

FLAGLER COLLEGE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Flagler College, Inc.
St. Augustine, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Flagler College, Inc. and affiliates (the College), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' 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 of America 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 from material misstatement. The financial statements of the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation were not audited in accordance with *Government Auditing Standards*.

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 auditors' 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 financial position of Flagler College, Inc. and affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Orlando, Florida
November 17, 2021

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 19,235,810	\$ 12,912,919
Investments	107,661,535	94,062,101
Accounts receivable, net	871,885	1,852,538
Contributions receivable, net	1,036,147	873,370
Inventories	137,070	171,797
Prepaid expenses and other assets	923,726	950,097
Loans to students, net	121,720	173,329
Other loans and advances	57,816	675,497
Right of use asset	3,137,932	-
Real estate investment	10,403,400	10,403,400
Beneficial interest in perpetual trust	6,499,503	5,484,027
Land, buildings, and equipment, net	118,904,323	120,228,389
	\$ 268,990,867	\$ 247,787,464
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 6,043,807	\$ 4,100,371
Student deposits and prepayments	1,932,608	1,709,186
Deferred revenue	350,289	760,600
Amounts held on behalf of others	82,246	77,432
U.S. government loan funds refundable	311,292	353,893
Right of use liability	3,294,264	-
Premium on bonds payable	3,235,036	3,595,806
Long-term debt, net	38,560,497	40,086,867
Total liabilities	53,810,039	50,684,155
Net assets		
Without donor restrictions	180,182,851	168,757,808
With donor restrictions	34,997,977	28,345,501
Total net assets	215,180,828	197,103,309
Total liabilities and net assets	\$ 268,990,867	\$ 247,787,464

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
OPERATING REVENUES AND SUPPORT				
Tuition and fees	\$ 48,678,302	\$ -	\$ 48,678,302	\$ 50,522,170
Less: institutional aid	(13,225,319)	-	(13,225,319)	(12,024,993)
Net tuition and fees	<u>35,452,983</u>	-	<u>35,452,983</u>	<u>38,497,177</u>
Government grants and contracts	4,809,857	-	4,809,857	3,497,762
Private gifts and grants	361,342	2,605,892	2,967,234	1,706,250
Investment returns, net of fees	115,764	-	115,764	-
Endowment and reserve income used in operations:	2,882,224	1,223,990	4,106,214	3,264,533
Sales and services of auxiliary enterprises	12,764,618	-	12,764,618	12,721,892
Other sources	149,581	-	149,581	138,308
Net assets released from restrictions	3,856,591	(3,856,591)	-	-
Total operating revenues and support	<u>60,392,960</u>	<u>(26,709)</u>	<u>60,366,251</u>	<u>59,825,922</u>
OPERATING EXPENSES				
Salaries, wages and benefits	32,681,939	-	32,681,939	32,739,770
Services, supplies, and other	14,501,027	-	14,501,027	14,578,044
HEERF student funding	1,354,434	-	1,354,434	1,354,397
Plant, utilities, and maintenance	5,848,101	-	5,848,101	6,119,856
Interest	1,381,614	-	1,381,614	1,426,007
Depreciation and amortization	6,620,406	-	6,620,406	6,964,851
Total operating expenses	<u>62,387,521</u>	<u>-</u>	<u>62,387,521</u>	<u>63,182,925</u>
CHANGES IN OPERATING NET ASSETS	(1,994,561)	(26,709)	(2,021,270)	(3,357,003)
NONOPERATING ACTIVITY				
Private gifts and grants	-	1,842,829	1,842,829	1,804,722
Investment returns, net of fees	16,301,828	6,060,346	22,362,174	3,014,107
Less: endowment and reserve income used in operations	(2,882,224)	(1,223,990)	(4,106,214)	(3,264,533)
Total nonoperating activity	<u>13,419,604</u>	<u>6,679,185</u>	<u>20,098,789</u>	<u>1,554,296</u>
CHANGES IN NET ASSETS	11,425,043	6,652,476	18,077,519	(1,802,707)
Net assets - beginning of year	<u>168,757,808</u>	<u>28,345,501</u>	<u>197,103,309</u>	<u>198,906,016</u>
NET ASSETS - END OF YEAR	<u>\$ 180,182,851</u>	<u>\$ 34,997,977</u>	<u>\$ 215,180,828</u>	<u>\$ 197,103,309</u>

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT			
Tuition and fees	\$ 50,522,170	\$ -	\$ 50,522,170
Less: institutional aid	(12,024,993)	-	(12,024,993)
Net tuition and fees	38,497,177	-	38,497,177
Government grants and contracts	3,407,659	90,103	3,497,762
Private gifts and grants	405,942	1,300,308	1,706,250
Investment return supporting operations	3,264,533	-	3,264,533
Sales and services of auxiliary enterprises	12,721,892	-	12,721,892
Other sources	138,308	-	138,308
Net assets released from restrictions	5,615,869	(5,615,869)	-
Total operating revenues and support	64,051,380	(4,225,458)	59,825,922
OPERATING EXPENSES			
Salaries, wages, and benefits	32,739,770	-	32,739,770
Services, supplies, and other	14,578,044	-	14,578,044
CARES Act student funding	1,354,397	-	1,354,397
Plant, utilities, and maintenance	6,119,856	-	6,119,856
Interest	1,426,007	-	1,426,007
Depreciation and amortization	6,964,851	-	6,964,851
Total operating expenses	63,182,925	-	63,182,925
CHANGES IN OPERATING NET ASSETS	868,455	(4,225,458)	(3,357,003)
NONOPERATING ACTIVITY			
Private gifts and grants	-	1,804,722	1,804,722
Net investment return	2,614,016	400,091	3,014,107
Less: investment distribution to operations	(3,264,533)	-	(3,264,533)
Total nonoperating activity	(650,517)	2,204,813	1,554,296
CHANGES IN NET ASSETS	217,938	(2,020,645)	(1,802,707)
Net assets - beginning of year	168,539,870	30,366,146	198,906,016
NET ASSETS - END OF YEAR	<u>\$ 168,757,808</u>	<u>\$ 28,345,501</u>	<u>\$ 197,103,309</u>

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,077,519	\$ (1,802,707)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Contributions restricted for LT investment and plant	(1,842,455)	(2,864,836)
Depreciation	6,620,406	6,964,851
Amortization of bond premium and issuance costs	(337,140)	(349,005)
Bad debt provision	545,977	476,497
Income and net realized gains from long-term investments	(23,170,624)	(2,628,203)
Net unrealized losses from long-term investments	679,030	763,817
Loss on disposal of PPE	272,221	75,493
Change in investment of perpetual trust	(1,015,477)	129,996
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Student accounts receivable	868,201	(388,799)
Contribution receivable and other receivables	(516,304)	(870,354)
Prepaid expenses	26,371	(343,170)
Other assets	34,728	131,931
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	1,943,441	(1,922,023)
Student deposits and prepayments	223,422	656,100
Deferred revenues and other liabilities	(247,498)	(265,460)
Net cash provided (used) by operating activities	2,161,818	(2,235,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	148,513,756	63,181,136
Purchase of investments	(139,622,580)	(59,039,294)
Purchases of land, buildings, and equipment	(5,616,216)	(5,338,400)
Proceeds from sale of land	47,655	54,725
Repayments from loans for student and faculty	51,610	41,624
Repayments of other loans	536,994	41,167
Net cash provided (used) by investing activities	3,911,219	(1,059,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	1,258,000
Funds paid on long-term debt and related	(1,550,000)	(1,480,000)
Contributions received designated for long-term investment and plant	1,842,455	1,991,466
Decrease in refundable government loan funds	(42,601)	(81,256)
Net cash provided by financing activities	249,854	1,688,210
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,322,891	(1,606,704)
Cash and cash equivalents - beginning of year	12,912,919	14,519,623
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,235,810	\$ 12,912,919
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,729,277	\$ 1,782,219

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION

Flagler College, Inc. (the College) is a nonprofit coeducational college located in St. Augustine, Florida, with a branch campus in Tallahassee, Florida. The College has an enrollment of approximately 2,700 students, with about 56% from Florida and the remaining students representing 47 states and 42 countries. The College is supported largely by tuition and fees, contributions from alumni and benefactors, and earnings on investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared on the accrual basis of accounting and focus on the College's resources and activities as a whole. Net assets, revenues, expenses, distributions, gains, and losses are classified based on the existence or absence of donor-imposed or other external restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees.

Net Assets With Donor Restrictions – Net assets whose use by the College is subject to donor-imposed stipulations that can be either fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the College, the Flagler College Endowment Fund, and the Jessie Kenan Wise Foundation. The consolidation is due to the fact that the sole purpose of both the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation is to function as a supporting organization of the College. All material inter-organization transactions have been eliminated.

Measure of Operations

In its consolidated statements of activities, the College includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment income greater (less) than spending rate and contributions for endowment and capital purchases.

Cash and Cash Equivalents

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, with the exception of those short-term financial instruments held for meeting restrictions of a capital, reserve, or endowment nature, and those equivalents that are part of the beneficial interest in perpetual trust.

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits. Management does not anticipate nonperformance by the financial institutions.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The College carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses on investments are within net investment income in the consolidated statements of activities. Net investment return includes interest, dividends and both realized and unrealized gains and losses.

The College carries equity securities without readily determinable fair values at the fair market value as of the date the investments were donated to the College. The College obtains appraisals for purposes of determining updated fair market values which the underlying assets of the equity are real estate investments in instances where there is an indication of a significant change in fair market value.

Accounts Receivable

Accounts receivable includes receivables due for tuition, fees, and room and board from currently enrolled and former students. If a portion of the remaining student accounts receivable balances are considered questionable regarding full collection, the College will provide an allowance for doubtful accounts for those accounts.

Contributions Receivable

Unconditional contributions are recognized at fair value in the period such contributions are made by donors. Contributions receivable in future periods are initially recorded at estimated fair value (net of present value discounting) and subsequently amortized over the expected payment period. The net present value (NPV) is determined at the time the promise is made and is calculated using a risk adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discount is recorded as contribution revenue.

The allowance for uncollectible contributions receivable is based on management's review of significant outstanding contributions receivable, analysis of the aging of payment schedules for all contributions receivable, as well as other factors including current economic conditions and donor history. Contributions receivable are initially recorded net with the allowance estimate directly reducing contribution revenue in the accompanying consolidated statements of activities. If a contribution's allowance is reevaluated in a subsequent year, that adjustment will be recorded in other gains and losses in the accompanying consolidated statements of activities.

In contrast to unconditional contributions as described above, conditional contributions are not recorded until donor conditions are met.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for renewals and improvements that materially prolong the useful lives of assets are capitalized. Depreciation is recorded on a straight-line basis. The estimated useful life of land improvements, buildings and building improvements is 3 to 40 years. The estimated useful life of furniture and equipment and library collections is 3 to 10 years. When any land, buildings, or equipment is removed from the records, any gain or loss is recognized at the time of the disposal and included in other sources in the consolidated statement of activities.

Works of Art, Historical Treasures, and Similar Assets

The College capitalizes works of art, historical treasures, and similar assets, whether held as part of a collection (for education, research or public exhibition rather than for sale), for sale, or other purpose. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. See Note 12 for additional disclosures.

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition and Release of Restrictions

Tuition and Fees

The College recognizes student tuition and fees revenue within the fiscal year in which educational services are provided. Scholarships and financial aid grants are reported as a reduction of tuition and fee revenues in the form of Institutional aid in the consolidated statements of activities. Institutional aid is provided from earnings on restricted funds, certain board-designated endowments, and through unfunded discounts. Tuition and fees are presented net of Institutional aid on the consolidated statements of activities and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. The Institutional aid provided to students was \$13,225,319 in 2021, and \$12,024,993 in 2020. Cash payments to students in excess of published prices, excluding compensation, are reported as institutional aid in the consolidated statements of activities.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Release of Restrictions (Continued)

Tuition and Fees (Continued)

The College's tuition and fee revenue is derived from its Main Campus Liberal Arts and Graduate Programs (Main Campus), Flagler College Tallahassee, and Public Administration Program. These programs have fall (August-December) and spring (January-May) terms; however only the Main Campus and Flagler College Tallahassee have summer terms. The Main Campus has two summer terms. The first term begins early May and concludes at the end of June, and the second term starts in early July and ends mid-August. Flagler College Tallahassee has four summer terms that begin and conclude between May and August. Revenue for each summer term is recognized ratably over the period for which educational services are provided. At June 30, 2021, any amounts of unrecognized tuition and fees that have been billed are recorded in deferred revenue in the accompanying consolidated statements of financial position.

Students secure their enrollment and housing in the campus-based programs by paying nonrefundable deposits for the following academic term. The deposits are applied against the charges for the academic and residential programs. Enrollment and housing deposits for the past two years are included in the deferred revenue summary of significant accounting policies section. These deposits are included in student deposits and prepayments in the consolidated statement of financial position.

Deferred revenue amounts for the multi-year prepayment plans, student deposits, and summer terms are shown in Note 2.

Contributions

Contributions are recognized as revenues in the period an unconditional contribution is made and within the appropriate net asset category, decreases of liabilities, or expenses depending on the form of the benefits received. Deferred revenues in the accompanying consolidated statements of financial position consist of cash payments received by the College that have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not yet been met. Contributions of assets other than cash are recorded at their estimated fair value.

Investment Income or Loss

Investment income or loss includes (a) interest, dividends, and realized and unrealized gains and losses on investments controlled by the College and (b) changes in valuation of alternative investments based on net asset value. In the absence of explicit donor stipulations for its use, investment income is reported as an increase in net assets without donor restriction. Change in the fair value of investments held in trust by others is reported as donor-restricted investment income or loss, consistent with the classification of underlying assets.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Release of Restrictions (Continued)

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public. A fee is charged for the goods or services, which may or may not equal the costs of the goods or services. Residence halls and food services make up the majority of auxiliary revenues. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Payments for housing and dining services are due approximately 30 days prior to the start of the academic term. Housing and dining plans are offered during the fall, spring, and first summer term of the Main campus. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The College incurred expenses amounting to \$1,111,550 and \$1,170,980 related to development and fundraising for the years ended June 30, 2021 and 2020, respectively. Such amounts are included in operating activity in the accompanying consolidated statements of activities.

Income Tax Status

The College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the College qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College has evaluated its tax positions and determined it has no uncertain tax positions and has not recorded any obligations for unrelated business income tax.

Leases

Effective July 1, 2020 the College adopted ASU 2016-02, Leases (Topic 842). The College classifies leases based on whether the lease arrangement is effectively a purchase of the underlying asset. Leases that transfer control of the underlying asset to the College are classified as finance leases. Leases that transfer control of the use of an asset, but not the asset itself, to the College are classified as operating leases. The College has elected to adopt the package of practical expedients available in the year of adoption. The College has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the College's right-of-use assets.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

For finance leases, the College recognizes the asset and a related finance lease liability at the inception of the agreement based on the cost of the asset acquired under the lease. The asset is subsequently depreciated over, the shorter of, the lease term or useful life of the asset. Periodic payments made to satisfy the finance lease obligation represent a reduction to the lease liability and interest expense.

For operating leases that are non-cancellable and extend beyond 12 months, the College recognizes a right-of-use asset and right-of-use liability at the inception of the agreement based on the present value of the discounted future cash outflows required under the lease arrangement. The right-of-use asset and right-of-use liability are presented in the accompanying consolidated statements of financial position. A portion of each lease payment is imputed as interest while the remaining amount of each payment reduces the right-of-use liability. The right-of-use asset is amortized on a straight-line basis over the life of the lease. The imputed interest on operating lease payments and the amortization of right-of-use assets comprise lease expense.

Leases with an initial term of less than one year are excluded from this treatment and lease payments on such short-term leases are charged to lease expense as incurred.

The College has adopted the new guidance under ASC 842, Leases, on the prospective basis. Right-of-use assets and right-of-use liabilities are presented in the accompanying consolidated statement of financial position for fiscal year ending June 30, 2021. No such assets and liabilities are presented for the fiscal year ending June 30, 2020 as the College did not apply the standard retrospectively. As such, the consolidated statements of financial position for the years presented herein may not be comparable with respect to these items.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services.

	Main Campus Summer Tuition and Fees	Tallahassee Summer Tuition and Fees	Advance Deposits for upcoming Academic Year	Total
Balance at June 30, 2019	\$ -	\$ 132,839	\$ 531,980	\$ 664,819
Revenue recognized, deposits applied/forfeited	-	(132,839)	(531,980)	(664,819)
Payments received for future performance obligations	-	100,636	494,398	595,034
Balance at June 30, 2020	-	100,636	494,398	595,034
Revenue recognized, deposits applied/forfeited	-	(100,636)	(494,398)	(595,034)
Payments received for future Performance obligations	7,688	-	561,298	568,986
Balance at June 30, 2021	<u>\$ 7,688</u>	<u>\$ -</u>	<u>\$ 561,298</u>	<u>\$ 568,986</u>

The balance of deferred revenue at June 30, 2021 less any refunds will be recognized as revenue as services are rendered. The College applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the fall semester will continue their studies in the spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

U.S. Government Loan Funds Refundable

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government.

Subsequent Events

Subsequent events have been evaluated and disclosed appropriately through November 17, 2021, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements in order for them to be in conformity with the current year presentation. The reclassifications had no effect on the change in net assets or total net assets previously reported.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 INVESTMENTS

The fair value of investments at June 30, 2021 and 2020, are as follows:

	2021	2020
OPERATING INVESTMENTS		
Money market and other	\$ 3,156,731	\$ 4,197,061
Equities	24,126,071	23,370,559
Fixed income	14,942,888	12,736,129
Other investments	695,791	634,339
Total operating investments	42,921,481	40,938,088
ENDOWMENTS		
Money market and other	7,184,506	802,419
Equities	31,374,532	27,595,528
Fixed income	15,304,442	15,572,839
Real estate and infrastructure assets	-	1,208,992
Hedge funds	6,573,163	4,918,438
Private equity funds	4,303,411	3,025,797
Total endowments	64,740,054	53,124,013
 Total investments	 \$ 107,661,535	 \$ 94,062,101

Investment income included in net investment return on the accompanying consolidated statements of activities for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Interest and dividends	\$ 2,262,679	\$ 2,609,823
Net realized gains	21,298,356	345,692
Net unrealized losses	(679,030)	(763,817)
Investment expenses	(390,411)	(348,037)
Total investment return	\$ 22,491,594	\$ 1,843,661

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS

The College has adopted the provisions of the accounting standard for endowments of nonprofit organizations. The standard was issued to provide guidance on the net asset classification of donor-restricted endowment funds for nonprofit organizations, and to provide increased disclosures about an organization's endowment funds.

The College's net assets with donor restrictions consist of multiple endowment funds. These include endowed scholarship funds and endowed program service funds that have donor-imposed restrictions. These endowed scholarship and program service funds fall under the control of the governing body of the College, the board of trustees.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 51,207,233	\$ -	\$ 51,207,233
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,305,590	23,305,590
Accumulated investment gains	-	8,693,616	8,693,616
	<u>\$ 51,207,233</u>	<u>\$ 31,999,206</u>	<u>\$ 83,206,439</u>
	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 44,508,525	\$ -	\$ 44,508,525
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,974,013	21,974,013
Accumulated investment gains	-	4,047,113	4,047,113
	<u>\$ 44,508,525</u>	<u>\$ 26,021,126</u>	<u>\$ 70,529,651</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2021 and 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2019	\$ 44,895,660	\$ 25,335,744	\$ 70,231,404
Investment income	2,005,705	618,956	2,624,661
Net depreciation (realized and unrealized)	(617,390)	(218,976)	(836,366)
Contributions	-	1,038,318	1,038,318
Distributed earnings	(1,672,064)	(953,420)	(2,625,484)
Other adjustments	(123,386)	79,458	(43,928)
Transfers to fund endowment	20,000	121,046	141,046
Endowment net assets June 30, 2020	44,508,525	26,021,126	70,529,651
Investment income	848,307	659,298	1,507,605
Net appreciation (realized and unrealized)	7,357,017	5,397,573	12,754,590
Contributions	-	1,315,696	1,315,696
Distributed earnings	(1,692,995)	(1,223,990)	(2,916,985)
Other adjustments	186,379	(253,073)	(66,694)
Transfers to fund endowment	-	82,576	82,576
Endowment net assets June 30, 2021	<u>\$ 51,207,233</u>	<u>\$ 31,999,206</u>	<u>\$ 83,206,439</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Trustees of the College (the Board) has interpreted the state of Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the board may expend so much of an endowment fund as the board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The board determined that the following factors, if relevant, are taken into consideration:

- The purposes of the institution;
- The intent of the donors of the endowment fund;
- The terms of the applicable instrument;
- The long-term and short-term needs of the institution in carrying out its purposes;
- The general economic conditions;
- The possible effect of inflation or deflation;
- The other resources of the institution;
- The perpetuation of the endowment;
- The present and anticipated financial resources of the institution;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the institutional fund;
- The expected total return from income and the appreciation of its investments;
- The needs of the institution and the institutional fund for liquidity, regularity of income, and preservation or appreciation of capital;
- An asset's special relationship or special value, if any, to the purposes of the applicable gift instruction or to the institution.

As a result of this interpretation, the board classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to a perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUPMIFA.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

The Flagler College Endowment Board has interpreted the State of North Carolina Statute (Chapter 36E) cited as the “North Carolina Uniform Prudent Management of Institutional Funds Act” (NCUPMIFA), as it relates to the Jessie Kenan Wise Foundation, a trust which is subject to the laws of the state of North Carolina. NCUPMIFA requires the Flagler College Endowment Board, subject to the intent of a donor expressed in a gift instruction, to manage and to invest the fund in good faith and with the care of an ordinarily prudent person, and to appropriate for expenditure as is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, acting in good faith and with the care of an ordinarily prudent person. The Flagler College Endowment Board determined that the following factors, if relevant, are taken into consideration:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the institution;
- The needs of the institution and the fund to make distributions and to preserve capital;
- An asset’s special relationship or special value, if any, to the charitable purposes of the institution;
- The duration and preservation of the endowment fund;
- The purposes of the institution and the endowment fund;
- The investment policy of the institution.

As a result of this interpretation, the Flagler College Endowment Board classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to a perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NCUPMIFA. The terms of the trust agreement for the Jessie Kenan Wise Foundation provide specific stipulations relating to annual appropriations for expenditure (details provided in Note 9).

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration, underwater endowments. There were accumulated losses of \$49 and \$9,715 at June 30, 2021 and 2020, respectively.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

The Board of Directors of the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation passed a resolution on October 27, 2009, documenting its interpretation of NCUPMIFA, as it relates to the Jessie Kenan Wise Foundation. The Board of Directors of the Flagler College Endowment Fund passed a resolution on October 27, 2009, documenting that there are no donor restrictions on the Flagler College Endowment Fund that would result in a net asset classification of donor restricted, and also documenting that the Flagler College Endowment Fund net assets are appropriately classified as without donor restrictions.

Investment Return Objectives, Risk Parameters, and Strategies

The College has adopted investment and spending policies, approved by the board of trustees and by the Flagler College Endowment Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. The investment philosophy endorses a long-term perspective in the investment management of the endowment funds. Long-term growth of income and principal is more important than short-term trading strategies of high immediate cash income. Acceptable investments will be those securities which are likely to produce an above average return over a long period of time as measured by cumulative income payments and future market valuation. Accordingly, the investment objective is to earn an average compound real rate-of-return, over and above inflation, of 5% per annum, net of distributions. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The investment policies for the endowment scholarship funds and the endowed program service funds are approved by the Board of Trustees of the College. The investment policies for the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation are approved by the Flagler College Endowment Board.

Spending Policy

In establishing its spending policies, the College considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The College expects that the spending policies will provide a predictable stream of funding, will preserve the real purchasing power of the endowment assets, and will provide additional real growth through new gifts and investment return.

For the endowed scholarship funds and endowed program service funds, the College has a policy, approved by the board of trustees, to appropriate for distribution each year an amount that should not exceed 5% of the endowment fund's estimated market value. The spending policy allows the College to use its discretion in determining the lower limit of the distribution, in consideration of the factors outlined in FUMIFA, and in consideration of preservation of the value that is to be retained in perpetuity.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

The spending policy for the Jessie Kenan Wise Foundation is stipulated by the trust agreement, which was amended in a prior year (see Note 9).

The College has a policy for the Flagler College Endowment Fund, approved by the Flagler College Endowment Board, to appropriate for distribution each year an amount not to exceed 5% of the three-year moving average of the total market value of the Endowment's earning assets. Earning assets are defined as the sum of all securities managed by the Endowments Investment Advisor(s). The spending policy allows the College to use its discretion in determining the lower limit of the distribution, taking into consideration factors such as economic conditions, the needs of the College, and maintaining the purchasing power of the endowment fund.

NOTE 5 FAIR VALUE MEASUREMENT

The College adopted the provisions of the standard for fair value measurements of financial assets and financial liabilities, and for fair value measurements of nonfinancial items that are recognized and disclosed at fair value in the consolidated financial statements on a recurring basis. The standard defines fair value 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. The standard establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

There were no changes to financial instruments measured at fair value using Level 3 inputs for the years ended June 30, 2021 and 2020.

The College's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, Level 2, or Level 3 during the years ended June 30, 2021 and 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

The following methods and assumptions were used to estimate the fair values of investments in the tables below:

- Equities and Fixed Income: Valued at the closing price reported on the active market or valuations provided by commercial pricing services.
- Real estate and infrastructure assets: Valued at the closing price reported on the active market on which the individual assets are traded.
- Hedge funds and private equity funds: Valued at the net asset value (NAV) of units held by the College at year-end. As of June 30, 2021, remaining uncalled commitments approximated \$595,990.
- Other investments: Annuity contracts value based on management estimates and/or discounted cash flow methodologies. There are no unfunded commitments at June 30, 2021.
- Beneficial interest in perpetual trust: Valued at the net asset value (NAV) of units held by the trustee at year-end. There are no unfunded commitments at June 30, 2021.

Information related to the College's investments and its beneficial interest in a perpetual trust measured at fair value is as follows:

	June 30, 2021					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Measured at NAV	Total		
Equities	\$ 55,500,603	\$ -	\$ -	\$ -	\$ 55,500,603	Daily	1
Fixed income	15,304,442	14,942,888	-	-	30,247,330	Daily	1
Real estate and infrastructure assets	-	-	-	-	-	Daily	1
Hedge funds	-	-	-	6,573,163	6,573,163	Quarterly	70
Private equity funds	-	-	-	4,303,411	4,303,411	Illiquid	N/A
Other investments	-	-	695,791	-	695,791	Illiquid	N/A
Investments	70,805,045	14,942,888	695,791	10,876,574	97,320,298		
Beneficial interest in perpetual trust	5,145,765	-	-	1,353,738	6,499,503	Daily, Quarterly, & Illiquid	1, 70, & N/A
	<u>\$ 75,950,810</u>	<u>\$ 14,942,888</u>	<u>\$ 695,791</u>	<u>\$ 12,230,312</u>	<u>\$ 103,819,801</u>		

	June 30, 2020					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Measured at NAV	Total		
Equities	\$ 50,966,087	\$ -	\$ -	\$ -	\$ 50,966,087	Daily	1
Fixed income	24,953,823	3,355,145	-	-	28,308,968	Daily	1
Real estate and infrastructure assets	1,208,992	-	-	-	1,208,992	Daily	1
Hedge funds	-	-	-	4,918,438	4,918,438	Various	30-90
Private equity funds	-	-	-	3,025,797	3,025,797	Illiquid	N/A
Other investments	-	-	634,339	-	634,339	Illiquid	N/A
Investments	77,128,902	3,355,145	634,339	7,944,235	89,062,621		
Beneficial interest in perpetual trust	4,995,547	-	-	488,480	5,484,027	Daily & Illiquid	1 & N/A
	<u>\$ 82,124,449</u>	<u>\$ 3,355,145</u>	<u>\$ 634,339</u>	<u>\$ 8,432,715</u>	<u>\$ 94,546,648</u>		

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are expected to be collected as follows at June 30:

	2021	2020
Less than one year	\$ 569,102	\$ 284,473
One to five years	999,484	713,000
Beyond five years	25,000	-
	1,593,586	997,473
Unamortized discount (0.33% - 1.79%)	(35,939)	(41,130)
Allowance for doubtful pledges	(521,500)	(82,973)
Total	\$ 1,036,147	\$ 873,370

Written contributions receivable from members of the Board of Trustees totaled \$1,430,000 at June 30, 2021 and \$850,000 at June 30, 2020. The balances of these contributions receivable at year-end June 30, 2021 and 2020, were \$1,219,631 and \$825,000, respectively.

NOTE 7 REAL ESTATE INVESTMENT

In prior years, the Flagler College Endowment Fund received gifts of Stocking Island Limited Common Stock (Stocking Island Limited) to further the purpose of the Endowment Fund. This entity is consolidated within the fund. Fair value of the underlying real estate is not readily available and, accordingly, the value is updated on a nonrecurring basis. At June 30, 2021 and 2020, it is estimated by management to be \$10,403,400.

On January 16, 2015, Stocking Island Limited entered into a purchase and sale agreement for one tract (tract 9) with a purchase price of \$3,850,000, with a closing date no later than 12 months following the date of execution. Subsequent addenda were signed with the most recent one on May 19, 2019, which agreed to a closing date no later than June 18, 2020. This closing date passed with no new agreement in place, therefore the nonrefundable deposit of \$1,020,250 was recognized in net investment return on the consolidated statement of activities during the year ended June 30, 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 LOANS TO STUDENTS

The College issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2021 and 2020, student loans represented less than 1% of total assets.

At June 30, 2021 and 2020, student loans consisted of the following:

	2021	2020
Federal government programs	\$ 201,520	\$ 251,342
Institutional programs	-	1,787
	<u>201,520</u>	<u>253,129</u>
Less: allowance for doubtful accounts:		
Beginning of year	(79,800)	(79,800)
Increases	-	-
Write offs	-	-
End of year	<u>(79,800)</u>	<u>(79,800)</u>
Loan to students, net	<u>\$ 121,720</u>	<u>\$ 173,329</u>

Funds advanced by the federal government of \$311,292 and \$353,893 at June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position.

At June 30, 2021 and 2020, the following amounts were past due under student loan programs:

June 30,	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
2021	\$ 368	\$ 90	\$ 119,353	\$ 119,811
2020	\$ 193	\$ 33	\$ 138,628	\$ 138,854

NOTE 9 BENEFICIAL INTEREST IN PERPETUAL TRUST

The College is the beneficiary of a trust created by a donor; the assets of which are not in the possession of the College (Jessie Kenan Wise Foundation). The College has legally enforceable rights and claims to such assets, including the sole right to income there from. The Trustees of the Jessie Kenan Wise Foundation petitioned the Court to convert the trust from an income trust to a total return unitrust. The Petition was approved and made effective on March 1, 2009.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

Under the terms of the original Trust Agreement, effective through February 28, 2009, the principal of the trust fund was required to be maintained intact in perpetuity. Further, the entire net income of the trust fund was to be distributed to the College no later than the end of the following fiscal year. Commencing on March 1, 2009, the annual distribution to the College is based on the greater of 5% of the fair market value of the trust fund or the amount required by IRS Section 4942 of the Internal Revenue Code. The cost and fair value of the beneficial interest at June 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Equity assets	\$ 2,688,739	\$ 2,863,891
Fixed income assets	1,074,416	1,971,365
Real estate and infrastructure assets	134,770	137,440
Hedge funds	658,993	-
Equity and private capital funds	694,745	488,480
Money market	1,247,840	22,851
Total	<u>\$ 6,499,503</u>	<u>\$ 5,484,027</u>

NOTE 10 LAND, BUILDINGS, AND EQUIPMENT, NET

Land, buildings, and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 15,035,251	\$ 13,855,286
Buildings and improvements	175,331,143	175,705,399
Furnishings and equipment	21,557,256	21,662,495
Leasehold Improvements	2,437,744	-
Library books	4,586,202	4,586,202
Art collection	642,777	646,677
	<u>219,590,373</u>	<u>216,456,059</u>
Less: accumulated depreciation	<u>(101,000,286)</u>	<u>(96,897,802)</u>
	118,590,087	119,558,257
Construction in progress	314,236	670,132
Total	<u>\$ 118,904,323</u>	<u>\$ 120,228,389</u>

Idle land and buildings (those not currently in use by the College) included above totaled \$468,688 at June 30, 2021 and 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 CONSTRUCTION IN PROGRESS

At June 30, 2021 and 2020, construction in progress consisted of the following projects:

	2021	2020
Lacrosse field (surplus funds)	\$ 272,013	\$ 61,888
Ashlar Lodge rental space	-	319,454
STEM facility	25,639	25,639
Student bistro upgrades	-	263,151
Student Innovation Center	12,368	-
Various campus planning	4,216	-
Total	\$ 314,236	\$ 670,132

The College has entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2021 and 2020, the remaining commitment on these contracts totaled \$1,543,402 and \$2,124,080, respectively. The projects are being financed with contributions and institutional funds.

NOTE 12 ART COLLECTION

The College owns a substantial collection of paintings, sculptures, and other works of art. Most of the collection was located in the original hotel building at the date of purchase. No value was assigned to the art collection at the date of sale and, accordingly, no value is recorded on the consolidated financial statements for the original collection. The amount shown on the consolidated financial statements represents the value assigned to works of art donated to Flagler College since its inception.

NOTE 13 LONG-TERM DEBT

Term Loan

On May 29, 2020, the College entered into a loan agreement in the amount of \$1,258,000 with JPMorgan Chase Bank for the purpose of purchasing 170 Malaga Street, St. Augustine, FL. The loan has a 10-year term and carries a fixed interest rate of 1.75% annum. Payments of \$125,800 are due annually beginning in November 2021.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 LONG TERM DEBT (CONTINUED)

Series 2017 Bonds

On December 19, 2017, the Higher Education Facilities Financing Authority issued \$16,115,000 of Series 2017 Educational Facilities Refunding Revenue Bonds. The proceeds of the sale of the Series 2017 Bonds will be loaned by the Authority to the College to (a) refund in full the Issuer's (i) Educational Facilities Revenue Bonds (Flagler College, Inc. Project), Series 2005 and (ii) Educational Facilities Revenue Refunding Bonds (Flagler College, Inc. Project), Series 2011, outstanding in the combined aggregate principal amount of \$9,445,826, (b) refund in full the College's obligations with respect to the St. Johns County Educational Facilities Authority Revenue Bonds (Flagler College Project), Series 2011, outstanding in the aggregate principal amount of \$8,123,216 and (c) pay costs of issuing the Series 2017 Bonds.

The 2017 Bonds have maturity dates ranging from 2018 to 2033 in amounts ranging from \$700,000 to \$1,350,000. The 2017 Bonds have a variable interest rate between 3-5%. At June 30, 2021 and 2020, the outstanding balance on the Series 2017 bonds was \$13,905,000 and \$14,680,000, respectively.

Series 2016 A&B Bonds

On August 3, 2016, the Higher Educational Facilities Financing Authority issued \$10,840,000 and \$16,775,000, respectively, of Series A and Series B Educational Facilities Revenue Bonds (the 2016 Bonds). The proceeds of the Series A Bonds were used for the purpose of construction of (a) the Student Residence building located at 1 Malaga Street, consisting of a 52,800 square foot three story residence hall; construction of a 13,728 square foot, two story commons building that will connect the FEC Building C to the new student residence building located at 1 Malaga Street, construction of a new five-level parking garage which will have approximately 551 parking spaces to be located at 1 Malaga Street, (b) fund certain other renovations to residence halls, classrooms, the library, upgrading the HVAC system and roofing projects, all at the main address of the campus which is 74 King Street, (c) fund renovations to Anderson Cottage located at 48 Sevilla Street, and (d) pay the costs of issuing the Series 2016A Bonds. The proceeds of the sale of the Series 2016B Bonds were loaned by the Authority to the College to (a) refund all of the outstanding Higher Educational Facilities Financing Authority Revenue Bonds (Flagler College, Inc. Project), Series 2006 in the original aggregate principal amount of \$20,000,000 (the Series 2006 Bonds), outstanding in the aggregate principal amount of \$16,775,000 and (b) pay the costs of issuing the Series 2016B Bonds.

The 2016 Bonds maturity dates ranged from 2016 to 2046 in amounts ranging from \$195,000 to \$1,100,000. The 2016 Bonds are subject to optional redemption to their respective stated maturities upon the direction of the College, as a whole or part in such that maturities are designated by the College and by random selection within a maturity at a redemption price of 100%, plus interest accrued. The 2016 Bonds have a variable interest rate between 2-5%. The outstanding balance on the Series 2016 Bonds were \$23,730,000 and \$24,505,000, respectively, as of June 30, 2021 and 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 LONG TERM DEBT (CONTINUED)

Collateralization

The bonds and loans are collateralized with the College's gross revenues.

Future Maturities

Principal repayments on long-term debt during the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>	<u>Term Debt</u>	<u>Total</u>
2022	\$ 1,630,000	\$ 125,800	\$ 1,755,800
2023	1,700,000	125,800	1,825,800
2024	1,785,000	125,800	1,910,800
2025	1,870,000	125,800	1,995,800
2026	1,965,000	125,800	2,090,800
Thereafter	28,685,000	629,000	29,314,000
Total	<u>37,635,000</u>	<u>1,258,000</u>	<u>38,893,000</u>
Less: unamortized bond issuance costs	(332,503)	-	(332,503)
	<u>37,302,497</u>	<u>1,258,000</u>	<u>38,560,497</u>

Interest expense was \$1,718,419 and \$1,772,062 for the years ended June 30, 2021 and 2020, respectively.

NOTE 14 RESTRICTION AND LIMITATIONS ON NET ASSETS

The College's Board of Trustees has chosen to place the following limitations on net assets without donor restrictions:

	<u>2021</u>	<u>2020</u>
Designated for endowment purposes	\$ 51,207,233	\$ 44,508,525
Designated for college programs	845,831	261,680
Designated net assets without donor restrictions	<u>52,053,064</u>	<u>44,770,205</u>
Investment in plant	80,042,948	79,864,487
Undesignated net assets	48,086,839	44,123,116
Total	<u>\$ 180,182,851</u>	<u>\$ 168,757,808</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RESTRICTION AND LIMITATIONS ON NET ASSETS (CONTINUED)

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
With donor restrictions - program restricted subject to expenditure for specified purpose not invested in perpetuity:		
Student scholarships	\$ 973,341	\$ 755,824
Education, student services and general support	931,396	919,641
Capital projects	1,094,034	648,910
Total	<u>2,998,771</u>	<u>2,324,375</u>
With donor restrictions - endowment subject to the College's spending policy and appropriation, not invested in perpetuity:		
Student scholarship funds	3,989,566	1,476,640
Endowed program service funds	4,704,050	2,570,473
Total	<u>8,693,616</u>	<u>4,047,113</u>
Invested in perpetuity:		
Student scholarship funds	14,369,169	13,068,599
Endowed program service funds	4,737,711	4,706,704
Total	<u>19,106,880</u>	<u>17,775,303</u>
Subject to restriction in perpetuity:		
Perpetual trust - Jessie Kenan Wise Foundation	4,198,710	4,198,710
Total net assets with donor restrictions	<u>\$ 34,997,977</u>	<u>\$ 28,345,501</u>

NOTE 15 NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2021</u>	<u>2020</u>
Education and general	\$ 1,766,579	\$ 1,417,124
Scholarships	1,225,343	588,035
Capital and plant	625,720	3,610,710
Other Transactions	238,949	-
Total	<u>\$ 3,856,591</u>	<u>\$ 5,615,869</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 RELATED PARTIES

Former President Dr. Joseph Joyner

The College entered into an agreement with Dr. Joseph Joyner, former President of the College, on April 1, 2018, to finance the President's home. Dr. Joyner was provided a long-term loan of \$600,000. This loan will be paid in bi-monthly payments of \$2,025 over 15 years at an interest rate of 2.7%. The remaining loan balance was paid in full on October 7, 2020, when the College purchased the home for \$1,042,262.

The balance of the loan was \$0 and \$522,694, respectively, at June 30, 2021 and 2020.

Other Related Party Transactions

During the years ended June 30, 2021 and 2020, the College paid \$600,476 and \$526,927, respectively, to a company providing HVAC and plumbing services, for which a former trustee and substantial contributor is the chief executive officer. As of June 30, 2021, the College owed the company \$74,743 for services provided. There was no outstanding balance at June 30, 2020.

The College made monthly rental payments to a former trustee for office space. Total lease payments in fiscal year 2020 were \$123,640. On May 29, 2020, the College purchased the building from the former trustee's estate for \$1,482,293. No rental expenses were incurred for fiscal year 2021.

Additionally, the College administers a self-insured health plan for its employees, which paid commissions and fees to a benefits firm whose principal is a current trustee. During the years 2021 and 2020, total amounts paid were \$262,700 and \$221,992, respectively.

During fiscal year 2021 and 2020, Flagler College held a portion of its long-term investments with a firm whose president is a current trustee. As of June 30, 2021, all funds had been liquidated or transferred to a new investment manager. At June 30, 2020, the total market value of these investments totaled \$15.7M. The trustee was paid investment manager fees totaling \$127,130 during fiscal year 2021, and \$108,182 in fiscal year 2020.

NOTE 17 RETIREMENT PLAN

The College participates in a retirement plan through TIAA-CREF. All College employees are eligible to participate. The plan is not administered by the College, except for monthly reports and payment of contributions. Employees pay 5% of their salary, and the College matches their contribution with between 5% and 10% of the employees' salary based on length of employment. Contributions are paid each pay period. For the years ended June 30, 2021 and 2020, the contributions to this plan made by the College were \$1,194,001 and \$1,223,338, respectively.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 18 COMMITMENTS AND CONTINGENCIES

Compliance Audits

State and federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any material liabilities that may arise from such audits.

Contingencies

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's consolidated financial statements.

NOTE 19 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include plant, utilities, and maintenance, interest on indebtedness, and depreciation and amortization. The College applies various methods to allocate costs among the program and support functions, the most significant of which is by the relative depreciation of the building and its functions. Interest expense is allocated to the functional categories that have benefitted from the associated debt.

Functional expenses by natural classification as of June 30, 2021:

	Program Activities		Supporting Activities		Total Expense
	Academic and Student Programs	Auxiliaries	Administrative Support	Fundraising	
Salaries, wages, and benefits	\$ 23,779,049	\$ 906,751	\$ 7,116,263	\$ 879,876	\$ 32,681,939
Services, supplies, and other	5,934,211	3,608,058	4,726,084	232,674	14,501,027
Plant, utilities, and maintenance	1,906,154	3,257,863	684,084	-	5,848,101
HEERF student funding	1,354,434	-	-	-	1,354,434
Interest	356,271	991,172	34,171	-	1,381,614
Depreciation and amortization	2,405,144	3,608,540	606,722	-	6,620,406
	<u>\$ 35,735,263</u>	<u>\$ 12,372,384</u>	<u>\$ 13,167,324</u>	<u>\$ 1,112,550</u>	<u>\$ 62,387,521</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 19 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

Functional expenses by natural classification as of June 30, 2020:

	Program Activities		Supporting Activities		Total Expense
	Academic and	Auxiliaries	Administrative	Fundraising	
	Student Programs		Support		
Salaries, wages, and benefits	\$ 23,556,737	\$ 923,664	\$ 7,308,874	\$ 950,495	\$ 32,739,770
Services, supplies, and other	7,052,454	3,745,334	3,559,771	220,485	14,578,044
Plant, utilities, and maintenance	2,145,991	3,323,946	649,919	-	6,119,856
HEERF student funding	1,354,397	-	-	-	1,354,397
Interest	378,764	1,031,068	16,175	-	1,426,007
Depreciation and amortization	2,727,966	3,720,561	516,324	-	6,964,851
	<u>\$ 37,216,309</u>	<u>\$ 12,744,573</u>	<u>\$ 12,051,063</u>	<u>\$ 1,170,980</u>	<u>\$ 63,182,925</u>

NOTE 20 LIQUIDITY AND AVAILABILITY OF RESOURCES

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

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. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for years ending June 30, 2021 and 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 20 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of June 30, 2020 and 2021, the following tables show the total financial assets held by the College and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:	2021	2020
Total assets per consolidated statement of position	\$ 268,990,867	\$ 247,787,464
Less:		
Endowment funds – including perpetual trusts, Less appropriation for following year	68,089,799	55,658,783
Real estate investment	10,403,400	10,403,400
Right of Use Asset	3,137,932	-
Land, buildings, and equipment	118,904,323	120,228,389
Inventories	137,070	171,797
Loans, contributions receivable and other assets not available within one year	2,096,811	1,991,798
Total financial assets available within one year	\$ 66,221,532	\$ 59,333,297

Included in the available financial assets are \$35,625,413 and \$33,701,713 in designated operating reserve funds at June 30, 2021 and 2020, respectively. These funds are invested in equities, fixed income, and money market funds and may be utilized at the discretion of the board in support of current operations or long-term projects. Endowment funds consist of donor-restricted endowments and fund designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditures. Board-designated endowment investments of \$40,765,026 and \$34,186,650 at June 30, 2021 and 2020, respectively, are subject to the College's spending policy as described in Note 4. The College does not intend to spend from the board-designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy and has deducted the funds from available financial assets. These funds could be made available if necessary.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 21 LEASES

The College leases various facilities under noncancelable operating leases which expire through December 2032 and provide for renewal options ranging from 5 years to 35 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The College recognizes right-of-use assets and right-of-use liabilities in the accompanying consolidated statement of financial position related to these leases when the initial term exceeds one year. The right-of-use assets and right-of-use liabilities are recognized based on the present value of future cash flows required under the noncancelable term of the lease arrangement using applicable discount rates. The College uses a discount rate based on an estimated incremental cost of borrowing for a similar asset under similar terms unless a stated rate is stipulated in the lease. Right-of-use assets are amortized as lease expense on a straight-line basis over the life of the lease, while a portion of lease payments reduce the right-of-use lease liability and the remaining portion is recognized as interest and recorded as lease expense as paid. The college has determined that they are not reasonably certain to execute the optional renewal terms under the various leases. Therefore, the College has excluded these renewal terms from the right-of-use assets and right-of-use liabilities.

Payments for each of the next five years, aggregate undiscounted cash flows for years thereafter, and the present value discount related to noncancelable operating lease as of June 30, 2021 is:

2022	\$	411,597
2023		404,170
2024		416,318
2025		424,428
2026		344,177
Thereafter		1,891,093
Undiscounted cash flows		<u>3,891,783</u>
(Less) Imputed interest		<u>(597,519)</u>
Total present value (Right of Use Liability)		<u><u>\$ 3,294,264</u></u>

Operating lease costs, which the College classifies as lease expense, under the noncancelable operating lease totaled approximately \$759,778 and \$657,253 for the years ended June 30, 2021 and 2020, respectively. The weighted average remaining operating lease term is approximately 9.5 years as of June 30, 2021. The weighted average discount rate used to calculate right-of-use assets and liabilities as of June 30, 2021 is approximately 3.3%. During the year ended June 30, 2021, there was approximately \$430,482 of amortization on the related assets.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 22 COMPOSITE SCORE

The composite score is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Non-Profit Institutions. The College prepares the calculation based on the audited financial statements for the years ended June 30, 2021 and 2020. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2021 is as follows:

Primary Reserve Ratio:				
Expendable Net Assets		\$ 110,087,194		
Total Expenses		\$ 62,387,521		1.7646
Equity Ratio:				
Modified Net Assets		\$ 213,750,828		
Modified Assets		\$ 267,560,867		0.7989
Net Income Ratio:				
Change in Net Assets Without Donor Restrictions		\$ 11,425,043		
Total Revenues Without Donor Restrictions		\$ 73,812,564		0.1548
	Ratios	Strength Factor	Weights	Composite Scores
Primary Reserve	1.7646	3.000	40%	1.200
Equity	0.7989	3.000	40%	1.200
Net Income	0.1548	3.000	20%	0.600
Composite Score				3.000

The composite score for the year ended June 30, 2020 is as follows:

Primary Reserve Ratio:				
Expendable Net Assets		\$ 94,986,680		
Total Expenses		\$ 63,182,925		1.5034
Equity Ratio:				
Modified Net Assets		\$ 197,103,309		
Modified Assets		\$ 247,787,464		0.7955
Net Income Ratio:				
Change in Net Assets Without Donor Restrictions		\$ 217,938		
Total Revenues Without Donor Restrictions		\$ 63,400,863		0.0034
	Ratios	Strength Factor	Weights	Composite Scores
Primary Reserve	1.5034	3.000	40%	1.200
Equity	0.7955	3.000	40%	1.200
Net Income	0.0034	1.170	20%	0.234
Composite Score				2.634

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 22 COMPOSITE SCORE (CONTINUED)

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. Those components of the composite score calculation for the year end June 30, 2021 include:

Net Assets

1	Other net assets with donor restrictions (not restricted in perpetuity):	
	a. Annuities with donor restrictions	\$ -
	b. Term endowments	-
	c. Life income funds (trusts)	-
	d. Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ -</u>

Property, Plant, and Equipment, net (PPE)

2	Pre-implementation property, plant, and equipment, net	
	a. Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2020, financial statement)	\$115,211,855
	b. Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(6,319,543)</u>
	c. Balance pre-implementation property, plant, and equipment, net	108,892,312
3	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
	a. Equipment	-
	b. Land improvements	-
	c. Building	1,243,782
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>1,243,782</u>
4	Construction in progress - acquired subsequent to June 30, 2019	314,236
5	Post-implementation property, plant, and equipment, net, acquired without debt subsequent to June 30, 2019:	8,453,993
6	Total Property, Plant, and Equipment, net - June 30, 2021	<u>\$118,904,323</u>

Debt to be excluded from expendable net assets

7	Pre-implementation debt:									
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2020):	\$ 38,828,867								
	b. Less subsequent debt repayments	<u>(1,526,370)</u>								
	c. Balance Pre-implementation Debt	37,302,497								
8	Allowable post-implementation debt used for capitalized long-lived assets:									
	a. Equipment	-								
	b. Land improvements	-								
	c. Buildings	1,243,782								
	d. Balance Post-implementation Debt	<u>1,243,782</u>								
9	Construction in progress (CIP) financed with debt or line of credit	-								
10	Post implementation Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	14,218								
		<u>\$ 38,560,497</u>								
11	Terms of current year debt and line of credit for PPE additions:									
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Issue Date</th> <th style="text-align: left; border-bottom: 1px solid black;">Maturity Date</th> <th style="text-align: left; border-bottom: 1px solid black;">Nature of Capitalized Amounts</th> <th style="text-align: left; border-bottom: 1px solid black;">Amount Capitalized</th> </tr> </thead> <tbody> <tr> <td>a. May 29, 2020</td> <td>May 29, 2030</td> <td>Building</td> <td>\$ 1,243,782</td> </tr> </tbody> </table>	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized	a. May 29, 2020	May 29, 2030	Building	\$ 1,243,782	
Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized							
a. May 29, 2020	May 29, 2030	Building	\$ 1,243,782							

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 22 COMPOSITE SCORE(CONTINUED)

Lease right-of-use assets and liabilities

12	Lease right-of-use assets Right-of-use assets as of balance sheet date June 30, 2021	\$ 3,137,932
13	Lease right-of-use assets - Pre-implementation Right-of-use assets as of balance sheet date June 30, 2021, including leases entered into before December 15, 2018	\$ -
14	Lease right-of-use assets - Post-implementation Right-of-use assets as of balance sheet date June 30, 2021, including leases entered into on or after December 15, 2018	\$ 3,137,932
15	Lease right-of-use liability Lease liabilities as of balance sheet date June 30, 2021	\$ 3,294,264
16	Lease right-of-use liability - Pre-implementation Lease liabilities as of balance sheet date June 30, 2021, including leases entered into before December 15, 2018	\$ -
17	Lease right-of-use liability - Post-implementation Lease liabilities as of balance sheet date June 30, 2021, including leases entered into on or after December 15, 2018	\$ 3,294,264

Unsecured related-party receivables

18	Secured related-party receivables	\$ -
19	Unsecured related party receivables	1,430,000
20	Total secured and unsecured related-party receivables	<u>\$ 1,430,000</u>

SUPPLEMENTARY INFORMATION

FLAGLER COLLEGE, INC.
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
YEAR ENDED JUNE 30, 2021

Primary Reserve Ratio:

		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 180,182,851
2	SFP	Net assets with donor restrictions	\$ 34,997,977
3	Note 14	Net assets restricted in perpetuity	\$ 23,305,590
4	Note 22 Line 19	Unsecured related-party receivable	\$ 1,430,000
5	Note 22 Line 1d	Donor restricted annuities, term endowments, life income funds	\$ -
6	Note 22 Line 2c	Property, plant, and equipment pre-implementation	\$ 108,892,312
7	Note 22 Line 3d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ 1,243,782
8	Note 22 Line 5	Property, plant, and equipment post-implementation without outstanding debt for original purchase	\$ 8,453,993
9	Note 22 Line 4	Construction in progress purchased with long-term debt	\$ 314,236
10	Note 22 Line 13	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11	Note 22 Line 14	Lease right-of-use asset, post-implementation	\$ 3,137,932
12	SFP	Intangible assets	\$ -
13	SFP	Post-employment and pension liabilities	\$ -
14	Note 22 Line 7c	Long-term debt - for long-term purposes pre-implementation	\$ 37,302,497
15	Note 22 Line 8d	Long-term debt - for long-term purposes post-implementation	\$ 1,243,782
16	Note 22 Line 9	Line of credit for construction in progress	\$ -
17	Note 22 Line 16	Pre-implementation right-of-use liability	\$ -
18	Note 22 Line 17	Post-implementation right-of-use liability	\$ 3,294,264
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 62,387,521
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
21	SOA	Investments losses, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ -
22	SOA	Change in value of interest-rate swap agreements (if loss)	\$ -

Equity Ratio:

		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 180,182,851
24	SFP	Net assets with donor restrictions	\$ 34,997,977
25	SFP	Intangible assets	\$ -
26	Note 22 Line 19	Unsecured related-party receivables	\$ 1,430,000
		Modified Assets:	
27	SFP	Total assets	\$ 268,990,867
28	Note 22 Line 13	Lease right-of-use asset pre-implementation	\$ -
29	SFP	Intangible assets	\$ -
30	Note 22 Line 19	Unsecured related-party receivables	\$ 1,430,000

Net Income Ratio:

31	SOA	Change in Net Assets Without Donor Restrictions	\$ 11,425,043
		Total Revenues and Gains:	
32	SOA	Total operating revenue (including net assets released from restrictions)	\$ 60,392,960
33	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ 13,419,604
34	SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -
35	SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
36	SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
37	SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
38	SOA	Sale of fixed assets gains (losses)	\$ -
39	SOA	Other gains	\$ -



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

Board of Trustees
Flagler College, Inc.
St. Augustine, Florida

We have audited the financial statements of Flagler College, Inc. (the College) which comprise the statement of financial position as of June 30, 2021, and the related 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 November 17, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation.

Internal Control Over Financial Reporting

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

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

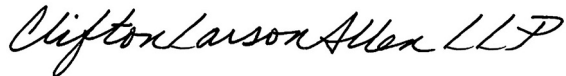
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College’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 College’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Orlando, Florida
November 17, 2021