

***Florida
Institute of
Technology, Inc.
and Subsidiaries***

*Consolidated Financial
Statements and
Supplemental Reports*

June 30, 2022

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Florida Institute of Technology, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Florida Institute of Technology, Inc. and Subsidiaries (the "University", a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University 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 opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 from 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 University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

MELBOURNE

8035 Spyglass Hill Road
Melbourne, FL 32940
321-757-2020

ORLANDO

255 South Orange Avenue, #1200
Orlando, FL 32801
407-841-8841

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 University'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Chapter 10.650, Rules of the Auditor General*, and the schedule of financial responsibility composite ratio score, as required by the Department of Education, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

Other Matters (continued)

Supplementary Information (continued)

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance, and the schedule of financial responsibility composite ratio score are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidating statement of financial position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the University'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 University'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 University's internal control over financial reporting and compliance.

October 31, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	\$ 11,789,956
Accounts receivable, net	6,160,405
Pledges receivable, net	1,641,002
Prepaid expenses, inventories and other assets, net	5,980,676
Student loans receivable, net	1,940,919
Cash held with fiduciary	6,988,679
Investments	120,589,558
Long-lived assets, net	210,906,393
TOTAL ASSETS	\$ 365,997,588

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 18,341,194
Deposits and deferred revenue	5,901,717
Annuities payable	1,788,388
Refundable government loans	2,648,587
Capital lease obligations	12,025,637
Long-term debt	104,859,913
Total liabilities	145,565,436

NET ASSETS

Without donor restrictions	132,341,340
With donor restrictions	88,090,812
Total net assets	220,432,152
TOTAL LIABILITIES AND NET ASSETS	\$ 365,997,588

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
<i>Revenues and reclassifications:</i>			
Tuition and fees	\$ 193,496,767	\$ -	\$ 193,496,767
Student aid - tuition and fees	(54,637,566)	-	(54,637,566)
Net tuition and fees	138,859,201	-	138,859,201
Gifts	2,388,321	-	2,388,321
Interest and dividends	135,749	-	135,749
Other operating	5,381,301	-	5,381,301
Sponsored programs			
Federal/State grants & contracts	18,193,818	-	18,193,818
Private grants & contracts	1,772,202	-	1,772,202
Indirect cost recovery	2,988,183	-	2,988,183
Subtotal sponsored programs	22,954,203	-	22,954,203
Auxiliary enterprises	30,126,253	-	30,126,253
Endowment payout	4,463,542	-	4,463,542
Net assets released from restrictions	531,899	(531,899)	-
Total operating revenues and reclassifications	204,840,469	(531,899)	204,308,570
<i>Expenses:</i>			
Instruction and departmental	69,546,208	-	69,546,208
Academic support	9,209,518	-	9,209,518
Institutional support	34,936,817	-	34,936,817
Student services	15,607,634	-	15,607,634
Sponsored programs	13,448,452	-	13,448,452
Auxiliary enterprises	22,207,021	-	22,207,021
Total operating expenses	164,955,650	-	164,955,650
Operating income (loss) prior to depreciation, amortization and interest	39,884,819	(531,899)	39,352,920
Depreciation and amortization	9,938,144	-	9,938,144
Interest expense	3,993,660	-	3,993,660
Operating income (loss) after depreciation, amortization and interest	25,953,015	(531,899)	25,421,116
NON-OPERATING ACTIVITIES			
Gifts	951,381	3,134,364	4,085,745
Interest and dividends - endowment and other	271,358	3,175,831	3,447,189
Net realized and unrealized loss on investments	(1,648,124)	(20,095,071)	(21,743,195)
Other expenses	38,544	-	38,544
Gain on disposition of assets	933,246	-	933,246
Endowment payout	(587,631)	(3,875,911)	(4,463,542)
Non-operating income (loss)	(41,226)	(17,660,787)	(17,702,013)
CHANGE IN NET ASSETS	25,911,789	(18,192,686)	7,719,103
NET ASSETS - Beginning of year	106,429,551	106,283,498	212,713,049
NET ASSETS - End of year	\$ 132,341,340	\$ 88,090,812	\$ 220,432,152

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Programs					Support	
	Instruction and departmental	Academic support	Student services	Sponsored programs	Auxilliary enterprises	Institutional Support	Total
Salaries	\$ 37,168,657	\$ 3,127,993	\$ 6,917,047	\$ 6,325,503	\$ 6,434,362	\$ 15,774,731	\$ 75,748,293
Services and travel	13,925,360	1,793,023	4,080,803	2,766,138	2,486,745	9,368,859	34,420,928
Benefits	10,053,397	826,131	2,085,072	1,200,467	1,869,266	4,064,898	20,099,231
Materials and supplies	1,701,145	2,656,244	1,348,563	1,730,055	4,311,390	3,877,699	15,625,096
Operations and maintenance	2,147,244	667,296	1,098,404	991,916	6,430,757	1,827,072	13,162,689
Scholarship expense	4,550,405	138,831	77,745	434,373	674,501	23,558	5,899,413
	<u>\$ 69,546,208</u>	<u>\$ 9,209,518</u>	<u>\$ 15,607,634</u>	<u>\$ 13,448,452</u>	<u>\$ 22,207,021</u>	<u>\$ 34,936,817</u>	<u>\$ 164,955,650</u>
Depreciation and amortization	\$ 1,738,247	\$ 590,318	\$ 823,884	\$ 775,758	\$ 5,229,040	\$ 780,897	\$ 9,938,144
Interest expense	613,017	208,398	290,853	273,457	1,978,334	629,601	3,993,660
Total Expenses	<u>\$ 71,897,472</u>	<u>\$ 10,008,234</u>	<u>\$ 16,722,371</u>	<u>\$ 14,497,667</u>	<u>\$ 29,414,395</u>	<u>\$ 36,347,315</u>	<u>\$ 178,887,454</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 7,719,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of intangible assets	9,938,144
Amortization of bond premium	(880,168)
Net realized and unrealized loss on investments	21,743,195
Change in bad debt allowance for accounts receivable	(186,332)
Change in bad debt allowance for student loans receivable	13,499
Change in bad debt allowance for pledges receivable	(61,027)
Gain on disposition of assets	(933,246)
Change in actuarial liability for annuities payable, net	(413,804)
Change in assets and liabilities:	
Accounts receivable	968,186
Pledges receivable	127,672
Prepaid expenses, inventories and other assets	825,282
Student loans receivable	633,149
Accounts payable and accrued expenses	(16,196,429)
Deposits and deferred revenue	866,079
Refundable government loans	(451,679)
Net cash provided by operating activities	<u>23,711,624</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(60,692,292)
Proceeds from investments	47,646,754
Proceeds from disposition of assets	2,951,988
Purchase of long-lived assets	(23,033,006)
Net cash used in investing activities	<u>(33,126,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment of annuity obligations	(127,193)
Repayment of long-term debt	(2,654,759)
Repayment of capital lease obligations	(860,040)
Net cash used in financing activities	<u>(3,641,992)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND	
CASH HELD WITH FIDUCIARY	(13,056,924)
CASH, CASH EQUIVALENTS AND CASH HELD WITH FIDUCIARY	
Beginning of year	31,835,559
CASH, CASH EQUIVALENTS AND CASH HELD WITH FIDUCIARY	
End of year	<u>\$ 18,778,635</u>
AS PRESENTED ON STATEMENTS OF FINANCIAL POSITION	
Cash and cash equivalents	\$ 11,789,956
Cash held with fiduciary	<u>6,988,679</u>
	<u>\$ 18,778,635</u>
SUPPLEMENTAL CASH FLOW INFORMATION - Interest paid	
	<u>\$ 4,883,053</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Florida Institute of Technology, Inc. and Subsidiaries (the “University”) is an accredited, coeducational, independently controlled and supported university, which was established in 1958. It is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University is a not-for-profit corporation under both federal and state laws. The University is committed to the pursuit of excellence in teaching and research in the sciences, engineering, technology, business, psychology, aviation and related disciplines.

The University’s major programs are grouped as Instruction and departmental, Academic Support, Student Services, Sponsored Programs and Auxiliary Enterprises. Sponsored Programs is comprised of grants from federal, state, local, and private entities as well as research institutes. Auxiliary services include housing, dining services as well as FIT Aviation. Student services include social and cultural development, counseling and career guidance, financial aid and admissions processes.

The University’s institutional support serves the programs and contains executive management, fiscal operations, general administration, public relations and development, and administrative information technology.

Basis of Presentation - The consolidated financial statements of the University include the accounts of the various administrative and academic divisions that are controlled by the University, including the wholly owned subsidiaries of the University which are FIT Aviation, LLC and FIT Museum of Art, Inc. (known as Foosaner Art Museum).

During 2022, FIT Museum of Art, Inc. ceased operations and the assets of the subsidiary were sold. The economic impact of this sale was not significant to the consolidated financial statements.

The consolidated financial statements have been prepared on the accrual basis of accounting. All intercompany balances and transactions have been eliminated.

Net assets, revenues, gains and support are classified based on the existence or absence of donor-imposed restrictions. A description of the two classes of net assets follows:

Net Assets without Donor Restrictions: Net assets without donor restrictions represent the difference between assets and liabilities that are not restricted by donor-imposed stipulations. Net assets which were previously restricted for which the University has met donor restrictions are released from restriction and reported as net assets without donor restrictions in the consolidated financial statements.

Net Assets with Donor Restrictions: Net assets with donor restrictions are defined as net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time or include perpetual restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid debt instruments purchased with an original maturity of less than three months. The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments.

Cash Held with Fiduciary - Cash held with fiduciary represents the balance of the escrow account with relation to the bond refinancing that took place during fiscal year 2020. These funds will be used for future capital projects approved as part of the bond refinance as well as future debt service.

Concentration of Credit Risk - The University maintains its cash, cash equivalents and cash held with fiduciary in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per depositor. As of June 30, 2022, approximately \$19 million of the University's balances were subject to custodial credit risk.

Accounts Receivable, net - Accounts receivable are generated by student accounts with deferred payment arrangements, delinquent student accounts, or other transactions in which the University has provided services in advance of payment. Accounts receivable also includes balances related to sponsored programs, which are receivables generated through private and government grants and contracts. Management estimates an allowance for uncollectible accounts based upon their review of delinquent accounts and an assessment of the University's historical evidence of collections. It is the University's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Pledges Receivable, net - Pledges are unconditional written promises to contribute to the University in the future. Pledges are recognized at estimated present value in the period the pledges are received. Management estimates an allowance for uncollectible pledges based upon their review of delinquent pledges and an assessment of the University's historical evidence of collections. Pledges are adjusted to the net present value using a discount rate that is comparable to the average interest rate for long-term interest bearing debt issued by the U.S. Treasury.

Prepaid Expenses, Inventories and Other Assets, net - Prepaid expenses are amounts that are paid in advance by the University to a vendor for goods and services. Inventories of supplies are stated at the lower of cost (weighted average) or net realizable value.

Student Loans Receivable, net - Student loans receivable result from lending activities to students utilizing University and federal resources designated for that purpose. Management estimates an allowance for uncollectible student loans based upon their review of delinquent student loans and an assessment of the University's historical evidence of collections. It is the University's policy to charge off uncollectible student loans receivable when management determines the receivable will not be collected. Federal funds provided for this purpose are included in the Refundable Government Loans liability on the Consolidated Statement of Financial Position.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The University's investments in securities are reported at fair value. Contributed investments in securities are initially recorded at their fair value on the date of the gift. The University maintains its investments in securities with four brokerage firms that are members of the Securities Investor Protection Corporation ("SIPC"). At times, the brokerage firm accounts may also include cash balances. Cash and securities held at a member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash. There was no cash in the investment account subject to custodial credit risk at June 30, 2022.

Long-Lived Assets, net - Long-lived assets are recorded at cost if purchased or at estimated fair value if received by gift. The University's policy is to capitalize assets acquired through purchase greater than \$1,000 and acquired by gifts greater than \$5,000 having a useful life greater than one year. Depreciation of long-lived assets is recorded on the straight-line method over their estimated useful lives ranging from 3 to 50 years.

<u>Description</u>	<u>Estimated useful life</u>
Building and land improvements	7 to 20 years
Buildings	7 to 50 years
Leasehold improvements	Shorter of the length of the lease or the life of the asset
Equipment	3 to 15 years
Vehicles and boats	5 to 10 years
Aircraft	5 to 12 years
Software	3 to 5 years (amortized)
Library materials	12 years

Deposits and Deferred Revenue - Tuition revenue and certain related costs are recognized in the fiscal year in which the program is conducted, however collections of the payment for these revenues may occur in an earlier period than the one in which the revenue is earned. This revenue is deferred until the period in which it is earned. Deposits primarily represent amounts held by the University for various student related services.

Refundable Government Loans - Refundable government loans represent federal funds provided to the University to be used for student loans. The balance represents the amount refundable to the federal government if the University terminated its participation in the loan program.

Collections - The University's collections consist of donated art and other objects that are held for educational and curatorial purposes. In conformity with accounting principles generally accepted in the United States of America, the University has elected to exclude the value of the collections from the consolidated statement of financial position, and the value of donations of collections from revenue in the consolidated statement of activities. If collections are disposed, it is the University's intent that they be donated and therefore, no proceeds will be recognized.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional Promises to Give - Because of uncertainties with regard to reliability and valuation, bequest intentions and other conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges whose conditions have not been met totaled approximately \$1.7 million as of June 30, 2022. Promises that are associated with bequests and wills whose conditions have not been met totaled approximately \$25.2 million as of June 30, 2022.

Income Taxes - The University is a tax-exempt institution under Section 501(c)(3) of the Internal Revenue Code. The University is classified as an organization whereby contributions to it qualify for deductions as charitable contributions. Accordingly, no provision for income taxes has been made in the consolidated financial statements. No assessments are outstanding, and the University's management believes that the University has operated in accordance with its tax-exempt status.

However, the University does engage in activities that may give rise to unrelated business income tax. As such, the University files an unrelated business income tax return that includes FIT Aviation, LLC and other activities subject to unrelated business income tax.

Deferred income taxes are provided on a method whereby deferred tax assets are recognized for temporary differences, which are the differences between the reported amount of assets and liabilities and their tax basis and arise predominantly from net operating losses and the allowance for doubtful accounts receivable. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Measurement of deferred income tax is based on enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The University accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, Income Taxes, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the consolidated financial statements. The two-step approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine if they are recognizable in the consolidated financial statements. Management regularly reviews and analyzes all tax positions and has determined that no uncertain tax positions requiring recognition have occurred.

The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for fiscal years prior to 2019.

Advertising - The University expenses advertising costs when incurred. Advertising expense totaled approximately \$2.6 million for the year ended June 30, 2022.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in the Preparation of Consolidated Financial Statements - The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from these estimates.

Measure of Operations - The University's operating activities include revenues that are earned as a result of providing its programs and supporting activities, and expenses related to providing these programs and supporting activities. Operating activities also include amounts released from donor restrictions, as well as transfers from board designated and other non-operating funds to support these operating activities. Operating activities do not include returns from investment activity in excess of amounts made available for current activities or contributions received for use in future periods.

Liquidity and Availability of Resources - The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The University's financial assets comprised the following at June 30, 2022:

Cash and cash equivalents	\$ 11,789,956
Accounts receivable, net	6,160,405
Pledges receivable, net	1,641,002
Student loans receivable, net	1,940,919
Cash held with fiduciary	6,988,679
Other long-term investments	<u>120,589,558</u>
Total financial assets	<u>\$ 149,110,519</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued) - As of June 30, 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 11,789,956
Accounts receivable, net	6,160,405
Pledges receivable for operations due in 1 year or less	755,979
Payout on donor restricted endowments	3,875,911
Payout on quasi-endowments	587,631
Investments not encumbered by donor or board restrictions	<u>30,342,621</u>
Total financial assets available for general expenditures	<u>\$ 53,512,503</u>

The University's governing board has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At June 30, 2022, the following amounts were designated by the board and available to be spent at any time with board approval:

Board Designated Quasi-Endowment funds	\$ 3,346,155
Departmental Quasi-Endowments funds	<u>2,250,637</u>
Total quasi-endowment funds	<u>\$ 5,596,792</u>

Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans. Based on historical experience, the portion of pledges receivable due within one year are considered liquid unless restricted by Donor stipulations.

In addition to the assets listed above, the University has a balance of \$6,988,679 of cash held with fiduciary that is committed for the construction of a building dedicated to the health sciences, as well as debt service.

The University has various sources of liquidity at its disposal, including a line of credit. See Note 13 for information about the University's line of credit.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation - Operation and maintenance of plant, depreciation, utilities, and insurance expense are allocated across all functional expense categories as follows:

- Salary and benefits expense is allocated based on the function of the employee that the expense is attributable to.
- Expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant (O&M) are allocated based on square footage of the buildings used to support each functional area. (Interest is included in O&M.)
- Depreciation expense of all depreciable assets, other than auxiliary buildings, is allocated based on square footage of the buildings owned by the University used to support each functional area. Depreciation expense of the auxiliary buildings are directly charged to the auxiliary functional area. These allocations are based on information obtained through a periodic inventory of space usage.
- Expenses for insurance and utilities are allocated based on square footage of the buildings used to support each functional area.

Recently Issued Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 (Leases (Topic 842)), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria. With respect to the University, this update is effective for the fiscal year ended June 30, 2023. The effect of this guidance on the consolidated financial statements of the University has not been determined.

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at June 30, 2022:

Students	\$	2,374,496
Sponsored research and similar agreements		2,482,559
Aviation		2,792,870
Total		<u>7,649,925</u>
Less: allowance for doubtful accounts		<u>(1,489,520)</u>
Net accounts receivable	\$	<u><u>6,160,405</u></u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

3. PLEDGES RECEIVABLE, NET

Pledges receivable, discounted using a risk-free rate of 3%, are expected to be realized in the following time frames at June 30, 2022:

Due:	
Less than one year	\$ 755,979
One year to five years	870,000
More than five years	<u>203,687</u>
Total	1,829,666
Less: discount	(138,664)
Less: allowance	<u>(50,000)</u>
Net pledges receivable	<u>\$ 1,641,002</u>

One pledge included above had a balance of \$1.2 million (79% of pledges receivable, net) as of June 30, 2022.

4. PREPAID EXPENSES, INVENTORIES AND OTHER ASSETS, NET

Prepaid expenses, inventories and other assets consisted of the following at June 30, 2022:

Prepaid expenses	\$ 3,815,608
Inventories	1,522,013
Other	<u>643,055</u>
Net prepaid expenses, inventories, and other assets	<u>\$ 5,980,676</u>

5. STUDENT LOANS RECEIVABLE, NET

Student loans receivable consisted of the following at June 30, 2022:

Perkins	\$ 2,232,285
Merit	111,082
Frueauff	<u>3,363</u>
Total	2,346,730
Less: allowance for doubtful accounts	<u>(405,811)</u>
Student loans receivable, net	<u>\$ 1,940,919</u>

Loans to students included participation in the Perkins Federal revolving loan program. During 2018, the Perkins Federal revolving loan program was suspended by the Federal Government. Based on this suspension, loans are no longer being disbursed to students and amounts collected are returned to the University or to the Federal Government. Funds advanced by the Federal government of \$2,648,587 at June 30, 2022, are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled or paid under the program result in a decrease in the liability to the government. Ultimately, the liquidation of funds will be made in accordance with established guidelines to be determined by the Department of Education.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

6. INVESTMENTS

Investments consisted of the following at June 30, 2022:

Short term investments	\$ 29,512,409
Debt mutual funds	7,000,481
US government notes and bonds	4,105,507
Corporate bonds	8,788,352
Mortgage/asset backed securities	4,640,079
Municipal bonds	2,437,645
Equity mutual funds	30,706,781
Common stocks	29,821,479
Alternative investments	2,746,613
Surplus notes	830,212
Total investments	<u>\$ 120,589,558</u>

Net realized and unrealized gains and losses on investments consisted of the following for the year ended June 30, 2022:

Without donor restrictions

Endowments:

Realized/unrealized loss, net	\$ (1,648,124)
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With donor restrictions

Endowments:

Realized/unrealized loss, net	(19,847,316)
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Annuity contracts & charitable remainder trusts:

Realized loss, net	<u>(247,755)</u>
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Subtotal	<u>(20,095,071)</u>
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Total realized and unrealized losses, net	<u>\$ (21,743,195)</u>
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Concentrations of market risk included the following at June 30, 2022:

	<u>Amount</u>	<u>Percentage</u>
American Funds EuroPacific growth fund (Equity mutual fund)	<u>\$ 19,929,561</u>	<u>17%</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

7. LONG-LIVED ASSETS, NET

Long-lived assets consisted of the following at June 30, 2022:

Land	\$ 8,245,413
Building and land improvements	51,711,492
Buildings	200,550,560
Equipment - Siemens energy project	15,870,042
Equipment	30,587,894
Vehicles and boats	2,401,566
Aircraft	9,087,571
Software	2,055,138
Library materials	613,812
Construction in progress	6,261,114
Intangible assets	121,713
Total	327,506,315
Less: accumulated depreciation and amortization	(116,599,922)
Net long-lived assets	<u><u>\$ 210,906,393</u></u>

Depreciation and amortization expense was \$9,938,144 for the year ended June 30, 2022.

8. ENDOWMENTS

Spending Policy

The University has a spending policy that governs the rate at which funds are transferred from the endowment to the operating fund. The annual allocation to the operating fund is calculated as a percentage of the endowment fair value. The policy allows for a transfer of 5% of the fair value during the subsequent fiscal year by using a moving average, computed on the last three calendar years of endowment fair values. The total transfers were \$4,463,542 for the year ended June 30, 2022. The transfers were made as applicable with the aforementioned spending policy.

During the year, the Board released \$4,000,000 from the board designated quasi-endowment to be used for funding toward the implementation of the Workday ERP system.

Investment Policy

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the University, as authorized by the State of Florida, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the University, including University counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

8. ENDOWMENTS (continued)

Investment Policy (continued)

As a result of this interpretation, for accounting and consolidated financial statement purposes, the University classifies as donor restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The investment objectives for the management of endowment assets are to maximize the benefit intended by the donor, to produce current income to support the programs of the University and donor objectives, and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets. The Endowment Fund Investment Policy embraces the total return concept. The following formula summarizes the factors involved in the Endowment Fund Investment Program: Real Asset Growth Rate = total investment return - CPI - management costs - annual payout amount.

The investment program attempts to balance current need and future support so that in the future, the Endowment Fund will provide at least the same value of annual financial support as is currently provided.

The fund is managed in compliance with the Uniform Prudent Management of Institutional Funds Act.

The endowment net asset balance consisted of the following at June 30, 2022:

Donor-restricted endowment fund	
With donor restrictions	\$ 80,142,196
Board-designated endowment fund	
Without donor restrictions	<u>5,596,792</u>
Total funds	<u><u>\$ 85,738,988</u></u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

8. ENDOWMENTS (continued)

Investment Policy (continued)

The changes in the University's endowments as of and for the year ended June 30, 2022 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 10,512,354	\$ 97,355,345	\$ 107,867,699
Investment income	407,107	3,175,831	3,582,938
Net realized and unrealized loss on investments - net of fees	(1,648,124)	(20,095,071)	(21,743,195)
Additions to investment pool - net	951,381	3,134,364	4,085,745
Appropriation of endowment assets for expenditure	(587,631)	(3,875,911)	(4,463,542)
Quasi-endowment reclassification	(4,038,295)	-	(4,038,295)
Transfer for underwater endowments	-	447,638	447,638
Endowment net assets - End of year	\$ 5,596,792	\$ 80,142,196	\$ 85,738,988

Underwater endowments arise when individual endowment fund's market value is less than the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions. Per the University's Endowment Policy, individual endowment funds that are underwater are reported in the consolidated financial statements and are temporarily funded by unrestricted funds. Future monitoring of spending payouts will take place until the market value has increased to the original gift amount.

At June 30, 2022, funds with original gift values of \$1,902,394, fair values of \$1,454,756, and deficiencies of \$447,638 were reported in net assets with donor restrictions.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2022:

Accounts payable	\$ 1,683,168
Accrued expenses	
Accrued salaries and wages	3,092,145
Accrued vacation	4,384,716
Due to Bisk Education	1,719,450
Deferred rent	1,950,157
Other accrued expenses	5,511,558
Total accounts payable and accrued expenses	<u>\$ 18,341,194</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

10. DEPOSITS AND DEFERRED REVENUE

Deposits and deferred revenue consisted of the following at June 30, 2022:

Deposits	\$ 2,357,716
Deferred revenue/tuition	<u>3,544,001</u>
Total deposits and deferred revenue	<u><u>\$ 5,901,717</u></u>

11. ANNUITIES PAYABLE

The University is a party to several forms of split-interest contracts and agreements. In return for a lump-sum payment to the University or to an outside trustee, the donor specifies a beneficiary (or beneficiaries) who receive periodic payments, usually for the beneficiary's lifetime. The University is named as a remainder beneficiary. Upon the death of the beneficiary, the University receives the residual funds.

During the term of the agreement, funds are invested with the objective of providing income to fund periodic payments to beneficiaries and provide some growth through appreciation for the remainder interest. At June 30, 2022 the University was a party to the following types of split-interest agreements:

- Annuity contracts
- Charitable remainder trusts

The University serves as trustee/administrator for the annuity contracts and records the investment and actuarial liability for annuities payable in its consolidated financial statements as donor restricted net assets. Trustees for the charitable remainder trusts are designated by the donor. When the University is the trustee, the trust assets, liabilities, revenues and expenses are recorded in the University's consolidated financial statements. In those cases where the University is not the trustee, only the estimated present value of the future remainder interest is recognized.

On an annual basis, the University revalues the liability related to future distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments are calculated using the current annual period treasury yield rate and applicable mortality tables for each beneficiary.

Annuities payable consisted of the following at June 30, 2022:

Charitable remainder trusts	\$ 1,689,490
Annuities payable	<u>98,898</u>
Total annuities payable	<u><u>\$ 1,788,388</u></u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

12. CAPITAL LEASE OBLIGATIONS

Siemens Performance Contract

On September 24, 2009, the University entered into an agreement with Siemens Public, Inc. (“Siemens”) to lease various types of equipment under a performance contract agreement (“Siemens contract”) with Siemens Building Technologies.

The initial contract lease under the Siemens contract was refinanced on September 24, 2014 to reduce the effective annual interest rate from 5.77% to 3.0%, and to extend the term to allow for payment of the previous balloon payment over an additional nine years through September 2029. As of June 30, 2022, this capital lease obligation was \$4,285,508.

On September 30, 2014, the University entered into a second capital lease under the Siemens contract for additional equipment, the purchase and installation of which was completed during the fiscal year ending April 30, 2016. In accordance with the terms of this capital lease, Siemens advanced \$5.5 million to the University at inception for the anticipated total cost of the equipment and its installation. The funds were deposited to an escrow account in the name of the University and were disbursed as the purchases and installation progressed. This lease has an effective annual interest rate of 3.2% that was charged from the date of the initial advance. Monthly payments commenced in October 2015 and extend through September 2033. As of June 30, 2022, this capital lease obligation was \$3,918,680.

The Center for Aeronautics and Innovation

On April 17, 2013, the University entered into an agreement with the City of Melbourne Airport Authority to lease the property now known as the Center for Aeronautics and Innovation (“CAI”). The agreement is a 40 year lease with monthly payments beginning January 1, 2014. It contains both a capital lease component for the building and an operating lease component for the land. The University has the option to extend the lease for two additional terms of five years each. The initial rent is based on 31,000 square feet of floor space and includes a building lease rate of \$6.26 per square foot and a nominal interest rate of 3.771%. As of June 30, 2022, the total capital lease obligation was \$3,800,441.

The following represents assets held under capital leases by major classes, which are included in long-lived assets at June 30, 2022:

Building - CAI	\$ 4,100,000
Equipment - Siemens energy project	<u>15,870,042</u>
Subtotal	19,970,042
Less: accumulated amortization	<u>(9,897,356)</u>
Total assets held under capital lease	<u>\$ 10,072,686</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

12. CAPITAL LEASE OBLIGATIONS (continued)

Total Capital Leases

The present value of future minimum lease payments under capital leases for the next five years ending June 30 and thereafter are as follows:

2023	\$	1,272,678
2024		1,274,933
2025		1,277,188
2026		1,277,188
2027		1,277,188
Thereafter		<u>9,635,625</u>
Total minimum lease payments		16,014,800
Less amounts representing interest		<u>(3,989,163)</u>
Present value of net minimum lease payments	\$	<u><u>12,025,637</u></u>

The carrying value of capital lease obligations approximates fair value. These financial instruments bear rates that approximate current market rates for debt of similar credit quality and maturities.

13. LINE OF CREDIT

The University has a line of credit, which consists of a promissory note agreement with a commercial bank, under which the University may borrow up to \$15,000,000 for working capital purposes. The line of credit agreement dated July 1, 2020 was amended and restated on June 1, 2021 with an expiration date of February 1, 2023. The amount of credit available for the borrower remained unchanged. The principal sum outstanding shall bear interest at a floating rate per annum equal to 1.75% in excess of 30-day LIBOR Rate. In addition, an unused commitment fee in the amount of 0.20% per annum is charged quarterly to the University based on the unused balance. The proceeds of this line of credit are to be used for working capital in the business of the University to supplement the seasonality of tuition and fee receivables. The University has pledged tuition and fees and unrestricted revenues as collateral for the line of credit. At June 30, 2022 the University had no outstanding balances under this agreement.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

14. LONG-TERM DEBT

During fiscal year 2020, the University refinanced its previously held bonds, and obtained additional proceeds to support capital acquisitions. As an extension of this process, the University purchased buildings which were previously financed under operating leases.

Long-term debt consisted of the following at June 30, 2022:

18 year annuity contract mortgage, fixed interest rate of 5.824%, maturing January 15, 2032, collateralized by real estate	\$ 1,398,666
2019 Series from the Higher Educational Facilities Financing Authority. Educational Facilities Revenue Bonds. Fixed interest rate 3.56%. Matures April 30, 2050.	93,350,000
Unamortized Premium, 2019 Series	<u>10,111,247</u>
Long-term debt	<u>\$ 104,859,913</u>

The 2019 Series Bonds were issued at a premium of \$12,547,161, which is amortized over the life of the bonds and recognized as interest expense on the Statement of Activities. Premium amortization of \$880,168 was recognized for the year ended June 30, 2022.

Scheduled principal payments and amortization of the bond premium on the above obligations due in each of the next five years ended June 30 and thereafter are as follows:

	<u>Bond payments</u>	<u>Premium amortization</u>	
2023	\$ 2,786,326	\$ 837,154	
2024	2,933,285	796,242	
2025	3,080,660	757,330	
2026	3,243,477	720,319	
2027	3,411,761	685,117	
Thereafter	<u>79,293,157</u>	<u>6,315,085</u>	
Total	<u>\$ 94,748,666</u>	<u>\$ 10,111,247</u>	<u>\$ 104,859,913</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

14. LONG-TERM DEBT (continued)

The carrying value of long-term debt approximates fair value. These financial instruments bear rates that approximate current market rates for debt of similar credit quality and maturities.

Interest expense and debt service fees for all debt obligations for the year ended June 30, 2022 totaled \$3,993,660.

The bonds contain certain financial covenants with respect to cash flow and debt ratios for which the University was in compliance at June 30, 2022.

15. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consisted of the following at June 30, 2022:

Programs and passage of time	\$ 1,852,521
Endowment, annuity and similar funds	31,086,661
General endowments	7,501,443
Scholarship endowments	17,141,532
Departmental endowments	30,009,352
Endowed pledges	499,303
Total net assets with donor restrictions	<u>\$ 88,090,812</u>

Net assets released from restrictions, as reported on the consolidated statement of activities, occur by incurring expenses satisfying the restricted purposes, principally for construction, instruction, research, and departmental support or by the passage of time.

16. OTHER OPERATING REVENUES

Other revenues included in the consolidated statement of activities consisted of the following for the year ended June 30, 2022:

Fees for services	\$ 3,867,038
Commissions and fundraising	558,330
Admissions and miscellaneous fees	602,700
Student organizations revenue	353,233
Total other revenues	<u>\$ 5,381,301</u>

17. FUNDRAISING

Fundraising expenses consisted of general expenses of \$2,160,582 for the year ended June 30, 2022.

In addition to the expenses above, individual departments of the University host fundraisers throughout the year. Fundraising expenses incurred at the individual department level are included with their program expenses.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

18. EMPLOYEE BENEFIT PLAN

The University maintains a defined contribution plan. An employee is eligible to contribute to the plan on date of hire. After 30 days of continued service, if an employee elects to contribute to the plan, the University may match this contribution up to 5% of the employee's salary. Retirement plan contributions for the year ended June 30, 2022, were \$2,674,302.

19. RELATED PARTY TRANSACTIONS

The University has liabilities due to parties related through current and former employment and board relationships, including lifetime annuities and charitable remainder trust lifetime annuities. Payment terms vary from monthly to quarterly. The total outstanding liability to all related parties at June 30, 2022 was \$224,470.

20. COMMITMENTS AND CONTINGENCIES

Legal

The University is involved in various legal actions arising in the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters should not have a material adverse effect upon the University's financial position.

BISK

On January 13, 2006, the University entered into a 20-year agreement which became effective in February 2009, with BISK for collaboration of development and marketing of the University's for-credit distance learning program. BISK and the University will comply with accreditation standards of The Southern Association of Colleges and Schools, and any accreditation body that the University elects to join. The first 16 years of this agreement is non-cancelable, and once the 20-year term expires, BISK may extend this agreement in increments of 5 years. The payment terms to the University are based on a sharing arrangement of gross revenue adjusted for expenses in accordance with the contractually negotiated percentages for each respective program.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

20. COMMITMENTS AND CONTINGENCIES (continued)

Ellucian

The University is party to an agreement with Ellucian, to provide onsite technology management services and software licensing for computer system support. The agreement requires an annual payment for support services of approximately \$1.5 million plus hourly fees for additional services and annual maintenance and license fees. The contract expires on December 31, 2022. Total fees paid to Ellucian for the year ended June 30, 2022 were \$1,184,825.

Workday

On July, 26, 2018, the University entered into a 5 year agreement with Workday, Inc. to provide a cloud hosted Enterprise Resource Planning (ERP) system. The system is an integrated financial management system that will control and automate business processes for accounting, finance, payroll and human resources, and grants and project management. The agreement has an annual base fee of approximately \$1 million and annual user charges. The fees paid to Workday totaled \$1,130,861 for the year ending June 30, 2022. The ERP system includes a Student Management System that the University is evaluating for future use.

WFIT Building Contingency

On January 13, 2011, WFIT Radio Station (the "Station", a department of the University) entered an agreement with the Florida Department of Education ("FDOE") to construct and furnish a new radio station. Construction was completed during the year ended April 30, 2013 at a total cost of \$1,574,820 for the building. The station also spent \$380,855 for improvements to connect the new building to existing structures. Upon completion, the FDOE leased the new building to the Station for 20 years at \$1 per year with four successive renewal options of five years each, for a total of 40 years, at the end of which title to the building transfers to the Station.

Due to the bargain rent and title transfer, and upon completion of the building and start of the lease, this transaction was considered to be the contribution of a building with an estimated fair value equal to its total cost that is reported as a donor restricted net assets as it is restricted for use as a radio station over the extended lease term, which also coincides with the building's estimated useful life. This restricted contribution is being released from restriction on a straight-line basis over the 40 year lease term while the building is being depreciated on a straight-line basis over 50 years, its useful life in accordance with the normal depreciation policy of the University for similar assets.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

20. COMMITMENTS AND CONTINGENCIES (continued)

Insurance Pool

The University is a member of the Florida Independent Colleges and Universities Risk Management Association, Inc. (“FICURMA”) insurance pool which includes, but is not limited to, coverage of property, general and auto liability, workers’ compensation, and excess crime. FICURMA was formed to assist universities in the State of Florida in controlling insurance costs. There is a risk that additional assessments could be incurred by the University as the result of this insurance pool. However, management does not believe any additional assessments exist as of June 30, 2022.

Operating Leases

Melbourne Airport Authority

Buehler Building

The University entered into a ground lease with the Melbourne Airport Authority to lease property for a period of forty years starting March 1, 2009. Base rent for the property is \$0.15 per square foot of the property for the first five years, and is paid monthly. The estimated square footage disclosed in the lease is approximately 435,600 square feet.

Additionally, the University entered into an improved land lease with Melbourne Airport Authority on March 1, 2009. The rent is based upon the Melbourne Airport Authority’s construction expenses, amortized over a 35- year period at the rate of one-year LIBOR (0.086% at June 30, 2022) plus 200 basis points.

On the fifth anniversary of the Rent Commencement Date, and all subsequent fifth anniversaries, the base rent and the improved land lease rent shall be increased by a factor of the Consumer Price Index for the previous five-year period. According to the terms of the agreement, the annual percentage increase will not be less than 2% or more than 5% per year for each of the previous five-year periods. The lease payment during the year ended June 30, 2022 was \$458,878. The University is responsible for real estate taxes, fees, and assessments on the property. The University has an option to extend the lease for four additional terms of five years each.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

20. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

Center for Aeronautics and Innovation

As described in Note 12, the University entered into a 40-year land lease on April 17, 2013 with the Melbourne Airport Authority for the Center for Aeronautics and Innovation. The lease includes an incremental escalation every five years, equal to the percentage increase in the Consumer Price Index. The increase will not be less than 2% or more than 5% per year. The lease payment during the year ended June 30, 2022 was \$125,795.

Harris Commons

The University entered into a 15-year triple net operating office lease with Broadstone FIT Florida, LLC in March 2012. The University occupies all 62,523 square feet of the building. Gross rental payments (base rent) for the first twelve (12) months of the term are equal to \$18.75 per square foot, and are paid monthly. According to the terms of the agreement, the annual percentage increase based on the changes in the consumer price index will not be less than 1.5% or more than 3% per year. The lease payment during the year ended June 30, 2022 was \$1,645,093.

The University is responsible for real estate taxes, fees, and assessments on the property.

Other

The University is a lessee in other leasing obligations with monthly payments ranging from \$800 to \$13,400. The lease terms range from one to five years. Total facilities rent expense recognized for the year ended June 30, 2022 was \$920,283.

Total Operating Leases

In accordance with FASB ASC 840, *Leases*, the University recognizes lease expense over the course of the lease agreements using the straight-line method. Leasing commitments for the next five years ending June 30, and thereafter are as follows:

2023	\$	1,736,190
2024		1,767,898
2025		1,816,606
2026		1,838,216
2027		1,610,311
Thereafter		11,515,110
Total lease payments	\$	<u>20,284,331</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

21. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 fair value measurements) and the lowest priority to unobservable inputs (level 3 fair value measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 3 Fair Value Measurements

Surplus notes - Held with association, is not actively traded, and significant other observable inputs are not available; thus, the fair value of the surplus note is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and historical returns on the note. The fair value of surplus notes is equal to the discounted future expected cash flows of the note.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

21. FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the relevant valuation information used to calculate the fair value of level 3 assets as of June 30, 2022:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Rate or Range of rates
Surplus Notes	\$ 830,212	Discounted expected futures cash flows	Discount rate Expected rate of return	10.63% 10%

The following table represents changes in the Plan's Level 3 investment assets measured at fair value on a recurring basis for the years ending June 30, 2022:

Balance, beginning of year	\$ 1,140,282
Purchases, sales, issuances and settlements	
Settlements	(310,070)
Balance, end of year	<u>\$ 830,212</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2022.

Description	Total	(Level 1)	(Level 2)	(Level 3)
Investments				
Short-term investments	\$ 29,512,409	\$ 29,512,409	\$ -	\$ -
Debt mutual funds	7,000,481	7,000,481	-	-
US government notes and bonds	4,105,507	4,105,507	-	-
Corporate bonds	8,788,352	8,788,352	-	-
Mortgage/asset backed securities	4,640,079	4,640,079	-	-
Municipal bonds	2,437,645	2,437,645	-	-
Equity mutual funds	30,706,781	30,706,781	-	-
Common stocks	29,821,479	29,821,479	-	-
Alternative investments	2,746,613	2,746,613	-	-
Surplus notes	830,212	-	-	830,212
Total Investments	<u>\$ 120,589,558</u>	<u>\$ 119,759,346</u>	<u>\$ -</u>	<u>\$ 830,212</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

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FOR THE YEAR ENDED JUNE 30, 2022

22. DEFERRED INCOME TAXES

The University has unrelated business income which is not exempt from Federal income taxes, including the activities of its wholly owned subsidiary, FIT Aviation, LLC. For the year ended June 30, 2022 there was no provision for Federal income taxes because the total of these activities resulted in a net loss and the benefit derived therefrom has been offset by a valuation allowance.

The University's deferred tax asset is based on operating loss carryforwards. A deferred income tax valuation allowance has been provided as of June 30, 2022. The valuation allowance reduces the deferred tax asset to an amount that represents management's best estimate of the amount of such deferred tax asset that will actually be realized.

As of June 30, 2022, the University had Federal net operating loss carryforwards of approximately \$25 million.

The University's deferred tax asset is as follows at June 30, 2022:

Deferred tax assets:	
Non-current:	
Net operating loss carryforwards	\$ 5,300,000
Valuation allowance for net non-current deferred tax assets	<u>(5,300,000)</u>
Total deferred tax asset	<u><u>\$ -</u></u>

23. HIGHER EDUCATION EMERGENCY RELIEF FUND (HEERF)

The Coronavirus Aid, Relief and Economic Security Act (CARES) - HEERF I

The CARES Act was passed by Congress and signed into law to provide economic relief from COVID-19. One section of the CARES Act established the Higher Education Emergency Relief Fund (HEERF) to help universities provide emergency financial aid grants for students and to assist with institutional expenses related to the disruption of campus operations due to the pandemic. Through additional legislation, distributions were received by the University under HEERF I, II and III.

Distributions funded under HEERF I and II were received and fully expended in the prior year. The University was awarded \$12.5 million in HEERF III funds, with \$6.5 million allocated to students and the remaining \$6 million allocated to the institution for expenses as stipulated in the applicable legislation. This award was received in the prior year, but fully expended during the year ended June 30, 2022.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

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FOR THE YEAR ENDED JUNE 30, 2022

24. SUBSEQUENT EVENTS

The University's management has evaluated subsequent events through October 31, 2022, the date the consolidated financial statements were available to be issued, and has determined that no additional subsequent events have occurred that require disclosure.

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Federal Grantor / Pass-through Grantor / Program Title	Assistance Listing Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>FEDERAL</u>				
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>National Aeronautics and Space Administration</u>				
<u>National Shared Services Center</u>				
Investigating scale-dependent dynamic alignment laws in the solar wind-Primary	43.001	80NSSC19K0275	\$ 74,193	\$ 42,157
Economic Impact of NASA in Florida FY2021	43.001	80NSSC22P0311	34,625	-
Chandra General Observer Program, Cycle 18 - The 3C111 Jet: X-ray variability, spectrum & broadband SED	43.001	G07-18100X	6,718	-
<u>Johns Hopkins University Applied Physics Laboratory (JHUAPL)</u>				
Investigating the space time correlation of solar wind turbulence	43.001	166049	22,099	-
Graduate Student Support for Solar Wind Research and Numerical Simulations	43.001	175203	10,060	-
<u>University of Alabama Huntsville (UAH)</u>				
Investigating the solar wind dynamics, interstellar, pickup ions, and turbulence throughout space based on 3D time-dependent modeling and multiple spacecraft observations	43.001	2020-1272	3,026	-
<u>NASA</u>				
Using Parker Solar Probe (PSP) Observations to Test and Constrain Models of the Solar Wind and Solar-wind Turbulence	43.001	80NSSC21K1768	5,296	28,136
Cloud Formation in Substellar Atmospheres	43.001	80NSSC18K0183	41,697	-
Search for the Origin of Double Power-law Energy Spectrum of Energetic Particles	43.001	80NSSC18K0644	106,319	25,227
A system-wide study of electromagnetic ion cyclotron waves and their effects on relativistic electrons in Earth magnetosphere 17-MAG_2-0045	43.001	80NSSC18K1221	69,140	10,638
Light curve asymmetries in eclipsing binaries	43.001	80NSSC19K1021	36,587	-
The Role of Coronal Shocks and Cross-Field Transport Processes Play in the Observation of SEP Events	43.001	80NSSC19K1254	6,191	-
Simulating Deep Convective Storms and Active Cloud Formation in Jupiter's Fastest Eastward Jet (Ph.D. Student Ramanakumar Sankar)	43.001	80NSSC19K1541	3,492	-
Prediction of Solar Energetic Particle Radiation Based on Measurements of Solar Eruption and Photospheric Magnetic Field	43.001	80NSSC20K0286	55,897	44,325
Prediction of solar energetic particle radiation timing and dosage using physics-guided machine learning algorithms with remote observations of the solar photosphere, corona and interplanetary medium	43.012	80NSSC20K0298	56,085	-
Mapping changes in hydroclimatic risk in High Mountain Asia (19-HMA19-0016)	43.001	80NSSC20K1300	55,657	114,686
Determining the radiation level of galactic cosmic rays and solar energetic particles in the heliospheric magnetic field based on magnetogram measurements of the solar photosphere	43.001	80NSSC21K0004	4,626	40,746
Microgravity Test of Autonomous Multiple Cycle Farming System	43.012	80NSSC21K0341	249,830	-
ISS Deployment and High-Altitude Descent Drone Landing using SVGS	43.003	80NSSC21M0262	18,942	-
A New Tool for Studying Jupiter's Clouds, Storms and Vortices - FIT	43.001	NNX16AQ03G	76,084	-
<u>Jaycon Systems</u>				
Vision-Based Navigation for Formation Flight onboard ISS (STTR Phase 2)	43.002	80NSSC19C0009	65,869	-
<u>Smithsonian Astrophysical Observatory (SAO)</u>				
Understanding Quasar Jet Physics in the X-Rays	43.001	G01-22111A	15,794	-
<u>Space Telescope Science Institute (STScI)</u>				
The 3c111 Jet: X-ray Variability, Spectrum and Broadband SED	43.012	HST-GO-1489-001-A	34,113	-
Science now with HST/FGS: High Angular Resolution Survey of B Stars	43.012	HST-GO-16868.001-A	5,616	-
<u>University of New Hampshire (UNH)</u>				
Smoke on the Water: Lake-based calibration of Amazonian fire histories	43.001	L0110	44,108	-
<u>Collins Aerospace</u>				
NASA ROA-Assuring Increasing Autonomous Systems with Non-Traditional Human-Machine Roles	43.002	PO#4507392005	73,792	-
<u>University of Houston</u>				
Saturn's Zonal Winds: Temporal and Vertical Variability Explored by Cassini Multi-instrument Observations	43.001	R-19-0050	15,558	-
<u>The Boeing Company</u>				
Engineering Services - KSC	N/A	19PW001	25,414	-
<u>The Trustees of Princeton University</u>				
Roles of Stella Flares and Storms in Exoplanetary Atmospheric Losses and Evolution	43.001	SUB0000490	11,885	-
<u>University of Central Florida (UCF)</u>				
DTI Fellowship/Investigating the O'Connell Effect in Kepler Eclipsing Binaries	43.008	FSGC-7	3,104	-
<u>Great Southern Engineering Inc. (GSE)</u>				
Critical Incident Stress Management Team (CISM)	N/A	N/A	7,270	-
Subtotal, National Aeronautics and Space Administration:			1,239,087	305,915
<u>U.S. Department of Agriculture</u>				
<u>USDA National Institute of Food and Agriculture (NIFA)</u>				
Engineered Solutions for Prevention and Control of Eutrophication using Novel Biosorbents	10.310	2021-67022-34487	43,549	39,666
<u>U.S. Department of Agriculture (USDA)</u>				
Development and optimization of mild hydrothermal preprocessing for high ash biomass into pelletized biorefinery feedstocks	10.215	1023051	202,928	-

See independent auditor's report.

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Federal Grantor / Pass-through Grantor / Program Title	Assistance Listing Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
Subtotal, U.S. Department of Agriculture:			246,477	39,666
<u>U.S. Department of Commerce (DoC)</u>				
<i>National Institute of Standards and Technology (NIST)</i>				
Wireless Sensor Network (WSN) System and LIDAR Experiments for the Characterization of Strong Wind Loads on Non-Structural components and Near-Surface Wind Profiles	11.609	70NANB19H088	56,927	-
<i>National Oceanic and Atmospheric Administration (NOAA)</i>				
Biotxin Diagnostic Capabilities for Marine Mammal Stranding Response	11.439	NA19NMF4390139	9,738	-
Application of IMTA-Technology to Revive and Sustain Livelihood of Fishing Communities in Puerto Rico	11.427	NA20NMF4270194	74,107	9,418
Harmful Algal Toxin Diagnostic Capabilities in Support of Marine Mammal Stranding Response	11.439	NA21NMF4390365	27,737	-
FFATA: Accelerate the Exploitation of Satellite Observations to Improve Flooding and Inundation Monitoring and Forecasts	11.460	90986-Z7580201	88,802	-
Intensive Practical Training of Women in Integrative multi-trophic Aquaculture: Towards a Sustained	11.454	ACQ-210-039-2021-FTT	3,996	-
SECOORA: Supporting resilient ecosystems, communities and economies	11.012	IOOS.16(028)FTT.GM.OBS.3	87,856	7,982
Subtotal, U.S. Department of Commerce (DoC):			349,163	17,400
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<i>Department of the Navy:</i>				
IPA: Richard Griffith (NAVY SAPRO)	12.300	N4814422MDGRIFF	17,648	-
IPA: Nisha Quraishi (NAVY SAPRO)	12.300	N4814422MDQURAI	6,201	-
IPA: Valerie Robbins-Roth (NAVY SAPRO)	12.300	N4814422MDROBBI	4,811	-
<i>Brookhaven National Laboratory (BNL)</i>				
Development of Large Area GEM Detectors With High Spatial Resolution But Low Channel Count.-Primary	43.001	200940	13,066	-
<i>Department of the Air Force Research Lab:</i>				
(DURIP-20) Probing Real-time Spin Dynamics in Reactive Oxygen Species Biology by Pulsed Magnetic	12.800	FA9550-20-1-0153	79,096	-
Multi-domain, Multi-sensor, Cyber-physical Tactical Exploitation (M2CTE)	12.800	FA8650-21-C-1147	515,929	-
Trust Dynamics in Heterogenous Human-Agent Teams: Applying Multilevel and Unobtrusive Perspectives	12.800	FA9550-21-1-0294	151,949	-
Examination of Human-Machine Team Dynamics and Trust in a Simulated Multi-UAV Mission	12.800	1441-2193	11,848	-
Learning Expertise from AMC Planners (LEAP)	12.800	90194	67,935	-
Machine Intelligence System for Autonomous Feature Recognition and Trajectory Planning Around	12.800	F4FBEQ1193A0BN	102,436	-
MUNINN STTR AF20C-TCS01	12.800	WJR-000605	7,628	-
<i>Department of Defense - Office of Naval Research (ONR)</i>				
Exploring the role of topography and land-sea contrast on the propagation of the MJO across the maritime continent-Primary	12.300	N00014-16-1-3091	13,273	-
Using Ultraviolet Light for Improved Antifouling Performance on Ship Hulls & Niche Areas	12.300	N00014-20-1-2214	119,967	-
Advanced Non-Toxic Antifouling Coatings Research Test Site Facility	12.300	N00014-20-1-2243	141,841	-
Inspiring Students to Pursue U.S. Navy STEM Careers through Experiential Learning	12.330	N00014-20-1-2669	306,251	-
A Multidisciplinary Approach to Internet-of-Things (IoT) Cybersecurity Research to Develop the Research Capacity of ROTC Students	12.300	N-00014-20-1-2798	32,666	-
Transparent AF/FR Coatings Program: Candidate Field Testing and the Development of Active Solutions	12.300	N00014-21-1-2198	132,907	-
Educational Approaches and Curriculum to Engage and Educate a More Diverse Cybersecurity Workforce	12.330	N00014-21-1-2732	205,807	-
Development of a STEM education program in support of naval flight test engineering-Primary (inactive)	12.300	N00014-16-1-3170	57	-
ASBPA/USACE US Coastal Research Program (CESU)	12.300	020-002	14,822	-
Understanding the Principles of Solid Shedding Surfaces	12.300	FAR0033632	51,707	-
Autonomous Hull Grooming Vehicle (STTR)	12.300	N6833519C0452	57,631	-
Implementation of Dual Stage Integrated Cyclone (DSIC) Geometry into Sea Chest Water Management System	12.300	NV0647	26,077	-
<i>Maryland Procurement Office (MPO)</i>				
CAER Workshop "The Human Element in Autonomous Cyber Security"		H98230-20-P-0466	75,025	-
<i>Naval Research Laboratory (NRL)</i>				
Scanning tunneling microscopy & spectroscopy of liquid crystal thin films	12.300	N00173-19-1-G021	2,945	-
Rhodium porphyrin complexes as catalysts for the rapid degradation of opioids	12.300	N00173-20-2-C009	129,438	-
<i>United States Air Force Academy - USAF</i>				
Cleaning Tool Development and Researching Techniques for Quantifying the Impact of Cleaning on Follow-on Coating Performance	12.800	FA-7000-22-2-0001	19,747	-
Subtotal, U.S. Department of Defense:			2,308,708	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>National Institutes of Health:</i>				
3D printed biomimetic bioglass-gradient matrices for aCL reconstruction Kishore	93.846	1R15AR071102-01	50,900	-
Signal Transduction during Fertilization-Primary (inactive)	93.865	1R15HD094324-01	1,114	-
Regulatory mechanisms linking HSF1 protein levels and HSF1 protein activity to the alternative splicing factor SF3B1	93.396	1R15CA227573-01A1	86,495	-
Enantioselective Catalytic Chlorosilane Reactions	93.959	1R15GM139087-01	101,358	-
Development of Light Triggered Molecular Tools Critical for Understanding the Brain's Network	93.958	2R15GM112119-02	39,599	-
Increasing clinical access by reducing scan time of dynamic nuclear cardiac imaging with superior diagnosis	93.286	1R15EB030807-01A1	70,269	-
Modelling gastric mucus layer physiology	93.859	10047369-S3	64,630	-
Computer assisted coronary artery stent interventions	93.837	RESS14526	149,239	-
The development and validation of a novel tool for the assessment of bulbar dysfunction in ALS	93.173	N/A	27,165	-
<i>Health Resources and Services Administration:</i>				
Graduate Psychology Education Programs (GPEP)	93.191	D40HP33344	335,300	-

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Federal Grantor / Pass-through Grantor / Program Title	Assistance Listing Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
Subtotal, U.S. Department of Health and Human Services:			926,069	-
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Federal Bureau of Investigation (FBI)</i>				
Radio Frequency, wireless, and Cellular Technologies Training-Primary	N/A	15F06718D0005431	36,217	-
<i>State of Florida Office of the Attorney General (FL-OAG)</i>				
2020-2021 Family Learning Program (VOCA)	16.575	VOCA-2020-Florida Institute of Tech-00649	13,376	-
Family Learning Program 2021-2022	16.575	VOCA-2021-Florida Institute of Tech-00645	66,902	-
Subtotal, U.S. Department of Justice:			116,495	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Federal Aviation Administration:</i>				
FAA Center of Excellence PEGASUS	20.11	12-C-GA-FIT	116,662	-
Task 358: Regulatory Streamlining Workshop-Primary	20.11	15-C-CST-FIT-009	12,874	-
Task 378: Commercial Space Innovation Initiative Policy Research-Primary	20.11	15-C-CST-FIT-008	30,634	-
Task 395: Small Launch Vehicle Sector (SLVS): Industry Dynamics and Public Policy	20.108	15-C-CST-FIT-012	7,914	-
Streamlined Export Control for Commercial Space Transportation	20.108	15-C-CST-FIT-014	38,482	-
Task 397: Measurements of Thunderstorm Electrical Parameters for Improvement of the Lightning Flight Commit Criteria (FAA_COE_CST), Task 398: Human Input Systems for Commercial Space Transportation	20.108	15-C-CST-FIT-015	162,965	-
Continuation of Trajectory Energy Management System, Flight Demonstration for AoA-limiting Systems on Part 23 Aircraft	20.108	DTFACT-17-C-00001	26,801	120,000
Energy Management and Envelope Protection	20.108	MoA #692M15-21-T-00038	56,570	-
Electric Aircraft Trajectory Flight Test Data	20.108	MOS #692M15-21-T-00039	17,691	-
<i>Florida Department of Transportation (FDOT)</i>				
Design and Detailing of Anchorages for Externally Bonded CFRP	N/A	4387681B201	35,747	25,000
Strength and Constructability of a Double Composite Steel Box Girder	N/A	BE950	26,234	77,424
Confinement Effect of Narrow Baseplates or Reaction Area on Anchor Breakout, Part 2	N/A	BDV28 TWO 977-09	54,036	-
Subtotal, Department of Transportation:			586,610	222,424
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
<i>U.S. Environmental Protection Agency (EPA)</i>				
Prevention and Control of Harmful Algal Blooms in St. Lucie Estuary by Low-cost Sargassum-derived Biochar	66.484	02D20522	2,719	-
<i>Trustees of Tufts College</i>				
Analyze the use of corrosion protection inside enclosed spaces of large diameter monopile structures	N/A	104087-00001	32,049	-
Subtotal, U.S. Department of the Interior:			34,768	-
<u>U.S. INTELLIGENCE COMMUNITY</u>				
<i>OIS Contracts</i>				
Cyber Identity and Behavioral Analytics Consortium (CIBAR)		2018-18041200002	97,256	479,792
Five Factor Model Corpora Development for Computational Psychology Research (Crystal Forest - Amethyst Pine)		2018-18061400003	337,193	193,491
Subtotal, U.S. Intelligence Community:			434,449	673,283
<u>NATIONAL SCIENCE FOUNDATION</u>				
<i>University of Connecticut (UConn)</i>				
Collaborative Research: Near term forecast of global plant distribution, community structure, and ecosystem function	47.07	394202	32,264	-
<i>Cornell University</i>				
US CMS Upgrades for the High-Luminosity Large Hadron Collider	47.049	79433-20662	26,182	-
<i>Board of Regents, Nevada System of Higher Education on behalf of Desert Research Institute</i>				
INFEWS/T2: Organic Waste Lifecycles at the Interface of Food, Energy, Water Systems (OWL-FEWs)	47.041	GR12848	43,750	-
<i>Ohio University (OU)</i>				
INFEWS/T2: Organic Waste Lifecycles at the Interface of Food, Energy, Water Systems (OWL-FEWs)	47.041	UT20908	558	-
<i>University of Texas at Austin (UT Austin)</i>				
Natural Hazards Engineering Research Infrastructure: Cyberinfrastructure (DesignSafe) 2020-2025	47.041	UTA20-000983	34,238	-
<i>University Enterprises, Inc.</i>				
RAPID: Groundwater resilience to hydrologic extremes and climate variability: The case of hurricane Dorian	47.050	N/A	2,004	-
<i>National Science Foundation (NSF)</i>				
Growing the community college pipeline for careers in civil, chemical, and ocean engineering through the FITS-STEM program-Primary	47.076	1356455	69,342	-
Collaborative Research: Climate Change Mesoscale Oceanography and the Dynamics of Eastern Pacific Coral Reefs	47.050	1535007	29,973	-
Reversible Metastable-State Photoacids	47.049	1565613	28,816	-
Collaborative Research: Nonlinear Coupling and Relaxation Mechanisms in Micro-Mechanics	47.041	1662619	40,804	-
Collaborative Research: Blood Clotting at the Extreme - Mathematical and Experimental Investigation of Platelet Deposition in Stenotic Arteries	47.049	1715156	1,945	-
Collaborative Research: Uncovering Nature's 100 TeV Particle Accelerators in the Large-Scale Jets of Quasars	47.049	1716507	20,607	-

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Collaborative Research: RAPID/Workshop- Antarctic Ecosystem Research following Ice Shelf Collapse and Iceberg Calving Events	47.050	1750888	1,790	-
CAREER: Toward understanding solar wind turbulence in the inner heliosphere	47.050	1752827	162,054	-
PFI-TT: A parallel computing engine for simulation of complex multi-scale systems	47.041	1827730	42,570	-
Identifying coral reef "bright spots" from the global 2015-2017 thermal-stress event	47.050	1829393	103,478	-
REU Site: Statistical Models with Applications to Geoscience	47.050	1950768	70,656	-
Collaborative Research: P2C2 - Unravelling the signals in tropical Pacific lake archives: Towards improved holocene hydroclimate reconstructions	47.050	2002419	12,481	-
MRI: Acquisition of a High Performance GPU/CPU Cluster for Research and Innovation in Computational Sciences and Engineering	47.070	2016818	398,945	-
CAREER: Atmospheric Electricity on Earth and Mars	47.050	2047863	108,494	22,212
Thermal Stress and Differential Recovery of Coral Reefs	47.041	2138206	38,966	-
Characterization of upward leaders and the attachment process in downward cloud-to-ground lightning	47.050	AGS-1934066	89,138	-
Collaborative Research: Are Amazonian and Andean Ecosystems Close to a Tipping Point?	47.074	DEB-2029649	114,266	-
Subtotal, National Science Foundation:			1,473,321	22,212
<u>UNITED NATIONS, COMPREHENSIVE NUCLEAR-TEST-BAN TREATY ORGANIZATION</u>				
<u>Defense Threat Reduction Agency</u> GDAIS RASA 2020-2021		51P16749	41,726	-
Subtotal, United Nations, Comprehensive Nuclear-Test-Ban Treaty Organization:			41,726	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<u>City of Palm Bay</u> 2020-2021 Community Development Block Grant (CDBG-CV3)	N/A	CDBG-CV	41,726	-
Subtotal, U.S. Department of Housing and Urban Development:			41,726	-
<u>U.S. ARMY</u>				
<u>EAI - Engineering Acoustics, Inc.</u> Noninvasive, Head-Mounted Measures of Vestibular Function (SBIR)	N/A	EAI0046-1	12,032	-
Subtotal, U.S. Army:			12,032	-
<u>U.S. SPECIAL OPERATIONS COMMAND</u>				
<u>University of South Florida Institute of Applied Engineering, Inc. (USF-IAE)</u> Determine Effects of Oceanic Propagation on Lightning-Emitted Broadband and VHF Signatures	N/A	TO-025 Oceanic Propagation	109,612	-
Subtotal, U.S. Special Operations Command:			109,612	-
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>				
<u>Small Business Administration</u> Women's Business Ownership Assistance - CARES Act (WBCCOVID-19 Response)	59.043	SBAHQ20C0009	14,013	-
weVENTURE WBC Emergency Services Program Continuation	59.043	SBAOEDWB210011-01-00	124,114	-
weVENTURE WBC CORE Grant 2021-22	59.043	SBAOEDWB210023-01-00	93,448	-
Women's Business Center Sustainability Pilot Program - Melbourne 2020-2021 Funding	59.043	N/A	36,584	-
Subtotal, U.S. Small Business Administration:			268,159	-
<u>U.S. DEPARTMENT OF ENERGY</u>				
<u>U.S. Department of Energy (DoE)</u> Materials and Chemical Sciences Research for Direct Air Capture of Carbon Dioxide	81.049	CW22352	40,662	-
Experimental High Energy Physics Research	81.049	DE-SC0013794	316,232	-
Subtotal, U.S. Department of Energy:			356,894	-
<u>OTHER FEDERAL</u>				
Next Generation Teams and Organizational Subsystems Research	N/A	R1A608	106,997	-
Deep Agent: A Framework for Information Spread and Evolution in Social Networks	12.910	16246083-02	12,120	-
AIRWaveS: Atmosphere-Ionosphere Responses to Wave Signals	12.910	61654-05/ P0 262534	23,827	-
A deep learning approach for enhanced detection of nuclear weapons testing (SBIR) Phase II	N/A	HDTRA1-22-C-0005	64,412	-
FY20 Automatic Face Recognition Best Practices	16.301	09-097BBBB-FIT	196,756	150,869
VIDORA: Visual Dossiers for Recognizing and Identifying Humans at Altitude and Range	N/A	R-22-0031	90,373	3,995
Model Based Systems Engineering for Tactical Data Link Systems (SBIR)	N/A	N6833520C1000	5,029	-
Remotely Operated Vehicle (ROV) Deployed Underwater Attachment (STTR- TRI/Austin) Phase II	N/A	A-30165G-500-01-SC1923	106,937	-
Path Planning and Machine Intelligence for Collaborative Inspection of Non-Cooperative Space Objects	N/A	STTR FA864921P0653	15,871	-
Advanced DSP for Cyber, Content Similarity and Beyond	12.598	HHM402-21-1-003	298,023	-
Subtotal, Other Federal:			920,345	154,864
Subtotal, Research and Development Cluster:			9,465,641	1,435,764
<u>CORPORATION FOR PUBLIC BROADCASTING</u>				
CPB Community Service Grant 2016-2021	N/A	N/A	72,639	-
Subtotal, Corporation for Public Broadcasting:			72,639	-
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>				

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass-through Grantor / Program Title	Assistance Listing Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
Post 9/11 Veterans Educational Assistance	64.028	N/A	5,628,352	-
Subtotal, U.S. Department of Veterans Affairs:			5,628,352	-
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Federal Supplemental Educational:</i>				
PELL Awards FY21-FY25	84.063	N/A	6,636,616	-
FSEOG Grant	84.007	N/A	786,200	-
Direct Lending (DL) Awards	84.268	N/A	55,132,258	-
Federal Work Student Program (FWS) & Job Location and Development (JLD)	84.033	P033A200882	499,795	-
Subtotal, U.S. Department of Education:			63,054,869	-
Subtotal Student Financial Aid Cluster:			68,683,221	-
Higher Education Emergency Relief Fund (HEERF) Student and Institutional Portion	84.425 E, F	N/A	6,531,727	-
TOTAL FEDERAL EXPENDITURES			84,753,228	1,435,764
<u>STATE</u>				
<u>FLORIDA DEPARTMENT OF EMERGENCY MANAGEMENT (FDEM)</u>				
Florida International University (FIU)	N/A	Subaward 000530	46,643	-
Subtotal, Florida Department of Emergency Management:			46,643	-
<u>Indian River (IRL) National Estuary Program</u>				
The Application and Continued Optimization of an Environmentally Friendly, Biological Denitrification System Developed for Use in the Indian River Lagoon Using Recycled Materials; Water Treatment to Remove 70% of Dissolved Ammonium Nitrogen	N/A	IRL2021-08	31,225	-
Subtotal, Indian River (IRL) National Estuary Program:			31,225	-
<u>FLORIDA OFFICE OF INSURANCE REGULATION</u>				
Wind & Flood FPHLM Model Operation, Maintenance, Acceptability, and Model Upgrades (2020-2021)	N/A	Subaward No. 00356	54,480	-
Subtotal, Florida Office of Insurance Regulation:			54,480	-
<u>FLORIDA DEPARTMENT OF EDUCATION</u>				
Geochemistry Restore Lagoon Inflow Phase II	N/A	857-93160-1Q001	65,207	-
Biomedical Aerospace Manufacturing	N/A	857-93740-2Q001	1,977,335	-
Restore Lagoon Inflow Project Management Phase II	N/A	N/A	80,697	-
Subtotal, Florida Department of Education (FDoEd):			2,123,239	-
<u>FLORIDA DEPARTMENT OF TRANSPORTATION</u>				
Using the PENCEL PMT to Evaluate Shallow Foundations at Florida's Fine Sand Sites	N/A	BED28	19,437	-
Subtotal, Florida Department of Transportation:			19,437	-
<u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
<i>Brevard County Board of County Commissioners</i>				
Seasonal Sampling of Seagrasses, Benthic Invertebrates and Sediment Conditions at the Mims Dredging Site	N/A	Task order No. 0005	31,203	-
The Efficacy of Subaqueous Sand Capping to reduce inputs of nitrogen and phosphorus in the IRL	N/A	TO 4 (Task Order 4)	11,720	-
Brevard County muck dredging project: lagoon wide application of the quick flux technique to determine sediment N and P fluxes (subtask 4) (inactive)	N/A	TO 3 (Subtask 4)/NS005	27,325	-
Brevard County muck dredging project: optimizing selection of sites for environmental dredging in the Indian river lagoon system (subtask 6)	N/A	TO 3 (Subtask 6) NS005	108,123	-
Temporal and spatial trends in benthic fluxes of nitrogen and phosphorus within the IRL system Subtask 10 (TO 3)	N/A	TO #3	60,567	-
Indian River Muck Dredging Research: Additional of research subtask #7 to TO #3	N/A	TO3 (Subtask 7) NS005	20,423	-
Subtotal, Florida Department of Environmental Protection:			259,361	-
<u>FLORIDA DEPARTMENT OF HEALTH</u>				
Family Learning Program 2020-2023	N/A	CPBV	38,753	-
Subtotal, Florida Department of Health:			38,753	-
<u>SEBASTION INLET TAX DISTRICT</u>				
State of the Inlet Analysis - 2021	N/A	Work Order No. 2021-008-FTT	80,635	-
Wave, Weather and Tide Data Collection System at Sebastian Inlet, Florida for FY 2021-2022	N/A	Work Order No. 2021-014-FTT	139,523	-
FY2022-2023 Wave, Weather and Tide Data Collection System at Sebastian Inlet, Florida	N/A	Work Order No. 2122-012-FTT	15,767	-
State of the Inlet Analysis - 2022	N/A	Work Order No. 2122-018-FTT	42,141	-
Subtotal, Sebastian Inlet Tax District:			278,066	-
<u>U.S. Department of Transportation (US Dot)</u>				
Evaluate Effects from Shored Construction on Steel Composite Bridges	N/A	ERAU BE929	3,235	-
Subtotal, F.U.S. Department of Transportation (US Dot):			3,235	-
<u>OTHER STATE</u>				
Services for The Qualification and Training of A Multi-Professional Team and Caregivers in Applied Behavior Analysis (ABA) Focusing on Autism Spectrum Disorder (ASD)	N/A	2220-180/2018	1,068	-
Pumped-Hydroelectric Energy Storage From Water Supply Reservoirs in New England	N/A	395425	12,881	-

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Assistance Listing Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
Machine Learning Patient Outcomes from PET-CT Images	N/A	URFA-121	5,545	-
FY2019-2020 Wave, Weather, and Tide Data Collection	N/A	WO 1920-006-FTT	9,874	-
Subtotal, Other State:			<u>29,368</u>	<u>-</u>
<u>FLORIDA STUDENT FINANCIAL ASSISTANCE</u>				
Florida Student Assistance Grant (FSAG)	48.054	N/A	619,626	-
Effective Access to Student Education (EASE)	48.064	N/A	2,977,411	-
Bright Futures Scholarships	48.059	N/A	3,260,713	-
Children of Disabled or Deceased Veterans	48.055	N/A	101,124	-
Subtotal, Florida Student Financial Assistance:			<u>6,958,874</u>	<u>-</u>
TOTAL STATE, FINANCIAL ASSISTANCE AND BRIGHT FUTURES EXPENDITURES			<u>\$ 9,842,681</u>	<u>\$ -</u>

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures incurred under all federal and state awards received by Florida Institute of Technology, Inc. (the "University") for the year ended June 30, 2022. For purposes of this schedule, federal awards and state projects include all grants, contracts, loans, and loan guarantee agreements entered into directly between the University and agencies and departments of the federal and state government and federal and state awards passed through other agencies. Expenditures for federal and state awards programs are recognized on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

2. PROGRAM CLUSTERS

Federal Uniform Guidance and the Florida State Single Audit Act define a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, we have determined the Student Financial Assistance Programs and Research and Development Programs to be Federal clusters of programs and the Florida Student Financial Assistance to be a State cluster of programs.

3. LOANS OUTSTANDING

The University had the following loan balances due to the federal government at June 30, 2022:

<u>Cluster/Program Title</u>	<u>Number</u>	<u>Outstanding</u>
Federal Perkins Loan Program	84.038	<u>\$ 2,648,587</u>

4. GUARANTEED STUDENT LOAN PROGRAMS

During the year ended June 30, 2022, the University processed new loans under the following Guaranteed Student Loan Programs:

	<u>Loans to Students</u>
Stafford Loans	<u>\$ 40,338,782</u>
Parents' Loans for Undergraduate and Graduate Students	<u>14,802,941</u>
Total Guaranteed Student Loan Program	<u>\$ 55,141,723</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE (continued)**

FOR THE YEAR ENDED JUNE 30, 2022

5. 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 University. 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.

6. INDIRECT COST RATE

Under the current federally negotiated rate agreement, the University uses a predetermined indirect cost rate using a modified total direct cost base. This rate is in effect until June 30, 2026. The University applies a 44.87% indirect cost rate or a 28.45% off campus rate on a modified total direct cost basis to all federal grants, unless otherwise restricted by the agency.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RESPONSIBILITY COMPOSITE RATIO SCORE

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Primary reserve ratio

Expendable net assets	<u>\$ 66,919,302</u>	
Total expenses without donor restrictions and losses without donor restrictions	<u>\$ 180,535,578</u>	<u>0.3707</u>

Equity ratio

Modified net assets	<u>\$ 218,791,150</u>	
Modified assets	<u>\$ 364,356,586</u>	<u>0.6005</u>

Net income ratio

Change in net assets without donor restrictions	<u>\$ 25,911,789</u>	
Total revenue without donor restrictions and gains without donor restrictions	<u>\$ 203,463,703</u>	<u>0.1274</u>

Ratio calculation:

	<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Scores</u>
Primary reserve ratio	0.3707	3.70671	40%	1.2
Equity ratio	0.6005	3.00000	40%	1.2
Net income ratio	0.1274	3.00000	20%	0.6
<u>Total composite score</u>				<u><u>3.0</u></u>

See independent's auditor's report on supplementary information and notes to the schedule of financial responsibility composite ratio score and data.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RESPONSIBILITY DATA

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

	Amount	Financial statement title	Location in audited financial statements
PRIMARY RESERVE RATIO:			
<i>Expendable net assets:</i>			
Net assets without donor restrictions	\$ 132,341,340	Net assets without donor restrictions	Consolidated statement of financial position
Net assets with donor restrictions	88,090,812	Net assets with donor restrictions	Consolidated statement of financial position
Annuities with donor restrictions	(1,788,388)	Annuities payable	Consolidated statement of financial position
		Total net assets with donor restrictions, net of annuities, program and time restrictions and board designated endowment funds	Notes to the consolidated financial statements, Note 15
Net assets with donor restrictions: restricted in perpetuity	(78,853,111)		
Net assets with donor restrictions: other for purpose or time	(5,596,792)	Board-designated endowment fund	Notes to the consolidated financial statements, Note 8
Secured and Unsecured related party receivables	(1,641,002)	Pledges receivable, net	Consolidated statement of financial position
Property, plant and equipment, pre-implementation (includes Capital Leases)	(99,662,510)	Long-lived assets, net Depreciation	Prior year schedule of financial responsibility data less expense in the current year
Property, plant and equipment, post-implementation with no outstanding debt for original purchase (includes Capital Leases)	(28,387,286)	Purchase of long-lived assets	Cumulative balance of fixed asset additions with no associated debt, as reported in each year's cash flows
Property, plant and equipment, post-implementation with outstanding debt for original purchase (includes Capital Leases)	(82,856,597)	Purchase of long-lived assets	Cumulative balance of fixed asset additions with associated debt, as reported in each year's cash flows
Property, plant and equipment, net:	(210,906,393)	Long-lived assets, net	Consolidated statement of financial position
Long-term debt - for long term purposes pre-implementation	13,424,303	Capital lease obligations Long-term debt	Prior year schedule of financial responsibility data less payments in the current year
Long-term debt - for long term purposes post-implementation	103,461,247	Capital lease obligations Long-term debt Capital lease obligations Long-term debt	Prior year schedule of financial responsibility data less payments in the current year
Long-term debt - for long term purposes:	116,885,550		Consolidated statement of financial position
	<u>\$ 66,919,302</u>		
<i>Total expenses and losses without donor restrictions:</i>			
Total expenses without donor restrictions	\$ 178,887,454	Total operating expenses	Consolidated statement of activities
Non-operating and net investment (loss)	\$ 1,648,124	Net realized and unrealized gain/(loss) on investments	Consolidated statement of activities
	<u>\$ 180,535,578</u>		
EQUITY RATIO:			
<i>Modified net assets:</i>			
Net assets without donor restrictions	\$ 132,341,340	Net assets without donor restrictions	Consolidated statement of financial position
Net assets with donor restrictions	88,090,812	Net assets with donor restrictions	Consolidated statement of financial position
Unsecured related party receivables	(1,641,002)	Pledges receivable, net	Consolidated statement of financial position
	<u>\$ 218,791,150</u>		
<i>Modified assets:</i>			
Total assets	\$ 365,997,588	Total assets	Consolidated statement of financial position
Unsecured related party receivables	(1,641,002)	Pledges receivable, net	Consolidated statement of financial position
	<u>\$ 364,356,586</u>		
NET INCOME RATIO:			
<i>Change in net assets without donor restrictions:</i>			
Change in net assets without donor restrictions	<u>\$ 25,911,789</u>	Change in net assets without donor restrictions	Consolidated statement of activities
<i>Total revenues and other gain without donor restrictions:</i>			
Total operating revenue and other additions (gains)	\$ 204,840,469	Total operating revenues and reclassifications	Consolidated statement of activities
Investment return appropriated for spending	587,631	Endowment payout	Consolidated statement of activities
Investment return without donor restrictions	(1,648,124)	Net realized and unrealized gain on investments	Consolidated statement of activities
Non-operating revenue and other gains	271,358	Interest and dividends - endowment and other Insurance recovery Gain/(loss) on disposition of assets	Consolidated statement of activities
	<u>\$ 203,463,703</u>		

See independent's auditor's report on supplementary information and notes to the schedule of financial responsibility composite ratio score and data.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF FINANCIAL RESPONSIBILITY COMPOSITE RATIO SCORE AND DATA

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

1. BACKGROUND

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and nonprofit institutions to annually submit audited financial statements to the U.S. Department of Education (the "Department") to demonstrate they are maintaining the standards of financial responsibility necessary to participate in Title IV programs. One of many standards, which the Department utilizes to gauge the financial responsibility of an institution, is a composite of three ratios derived from an institution's audited consolidated financial statements. The three ratios consist of a primary reserve ratio, an equity ratio and a net income ratio. These ratios gauge the fundamental elements of the financial health of an institution, not the educational quality of an institution.

The Schedule of Financial Responsibility Composite Ratio Score (the "Schedule") is prepared and submitted to the U.S. Department of Education and is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Nonprofit Institutions (the "Code"). The Schedule contains only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

2. FINANCIAL RESPONSIBILITY COMPOSITE RATIO SCORE

The Schedule is prepared pursuant to the Code. The composite score reflects the overall relative financial health of an institution along a scale from negative 1.0 to positive 3.0.

The composite score includes the following required ratios, strength factors, and weight factors:

Required Ratios

Primary Reserve Ratio

The Primary Reserve ratio represents the ratio of expendable net assets to total expenses and losses.

Expendable net assets is calculated as the sum of net assets without donor restrictions, net assets with donor restrictions, debt obtained for long term purposes and post-employment and defined benefit pension liabilities, less net assets with donor restriction held in perpetuity, annuities, term endowments, life income funds, intangible assets, net property, plant and equipment, and unsecured related party receivables.

Total expenses is calculated as expenses and losses without donor restriction, less losses without donor restrictions on investments, post-employment and defined benefit pension plans, and annuities.

Equity Ratio

The Equity ratio represents the ratio of modified net assets to modified assets.

Modified net assets is calculated as the sum of net assets without donor restrictions and net assets with donor restrictions, less intangible assets and unsecured related party receivables.

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF FINANCIAL RESPONSIBILITY COMPOSITE RATIO SCORE AND DATA (continued)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

2. FINANCIAL RESPONSIBILITY COMPOSITE RATIO SCORE (continued)

Required Ratios (continued)

Equity Ratio (continued)

Modified assets is calculated as the total assets, less intangible assets and unsecured related party receivables.

Net Income Ratio

The Net Income ratio represents the ratio of the change in net assets without donor restrictions to total revenue and gains without donor restrictions.

The change in net assets without donor restrictions is calculated within the audited consolidated financial statements.

The total revenue and gains without donor restrictions is calculated as the total of all revenues and gains as reported in the audited consolidated financial statements, including the net assets released from restrictions.

Strength Factors

The strength factor for each ratio is calculated in accordance with the Code as follows:

Primary Reserve Ratio

10 x Primary Reserve Ratio result

Equity Ratio

6 x Equity Ratio result

Net Income Ratio

1 + (50 x Net Income Ratio result) for positive Net Income Ratios

1 + (25 x Net Income Ratio result) for negative Net Income Ratios

Strength factors that are calculated outside of the range of -1 to 3 are adjusted to the outer most range of the scale.

Weight Factors

The weight factor for each ratio outlined in the Code as follows:

Primary Reserve Ratio - 40%

Equity Ratio - 40%

Net Income Ratio - 20%

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

ASSETS	FIT 6/30/2022	Subsidiaries 6/30/2022	Eliminations 6/30/2022	Total Consolidated 6/30/2022
Cash and cash equivalents	\$ 11,372,325	\$ 417,631	\$ -	\$ 11,789,956
Accounts receivable, net	26,953,318	6,305,161	(27,098,074)	6,160,405
Pledges receivable, net	1,641,002	-	-	1,641,002
Prepaid expenses, inventories and other assets, net	4,549,283	1,431,393	-	5,980,676
Student loans receivable, net	1,940,919	-	-	1,940,919
Cash held with fiduciary	6,988,679	-	-	6,988,679
Investments	121,822,290	-	(1,232,732)	120,589,558
Long-lived assets, net	209,525,375	1,381,018	-	210,906,393
TOTAL ASSETS	\$ 384,793,191	\$ 9,535,203	\$ (28,330,806)	\$ 365,997,588
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 16,335,286	\$ 29,103,982	\$ (27,098,074)	\$ 18,341,194
Deposits and deferred revenue	5,218,996	682,721	-	5,901,717
Annuities payable	1,788,388	-	-	1,788,388
Refundable government loans	2,648,587	-	-	2,648,587
Capital lease obligations	12,025,637	-	-	12,025,637
Long-term debt	104,859,913	-	-	104,859,913
Total liabilities	142,876,807	29,786,703	(27,098,074)	145,565,436
 NET ASSETS				
Without donor restrictions	153,825,572	(20,251,500)	(1,232,732)	132,341,340
With donor restrictions	88,090,812	-	-	88,090,812
Total net assets	241,916,384	(20,251,500)	(1,232,732)	220,432,152
TOTAL LIABILITIES AND NET ASSETS	\$ 384,793,191	\$ 9,535,203	\$ (28,330,806)	\$ 365,997,588

See independent auditor's report.



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

To the Board of Trustees of
Florida Institute of Technology, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florida Institute of Technology, Inc. and Subsidiaries (the "University" a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing our opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 consolidated 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 deficiency may exist that have not been identified.

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated 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 results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 31, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUITOR GENERAL

To the Board of Trustees of
Florida Institute of Technology, Inc.

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Florida Institute of Technology, Inc.’s and Subsidiaries (the “University”, a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs and state projects for the year ended June 30, 2022. The University’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 (Chapter 10.650). Our responsibilities under those standards and the Uniform Guidance 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 University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

MELBOURNE

8035 Spyglass Hill Road
Melbourne, FL 32940
321-757-2020

ORLANDO

255 South Orange Avenue, #1200
Orlando, FL 32801
407-841-8841

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 University's federal programs and state 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 University'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 generally accepted auditing standards, *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 University's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 University'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 University'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 University'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.

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 and state 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 and state 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 and state 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.

October 31, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| 3. Noncompliance material to the consolidated financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | No |

4. Identification of major federal award programs:

Assistance Listing

Name of Federal Program

84.425

E, F

Various

Higher Education Emergency Relief Fund (HEERF) Student and Institutional Portion

Student Financial Aid Programs Cluster

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$2,542,597 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

State Financial Assistance

1. Internal control over major projects:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None noted
2. Type of auditor's report issued on compliance for major projects: Unmodified
3. Any audit findings disclosed that are required to be reported under Rule 10.654(1)(h)4? No
4. Any management letter issued under Rule 10.656(3)(e)? No
5. Identification of major state financial assistance projects:

Assistance Listing

Name of State Project

Various

Florida Student Financial Assistance Cluster

48.059

The Florida Bright Futures Scholarship Programs

48.180

Biomedical Aerospace Manufacturing

6. Dollar threshold used to distinguish between type A and type B projects: \$750,000

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported

FLORIDA INSTITUTE OF TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE OF POPULATIONS, SAMPLES TESTED, AND QUESTIONED COSTS FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2022

		Award Population		Award Sample			Questioned Costs				
		Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	Recipients	% of Sample Recipients
Florida Academic Scholars Award	FLAS	\$ 2,409,409	418	\$ 287,171	12%	50	12%	\$ -	0%	-	0%
Florida Medallion Scholars Award	FLMS	850,356	205	218,672	26%	50	24%	-	0%	-	0%
Florida Student Assistance Grant	FSAG	619,626	370	86,070	14%	50	14%	-	0%	-	0%
Florida Resident Access Grant	EASE	2,977,411	1190	134,948	5%	50	4%	-	0%	-	0%
Scholarship for Children of Deceased or Disabled Veterans	CDDV	101,124	17	63,600	63%	10	59%	-	0%	-	0%
		<u>\$ 6,957,926</u>	<u>2200</u>	<u>\$ 790,461</u>		<u>210</u>		<u>\$ -</u>		<u>-</u>	

See independent auditor's report.