

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE AND
RELATED AUDIT REPORTS AND SCHEDULES

Eckerd College, Inc.
Year Ended June 30, 2019
With Report of Independent Auditors

Ernst & Young LLP



Eckerd College, Inc.

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

Year Ended June 30, 2019

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Eckerd College, Inc.

Schedule of Expenditures of Federal Awards and
State Financial Assistance

Year Ended June 30, 2019

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
National Endowment for the Humanities				
Pass-through from the Florida Humanities Council:				
Promotion of the Humanities Federal/State Partnership	45.129	SO-50588-14	\$ 40,000	\$ —
Total National Endowment for the Humanities			<u>40,000</u>	<u>—</u>
Research and Development Cluster				
National Science Foundation:				
Social, Behavioral, and Economic Sciences	47.075		45,662	—
Total National Science Foundation			<u>45,662</u>	<u>—</u>
Department of Health and Human Services:				
Cardiovascular Diseases Research	93.837		26,427	—
Total Department of Health and Human Services			<u>26,427</u>	<u>—</u>
Total Research and Development Cluster			<u>72,089</u>	<u>—</u>
Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		174,938	—
Federal Direct Student Loans	84.268		13,791,845	—
Federal Work-Study Program	84.033		263,908	—
Federal Perkins Loan – Federal Capital Contributions	84.038		973,089	—
Federal Pell Grant Program	84.063		1,879,625	—
Total Student Financial Assistance Cluster			<u>17,083,405</u>	<u>—</u>
Total Department of Education			<u>17,083,405</u>	<u>—</u>
Department of the Interior				
U.S. Geological Survey, Research and Data Collection	15.808		23,796	—
Total Department of the Interior			<u>23,796</u>	<u>—</u>
Department of Commerce				
Coral Reef Conservation Program	11.482	NA17NOS4820084	5,698	—
Marine Debris Program	11.999	NA18NOS9990029	55,451	—
Total Department of Commerce			<u>61,149</u>	<u>—</u>
Total Expenditures of Federal Awards			<u>\$ 17,280,439</u>	<u>\$ —</u>

Continued on next page

Eckerd College, Inc.

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

Grantor/Program or Cluster Title	State CSFA Number	State Expenditures
Florida Department of Education and Commissioner of Education:		
Florida Student Assistance Grant (FSAG)	48.054	\$ 315,277
The Florida Bright Futures Scholarship Program	48.059	793,268
Florida Resident Access Grant	48.064	1,212,750
Total Florida Department of Education and Commissioner of Education		2,321,295
Florida Department of Highway Safety and Motors Vehicles:		
Eckerd College License Plate Project	76.043	10,876
Total Florida Department of Highway Safety and Motors Vehicles		10,876
Total Expenditures of State Financial Assistance		\$ 2,332,171

See accompanying notes.

Eckerd College, Inc.

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

Year Ended June 30, 2019

1. Basis of Presentation

The purpose of the schedule of expenditures of federal awards and state financial assistance (the Schedule) is to present a summary of the activities of Eckerd College, Inc. (the College) for the year ended June 30, 2019, which have been financed by the U.S. Government and the State of Florida.

The information in this schedule is presented in accordance with the requirements of OMB 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.650, *Rules of the Auditor General*. Therefore, the Schedule presents only a selected portion of the activities of the College. It is not intended to, and does not, present either the consolidated financial position or activities of the College.

The Schedule is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

2. Federal Perkins Loan – Federal Capital Contributions

The College administers Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038). Loans disbursed during the year plus the balance of loans outstanding at July 1, 2018 are included in the federal expenditures presented in the schedule totaling \$973,089. During the year repayments of Federal Perkins loans totaled \$116,465. The College also entered into the Department of Education's Perkins loan liquidation program which resulted in the liquidation of \$312,004 of loans. The balance of loans outstanding as of June 30, 2019 is \$544,620 as reflected in the College's consolidated statement of net position.

3. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal and state laws and regulations.

Eckerd College, Inc.

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

4. Federal Direct Student Loans

During the year ended June 30, 2019, the College processed new loans, for which the transactions are between the student and an outside third party, under the Federal Family Education Loan Program (which includes subsidized Stafford Loans, Parents' Plus Loans for Undergraduate Students, and unsubsidized Stafford Loans). The College is responsible only for the performance of certain administrative duties with respect to these loans and, accordingly, balances and transactions related to this loan program are not included in the College's consolidated financial statements. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of the College as of June 30, 2019. The amounts disbursed to students during fiscal 2019, however, are reflected in the schedule of expenditures of federal awards and state financial assistance within the federal direct student loans caption.

5. De Minimis Indirect Cost Rate

The College does not elect to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

October 14, 2019



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program and State Financial Assistance Project; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*

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

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Eckerd College Inc.'s (the College's) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the College's major federal programs and state financial assistance projects for the year ended June 30, 2019. The College's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2019.

Other Matter

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N 9, *Gramm-Leach Bliley Act-Student Information Security* as outlined in the OMB Compliance Supplement for the year ended June 30, 2019. We determined whether the College has designated an individual to coordinate the information security program. We determined whether the College performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether the College documented a safeguard for each risk identified from the three required to be risk assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance

for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650

We have audited the financial statements of the College as of and for the year June 30, 2019, and have issued our report thereon dated October 14, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information



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

Ernst + Young LLP

October 14, 2019

Eckerd College, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____yes X no

Significant deficiency(ies) identified?

_____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

Federal Awards and State Financial Assistance

Internal control over major federal programs and state financial assistance projects:

Material weakness(es) identified?

_____yes X no

Significant deficiency(ies) identified?

_____yes X none reported

Type of auditor’s report issued on compliance for major federal programs and state financial assistance projects (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650?

_____yes X no

Identification of major federal programs:

CFDA number(s)

84.007, 84.268, 84.033, 84.038, 84.063

Name of federal program or cluster

Student Financial Assistance Cluster

Eckerd College, Inc.

Schedule of Findings and Questioned Costs (continued)

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

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

Auditee qualified as low-risk auditee? X yes no

Identification of major state projects:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
48.064	Florida Resident Access Grant (FRAG)
48.054	Florida Student Assistance Grant (FSAG)
48.059	The Florida Bright Futures Scholarship Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 699,651

Section II—Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No matters reported.

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

This section identifies the audit findings required to be reported by the 2 CFR 200.516(a) and/or Chapter 10.650 (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse).

No matters reported.

Eckerd College, Inc.

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

Year Ended June 30, 2019

	<u>Award Population</u>		<u>Award Sample</u>				<u>Questioned Costs</u>			
	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>	<u>% of Population Amount</u>	<u>Recipients</u>	<u>% of Population Recipients</u>	<u>Amount</u>	<u>% of Sample Amount</u>	<u>Recipients</u>	<u>% of Sample Recipients</u>
Florida Resident Access Grant	\$ 1,212,750	365	\$ 166,250	14%	50	14%	\$ –	–%	–	–%
Florida Medallion Scholars Award	361,188	77	92,588	26%	20	26%	–	–	–	–
Florida Academic Scholars Award	432,080	62	114,167	26%	16	26%	–	–	–	–
Florida Student Assistance Grant	315,277	140	81,652	26%	35	25%	–	–	–	–

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CONSOLIDATED FINANCIAL STATEMENTS

Eckerd College, Inc.
Years Ended June 30, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



Eckerd College, Inc.
Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

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Eckerd College, Inc.

Management's Discussion and Analysis (Unaudited)

Years Ended June 30, 2019 and 2018

Introduction and Background

The Management's Discussion and Analysis (MD&A) provides an overview of the consolidated financial position and activities of Eckerd College, Inc. (the Organization) for the fiscal years ended June 30, 2019 and 2018, and should be read in conjunction with the consolidated financial statements and notes thereto. The MD&A and the consolidated financial statements and notes thereto are the responsibility of Eckerd College (the College) management.

Overview of Consolidated Financial Statements

The Organization's financial report as of and for the years ended June 30, 2019 and 2018, includes three basic statements: the consolidated statements of financial position, the consolidated statements of activities and changes in net assets, and the consolidated statements of cash flows. The consolidated financial statements and notes thereto encompass Eckerd College, Inc., Eckerd College Real Estate, LLC (ECRE), and ECP2, Inc. The Organization's consolidation policy is described in more detail in the notes to the consolidated financial statements.

The Organization has adopted the Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changed certain financial statement requirements for not-for-profit entities in an effort to make information more meaningful to users and make reporting less complex for not-for-profit entities. Most notably, the three classes of net assets have been replaced with two classes: *without donor restrictions* and *with donor restrictions*. As a result of adopting the standard, prior year consolidated financial statements as of June 30, 2018, and for the year then ended, were reclassified as required. Tables within the MD&A have been updated to conform to the presentation requirements for the years FY2018-19 and FY2017-18. Information related to FY2016-17 is prior to the ASU 2016-14 implementation, and remains unchanged.

Eckerd College, Inc.

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

Overview of Consolidated Financial Statements (continued)

The financial highlights for the 2018–19 fiscal year include:

- Total assets increased \$4,145,467 or 1.87% over the prior fiscal year.
- Net assets increased by \$6,444,292 or 3.96% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$2,265,862 or 3.89% from the prior fiscal year.

The financial highlights for the 2017–18 fiscal year include:

- Total assets increased \$2,765,057 or 1.26% over the prior fiscal year.
- Net assets increased by \$5,575,015 or 3.54% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased \$2,434,942 or 4.36% from the prior fiscal year.

Consolidated Statements of Financial Position

The consolidated statements of financial position reflect the assets and liabilities of the Organization, using the accrual basis of accounting, and present the consolidated financial position of the Organization at a specified time. The difference between total assets and total liabilities is net assets, and is one indicator of the Organization's current financial condition.

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The changes in net assets that occur over time indicate improvement or deterioration in the Organization's financial condition. The following reflects the Organization's assets, liabilities, and net assets at June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash and cash equivalents	\$ 38,126,722	\$ 25,250,646	\$ 21,007,204
Accounts receivable, net – students	161,002	640,879	1,047,754
Accounts receivable, net – other	1,068,418	970,122	1,122,726
Contributions receivable, net	3,078,578	3,212,494	3,251,077
Beneficial interest in assets held by others	1,008,287	923,323	935,648
Loans receivable, net – students	416,410	864,180	892,372
Investments at fair value	36,458,269	35,347,392	33,072,265
Assets limited as to use	23,371,237	32,991,612	44,297,422
Deferred charges, prepaid expenses, and other assets	2,003,178	1,333,896	1,421,836
Property and equipment, net	120,046,671	120,058,761	111,779,944
Total assets	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>
Liabilities and net assets			
Accounts payable and accrued liabilities	\$ 5,213,627	\$ 5,262,825	\$ 7,355,071
Deferred revenues and deposits	2,883,616	3,233,780	3,459,922
Amounts payable under split-interest agreements	1,007,952	1,796,078	1,774,918
Bonds payable	46,646,747	47,450,041	47,929,335
U.S. government grants refundable	335,665	645,897	633,956
Postretirement benefits and deferred compensation obligation	359,653	357,464	402,841
Total liabilities	<u>56,447,260</u>	<u>58,746,085</u>	<u>61,556,043</u>
Net assets:			
Unrestricted	–	–	104,561,274
Temporarily restricted	–	–	16,820,262
Permanently restricted	–	–	35,890,669
Without donor restrictions	121,971,882	117,906,932	–
With donor restrictions	47,319,630	44,940,288	–
Total net assets	<u>169,291,512</u>	<u>162,847,220</u>	<u>157,272,205</u>
Total liabilities and net assets	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>	<u>\$ 218,828,248</u>

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The Organization's assets totaled \$225,738,772 at June 30, 2019. This balance reflects a \$4,145,467 or 1.87% increase from the 2017–18 fiscal year and \$6,910,524 or 3.16% increase from the 2016–17 fiscal year. The largest changes within asset classes are discussed below.

Cash and cash equivalents increased from the 2017–18 fiscal year by \$12,876,076. As shown in the Statement of Cash Flows, operating activities provide \$6,758,298 of this increase.

Assets limited as to use have decreased \$9,620,375 or 29.16% from the 2017–18 fiscal year. This change is primarily due to the use of proceeds from the issuance of debt financing in 2016 for the capital projects described in Note 12 of the consolidated financial statements. The components of assets limited as to use are summarized below. Additional details are available in Note 7 of the audited consolidated financial statements:

	Assets Limited as to Use		
	2019	2018	2017
Board-designated funds	\$ 20,453,209	\$ 19,644,843	\$ 19,136,599
Cumulative board-designated endowment gains	1,503,732	1,660,363	1,390,096
Debt service and other bond funds	–	10,115,650	16,323,985
Assets restricted for investments in building and equipment	1,414,296	1,570,756	7,446,742
Total	\$ 23,371,237	\$ 32,991,612	\$ 44,297,422

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The activity of the College's endowment and the investments held by the endowment are summarized below. Additional details are available in Note 9 of the audited consolidated financial statements:

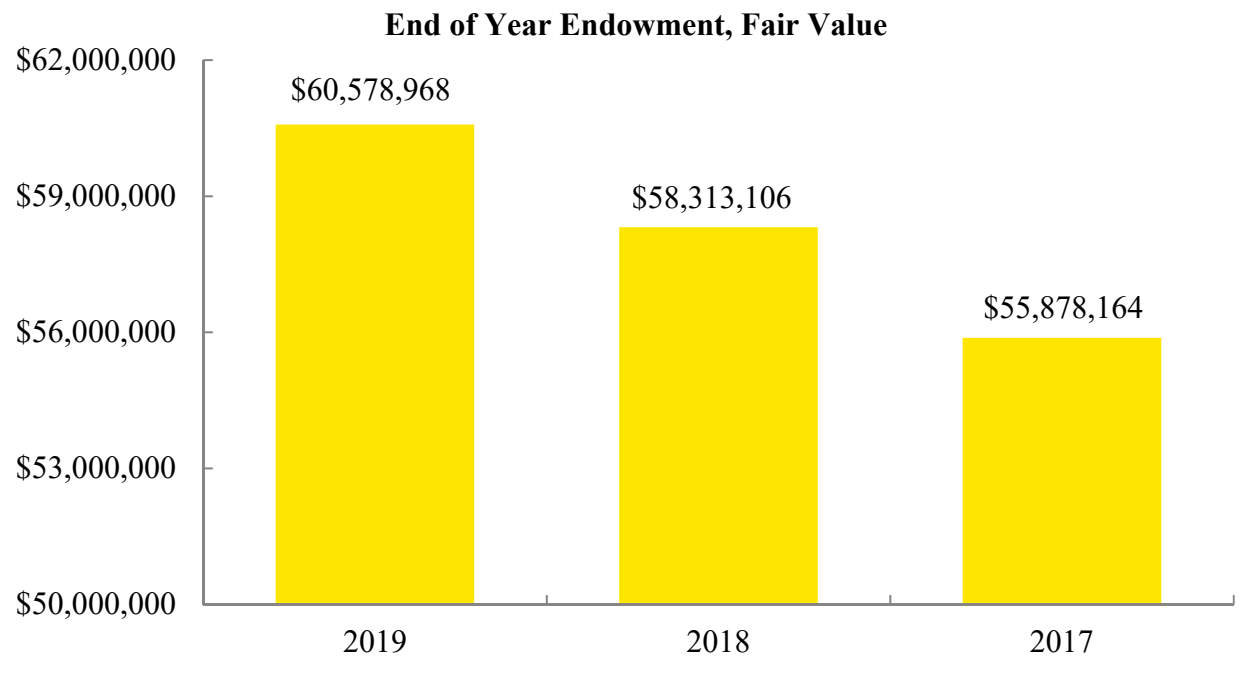
	Endowment		
	2019	2018	2017
Beginning of year, at fair value	\$ 58,313,106	\$ 55,878,164	\$ 51,282,054
Investment return	2,312,488	4,042,822	6,752,018
Contributions	2,745,119	1,031,773	564,970
Investment return, reinvested	(315,786)	(114,629)	(114,656)
Investment return, distributed	(2,475,959)	(2,525,024)	(2,606,222)
End of year, at fair value	\$ 60,578,968	\$ 58,313,106	\$ 55,878,164
Cash and cash equivalents	\$ 1,409,724	\$ 363,861	\$ 709,733
Equity securities	37,244,313	37,376,023	36,389,676
Investments in limited partnerships	17,188,278	15,496,474	13,381,576
Interfund loan receivable	4,736,653	5,076,748	5,397,179
Total endowment	\$ 60,578,968	\$ 58,313,106	\$ 55,878,164

Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

The endowment spending distribution rate adopted and approved by the Board of Trustees in each of the last three years was 5.0% of the rolling 8-quarter average market value.



Contributions to the endowment increased by \$1,713,346 over the 2017-18 year and \$2,180,149 over the 2016-17 year.

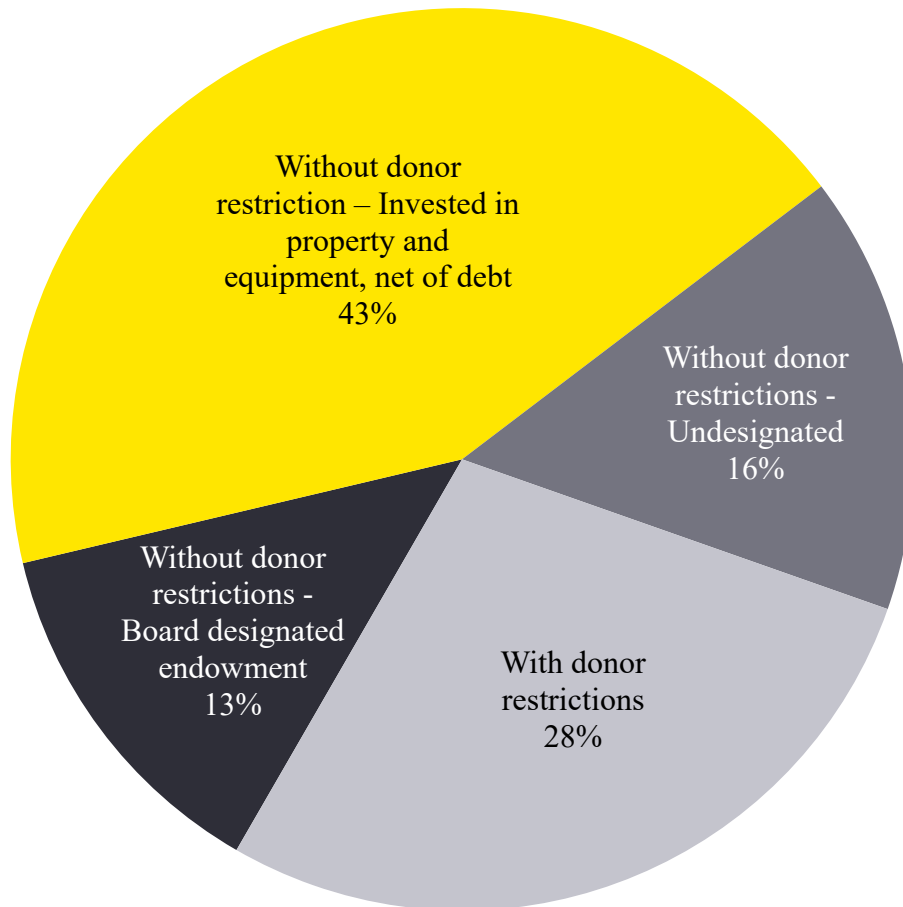
Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

As a result of the changes in assets and liabilities described above, the Organization's total net assets increased from 2017-18 by \$6,444,292 or 3.96%, reaching a year-end balance of \$169,291,512. As shown on the chart below, 72.0% of the end of year net assets are without donor restriction.

End of Year Net Assets



Eckerd College, Inc.

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

Consolidated Statements of Financial Position (continued)

As shown on the previous chart, 72.0% of total net assets are without donor restrictions. However, this amount is not all available for operating expenses, as property and equipment are generally not liquid and therefore not available to meet obligations. Net assets without donor restrictions, exclusive of property and equipment and related debt, represent 29% of total net assets, or \$49,312,920. More information on the liquidity and availability of resources is in Note 3 to the consolidated financial statements.

Net assets without donor restrictions, exclusive of plant assets and plant-related debt increased by \$2,159,378 or 4.6% from the 2017–18 fiscal year as calculated in the following table:

	Statements of Financial Position of Net Assets Without Donor Restrictions, Exclusive of Plant Assets and Plant-Related Debt		
	June 30		
	2019	2018	2017*
Without Donor Restrictions			
Total net assets	\$ 121,971,882	\$ 117,906,932	\$ 104,561,274
Less property and equipment	(120,046,671)	(120,058,761)	(111,779,944)
Add accounts payable related to property and equipment	740,962	1,855,330	2,724,648
Add long-term debt	46,646,747	47,450,041	47,929,335
Net assets, exclusive of plant assets and plant-related debt	\$ 49,312,920	\$ 47,153,542	\$ 43,435,313

*Balances as of June 30, 2017 are prior to the implementation of ASU 2016-14. Accordingly, these amounts represent unrestricted net assets balances as of June 30, 2017 and do not reflect the reclassification of underwater endowments. Underwater endowments as of June 30, 2017, reduced unrestricted net assets by \$1,973,517.

After removing the impact of the change in accounting standard, changes in the level of net assets without donor restrictions, exclusive of plant assets and plant-related debt increased by \$3,904,090 or 8.99% since 2016-17.

Eckerd College, Inc.

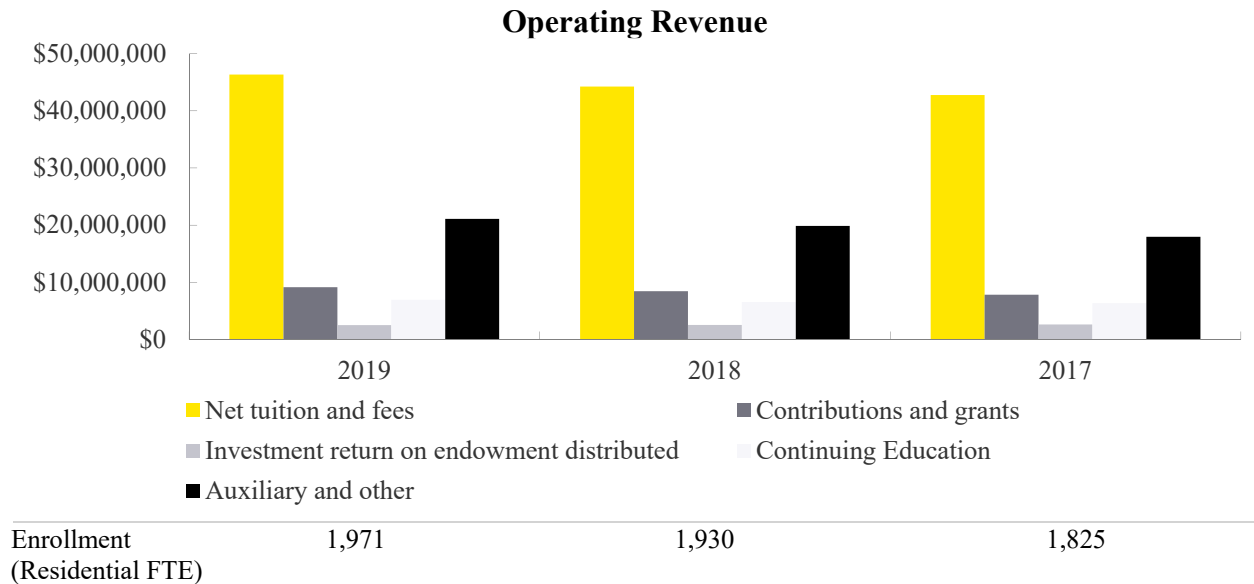
Management’s Discussion and Analysis (continued)
(Unaudited)

Consolidated Statements of Activities and Changes in Net Assets

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

Consolidated Statements of Activities and Changes in Net Assets			
	2019	2018	2017
Revenues	\$ 85,967,842	\$ 81,539,874	\$ 78,740,838
Operating expenses	79,689,121	77,182,217	75,081,395
Nonoperating revenues (expenses)	310,616	1,363,381	4,194,142
Pension related changes	(145,045)	(146,023)	(105,402)
Change in net assets	6,444,292	5,575,015	7,748,183
Net assets, beginning of year	162,847,220	157,272,205	149,524,022
Net assets, end of year	\$ 169,291,512	\$ 162,847,220	\$ 157,272,205

The Organization’s operating revenues totaled \$85,967,842 for the 2018–19 fiscal year.



Eckerd College, Inc.

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

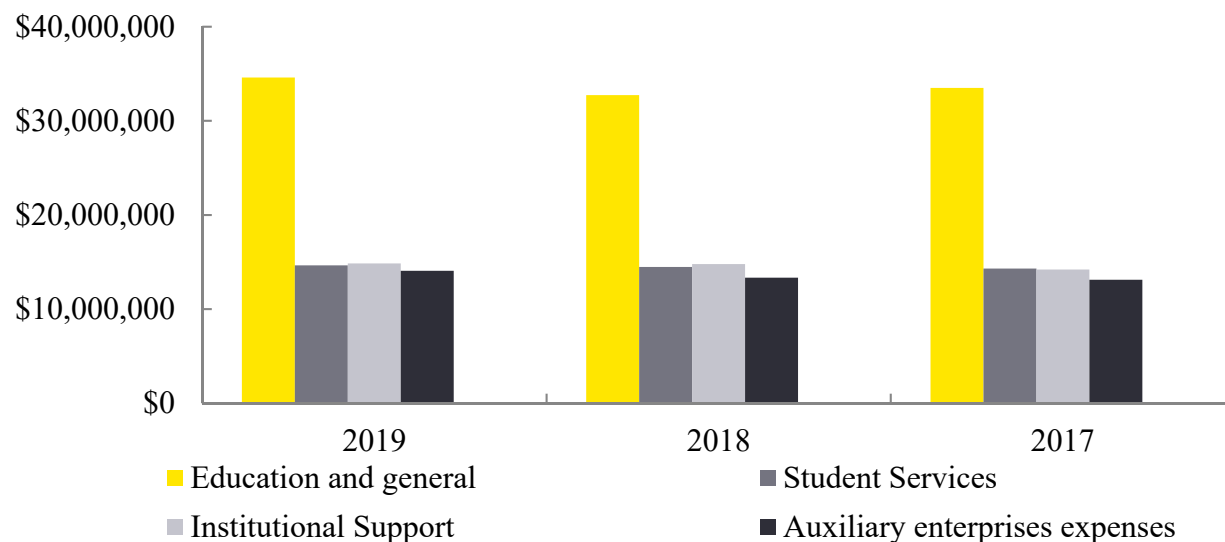
Consolidated Statements of Activities and Changes in Net Assets (continued)

The change in net tuition and fees since fiscal year 2016-2017 is due to higher total enrollment, increase in tuition rates and greater participation in study abroad programs, generating additional student fees. The increase in net tuition and fees is partially offset with the decline in revenue from the discontinuation of the Program for Experienced Learners.

Auxiliary revenues, such as housing and food service, are also higher in each of the last two years with increased residential enrollment. These revenues are partially offset with the related increase in operating costs.

Total operating expenses of \$79,689,121 increased from the 2017-18 fiscal year by \$2,506,904, and \$4,607,726 from the 2016-17 fiscal year. The increases over the past two years were driven largely by increases in salaries, health insurance, and expenditures associated with increased enrollment.

Operating Expenses



The changes in nonoperating revenues are primarily the result of investment gains on endowment as shown in the consolidated statements of activities and changes in net assets. Nonoperating revenues decreased from 2016-17 to 2018-19 as a result of the changes in valuation of split-interest agreements held by the College.

Eckerd College, Inc.

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

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

The following table presents the change in net assets from operating activities, adjusted for items that are not actually available for operational use. Operating income is consistently sufficient to meet operating expenses.

	Consolidated Statements of Activities and Changes in Net Assets		
	2019	2018	2017
Without Donor Restrictions			
Revenues	\$ 83,906,247	\$88,385,768	\$ 76,339,557
Operating expenses	79,689,121	77,182,217	75,081,395
Change in net assets from operating activities	4,217,126	11,203,551	1,258,162
Adjustments:			
Gifts released for capital projects placed into service	(2,066,197)	(7,667,455)	(291,627)
Change in net assets from operating activities, adjusted	\$ 2,150,929	\$ 3,536,096	\$ 966,535

Consolidated Statements of Cash Flows

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

Eckerd College, Inc.

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

Consolidated Statements of Cash Flows (continued)

The following summarizes cash flows for 2018–19 and the prior two fiscal years:

	Consolidated Statements of Cash Flows		
	2019	2018	2017
Net cash provided by operating activities	\$ 6,758,298	\$ 6,080,021	\$ 5,911,143
Net cash provided by (used in) investing activities	3,035,149	(3,500,509)	(4,486,943)
Net cash provided by financing activities	3,082,629	1,663,930	1,342,089
Change in cash and cash equivalents	12,876,076	4,243,442	2,766,289
Cash and cash equivalents, beginning of year	25,250,646	21,007,204	18,240,915
Cash and cash equivalents, end of year	\$ 38,126,722	\$ 25,250,646	\$ 21,007,204

Net cash continues to be provided by operating activities as a result of planned cash additions from operations consistent with the College's Financial Plan.

The net cash used in investing activities has been significant over the last several years as the College incurred capital costs for residence hall renovations and campus infrastructure needed for the Center for Visual Arts. In 2018-19, bond proceeds remaining were fully spent for such projects.

Gifts for the investment in buildings and income from those restricted for long-term purposes provide a source of cash used in financing activities. Contributions to the endowment continue to grow as shown in Note 9 to the consolidated financial statements.

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eckerd College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the College as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the College adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, through retroactive implementation during the year ended June 30, 2019. The amendments in ASU 2016-14 result in changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 14, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ernst + Young LLP

October 14, 2019

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2019	2018
Assets		
Cash and cash equivalents	\$ 38,126,722	\$ 25,250,646
Accounts receivable, net – students	161,002	640,879
Accounts receivable, net – other	1,068,418	970,122
Contributions receivable, net	3,078,578	3,212,494
Beneficial interest in assets held by others	1,008,287	923,323
Loans receivable, net – students	416,410	864,180
Investments at fair value	36,458,269	35,347,392
Assets limited as to use	23,371,237	32,991,612
Deferred charges, prepaid expenses, and other assets	2,003,178	1,333,896
Property and equipment, net	120,046,671	120,058,761
Total assets	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,213,627	\$ 5,262,825
Deferred revenues and deposits	2,883,616	3,233,780
Amounts payable under split-interest agreements	1,007,952	1,796,078
Bonds payable	46,646,747	47,450,041
U.S. government grants refundable	335,665	645,897
Postretirement benefits and deferred compensation obligation	359,653	357,464
Total liabilities	<u>56,447,260</u>	<u>58,746,085</u>
Net assets:		
Without donor restrictions		
Board-designated endowment	21,956,941	21,305,206
Invested in property and equipment, net of related debt	72,658,962	70,753,390
Undesignated	27,355,979	25,848,336
Total without donor restrictions	<u>121,971,882</u>	<u>117,906,932</u>
With donor restrictions		
Perpetual in nature	39,296,836	36,373,290
Purpose or time period restricted	8,022,794	8,566,998
Total with donor restrictions	<u>47,319,630</u>	<u>44,940,288</u>
Total net assets	<u>169,291,512</u>	<u>162,847,220</u>
Total liabilities and net assets	<u>\$ 225,738,772</u>	<u>\$ 221,593,305</u>

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019
Revenues and other support:			
Tuition and fees	\$ 88,555,211	\$ –	\$ 88,555,211
Less: College funded scholarships	(42,214,006)	–	(42,214,006)
Net tuition and fees	46,341,205	–	46,341,205
Continuing education	6,923,780	–	6,923,780
Private gifts, grants, and contracts	2,381,697	6,313,216	8,694,913
Federal grants and contracts	–	439,552	439,552
Investment return on endowment, distributed	854,860	1,621,099	2,475,959
Other investment income and net realized gains (loss) on investments	756,129	–	756,129
Sales and service of auxiliary enterprises	20,074,990	–	20,074,990
Other sources	261,314	–	261,314
Net assets released from restrictions	6,312,272	(6,312,272)	–
Total revenues and other support	83,906,247	2,061,595	85,967,842
Expenses:			
Educational and general:			
Instruction	31,401,881	–	31,401,881
Research	381,292	–	381,292
Academic support	4,366,927	–	4,366,927
Student services	14,646,016	–	14,646,016
Institutional support	14,835,136	–	14,835,136
Total educational and general	65,631,252	–	65,631,252
Auxiliary enterprises expense	14,057,869	–	14,057,869
Total expenses	79,689,121	–	79,689,121
Increase in net assets from operating activities	4,217,126	2,061,595	6,278,721
Nonoperating revenues (expenses):			
Investment return after amounts distributed for current year operations	(7,131)	(14,687)	(21,818)
Change in value of split-interest agreements	–	332,434	332,434
Pension-related changes other than net periodic pension cost	(145,045)	–	(145,045)
Total nonoperating revenues (expenses)	(152,176)	317,747	165,571
Change in net assets	4,064,950	2,379,342	6,444,292
Net assets, beginning of year	117,906,932	44,940,288	162,847,220
Net assets, end of year	\$ 121,971,882	\$ 47,319,630	\$ 169,291,512

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018
Revenues and other support:			
Tuition and fees	\$ 84,644,918	\$ –	\$ 84,644,918
Less: College funded scholarships	(40,418,065)	–	(40,418,065)
Net tuition and fees	44,226,853	–	44,226,853
Continuing education	6,526,890	–	6,526,890
Private gifts, grants, and contracts	4,040,005	3,695,602	7,735,607
Federal grants and contracts	–	685,561	685,561
Investment return on endowment, distributed	941,234	1,583,790	2,525,024
Other investment income and net realized gains (loss) on investments	221,304	–	221,304
(Loss) gain on sale of property, plant and equipment	9,280	–	9,280
Sales and service of auxiliary enterprises	19,087,431	–	19,087,431
Other sources	518,648	3,276	521,924
Net assets released from restrictions	12,814,123	(12,814,123)	–
Total revenues and other support	88,385,768	(6,845,894)	81,539,874
Expenses:			
Educational and general:			
Instruction	30,283,960	–	30,283,960
Research	358,632	–	358,632
Academic support	3,955,298	–	3,955,298
Student services	14,471,907	–	14,471,907
Institutional support	14,777,683	–	14,777,683
Total educational and general	63,847,480	–	63,847,480
Auxiliary enterprises expense	13,334,737	–	13,334,737
Total expenses	77,182,217	–	77,182,217
Increase in net assets from operating activities	11,203,551	(6,845,894)	4,357,657
Nonoperating revenues (expenses):			
Investment return after amounts distributed for current year operations	510,104	899,167	1,409,271
Change in value of split-interest agreements	–	(45,890)	(45,890)
Pension-related changes other than net periodic pension cost	(146,023)	–	(146,023)
Total nonoperating revenues (expenses)	364,081	853,277	1,217,358
Change in net assets	11,567,632	(5,992,617)	5,575,015
Net assets, beginning of year	104,561,274	52,710,931	157,272,205
Net assets, end of year, as previously reported	116,128,906	46,718,314	162,847,220
Reclassified for change in accounting principle	1,778,026	(1,778,026)	–
Net assets, end of year, as reclassified	\$ 117,906,932	\$ 44,940,288	\$ 162,847,220

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2019	2018
Operating activities		
Change in net assets	\$ 6,444,292	\$ 5,575,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,070,795	7,444,378
Gifts of noncash	(663,606)	(481,743)
Change in value of split-interest agreements	(332,434)	45,890
Net realized and unrealized loss (gain) on investments	(1,567,619)	(2,735,444)
Contributions restricted for long-term investment	(3,458,850)	(2,135,738)
Changes in operating assets and liabilities:		
Accounts receivable, students	479,877	406,875
Accounts receivable, other	(98,296)	152,604
Contributions receivable and beneficial interest in assets held by others	48,952	50,908
Deferred charges, prepaid expenses, and other assets	(669,282)	87,940
Accounts payable and accrued liabilities	(49,198)	(2,092,246)
Deferred revenues and deposits	(350,164)	(226,142)
Amounts payable under split-interest agreements	(788,126)	21,160
U.S. government grants refundable	(310,232)	11,941
Postretirement benefits and deferred compensation obligation	2,189	(45,377)
Net cash provided by operating activities	<u>6,758,298</u>	<u>6,080,021</u>
Investing activities		
Proceeds from sales and maturities of investments	4,792,241	3,774,744
Purchases of investments	(3,840,848)	(3,669,936)
Cash restricted for purchases of property and equipment	10,115,650	12,102,959
Purchases of property and equipment	(8,031,894)	(15,708,276)
Net cash provided by (used in) investing activities	<u>3,035,149</u>	<u>(3,500,509)</u>
Financing activities		
Contributions restricted for long-term investment	3,458,850	2,135,738
Disbursements of loans to students	(5,000)	(125,512)
Repayments of loans from students	137,875	153,704
Assignment of loan to the federal government	314,904	-
Repayments of bonds payable	(824,000)	(500,000)
Net cash provided by financing activities	<u>3,082,629</u>	<u>1,663,930</u>
Change in cash and cash equivalents	12,876,076	4,243,442
Cash and cash equivalents, beginning of year	25,250,646	21,007,204
Cash and cash equivalents, end of year	<u>\$ 38,126,722</u>	<u>\$ 25,250,646</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 1,710,652</u>	<u>\$ 1,749,180</u>
Purchases of property and equipment in accounts payable	<u>\$ 740,962</u>	<u>\$ 1,855,330</u>
Donated property	<u>\$ 663,606</u>	<u>\$ 481,743</u>

See accompanying notes.

Eckerd College, Inc.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. Organization and Principles of Consolidation

Eckerd College, Inc. (the College) is an independent, coeducational, liberal arts college located on 188 acres of waterfront property in St. Petersburg, Florida. The College is known distinctively for marine science, environmental studies, international relations and global affairs, creative writing, organizational studies, study abroad, and civic engagement. The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The consolidated financial statements include the accounts of the College; Eckerd College Real Estate, LLC (ECRE); and ECP2, Inc. (collectively, the Organization). ECRE was formed to hold title and liquidate certain real estate holdings. The College is the sole member of ECRE. ECP2, Inc. is a separate corporation related through an economic interest and the College's direct and indirect ability to control the direction of management. All significant interorganization balances and transactions are eliminated in these consolidated financial statements. See Note 16 for further discussion of these entities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Without donor restrictions* include net assets that are not subject to donor-imposed restrictions and include amounts designated by the Board of Trustees (Board) for specific purposes.
- *With donor restrictions* include net assets limited by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or can be fulfilled or removed by action of the Organization pursuant to those restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy is used for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs are defined as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, prepayment speeds, and credit risk, etc.)
- Level 3 – Significant unobservable inputs (including an entity's own assumptions)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less when purchased, unless designated for long-term purposes or the acquisition of long-term assets, and therefore are classified as assets limited as to use.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values based on quoted market prices. Investment income or loss (including realized and unrealized gains on investments and interest and dividends) is included in without donor restriction total revenues and other support, unless the income or loss is restricted by the donor or by law.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments Without Readily Determinable Values

Investments without readily determinable values consist of funds-of-funds, investments in private equity companies, partnerships, and limited liability companies and are included with investments at fair value. Under generally accepted accounting principles, a reporting entity is permitted, as a practical expedient, to estimate the fair value of such an investment using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of certain investments, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of investment funds. At June 30, 2019 and 2018, the net asset value approximates the fair value of the funds as reported by the investment fund managers. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Assets Limited as to Use

Assets limited as to use include the fair value of investments so designated by the Board (quasi-endowment), cash restricted by donors for investment in buildings and equipment, and assets held by the Trustee under bond indenture agreements.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated property and equipment are recorded as support at estimated fair value at the date of donation and are reported as without donor restriction support unless the donor has restricted the use of the donated asset to a specific purpose. Expenditures in excess of \$1,500 with an estimated useful life of two or more years are capitalized. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized over the shorter of the useful life of the related asset or lease term. Buildings are depreciated over 60 years. Building improvements are depreciated over 15 years. Equipment is depreciated between 5 and 10 years.

Property and equipment activity funded by contributions of cash and other assets restricted for that specific use is reported as with donor restriction until the asset is placed into service.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accrued Compensated Absences

The Organization allows for the carryover of an employee's annual vacation accrual based on the type of position and length of service. Accrued compensation attributable to vacation leave is included in accounts payable and accrued liabilities in the consolidated statements of financial position and totals \$659,173 and \$630,919 at June 30, 2019 and 2018 respectively.

Debt Issuance

Debt issuance costs are a direct deduction from the carrying amount of the related debt liability, in the consolidated statements of financial position and are amortized using the straight-line method (approximates the effective yield method) over the life of the related debt. Amortization of debt issuance costs is allocated to the various functional expense classifications of educational and general expenses in the consolidated statements of activities and changes in net assets. Unamortized debt issuance costs amounted to \$246,253 and \$266,959 at June 30, 2019 and 2018, respectively.

Collections

Collections of works of art are not recognized as assets in the consolidated statements of financial position. Proceeds from the sale of collection items are recognized as an increase in the appropriate class of net assets based on donor-imposed restrictions, if any.

Tuition and Fee Revenue Recognition

Tuition and fees are recorded when earned, along with the related expenses. Programs and academic terms that extend over more than one fiscal year are apportioned between the two fiscal years.

Financial Aid

A substantial amount of funding from federal and state governments is received for the benefit of certain eligible students attending the College. For most of these funds, the College acts in an agent capacity, and accordingly, such amounts are not recorded as revenue and expenses in the consolidated statements of activities and changes in net assets. Only the financial aid revenue for which the College has the ability to directly award to students is included in the consolidated statements of activities and changes in net assets.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The College is incorporated as a nonprofit organization and is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. ECP2, Inc. is a taxable for-profit subsidiary wholly owned by the College. ECRE is a single-member LLC disregarded for tax purposes.

The College follows the guidance promulgated by Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740). ASC 740 prescribes a “more likely than not” minimum recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements. There were no uncertain tax positions recorded in the consolidated financial statements for fiscal years 2019 and 2018.

Use of Estimates

The College’s management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States. Although estimates are considered to be fairly stated at the time estimates are made, actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August of 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which makes ASU 2014-09 effective for the fiscal year ending June 30, 2020. The College continues to evaluate the impact this will have on the consolidated financial statements, and is closely monitoring changes deliberated by the FASB related to its implementation.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The standard is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the effect of adopting the new standard on the College's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* which changed certain financial statement requirements for not-for-profit entities (NFP) in an effort to make information more meaningful to users and make reporting less complex for NFPs. NFPs are no longer required to distinguish between resources with temporary and permanent restrictions on the face of the financial statements. NFP's present expenses by their natural and functional classification and present investment returns net of external and direct internal involvement expenses. NFP's also are required to provide more information about their available resources and liquidity. As a result of adopting this standard, certain prior year amounts including, \$1,778,026 of underwater endowment funds were reclassified decreasing net assets with donor restrictions to conform to presentation requirements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new guidance is intended to reduce diversity in practice on how certain transactions are classified in the statement of cash flows. In addition, in November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new amendments in this ASU *require* that amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The adoption of these provisions had no material impact on the accompanying consolidated financial statements.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The College will apply the amendments for transactions in which the it serves as the resource recipient to annual periods beginning after December 15, 2018.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 36,228,006
Accounts receivable, net	1,229,420
Contributions receivable within one year	1,439,268
Distributions from donor restricted endowment funds	1,794,603
Distributions from board-designated endowment fund	<u>1,059,734</u>
Financial assets available at year end for current use	<u>\$ 41,751,031</u>

In addition to financial assets available to meet general expenditures over the next 12 months the college operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The board-designated endowment of \$21,956,941 is subject to the same spending policy as the donor-restricted endowment, which is 5% of the rolling average market value of the preceding eight quarters. Although the college does not intend to spend over its spending policy, the full amount of the board-designated endowment could be made available for operations.

As part of the liquidity management plan, the college invests cash in excess of daily requirements in a deposit account overnight sweep and money market funds that are FDIC insured.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

4. Contributions Receivable

Multiyear unconditional pledges are initially recognized at fair value as contributions receivable and revenue in the appropriate net asset category after discounting the contributions to the present value of future cash flows. The discount rate used to measure the present value is based on risk-adjusted interest rates applicable to the years in which promises are received and is not revised in subsequent periods. Amortization of the discounts is included in contribution revenue.

Contributions receivable at June 30 are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
One year or less	\$ 1,439,268	\$ 1,323,837
One to five years	<u>2,305,904</u>	<u>2,743,253</u>
	3,745,172	4,067,090
Net present value discount	(339,432)	(453,075)
Allowance for uncollectibles	<u>(327,162)</u>	<u>(401,521)</u>
Contributions receivable, net	<u>\$ 3,078,578</u>	<u>\$ 3,212,494</u>

5. Beneficial Interest in Assets Held by Others

Donors have established and funded trusts that are administered by parties other than the College. Under the terms of the trusts, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. The College's beneficial interest in assets administered by third parties is valued at the net present value of future cash flows less the present value of amounts due to third-party beneficiaries. The amounts recorded as beneficial interest in assets held by others are \$1,008,287 and \$923,323 at June 30, 2019 and 2018, respectively.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

6. Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans have been funded through the Perkins federal revolving loan program and from institutional resources.

At June 30, student loans consisted of the following:

	<u>2019</u>	<u>2018</u>
Federal government programs	\$ 544,620	\$ 973,089
Institutional programs	287,067	306,377
	<u>831,687</u>	<u>1,279,466</u>
Less allowance for doubtful accounts:		
Beginning of year	(415,286)	(415,283)
Decreases (Increases)	9	(4)
End of year	<u>(415,277)</u>	<u>(415,286)</u>
Loans receivable, net – students	<u>\$ 416,410</u>	<u>\$ 864,180</u>

Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under student loan programs:

<u>June 30</u>	<u>60–179 Days</u>	<u>180–729 Days Past Due</u>	<u>729+ Days Past Due</u>	<u>Total Past Due</u>
2019	\$ 5,265	\$ 10,833	\$ 182,369	\$ 198,467
2018	\$ 14,535	\$ 40,310	\$ 206,902	\$ 261,747

Allowances for doubtful accounts are established based on prior collection experience and current economic factors that, in management’s judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government, and therefore, reserves reduce the receivable and liability balances under the program.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

6. Student Loans Receivable (continued)

The federal government did not extend the Perkins loan program, and thus it expired on September 30, 2017. Final disbursements were allowed through June 30, 2018. During the 2018-2019 year, the College submitted all Perkins loans for assignment to the federal government. As of June 30, 2019, acceptance of loans is pending and therefore it is expected that the College will liquidate its Perkins loan portfolio in fiscal 2019-2020.

7. Investments and Assets Limited as to Use

Investments at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Pooled investments:		
Endowment	\$ 50,959,065	\$ 48,325,625
Split-interest agreements	2,041,489	2,280,130
Nonpooled investments:		
Endowment	4,883,250	4,910,733
Split-interest agreements	531,406	1,136,110
Unspent bond proceeds	–	10,115,650
Restricted for investments in buildings and other long-term purposes	1,414,296	1,570,756
	<u>\$ 59,829,506</u>	<u>\$ 68,339,004</u>

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

	<u>2019</u>	<u>2018</u>
Investments	\$ 36,458,269	\$ 35,347,392
Assets limited as to use	23,371,237	32,991,612
Total investments and assets limited as to use	<u>\$ 59,829,506</u>	<u>\$ 68,339,004</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

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

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

	<u>2019</u>	<u>2018</u>
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	\$ 20,453,209	\$ 19,644,843
Cumulative gains (losses) on Board-designated reserves	1,503,732	1,660,363
Total Board-designated reserves	21,956,941	21,305,206
Debt service and other bond funds:		
Unspent bond proceeds	–	10,115,650
	–	10,115,650
Assets restricted for investments in building and equipment	1,414,296	1,570,756
	\$ 23,371,237	\$ 32,991,612

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements

The following tables present assets and liabilities that are measured at fair value on a recurring basis by the valuation hierarchy as of June 30:

	2019			
	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments and assets limited to use:				
Cash and equivalents	\$ 2,516,554	\$ 2,516,554	\$ —	\$ —
Equity securities:				
Domestic	14,715,977	14,715,977	—	—
International	16,154,573	16,154,573	—	—
Fixed income mutual funds	8,702,345	8,702,345	—	—
Inflation hedging mutual funds	357,268	357,268	—	—
Assets held for sale ⁽¹⁾	194,511	—	194,511	—
	<u>42,641,228</u>	<u>\$ 42,446,717</u>	<u>\$ 194,511</u>	<u>\$ —</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>17,188,278</u>			
Total investments and assets limited as to use	<u>\$ 59,829,506</u>			
Beneficial interest in assets held by others ⁽²⁾	<u>\$ 1,008,287</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,008,287</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

	2018			
	Fair Value Measurements at			
	Reporting Date Using			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments and assets limited to use:				
Cash and equivalents	\$ 14,944,442	\$ 14,944,442	\$ —	\$ —
Equity securities:				
Domestic	13,415,927	13,415,927	—	—
International	16,226,876	16,226,876	—	—
Fixed income mutual funds	7,694,399	7,694,399	—	—
Inflation hedging mutual funds	38,823	38,823	—	—
Assets held for sale ⁽¹⁾	522,063	—	522,063	—
	<u>52,842,530</u>	<u>\$ 52,320,467</u>	<u>\$ 522,063</u>	<u>\$ —</u>
Investments measured at net asset value:				
Investments in limited partnerships	<u>15,496,474</u>			
Total investments and assets limited as to use	<u>\$ 68,339,004</u>			
Beneficial interest in assets held by others ⁽²⁾	<u>\$ 923,323</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 923,323</u>

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

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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

	June 30, 2019			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity fund ^(a)	\$ 3,338,658	\$ —	Monthly	—
Equity long/short hedge funds ^(b)	2,289,491	—	Quarterly	45 days
Multi-strategy hedge fund ^(c)	2,598,754	—	(c)	90 days
Fixed income fund ^(d)	893,714	—	Monthly	—
Private equity ^(e)	5,411,165	3,691,684	—	—
Private real assets ^(f)	2,656,496	1,681,286	—	—
	<u>\$ 17,188,278</u>	<u>\$ 5,372,970</u>		

	June 30, 2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity fund ^(a)	\$ 3,463,368	\$ —	Monthly	—
Equity long/short hedge funds ^(b)	2,138,646	—	Quarterly	45 days
Multi-strategy hedge fund ^(c)	2,570,677	—	(c)	90 days
Fixed income fund ^(d)	850,174	—	Monthly	—
Private equity ^(e)	3,340,889	5,679,367	—	—
Private real assets ^(f)	3,132,720	1,802,058	—	—
	<u>\$ 15,496,474</u>	<u>\$ 7,481,425</u>		

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

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

Student loans receivable are primarily federally sponsored student loans with U.S. government stated interest rates and repayment terms, which are recorded at net realizable value. The student loans receivable along with their associated liability, U.S. government grants refundable, have not been measured at fair value due to the significant restrictions as to their transfer or disposition, which could not be made without incurring excessive costs.

It is not practicable for the Organization to determine the fair value of long-term debt since the incremental rate of borrowing is not readily available. The information pertinent to estimating the fair value, such as the carrying amount, effective interest rate, and maturity, are disclosed in Note 12.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

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

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

	<u>2019</u>	<u>2018</u>
Investment income	\$ 1,738,132	\$ 1,518,161
Realized gains	181,861	14,770
Investment fees	(99,878)	(98,006)
Investment return before unrealized losses	<u>1,820,115</u>	<u>1,434,925</u>
Unrealized gains	1,390,155	2,720,674
Net investment return	<u>\$ 3,210,270</u>	<u>\$ 4,155,599</u>

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

	<u>2019</u>	<u>2018</u>
Operating activities:		
Investment return on endowment, distributed	\$ 2,475,959	\$ 2,525,024
Other investment income	756,129	221,304
Nonoperating activities:		
Investment (loss) return after amounts distributed for current year operations	<u>(21,818)</u>	<u>1,409,271</u>
Net investment return	<u>\$ 3,210,270</u>	<u>\$ 4,155,599</u>

The amount of investment return distributed, in accordance with the College's spending policy, is reported on the consolidated statements of activities and changes in net assets as an operating activity as it supports current year programs and scholarships.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment

The College's endowment consists of approximately 300 individual funds established for a variety of purposes and is included in the College's investments and assets limited as to use (Note 7). The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds contributed by donors are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective July 1, 2012, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in Chapter 617, *Florida Statutes*, replaced FUMIFA, and governs College's administration and reporting of the endowment.

The College's Board of Trustees has interpreted the statute as requiring the prudent management and expenditure of endowment funds in keeping with the donor's intended use of the funds. As a result of this interpretation, the College classifies the fair value of the original endowment gift along with subsequent additions made by the donor to the endowment as net assets with perpetual donor restrictions on the date of each gift or addition.

Cumulative unexpended income, gains, and losses are accumulated in quasi-endowment (without restriction) or with donor restricted net assets based on the nature of each individual fund. Appropriation for expenditure is deemed to occur upon approval for expenditure, unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. Upon appropriation for expenditure, the time restriction expires to the extent of the amount appropriated and, in the absence of any purpose restrictions, results in a reclassification of that amount to net assets without donor restrictions. If the fund is also subject to a purpose restriction, the reclassification of the appropriated amount shall not occur until that purpose restriction also has been met. The College's process for when an expenditure is considered appropriated is as of July 1, based on the formal budget approval.

Amounts are appropriated for expenditure by the College in a manner consistent with the standards for expenditure prescribed by *Florida Statutes*. Accordingly, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The general purposes of the organization and the donor-restricted endowment fund
- General economic conditions

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The spending policy adopted by the Board of Trustees is calculated at 5% of the rolling average market value of the preceding eight quarters, and is made on December 31 for the following fiscal year. The calculated spending distributions for the 2019 and 2018 fiscal years were \$2,791,745 and \$2,639,653, respectively. Expended distributions were \$315,786 and \$114,629 less than the 2019 and 2018 calculations, respectively. These amounts were reinvested based on the needs and circumstances of the supported programs.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

At fiscal year-end, the net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2018			
Donor-restricted fund	\$ —	\$ 38,785,926	\$ 38,785,926
Board-designated funds	21,305,206	—	21,305,206
Underwater endowments	—	(1,778,026)	(1,778,026)
Total funds	<u>\$ 21,305,206</u>	<u>\$ 37,007,900</u>	<u>\$ 58,313,106</u>
June 30, 2019			
Donor-restricted fund	\$ —	\$ 40,543,089	\$ 40,543,089
Board-designated funds	21,956,941	—	21,956,941
Underwater endowments	—	(1,921,062)	(1,921,062)
Total funds	<u>\$ 21,956,941</u>	<u>\$ 38,622,027</u>	<u>\$ 60,578,968</u>

Changes in endowment funds for the fiscal years ended June 30, 2019 and 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, June 30, 2017	\$ 18,553,178	\$ 37,324,986	\$ 55,878,164
Investment return	1,559,865	2,482,957	4,042,822
Contributions	470,000	561,773	1,031,773
Reinvested	(114,629)	—	(114,629)
Expended	(941,234)	(1,583,790)	(2,525,024)
Reclassification upon implementation of ASU 2016-14	1,778,026	(1,778,026)	—
Endowment, June 30, 2018	<u>21,305,206</u>	<u>37,007,900</u>	<u>58,313,106</u>
Investment return	743,342	1,569,146	2,312,488
Contributions	808,366	1,936,753	2,745,119
Reinvested	(45,113)	(270,673)	(315,786)
Expended	(854,860)	(1,621,099)	(2,475,959)
Endowment, June 30, 2019	<u>\$ 21,956,941</u>	<u>\$ 38,622,027</u>	<u>\$ 60,578,968</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

9. Endowment (continued)

At June 30, the amount by which funds were underwater was calculated as follows:

	<u>2019</u>	<u>2018</u>
Aggregate fair value	\$ 16,343,712	\$ 15,055,222
Aggregate original gift	18,264,774	16,833,248
Aggregate deficiency	<u>\$ (1,921,062)</u>	<u>\$ (1,778,026)</u>

10. Interfund Receivable and Payable

Interfund payables of the College's unrestricted fund total \$4,736,653 and \$5,076,748 as of June 30, 2019 and 2018, respectively, which is due to the permanently restricted fund for amounts borrowed from the endowment in previous years to fund certain capital projects. Prior to the 2006–07 fiscal year, quarterly interest payments at prime were paid from the operating fund to the endowment fund on this balance. In May 2006, the Board of Trustees approved an amortization schedule for repayment of the borrowed funds over a 30-year term at 6.0% interest. Payments made during the 2018–19 fiscal year include \$340,094 in principal and \$297,048 in interest. Payments made during the 2017–18 fiscal year include \$320,431 in principal and \$316,710 in interest. The interfund balances are eliminated in the consolidated financial statements.

11. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 23,606,651	\$ 23,606,651
Buildings and building improvements	153,196,065	146,835,736
Leasehold improvements	51,000	51,000
Equipment	56,582,078	54,564,888
Construction-in-progress	2,596,645	2,949,214
	<u>236,032,439</u>	<u>228,007,489</u>
Less accumulated depreciation	<u>(115,985,768)</u>	<u>(107,948,728)</u>
	<u>\$ 120,046,671</u>	<u>\$ 120,058,761</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

11. Property and Equipment (continued)

Total depreciation for the years ended June 30, 2019 and 2018, is \$8,049,888 and \$7,423,672, respectively, and is allocated among all educational and general expenses in the accompanying consolidated statements of activities and changes in net assets.

12. Bonds Payable

Bonds payable at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
\$48,703,000 Pinellas County Educational Facilities Authority (PCEFA) Revenue Bonds, Series 2015, interest only until July 1, 2016, when principal payments of \$486,000 to \$1,562,000 are due in annual installments from FY2016-17 to FY2029-30, with balloon payments of \$17,860,000 and \$14,153,000 due in January 2031 and January 2032, respectively, with fixed per annum interest rate equal to 2.9915%	\$ 46,893,000	\$ 47,717,000
Unamortized debt issuance costs	(246,253)	(266,959)
Total bonds payable	<u>\$ 46,646,747</u>	<u>\$ 47,450,041</u>

On November 30, 2015, the Pinellas County Educational Facilities Authority (the Authority or PCEFA) issued \$48,703,000 in tax-exempt revenue refunding bonds, Series 2015A and 2015B, on behalf of the College. Series 2015A issued in the amount of \$23,203,000 advance refunded the Series 2006 Revenue Bonds. The 2006 revenue bonds were used to finance and refinance the acquisition, construction, equipping, and installation of a new residence hall on the campus of the College; fund the renovation of the former Cobb Library building; and fund other capital improvements related to or required by such projects. In addition, proceeds from the 2006 revenue bonds were used to refund the Authority's Revenue Bonds, Series 1989, Series 1991, Series 1993, and the 1997 loan to the College from the Authority's Refunding Program Revenue Bonds. Series 2015B issued in the amount of \$25,500,000 is for the purpose of renovations to residence halls, a new visual arts center, and various campus infrastructure improvements. The costs of issuance were funded from the respective proceeds of Series 2015A and 2015B. A Financing Agreement, UCC-1 Financing Statements, and a Non-Taxable Agreement Not to Encumber or Transfer

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

12. Bonds Payable (continued)

Property were executed among a financial institution, the Authority and the College. Those documents each evidence the sales of the Series 2015 Bonds by the Authority to the financial institution, the loan of the proceeds thereof to the College and the obligation of the College to repay such loan secured by a negative pledge agreement. As of June 30, 2019, there were no known events of default by the College in the fulfillment of any of the terms, covenants, provisions or conditions of the debt.

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

Years ending June 30:	
2020	\$ 1,161,000
2021	1,197,000
2022	1,233,000
2023	1,270,000
2024	1,307,000
Thereafter	<u>40,725,000</u>
	<u>\$ 46,893,000</u>

Total interest expense for the years ended June 30, 2019 and 2018, is \$1,710,652 and \$1,749,180, respectively, which is allocated primarily to auxiliary enterprise expenses in the accompanying consolidated statements of activities and changes in net assets. Of the total interest expense, \$297,048 and \$316,710 was paid for the interfund loan related to the College's endowment in fiscal years 2018-19 and 2017-18, respectively (Notes 9 and 10).

13. Postretirement Benefits and Deferred Compensation Obligation

Postretirement Benefits Obligation

The College has two unfunded postretirement benefit plans that provide life insurance and medical benefits for retired employees. The College recognizes the expected cost of providing postretirement benefits to current and future retirees in the periods in which employee services are rendered, thereby matching total compensation cost with revenues generated by employee service. Prior to February 8, 2014, the plans were contributory and were provided to all employees who had completed five years of full-time service and faculty who had completed seven years of full-time service and retired after age 55.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

13. Postretirement Benefits and Deferred Compensation Obligation (continued)

Effective February 8, 2014, the College changed the terms of postretirement benefits. The opportunity for current employees to participate in group postretirement life insurance was discontinued. The termination of this postretirement benefit is a negative plan amendment attributable to employee service already rendered. The negative plan amendment constitutes a curtailment because it also eliminates the accrual and benefits for all of the future services of active participants.

As it relates to retirees currently participating in the postretirement life insurance plan, there is a continuing obligation for future death benefits maximized at \$10,000 per participant.

Eligibility for participation in the postretirement medical benefits has been changed, effective February 8, 2014, to those who retire after age 60, instead of age 55.

The activity of the postretirement benefit plan consists of the following as of and for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unfunded postretirement benefit, beginning of year	\$ 357,464	\$ 378,121
Service cost	14,480	17,877
Interest cost	14,030	13,272
Actuarial gain	(64,841)	(72,846)
Benefits paid	(11,594)	(5,117)
Plan participant contributions	50,114	26,157
Unfunded postretirement benefit, end of year	<u>\$ 359,653</u>	<u>\$ 357,464</u>

The weighted-average assumptions used in computing the plan obligations are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate at year-end	3.38%	4.16%
Healthcare cost trend rate:		
Rate assumed for next year	8.00%	8.50%
Ultimate healthcare cost trend rate	4.50%	4.50%
Year ultimate healthcare cost trend rate is attained	2025	2025

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

13. Postretirement Benefits and Deferred Compensation Obligation (continued)

The weighted-average discount rate used to calculate net periodic cost was 4.16% and 3.68% for the years ended June 30, 2019 and 2018, respectively.

The following represents the College's best estimate of contributions expected to be paid to the plan and the expected amortization during the next fiscal year:

Year ending June 30, 2019:	
Expected employer contributions	\$ 41,516
Expected employee contributions	43,688
	<u>\$ 85,204</u>
Expected amortization of prior service credit	<u>\$ 122,625</u>
Expected amortization of net gain	<u>\$ (84,538)</u>

Benefits expected to be paid in the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

Year ending June 30:	
2020	\$ 85,204
2021	75,705
2022	64,030
2023	65,446
2024	49,824
Years 2025–2029	285,364

The amounts recognized as a credit against net assets without donor restrictions are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Prior service credit	\$ (896,403)	\$ (1,019,028)
Unrecognized net gain	<u>(1,118,047)</u>	<u>(1,140,467)</u>
Total amount reflected as a credit to net assets without donor restrictions	<u>\$ (2,014,450)</u>	<u>\$ (2,159,495)</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

13. Postretirement Benefits and Deferred Compensation Obligation (continued)

Changes in the charge (credit) to net assets without donor restrictions during the years ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ (2,159,495)	\$ (2,305,518)
Amortization of prior service cost	122,625	122,625
Amortization of net gain	87,261	96,244
Net gain for the period	(64,841)	(72,846)
Balance, end of year	<u>\$ (2,014,450)</u>	<u>\$ (2,159,495)</u>

The College also maintains a defined contribution retirement plan for qualified employees. Under the plan, the College purchases individual annuity contracts from a financial institution. The contracts vest immediately upon the employee's entrance to the plan. Contributions are based on 10% of eligible participants' salaries. The total contributions for the years ended June 30, 2019 and 2018, are \$2,303,483 and \$2,098,197, respectively.

14. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Amounts with perpetual restrictions:		
Financial aid scholarships and loans	\$ 24,697,435	\$ 22,989,942
Program and operating support	7,844,731	7,003,523
Faculty professorships and development	6,754,670	6,379,825
	<u>\$ 39,296,836</u>	<u>\$ 36,373,290</u>

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

14. Net Assets with Donor Restrictions (continued)

Nets assets with donor restrictions at June 30 that are expected to be released when a time or purpose has been satisfied include:

	<u>2019</u>	<u>2018</u>
Assets restricted for investment in buildings and equipment	\$ 1,067,394	\$ 1,049,102
Contributions receivable	2,311,571	3,006,759
Beneficial interest in assets held by others	345,323	307,378
Programs and scholarships, including unappropriated cumulative endowment gains	4,582,195	4,286,715
Split-interest agreements	1,392,002	1,450,042
Student loan funds	245,371	245,028
Underwater endowments	(1,921,062)	(1,778,026)
	<u>\$ 8,022,794</u>	<u>\$ 8,566,998</u>

The College has satisfied time and/or use restrictions pursuant to the terms of certain contributions. The net assets released from restrictions consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Collection of pledges	\$ 188,795	\$ 188,795
Satisfaction of program activities and scholarships	4,057,280	4,957,873
Gifts to plant fund expended for capital projects purchased and placed into service	2,066,197	7,667,455
	<u>\$ 6,312,272</u>	<u>\$ 12,814,123</u>

15. Split-Interest Agreements

The College administers and is the beneficiary of various split-interest agreements, including charitable lead trusts, charitable remainder trusts, charitable gift annuities, and life income funds. The College recognizes irrevocable split-interest agreements when they are executed. All distributions or remainder interests in the split-interest agreements are available for the College's use based on the existence or absence of donor-imposed restrictions. The College maintained investments of \$2,572,895 and \$3,416,240 at June 30, 2019 and 2018, respectively, which met the

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

15. Split-Interest Agreements (continued)

reserves and investment limitations required by *Florida Statute 627.481*, which requires reserves to be maintained equal to the sum of the reserves on its outstanding annuity agreements plus a surplus of 10%. In addition, the annuity investments are limited to no more than 50% equities (including mutual funds) and no more than 10% may be invested in any one stock or fund.

If an unrelated third party acts as trustee or fiscal agent, a contribution is recognized as a beneficial interest in assets held by others. See Note 5 for more information on balances related to beneficial interest in assets held by others.

Accounting standards require that the following instruments be recorded as income and net assets at the present value of their ultimate interest:

Charitable Lead Trusts – Donors have established and funded trusts, held by the College, under which specific distributions are to be made to the College over a specified period. Upon termination of the trust, the remainder of the trust assets is paid back to the donor or to the beneficiary or beneficiaries designated by the donor. Trusts were recorded as contributions from split-interest agreements at the fair value of the assets received less the present value of the estimated future payments associated with remainder interests, if any. The assets held in trust by the College were recorded at their fair value at the date of recognition.

Charitable Remainder Trusts – Donors have established and funded trusts, held by the College, under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the College receives its designated share of the assets remaining in the trust. Trusts were recorded as contributions from split-interest agreements at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trust. The assets in the trusts are assumed to earn rates ranging from 6.0% to 8.0% over the estimated life of the trust and are discounted at rates ranging from 6.8% to 7.8% in 2019 and 2018.

Charitable Gift Annuities – Donors have contributed assets to the College in exchange for a promise by the College to pay a fixed amount or percentage for a specified period of time to the donor or to individuals or colleges designated by the donor. Under the terms of such agreements, no trust exists as the assets received are held as assets and the related annuity liability is an obligation of the College. The liability for charitable gift annuities is discounted at rates ranging from 1.2% to 9.6% during 2019 and 2018. The College maintains assets sufficient to meet annuity reserve requirements under Florida state law.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

16. Affiliated Entities

Eckerd College Real Estate, LLC

In May 2009, the College, as sole member, formed ECRE to hold title to and liquidate certain real estate holdings. In September 2009, real estate consisting of an office/assembly building of 29,850 square feet located on approximately 7.33 acres of land was donated to the College and then transferred to ECRE.

The property held by ECRE was sold on December 21, 2016. In conformity with the donor agreement, the proceeds were used to fund construction of the visual arts building.

ECP2, Inc.

ECP2, Inc. holds title to certain residential roads remaining from the donation of a development in the U.S. Virgin Islands. The roads do not have an economic value and are therefore not reflected in the College's consolidated financial statements. Ownership of the roads will be transferred locally within the development.

17. Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The table below presents the natural classification of certain expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

17. Functional Expenses (continued)

	Instruction	Academic Support	Research	Student Services	Institutional Support	Auxiliary	Total
Salaries and wages	\$14,670,385	\$ 1,645,005	\$ 160,202	\$ 5,320,026	\$ 6,024,327	\$ 424,610	\$28,244,555
Benefits	4,658,633	524,256	17,388	1,763,815	1,629,539	108,033	8,701,664
Residential meal plans	-	-	-	-	-	4,563,449	4,563,449
Program and operations	7,522,411	946,501	203,702	5,316,711	5,758,230	1,344,643	21,092,198
Interest	188,866	7,670	-	26,232	140,356	1,368,235	1,731,359
Depreciation	2,257,995	601,556	-	1,073,582	573,891	3,542,865	8,049,889
Operation and maintenance of plant	2,103,591	641,939	-	1,145,650	708,793	2,706,034	7,306,007
	<u>\$31,401,881</u>	<u>\$ 4,366,927</u>	<u>\$ 381,292</u>	<u>\$14,646,016</u>	<u>\$14,835,136</u>	<u>\$14,057,869</u>	<u>\$79,689,121</u>

18. Related-Party Transactions

Certain board members have outstanding pledges to the Organization at June 30, 2019 and 2018, which are included in contributions receivable in the accompanying consolidated statements of financial position (as described in Note 3). The net present value of these pledges is \$688,324 and \$884,250 at June 30, 2019 and 2018, respectively.

19. Concentration of Credit Risk

Revenues of the College are generated principally from tuition and fees from its students. In this regard, credit is extended in the form of accounts receivable and student loans.

The College limits credit risk by diversifying its investment portfolio among equities, various index funds, limited partnerships, and cash equivalents. As a result, management believes that significant concentrations of credit risk do not exist within the investment pool.

The College maintains bank balances in excess of the \$250,000 guaranteed by the Federal Deposit Insurance Corporation.

20. Advancement and Fund-Raising Costs

The College incurred expenses of \$1,745,802 and \$1,831,259 during the years ended June 30, 2019 and 2018, respectively, related to advancement and fund-raising.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies

Leases

The Organization leases certain vehicles, equipment, and classroom space under operating leases expiring in various years through 2029.

Future minimum lease payments under operating leases are as follows:

Years ending June 30:	
2020	\$ 357,052
2021	149,851
2022	146,258
2023	144,397
2024	149,429
Thereafter	424,642
	<u>\$ 1,371,629</u>

Total rent expense under operating leases was \$394,183 and \$511,664 for the years ended June 30, 2019 and 2018, respectively, and is included in the various functional classifications of educational and general expenses in the accompanying consolidated statements of activities and changes in net assets.

Construction-in-Progress

The Organization has committed to various capital projects during the fiscal year. As of June 30, 2019, the College has approximately \$2,595,000 in outstanding commitments for several facility renovations.

Grants

The grant revenue amounts are subject to audit and adjustment by the grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Eckerd College, Inc.

Notes to Consolidated Financial Statements (continued)

22. Subsequent Events

Management of the College has reviewed subsequent events through October 14, 2019 (the date the accompanying consolidated financial statements are to be issued), for events or transactions that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position.

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