to use	47,645,527	27,944,081
Total investments and assets limited as to use	<u>\$ 98,016,486</u>	<u>\$ 79,047,462</u>

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

	<u>2022</u>	<u>2021</u>
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	\$ 24,407,752	\$ 21,825,561
Cumulative gains on board-designated reserves	1,909,548	5,300,247
Total Board-designated reserves	26,317,300	27,125,808
Restricted for investments in building and equipment	512,672	651,225
Board-designated for insurance reserves	955,642	167,048
Board-designated for investments in buildings and deferred maintenance	19,859,913	-
	<u>\$ 47,645,527</u>	<u>\$ 27,944,081</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:

	2022			
	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	\$ 4,783,403	\$ 4,783,403	\$ -	\$ -
Equity securities:				
Domestic	20,971,604	20,971,604	-	-
International	19,274,660	19,274,660	-	-
Fixed income mutual funds	27,741,206	27,741,206	-	-
Inflation hedging mutual funds	270,341	270,341	-	-
Assets held for sale ⁽¹⁾	163,100	-	163,100	-
	<u>73,204,314</u>	<u>\$ 73,041,214</u>	<u>\$ 163,100</u>	<u>\$ -</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>24,812,172</u>			
Total investments and assets limited as to use	<u>\$ 98,016,486</u>			
Beneficial interest in assets held by others ⁽²⁾	<u>\$ 1,905,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,905,284</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	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 ⁽¹⁾	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 ⁽²⁾	<u>\$ 1,134,892</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,134,892</u>

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

⁽²⁾ Included in beneficial interest in assets held by others are funded trusts that are administered by parties other than the College. Under the terms of the trust, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. Further explanation is disclosed in Note 5.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

	June 30, 2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity fund ^(a)	\$ 2,264,315	\$ —	Monthly	—
Equity long/short hedge funds ^(b)	4,919,601	—	Quarterly	45 days
Fixed income fund ^(d)	1,094,269	—	Monthly	—
Private equity ^(c)	10,718,993	2,647,013	—	—
Private real assets ^(f)	5,814,994	3,262,066	—	—
	<u>\$ 24,812,172</u>	<u>\$ 5,909,079</u>		

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

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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

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

	<u>2022</u>	<u>2021</u>
Investment income	\$ 967,876	\$ 607,146
Realized gains (losses)	(14,905)	2,294
Investment fees	<u>(118,829)</u>	<u>(104,265)</u>
Investment return before unrealized (losses) gains	834,142	505,175
Unrealized gains (losses)	<u>(8,028,662)</u>	<u>17,873,769</u>
Net investment return	<u>\$ (7,194,520)</u>	<u>\$ 18,378,944</u>

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

	<u>2022</u>	<u>2021</u>
Operating activities:		
Investment return on endowment, distributed	\$ 3,122,027	\$ 2,911,295
Other investment (loss) income	(118,392)	61,341
Nonoperating activities:		
Investment gains (loss) after amounts distributed for current year operations	<u>(10,198,155)</u>	<u>15,406,308</u>
Net investment return	<u>\$ (7,194,520)</u>	<u>\$ 18,378,944</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 over 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 2022 and 2021 fiscal years were \$3,122,027 and \$2,911,295, respectively. Expended distributions were \$437,371 and \$848,917 less than the 2022 and 2021 calculations, respectively. These amounts were reinvested based on the needs and circumstances of the supported programs, and in the last two years, the limited ability 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:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021			
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>
June 30, 2022			
Donor-restricted fund	\$ —	\$ 50,726,776	\$ 50,726,776
Board-designated funds	26,317,300	—	26,317,300
Underwater endowments	—	(1,630,609)	(1,630,609)
Total funds	<u>\$ 26,317,300</u>	<u>\$ 49,096,167</u>	<u>\$ 75,413,467</u>

Changes in endowment funds for the fiscal years ended June 30, 2022 and 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, June 30, 2020	\$ 21,037,001	\$ 41,398,350	\$ 62,435,351
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>
Investment return	(2,028,711)	(4,702,197)	(6,730,908)
Contributions	2,544,420	2,038,044	4,582,464
Reinvested	(280,711)	(156,660)	(437,371)
Expended	(1,043,506)	(2,078,521)	(3,122,027)
Endowment, June 30, 2022	<u>\$ 26,317,300</u>	<u>\$ 49,096,167</u>	<u>\$ 75,413,467</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>2022</u>	<u>2021</u>
Aggregate fair value	\$ 16,664,852	\$ 2,024,916
Aggregate original gift	18,295,461	2,132,070
Aggregate deficiency	<u>\$ (1,630,609)</u>	<u>\$ (107,154)</u>

10. Interfund Receivable and Payable

Interfund payables of the College's operating fund totaled \$4,467,956 as of June 30, 2021, which was 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. The interfund balances were eliminated in the 2020-21 consolidated financial statements.

The Board of Trustees voted to extend the suspension of the quarterly repayments for the period July 1, 2021 through June 30, 2022 in light of continued financial concerns over the COVID-19 outbreak. The full impact of the COVID-19 outbreak became more certain during the 2021-22 fiscal year. In February 2022, the Board of Trustees voted to repay the remaining balance of the interfund payables. As a result, no interest was paid while principal payments in the amount of \$4,467,956 were made during the 2021–22 fiscal year.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

11. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 24,234,710	\$ 23,801,369
Buildings and building improvements	163,900,639	161,570,145
Leasehold improvements	116,558	51,000
Equipment	60,355,322	58,944,952
Construction-in-progress	<u>2,045,914</u>	<u>1,164,628</u>
	250,653,143	245,532,094
Less accumulated depreciation	<u>(140,296,583)</u>	<u>(131,949,185)</u>
	<u>\$ 110,356,560</u>	<u>\$ 113,582,909</u>

Total depreciation for the years ended June 30, 2022 and 2021, is \$8,436,612 and \$8,395,859, 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>2022</u>	<u>2021</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%	\$ 43,302,000	\$ 44,535,000
Unamortized debt issuance costs	<u>(184,135)</u>	<u>(204,841)</u>
Total bonds payable	<u>\$ 43,117,865</u>	<u>\$ 44,330,159</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

12. Bonds Payable (continued)

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 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, 2022, 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, with the exception of one financial covenant. Due to unrealized losses on investments, the debt service coverage of 1.25x was not met. The exclusion of unrealized losses from the calculation would have resulted in the College satisfying the minimum requirement. A waiver of covenant compliance has been received by the financial institution for the fiscal year ended June 30, 2022.

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

Year ending June 30:	
2023	\$ 1,270,000
2024	1,307,000
2025	1,347,000
2026	1,387,000
2027	1,429,000
Thereafter	36,562,000
	<u>\$ 43,302,000</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

12. Bonds Payable (continued)

Total interest expense for the years ended June 30, 2022 and 2021, is \$1,307,992 and \$1,344,516, respectively, which is allocated primarily to auxiliary enterprise expenses in the accompanying consolidated statements of activities and changes in net assets.

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.

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 \$296,800 and \$372,030 for years ended June 30, 2022 and 2021, respectively, and is shown in other liabilities on the consolidated statements of financial position.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

13. Postretirement Benefits and Deferred Compensation Obligation (continued)

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, 2022 and 2021, are \$2,349,548 and \$2,325,057, 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.

14. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Amounts with perpetual restrictions:		
Financial aid scholarships and loans	\$ 29,078,709	\$ 27,107,359
Program and operating support	12,941,674	12,611,512
Faculty professorships and development	6,367,964	6,363,685
	<u>\$ 48,388,347</u>	<u>\$ 46,082,556</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>2022</u>	<u>2021</u>
Assets restricted for investment in buildings and equipment	\$ 366,567	\$ 537,835
Contributions receivable	2,147,486	1,937,152
Beneficial interest in assets held by others	270,751	327,942
Programs and scholarships, including unappropriated cumulative endowment gains	10,505,366	15,225,730
Split-interest agreements	493,768	699,667
Underwater endowments	(1,630,609)	(107,154)
	<u>\$ 12,153,329</u>	<u>\$ 18,621,172</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

14. Net Assets with Donor Restrictions (continued)

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>2022</u>	<u>2021</u>
Collection of pledges – time restricted only	\$ 333,584	\$ 141,467
Satisfaction of program activities and scholarships	8,338,583	6,581,001
Gifts to plant fund expended for capital projects purchased and placed into service	886,474	495,959
	<u>\$ 9,558,641</u>	<u>\$ 7,218,427</u>

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 \$1,274,793 and \$1,575,837 at June 30, 2022 and 2021, 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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

15. Split-Interest Agreements (continued)

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 7.5% to 8.0% over the estimated life of the trust and are discounted at rates ranging from 7.2% to 7.4% in 2022 and 2021.

Charitable Gift Annuities – Donors have contributed assets to the College in exchange for a promise by the College to pay a fixed amount or percentage for a specified period of time to the donor or to individuals or colleges designated by the donor. Under the terms of such agreements, no trust exists as the assets received are held as assets and the related annuity liability is an obligation of the College. The liability for charitable gift annuities is discounted at rates ranging from 1.2% to 8.6% during 2022 and 2021. The College maintains assets sufficient to meet annuity reserve requirements under Florida state law.

16. Affiliated Entities

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.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

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.

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

	2022						
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	Total
Salaries and wages	\$ 15,836,576	\$ 1,847,011	\$ 177,109	\$ 5,585,063	\$ 6,742,495	\$ 436,519	\$ 30,624,773
Benefits	4,694,911	542,539	38,023	1,801,934	1,772,209	110,815	8,960,431
Residential meal plans	—	—	—	—	—	6,319,748	6,319,748
Program and operations	5,492,889	1,030,055	248,451	6,511,030	6,909,190	1,579,456	21,771,071
Interest	173,908	7,630	—	24,358	130,143	992,659	1,328,698
Depreciation	2,285,884	677,552	—	1,132,085	605,164	3,735,927	8,436,612
Operation and maintenance of plant	3,138,090	1,023,023	—	1,709,315	999,742	4,476,064	11,346,234
	<u>\$ 31,622,258</u>	<u>\$ 5,127,810</u>	<u>\$ 463,583</u>	<u>\$ 16,763,785</u>	<u>\$ 17,158,943</u>	<u>\$ 17,651,188</u>	<u>\$ 88,787,567</u>

	2021						
	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	Total
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>

18. Related-Party Transactions

Certain board members have outstanding pledges to the Organization at June 30, 2022 and 2021, 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 \$1,021,812 and \$1,269,338 at June 30, 2022 and 2021, 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 \$1,625,105 and \$1,455,877 during the years ended June 30, 2022 and 2021, 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:	
2023	\$ 235,577
2024	237,268
2025	170,647
2026	130,700
2027	96,376
Thereafter	194,016
	<u>\$ 1,064,584</u>

Total rent expense under operating leases was \$320,197 and \$346,257 for the years ended June 30, 2022 and 2021, 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, 2022.

Construction-in-Progress

The Organization has committed to various capital projects during the fiscal year. As of June 30, 2022, the College has approximately \$5,306,000 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 28, 2022 (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.

In October 2022, the Board of Trustees approved a financing arrangement with the College's dining service provider. The provider has advanced \$6,000,000 to the College for a new cafeteria building project.

Supplemental Schedule

Eckerd College, Inc.

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

Reference to GAAP Financial Statements		DOE Ratio Components		Ratio Calculation		Composite Score Calculation				
Statement and/or Note	Statement Category or Note Description	Elements	Amount	Inputs	Result	Ratio	Strength Factor	Weight	Composite Score	
		Primary reserve ratio								
		Expendable net assets								
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 116,600,698	\$ 116,600,698						
SFP	Net assets with donor restrictions	Net assets with donor restrictions	60,541,676	60,541,676						
Note 18	Related-Party Transactions	Unsecured related party receivable	941,119	(941,119)						
SFP	Property and equipment, net	PP&E, net (includes construction in progress)	110,356,560	(110,356,560)						
N/A	N/A	Intangible assets								
SFP	Other liabilities	Post-employment and pension liabilities	296,800	296,800						
SFP	Bonds payable	Long-term debt for long term purposes	43,117,865	43,117,865						
Note 14	Net assets with donor restrictions	Annuities with donor restrictions (Split-interest agreements)	493,768	(493,768)						
SFP	Net assets with donor restrictions	Net assets with donor restrictions, perpetual in nature	48,388,347	(48,388,347)						
						60,377,245				
		Total expenses and losses								
SOA	Total expenses	Total expenses without donor restrictions	88,787,567	88,787,567						
N/A	N/A	Losses without donor restrictions (Non-operating and net investment losses not included in total expenses above)								
N/A	N/A	Net investment losses (included in losses above)								
N/A	N/A	Pension-related changes other than net periodic costs (included in losses above)								
						88,787,567	0.680	3.0	40%	1.2
		Equity ratio								
		Modified net assets								
SFP	Net assets without donor restrictions	Net assets without donor restrictions	\$ 116,600,698	\$ 116,600,698						
SFP	Net assets with donor restrictions	Net assets with donor restrictions	60,541,676	60,541,676						
Note 18	Related-Party Transactions	Unsecured related party receivables	941,119	(941,119)						
						176,201,255				
		Modified assets								
SFP	Total assets	Total assets	233,123,754	233,123,754						
N/A	N/A	Intangible assets								
Note 18	Related-Party Transactions	Unsecured related party receivable	941,119	(941,119)						
						232,182,635	0.759	3.0	40%	1.2
		Net income ratio								
		Change in net assets without donor restrictions								
SOA	Changes in net assets without donor restrictions	Change in net assets without donor restrictions	\$ (7,740,351)	\$ (7,740,351)	\$ (7,740,351)					
SOA	Total revenues and other support without donor restrictions	Total revenues and gains without donor restrictions	\$ 84,545,818	\$ 84,545,818	\$ 84,545,818					
						(0.092)	-1.29	20%	-0.3	
									2.1	

Eckerd College, Inc.

Notes to Financial Responsibility Supplemental Schedule

1. Basis of Presentation

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

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

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

Eckerd College, Inc.

Notes to Financial Responsibility Supplemental Schedule (continued)

2. Composite Score Calculation

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

	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.683	3.0	40%	1.2
Equity Ratio	0.759	3.0	40	1.2
Net Income Ratio	(0.092)	3.0	20	<u>(0.3)</u>
				<u>2.1</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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, (Government Auditing Standards), the financial statements Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2022, 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 28, 2022.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Report on 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 28, 2022

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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, 2022
With Report of Independent Auditors

Ernst & Young LLP



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Eckerd College, Inc.

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

Year Ended June 30, 2022

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Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and
State Financial Assistance

Year Ended June 30, 2022

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
Research and Development Cluster				
Department of the Interior:				
Passed through the State of Alabama:				
Cooperative Endangered Species Conservation Fund	15.615	AL-E-F19AP00787/	\$ 64,552	\$ -
U.S. Geological Survey, Research and Data Collection	15.808	AL-E-F20AP11611	22,924	-
Total Department of the Interior			87,476	-
Department of Commerce:				
Marine Debris Program	11.999		57,135	17,742
Total Department of Commerce			57,135	17,742
Environmental Protection Agency:				
Gulf of Mexico Program	66.475		19,766	-
Total Environmental Protection Agency			19,766	-
National Aeronautics and Space Administration:				
Office of Stem Engagement	43.008	FSGC-18	8,003	-
Total National Aeronautics and Space Administration			8,003	-
National Science Foundation:				
Geosciences	47.050		9,415	-
Social, Behavioral, and Economic Sciences	47.075		17,601	-
Total National Science Foundation			27,016	-
Total Research and Development Cluster			199,396	-
National Endowment for the Humanities				
Passed through the Florida Humanities Council:				
Promotion of the Humanities Federal/ State Partnership	45.129	GR102150562701	1,254	-
Total National Endowment for the Humanities			1,254	-
Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		201,368	-
Federal Direct Student Loans	84.268		13,405,786	-
Federal Work-Study Program	84.033		270,227	-
Federal Pell Grant Program	84.063		2,004,991	-
Total Student Financial Assistance Cluster			15,882,372	-
Higher Education Emergency Relief Fund (HEERF):				
COVID-19 HEERF Student Aid Portion	84.425E		2,006,639	-
COVID-19 HEERF Institutional Portion	84.425F		5,000	-
Total Higher Education Emergency Relief Fund			2,011,639	-
Total Department of Education			17,894,011	-
Total Expenditures of Federal Awards			\$ 18,094,661	\$ 17,742

Eckerd College, Inc.

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

Grantor/Program Title	State CSFA Number	State Expenditures
Florida Department of Education and Commissioner of Education		
Florida Student Assistance Grant (FSAG)	48.054	\$ 291,090
FL Child of Dees/Disab Vets	48.055	33,284
The Florida Bright Futures Scholarship Program	48.059	766,989
Florida Resident Access Grant	48.064	850,876
Total Florida Department of Education and Commissioner of Education		<u>1,942,239</u>
Florida Fish and Wildlife Conservation Commission		
Cooprative Red Tide Research Program	77.010	35,824
Total Florida Fish and Wildlife Conservation Commission		<u>35,824</u>
Florida Department of Highway Safety and Motors Vehicles		
Eckerd College License Plate Project	76.043	10,226
Protect Our Reefs License Plate Project	76.069	7,509
Total Florida Department of Highway Safety and Motors Vehicles		<u>17,735</u>
Total Expenditures of State Financial Assistance		<u>\$ 1,995,798</u>

See accompanying notes.

Eckerd College, Inc.

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

Year Ended June 30, 2022

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, 2022, 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, 2022, 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, 2022. The amounts disbursed to students during fiscal 2022, however, are reflected in the schedule of expenditures of federal awards and state financial assistance within the federal direct student loans caption.

Eckerd College, Inc.

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

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, (Government Auditing Standards), the financial statements Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2022, 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 28, 2022.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Report on 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 28, 2022



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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 of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project

Opinion on 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 identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and in the Florida 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, 2022. 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.

In our opinion, the College complied, in all material respects, with the 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, 2022.

Basis For Opinion on Each Major Federal Program and State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards); 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*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program and state financial assistance project. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs and state financial assistance projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program and state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N 13, *Gramm-Leach Bliley Act – Student Information Security* as outlined in the *OMB Compliance Supplement* for the year ended June 30, 2022. We determined whether the College has designated an individual to coordinate the information security program. We determined whether the College performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether the College documented a safeguard for each risk identified from the three required to be risk-assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce, or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal



program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
Projects 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, 2022, and have issued our report thereon dated, October 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

October 28, 2022

Eckerd College, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

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

84.007, 84.268, 84.033, 84.038, 84.063
84.425E, 84.425F

Student Financial Assistance Cluster
Higher Education Emergency Relief
Fund

Eckerd College, Inc.

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

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

Auditee qualified as low-risk auditee? X yes no

Identification of major state projects:

<u>CSFA number(s)</u>	<u>Name of state program or cluster</u>
48.054	Florida Student Assistance Grant (FSAG)
48.064	Florida Resident Access Grant
48.055	Florida Child or Spouse of Deceased or Disabled Veterans
48.059	The Florida Bright Futures Scholarship Program

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

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award and State Project Findings and Questioned Costs

No matters reported.

Eckerd College, Inc.

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

Year Ended June 30, 2022

	Award Population		Award Sample				Questioned Costs			
	Amount	Recipients	Amount	% of Population	Recipients	% of Population	Amount	% of Sample	Recipients	% of Sample
Florida Resident Access Grant	\$ 850,876	325	\$ 133,529	16%	50	15%	\$ -	-%	-	-%
Florida Academic Scholars Award	432,761	68	107,821	25%	17	25%				
Florida Medallion Scholars Award	338,752	70	91,320	13%	19	27%				
Florida Student Assistance Grants	291,090	107	117,899	24%	18	25%				
FL Child of Decsd/Disab Vets	33,284	5	33,284	100%	5	100%				

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