

**DAYTONA STATE COLLEGE
HOUSING CORPORATION**

A COMPONENT UNIT OF DAYTONA STATE COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

DAYTONA STATE COLLEGE HOUSING CORPORATION
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JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Daytona State College Housing Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Daytona State College Housing Corporation (the Corporation), a component unit of Daytona State College (the College), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

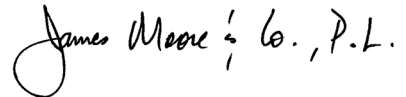
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, on our consideration of the Corporation'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 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 Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
August 22, 2023

DAYTONA STATE COLLEGE HOUSING CORPORATION
(A COMPONENT UNIT OF DAYTONA STATE COLLEGE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Daytona State College Housing Corporation (the Corporation) for the fiscal years ending June 30, 2023, 2022, and 2021. Management has prepared the financial statements and the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers and we confirm that, to the best of our knowledge and belief, the financial statements are complete and reliable in all material respects.

The Corporation was incorporated on September 19, 2019, as a direct support organization of Daytona State College (the "College") for the purpose of financing, constructing, and operating and maintaining a student housing facility at the College's main campus in Daytona Beach, Florida. As of June 30, 2022, the residence hall was completed and capitalized.

Financial Highlights

The Corporation's current assets were \$2,576,624 in fiscal year 2023, \$2,686,445 in fiscal year 2022, and \$12,825,313 in fiscal year 2021. The decrease of \$109,821 in 2023 is primarily due to a decrease in cash which fluctuates based on the timing of expenditures and cash receipts. The decrease of \$10,138,868 in 2022 was due to the completion of the student housing facility.

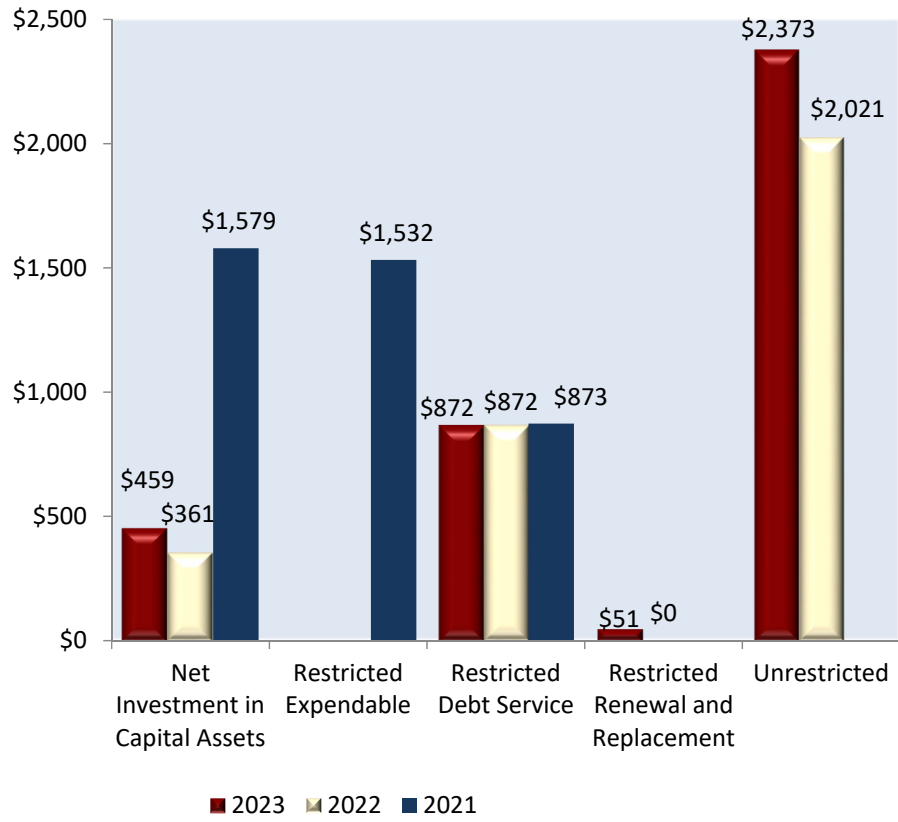
The Corporation's noncurrent assets were \$13,909,460 in fiscal year 2023, \$14,033,603 in fiscal year 2022, and \$6,446,183 in fiscal year 2021. This represents a decrease of \$124,143 in fiscal year 2023, primarily due to the depreciation taken for the student housing facility. The increase of \$7,587,420 in fiscal year 2022, was primarily due to the completion of the student housing facility.

The Corporation's current liabilities were \$759,014 in fiscal year 2023, \$938,251 in fiscal year 2022 and \$2,487,270 in fiscal year 2021. Current liabilities in fiscal year 2023 primarily consisted of reimbursements owed to the College and the current portion of the bank loan. Noncurrent liabilities were \$11,971,575 in fiscal year 2023, \$12,527,363 in fiscal year 2022 and \$12,800,000 in fiscal year 2021. Noncurrent liabilities in fiscal year 2023 represent the noncurrent portion of the outstanding bank loan initially obtained to help finance the construction of the facility.

The Corporation's total net position is \$3,755,495 as of June 30, 2023, \$3,254,434 as of June 30, 2022, and \$3,984,226 as of June 30, 2021. In fiscal year 2023, net position increased by \$501,061 or 15.4% over 2022. In fiscal year 2022, net position decreased by \$729,792, representing a 18.3% decrease over 2021. Net position includes restricted funds to be used for debt service, a renewal and replacement fund, the Corporation's net investment in capital assets and unrestricted funds.

The net position section of the Statement of Net Position represents funds available to meet the Corporation's ongoing purpose of operating and maintaining a student housing facility for students enrolled at the College. The Corporation's comparative total net position by category for the fiscal years ended June 30, 2023, 2022, and 2021 is shown in the following graph:

**Net Position
(In Thousands)**



Condensed Statement of Net Position at June 30
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current Assets	\$ 2,577	\$ 2,686	\$ 12,825
Capital Assets, Net	13,909	14,033	6,446
Total Assets	<u>16,486</u>	<u>16,719</u>	<u>19,271</u>
Liabilities:			
Current Liabilities	759	938	2,487
Noncurrent Liabilities	11,972	12,527	12,800
Total Liabilities	<u>12,731</u>	<u>13,465</u>	<u>15,287</u>
Net Position:			
Net Investment in Capital Assets	459	361	1,579
Restricted Expendable			1,532
Renewal and Replacement	51	-	-
Restricted Debt Service	872	872	873
Unrestricted	2,373	2,021	-
Total Net Position	<u>\$ 3,755</u>	<u>\$ 3,254</u>	<u>\$ 3,984</u>

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Corporation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Corporation's activity for the 2022-23, 2021-22, and 2021-20 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position For
the Fiscal Years**
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 1,569	\$ 25	\$ -
Less, Operating Expenses	789	371	51
Operating Income (Loss)	780	(346)	(51)
Net Nonoperating Revenues (Expenses)	(279)	(384)	1,128
Net Increase(Decrease) in Net Position	501	(730)	1,077
Net Position, Beginning of Year	3,254	3,984	2,907
Net Position, End of Year	<u>\$ 3,755</u>	<u>\$ 3,254</u>	<u>\$ 3,984</u>

Debt Administration

On March 12, 2021, the Corporation obtained a bank loan in the amount of \$12.8 million. The proceeds of the loan were used to finance the design and construction of a 252-bed student housing facility, fund a debt service reserve fund, and fund cost of issuance. Construction of the facility was completed in June 2022. Principal payments for the loan began in fiscal year 2022-23.

As of June 30, 2023, the College had \$12.5 million in outstanding loans payable representing a decrease of \$272,637, or 2%, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30 **(In Thousands)**

	2023	2022	2021
Loans Payable	\$ 12,527	\$ 12,800	\$ 12,800
Total	\$ 12,527	\$ 12,800	\$ 12,800

REQUEST FOR INFORMATION

Questions concerning information provided in the Management's Discussion and Analysis, Financial Statements and notes, thereto, or requests for additional financial information should be addressed to Martin Cass, Vice President of Finance/CFO, Daytona State College, Post Office Box 2811, Daytona Beach, Florida 32120-2811.

DAYTONA STATE COLLEGE HOUSING CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash	\$ 1,101,360	\$ 1,371,064
Investments	1,362,177	1,315,381
Accounts receivable, net	50,426	-
Due from Daytona State College	62,661	-
Total current assets	2,576,624	2,686,445
Noncurrent assets		
Restricted cash	923,184	872,384
Capital assets, being depreciated, net	12,986,276	13,161,219
Total noncurrent assets	13,909,460	14,033,603
Total assets	\$ 16,486,084	\$ 16,720,048
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities		
Accounts payable	\$ 2,000	\$ 95
Due to Daytona State College	165,728	646,229
Unearned revenue	35,498	19,290
Loan payable - current portion	555,788	272,637
Total current liabilities	759,014	938,251
Noncurrent liabilities		
Loan payable	11,971,575	12,527,363
Total liabilities	12,730,589	13,465,614
Net position		
Net investment in capital assets	458,913	361,219
Restricted for:		
Renewal and replacement	50,800	-
Debt service	872,384	872,384
Unrestricted	2,373,398	2,020,831
Total net position	3,755,495	3,254,434
Total liabilities and net position	\$ 16,486,084	\$ 16,720,048

The accompanying notes to the financial statements are an integral part of these statements.

DAYTONA STATE COLLEGE HOUSING CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Revenues		
Operating revenues:		
Student housing fees, net	\$ 1,533,632	\$ 8,283
Application fees	18,275	16,475
Other services and fees	17,788	-
Total operating revenues	1,569,695	24,758
Expenses		
Operating expenses:		
Personnel	132,413	89,501
Repairs & maintenance	34,943	264,058
Utilities	117,102	4,516
Marketing	2,867	-
General and administrative	188,974	13,061
Depreciation	313,126	-
Total operating expenses	789,425	371,136
Operating income (loss)	780,270	(346,378)
Nonoperating revenue (expense)		
Investment income (loss)	48,471	(55,734)
Interest expense	(327,680)	(327,680)
Total nonoperating revenue (expense)	(279,209)	(383,414)
Change in net position	501,061	(729,792)
Net position, beginning of year	3,254,434	3,984,226
Net position, end of year	\$ 3,755,495	\$ 3,254,434

The accompanying notes to the financial statements are an integral part of these statements.

DAYTONA STATE COLLEGE HOUSING CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from students	\$ 1,472,816	\$ 44,048
Cash paid to Daytona State College for vendors and suppliers	(954,895)	(371,041)
Net cash provided by (used in) operating activities	517,921	(326,993)
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(138,183)	(11,918,834)
Principal paid on capital debt	(272,637)	-
Interest paid on capital debt	(327,680)	(327,680)
Net cash provided by (used in) capital related and financing activities	(738,500)	(12,246,514)
Cash flows from investing activities		
Cash received for interest and dividends	23,096	16,564
Purchases of investments	(46,796)	-
Proceeds from sale of investments	25,375	1,975,078
Net cash provided by (used in) investing activities	1,675	1,991,642
Net increase (decreases) in cash and cash equivalents	(218,904)	(10,581,865)
Cash and cash equivalents, beginning of year	2,243,448	12,825,313
Cash and cash equivalents, end of year	\$ 2,024,544	\$ 2,243,448
Shown on the statement of net position as:		
Cash	\$ 1,101,360	\$ 1,371,064
Restricted cash	923,184	872,384
Total cash and cash equivalents	\$ 2,024,544	\$ 2,243,448
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 780,270	\$ (346,378)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	313,126	-
Bad debt	12,730	-
Decrease (increase) in certain assets:		
Accounts receivable	(63,156)	-
Due from Daytona State College	(62,661)	-
Increase (decrease) in certain liabilities:		
Accounts payable	1,905	95
Unearned revenue	16,208	19,290
Due to Daytona State College	(480,501)	-
Net cash provided by (used in) operating activities	\$ 517,921	\$ (326,993)

The accompanying notes to the financial statements are an integral part of these statements.

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:**

(a) **Nature of organization**—Daytona State College Housing Corporation (the Corporation) was incorporated on September 20, 2019, as a direct support organization as provided for in Section 1004.70, Florida Statutes, and is considered a discrete component unit of Daytona State College (the College). The Corporation's principal function is to organize and operate student housing for the benefit of the College. The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is exempt from federal and state income taxes pursuant to Section 509(a) of the IRC.

The Corporation is governed by a three-member board. The board members are appointed by the College's board of trustees.

The Corporation is a direct support organization and component unit of the College. These financial statements include all funds and departments controlled by the Corporation.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. As such, the Financing Corporation presents only the statements required of enterprise funds, which include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(c) **Net Position**—The net position of the Corporation is reported in three categories as follows:

- *Net investment in capital assets* consist of capital assets net of accumulated depreciation reduced by outstanding balances of any debt that is attributable to those capital assets.
- *Restricted net position* represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. The Corporation has restricted net positions for debt service and renewal and replacement funding.
- *Unrestricted net position* represents funds that are available without restriction for carrying out the Corporation's objectives.

(d) **Cash and cash equivalents**—The Corporation considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Restricted cash represents amounts restricted for debt service and renewal and replacement funding.

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Accounts receivable**—Accounts receivable represents amounts invoiced for housing fees that remain unpaid at year-end. The allowance for doubtful accounts is based on an evaluation of the periodic aging of outstanding account balances. Accounts receivable is reported net of an allowance for uncollectible accounts of \$12,730 and \$-, at June 30, 2023 and 2022, respectively.

(f) **Operating activities**—Operating revenues and expenses represent ongoing activities of the Corporation, as well as ongoing activities which are in support of the Corporation's student housing for the benefit of the College. Operating activities relate to the Corporation's purpose, organize and operate student housing for the benefit of the College, and to proceed with planning for the necessary sale of the current housing. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(g) **Estimates**—The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) **Investments and investment income**—The Corporation states certain investments at their fair value if the investment has a readily determinable market value. Investments received as gifts are recorded at their fair market or appraised value as of the date of the gift.

(i) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets, which range from five years for most equipment to forty years for buildings.

(j) **Unearned revenue**—Unearned revenue includes housing fees for services that have not been provided as of year-end.

(k) **Long-term obligations**—Long-term debt obligations are reported as liabilities, net of any outstanding premiums and discounts. Debt issuance costs are expensed when paid.

(l) **Net position flow assumption**—Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Corporation's policy to consider restricted net position to have been used before unrestricted net position is applied.

(2) **Deposits and Investments:**

(a) **Custodial credit risk - deposits**—Deposits include cash on hand and amounts held in the Corporation's demand accounts. At June 30, 2023 and 2022, the carrying amount of the Corporation's deposits were \$2,024,544 and \$2,243,448, respectively, of which \$1,774,664 and \$1,993,448 were above Federal Deposit Insurance Corporation (FDIC) limits.

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(2) **Deposits and Investments:** (Continued)

Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the Corporation's custodial bank, which is pledged to a state trust fund that provide security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

(b) **Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Corporation's policy for managing its exposure for changes in interest rate is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market.

(c) **Credit risk**—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

(d) **Concentration risk**—The Corporation's investment policy discourages more than five percent of the portfolio's total assets taken at current value be invested in the securities of one issuer, other than the United States of America, its agencies or instrumentalities. The policy further discourages more than forty percent of the portfolio's assets to be invested in the securities of the companies in any one industry.

(e) **Fair value measurements**—The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs that reflect the Corporation's significant market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable.

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(2) **Deposits and Investments:** (Continued)

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income Approach: This approach determines a valuation by discounting cash flows.

Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value (NAV).

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

The Corporation has the following recurring fair value measurements as of June 30, 2023 and 2022:

- (a) *Special Purpose Investment Account (SPIA)* – Valued based on the ownership of a share of a pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. Participants contribute to the Treasury Pool on a dollar basis. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor’s and the effective duration was 3.02 and 2.66 years at June 30, 2023 and 2022, respectively. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participants’ total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. The fair value factor was 0.9667 and 0.9479 as of June 30, 2023 and 2022, respectively.

<u>Description</u>	<u>Average Maturities</u>	<u>Fair Value Level</u>	<u>Average Credit Rating (S&P)</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	N/A	N/A	N/A	\$ 2,024,544	\$ 2,243,448
SPIA	N/A	3	N/A	1,362,177	1,315,381
Total				<u>\$ 3,386,721</u>	<u>\$ 3,558,829</u>

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(3) Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Construction in progress	\$ -	-	-	\$ -
Capital assets, being depreciated				
Building & Improvements	13,161,219	138,183	-	13,299,402
Total capital assets, being depreciated	13,161,219	138,183	-	13,299,402
Accumulated depreciation	-	(313,126)	-	(313,126)
Total capital assets, being depreciated, net	13,161,219	(174,943)	-	12,986,276
Total capital assets, net	<u>\$ 13,161,219</u>	<u>\$ (174,943)</u>	<u>-</u>	<u>\$ 12,986,276</u>

Capital asset activity for the fiscal year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Construction in progress	\$ 3,083,426	\$ 10,077,793	\$(13,161,219)	\$ -
Capital assets, being depreciated				
Building	-	13,161,219	-	13,161,219
Total capital assets, being depreciated	-	13,161,219	-	13,161,219
Accumulated depreciation	-	-	-	-
Total capital assets, being depreciated, net	-	13,161,219	-	13,161,219
Total capital assets, net	<u>\$ 3,083,426</u>	<u>\$ 23,239,012</u>	<u>\$(13,161,219)</u>	<u>\$ 13,161,219</u>

Depreciation expense for the periods ended June 30, 2023 and 2022 was \$313,126 and \$-, respectively.

(4) Long-term Liabilities:

Long-term liabilities for the fiscal year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Loan payable	\$ 12,800,000	\$ -	\$ (272,637)	\$ 12,527,363	\$ 555,788
Total long-term liabilities	<u>\$ 12,800,000</u>	<u>\$ -</u>	<u>\$ (272,637)</u>	<u>\$ 12,527,363</u>	<u>\$ 555,788</u>

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(4) **Long-term Liabilities:** (Continued)

Long-term liabilities for the fiscal year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Loan payable	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000	\$ 272,637
Total long-term liabilities	<u>\$ 12,800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,800,000</u>	<u>\$ 272,637</u>

In March 2021, the Corporation entered into an agreement with JP Morgan Chase for a \$12,800,000 loan for the construction of a student housing building. The semi-annual payments are due June 30 and December 31, with interest payments commencing June 30, 2021 and principal payments commencing June 30, 2023. The loan is collateralized by net revenues to be received when the student housing building opens as anticipated in August 2022. The interest rate on the loan is 2.56% and the loan matures in June 2041. The outstanding balance at June 30, 2023 and 2022, was \$12,527,363 and \$12,800,000, respectively.

Annual debt service requirements to maturity for the loan payable is as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 555,788	\$ 317,166	\$ 872,954
2025	570,107	302,847	872,954
2026	584,795	288,159	872,954
2027	599,862	273,092	872,954
2028	615,316	257,637	872,953
2029-2033	3,322,704	1,042,065	4,364,769
2034-2038	3,773,362	591,406	4,364,768
2039-2041	2,505,429	113,433	2,618,862
Total	<u>\$12,527,363</u>	<u>\$ 3,185,805</u>	<u>\$ 15,713,168</u>

(5) **Related Party Transactions:**

The Corporation is defined as a direct support organization by Florida Statute 1004.70, and as such, the Corporation is organized and operating exclusively to provide residential housing for the College. At June 30, 2023 and 2022, the Corporation had payables to the College of \$165,728 and \$646,229, respectively. At June 30, 2023 the Corporation had receivables from the college of \$62,661. The Corporation had no receivables from the College at June 30, 2022.

On March 31, 2021, the Corporation signed a ground lease agreement with the College for the use of land on which the student housing is to be constructed. The term of the lease is \$1 per annum not to exceed 50 years. Upon termination, all improvements and ownership of all personal property shall be transferred to the College.

(6) **Risk Management:**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, and errors and omissions. The Corporation is insured through the College, which provides coverage for these risks primarily through the Florida Community College Risk Management Consortium.

DAYTONA STATE COLLEGE HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(7) **Subsequent Events:**

The Corporation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 22, 2023, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(8) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact current or future financial statements. Listed below is a pronouncement with required implementation dates effective for the current year:

- (a) GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022. The Corporation evaluated this statement for the year ended June 30, 2023 and determined there was no impact to the financial statements.

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

To the Board of Directors
Daytona State College Housing Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Daytona State College Housing Corporation (the Corporation), a component unit of Daytona State College (the College), as of and for the period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated August 22, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

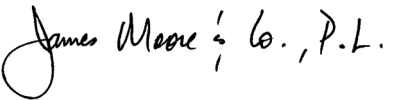
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
August 22, 2023