



FIT STUDENT HOUSING CORPORATION
(A Component Unit of the Fashion Institute of Technology)
Basic Financial Statements and Required Supplementary Information
June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)

FIT STUDENT HOUSING CORPORATION
(A Component Unit of the Fashion Institute of Technology)

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
FIT Student Housing Corporation:

Opinion

We have audited the financial statements of the Fashion Institute of Technology Student Housing Corporation (the Corporation), a component unit of the Fashion Institute of Technology (FIT), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

New York, New York
December 12, 2022

FIT STUDENT HOUSING CORPORATION
(A Component Unit of the Fashion Institute of Technology)

Statements of Net Position

June 30, 2022 and 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 14,789	14,789
Accounts receivable (note 1)	6,113	4,406
Prepaid expenses and deposits	256,917	133,605
Claim on pooled cash (note 2(c))	28,009,814	13,133,395
Restricted investments held by bond trustee (DASNY) – at fair value, current portion (note 3)	1,722,427	10,307,442
Total current assets	30,010,060	23,593,637
Noncurrent assets:		
Restricted investments held by bond trustee (DASNY) – at fair value, net of current portion (note 3)	29,631,064	31,406,144
Prepaid bond insurance	1,321,159	1,408,720
Capital assets, net (note 4)	106,674,585	112,915,286
Total noncurrent assets	137,626,808	145,730,150
Total assets	167,636,868	169,323,787
Deferred outflows of resources:		
Deferred amount on refunding (note 7)	4,477,760	4,850,906
Deferred amount related to OPEB (note 9)	241,595	257,000
Total deferred outflows of resources	4,719,355	5,107,906
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses (note 5)	2,565,694	938,984
Unearned revenue	1,035,082	—
Interest payable	2,788,730	2,834,950
DASNY bonds payable – current portion (note 7)	4,975,000	4,730,000
Total current liabilities	11,364,506	8,503,934
Noncurrent liabilities (note 6):		
Accrued vacation and sick leave	110,226	73,925
Total OPEB liability (note 9)	351,969	1,433,747
College loan payable (note 10)	7,474,123	7,474,123
DASNY bonds payable (note 7)	122,780,749	128,301,645
Total noncurrent liabilities	130,717,067	137,283,440
Total liabilities	142,081,573	145,787,374
Deferred inflows of resources:		
Deferred amount related to OPEB (note 9)	1,381,904	223,668
Total deferred inflows of resources	1,381,904	223,668
Net position:		
Net investment in capital assets	(12,178,527)	(10,746,389)
Restricted – expendable	17,984,897	28,294,170
Unrestricted	23,086,376	10,872,870
Total net position	\$ 28,892,746	28,420,651

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Student rentals and fees	\$ 27,485,075	2,821,675
Meal plan income	4,633,267	577,444
Other rental income (notes 2(n) and 10)	857,313	702,101
Commission income and other	94,444	10,960
Total operating revenues	33,070,099	4,112,180
Operating expenses:		
Meal contracts	4,604,820	684,499
Building operations	7,432,465	4,466,442
Resident life office	3,508,907	1,797,842
Institutional support (note 10)	3,778,262	2,120,983
Information technology and telecommunication services	233,705	681,437
Depreciation	8,207,089	8,094,578
Total operating expenses	27,765,248	17,845,781
Operating income (loss)	5,304,851	(13,733,601)
Nonoperating (expenses) revenue:		
Grants from FIT (note 1)	—	6,457,381
Paycheck Protection Program loan forgiveness (note 1)	—	209,800
Insurance recoveries	707,468	—
Interest and investment income (notes 2(o) and 3)	26,770	67,439
Interest expense	(5,652,183)	(5,384,147)
Debt-related amortization	85,189	(890,523)
Total nonoperating (expenses) revenue, net	(4,832,756)	459,950
Increase (decrease) in net position	472,095	(13,273,651)
Net position, beginning of year	28,420,651	41,694,302
Net position, end of year	\$ 28,892,746	28,420,651

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from operating activities	\$ 33,980,162	5,178,525
Cash paid for other than personal services	(16,773,355)	(8,337,372)
Cash paid to employees for salaries and benefits	(1,577,887)	(1,173,472)
Net cash provided by (used in) operating activities	15,628,920	(4,332,319)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(1,418,431)	(1,707,451)
Grants from FIT	—	6,457,381
Proceeds from Insurance Recoveries	707,468	—
Interest paid on College loan	(74,741)	(74,741)
Proceeds from DASNY loan	—	31,670,000
Principal paid on DASNY loan	(4,730,000)	(4,490,000)
Interest paid on DASNY loan	(5,623,661)	(5,066,775)
Net cash (used in) provided by capital and related financing activities	(11,139,365)	26,788,414
Cash flows from investing activities:		
Purchases of restricted DASNY investments	(21,141,406)	(59,553,267)
Sale of restricted DASNY investments	31,501,500	32,632,061
Interest and investment income	26,770	67,439
Claim on pooled cash	(14,876,419)	4,291,929
Net cash used in investing activities	(4,489,555)	(22,561,838)
Increase (decrease) in cash and cash equivalents	—	(105,743)
Cash and cash equivalents – beginning of year	14,789	120,532
Cash and cash equivalents – end of year	\$ 14,789	14,789
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 5,304,851	(13,733,601)
Depreciation	8,207,089	8,094,578
Changes in operating assets and liabilities:		
Accounts receivable	(1,707)	998,555
Prepaid expenses and deposits	(123,312)	82,454
Accounts payable and accrued expenses	1,078,753	283,197
Unearned revenue	1,035,082	(14,664)
Noncurrent liabilities, net of deferred amounts	128,164	(42,838)
Net cash provided by (used in) operating activities	\$ 15,628,920	(4,332,319)
Supplemental disclosures of cash flow information:		
Cash paid for accrued construction	\$ 547,957	(149,699)
Debt related amortization	85,189	(890,523)

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(1) Organization and Nature of Activities

FIT Student Housing Corporation (the Corporation) is a not-for-profit corporation formed by the Fashion Institute of Technology (FIT or the College) to own and operate certain dormitories for FIT. The Corporation owns Nagler Hall, a 10-story building built in 1960, Alumni Hall, an 18-story building that commenced operations in August 1988, and Kaufman Hall, a 15-story building that commenced operations in August 2006. The College's board of trustees also serves as the board of trustees for the Corporation. The board of trustees establishes the room and board rates.

The key element for inclusion in the reporting entity is based primarily on financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability in terms of a primary government (the College) that is financially accountable for the organizations that make up its legal entity. The College is financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the College. The College may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the College are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity. The economic resources provided by the Corporation are almost entirely for the direct benefit of the College's constituents (e.g., students, faculty, and staff). Therefore, the Corporation is considered a component unit of the College.

Current Economic Conditions

In fiscal 2021, the COVID-19 pandemic had a continued impact on the Corporation resulting in decreased dorm occupancy rates by as much as 90%. Between May 2020 and May 2021, the College was awarded a total of \$30,709,775 from the Higher Education Emergency Relief Fund (HEERF) for student and institutional aid. As of June 30, 2021, a portion of these funds have been drawn down by the College as a reimbursement for costs incurred in response to COVID-19. The College allocated \$6,457,381 of the HEERF funding to the Corporation to cover the costs of the March 2020 refunds for dorm rentals, fees, and unused meal plans. In addition, the \$209,800 Paycheck Protection Program loan received under the CARES Act was forgiven. In fiscal 2022, the campus returned to normal operations which resulted in dorm occupancy rates increasing to 78%.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as promulgated by the GASB. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

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(b) Cash and Cash Equivalents

Cash and cash equivalents is comprised of highly liquid investments with original maturities of 90 days or less.

(c) Pooled Cash

The College utilizes a pooled cash model for handling the cash management of the College and Student Housing. Under the pooled cash model, all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs is maintained as pooled short-term investments in the College's name. The short-term investments consist of money market accounts. The College's accounting system continually tracks each auxiliary corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year-end, the Corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.

(i) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As the claim on pooled cash is from the College's operating bank accounts, the custodial credit risk is at the College.

(ii) Cash Deposits

The College's cash and cash equivalents are maintained in interest-bearing checking accounts. All cash and investments are held in FDIC insured commercial banks and are insured or collateralized with securities held by the College or its agent in the College's name.

(iii) Investments

The College's cash balances are invested in commercial bank flexible certificates of deposit. All investments are insured or collateralized with securities held by the College or its agent in the College's name.

(d) Investments

Investments are reported at fair value based on quoted market prices. 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 financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Unadjusted quoted market or published prices for identical assets or liabilities in active markets available at the measurement date
- Level 2 – Inputs other than quoted or published prices included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for an asset or liability

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The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

Unexpended bond proceeds are invested by the bond trustee in money market accounts and U.S. Treasury securities, with maturity dates selected to meet anticipated cash needs of the capital projects and bond repayments for which the funds were raised.

The Corporation has determined that all of its investments, including deposits held by bond trustees, are considered Level 1 in the fair value hierarchy noted above.

(e) Capital Assets

Capital assets include buildings, improvements, furniture, and fixtures. Capital assets are defined by the Corporation as equipment and furnishings with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years, and construction/renovation projects costing more than \$10,000. Capital assets are carried at cost for those assets purchased by the Corporation. Depreciation is calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	37–50
Renovations	15–37
Improvements	3–32
Capitalized software	5
Furniture/fixtures/equipment	5–15

Costs incurred for repairs and maintenance are charged to expense as incurred.

(f) Noncurrent Assets

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more) and (2) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs.

Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position.

(g) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of debt obligations with contractual maturities greater than one year that will not be paid within the next fiscal year, other postemployment benefits (OPEB) liability, and accrued vacation and sick leave.

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(h) OPEB Liability

The Corporation recognizes its total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75). GASB No. 75 addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. The Corporation's OPEB plan is classified as a single-employer defined benefit plan under GASB No. 75 and is unfunded.

(i) Accrued Vacation and Sick Leave

The Corporation records the estimated value of earned unused sick and vacation pay as a noncurrent liability based on the vesting method. Under this method, vacation is vested when earned for all employees, and sick pay is vested once an employee reaches age 55 and has been employed by the Corporation for the required amount of time stipulated under the Corporation's retirement policies. Employees accrue sick leave based on the number of years employed up to a maximum rate of 17 days per year. Employees also receive annual vacation leave ranging from 20 days to 50 days and may accumulate up to a maximum of one year's entitlement. Any unused vacation pay is payable upon retirement or termination. Accumulated sick leave is forfeited unless an employee retires and has been employed the required amount of time, in which case 100% of the accrual is paid up to a maximum of 100 days.

(j) Premiums, Discounts, and Deferred Amounts on Refundings

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds. Long-term bonds are reported net of the applicable bond premium and discount.

Deferred amounts on refunding are reported as deferred outflows of resources in the statements of net position.

(k) Net Position

Net position is classified into the following four categories:

Net investment in capital assets – This category includes capital assets, net of accumulated depreciation less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – nonexpendable – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Corporation does not have nonexpendable restricted net position at June 30, 2022 or 2021.

Restricted net position – expendable – Expendable restricted net position includes resources in which the Corporation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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Unrestricted net position – This category includes net position that does not meet the definition of net investment in capital assets or restricted net position. Unrestricted net position may be designated for specific purposes by actions of management or the board of trustees.

(l) Revenue Recognition

Revenue is recognized in the period in which services are rendered. Rental income is also derived from students occupying the premises during the winter and summer recesses and from groups who rent rooms primarily during the summer. Unearned revenue arises from billings to students for the late summer session fees collected prior to the Corporation's year-end of June 30. Commission revenue is recognized when earned.

(m) Classification of Revenues and Expenses

The Corporation's policy for defining operating activities in the accompanying statements of revenues, expenses, and changes in net position are those that serve the Corporation's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as subsidies, interest, and investment income. The Corporation classifies all expenses as operating in the statements of revenues, expenses, and changes in net position, except for interest expense, which is classified as nonoperating.

(n) Rental Income

For fiscal years 2022 and 2021, other rental income includes \$472,780 and \$516,922, respectively, from apartments occupied by employees of the Corporation and its affiliates. The related expenses are charged to the Corporation's institutional support expense.

The Corporation recorded student rentals and fees of \$932,054 and \$101,670 in 2022 and 2021, respectively, for resident assistants. In fiscal years 2022 and 2021, resident assistants were provided free rooms as part of their compensation with an equivalent amount recorded as resident life office expense.

(o) Allocated Interest Income

On a monthly basis, interest income earned on the College's pooled short-term investments is allocated to all corporations based on their average daily claim on cash balance during the month. In fiscal years 2022 and 2021, allocated interest income was \$30,226 and \$62,747, respectively.

(p) Income Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

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statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Restricted Investments Held by Dormitory Authority of the State of New York (DASNY)

The investments held by the bond trustees at June 30, 2022 and 2021 are as follows:

	2022		
	Cash and cash equivalents	U.S. Treasury bills	Total
Debt service fund	\$ 440,646	1,281,781	1,722,427
Debt service reserve fund	24,860	29,606,204	29,631,064
Total	\$ 465,506	30,887,985	31,353,491
	2021		
	Cash and cash equivalents	U.S. Treasury bills	Total
Debt service fund	\$ 361,827	9,945,615	10,307,442
Debt service reserve fund	25,263	31,380,881	31,406,144
Total	\$ 387,090	41,326,496	41,713,586

The funds are invested in securities with maturities of less than one year.

Deposits held by DASNY are subject to the following risks:

(a) Custodial Credit Risk

Custodial credit risk for deposits held by bond trustee and amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the Corporation will not be able to recover the value of its cash and investments in the possession of an outside party. All of the investments are held by DASNY, not in the Corporation's name.

(b) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. During 2022 and 2021, deposits held by DASNY were not exposed to concentration of credit risk.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy for deposits held by DASNY that limits investment maturities as a means of managing its exposure to fair value losses arising from

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increasing interest rates. Investments primarily consist of obligations of the U.S. government and are reported at fair value with maturities of one year or less.

The Corporation's investment income is comprised of the following for the years ended June 30, 2022 and 2021:

	2022	2021
DASNY investment income:		
Interest income	\$ (3,456)	4,692
Allocated interest income	30,226	62,747
Total investment income	\$ 26,770	67,439

(4) Capital Assets, Net

A summary of changes in capital assets for the years ended June 30, 2022 and 2021 is as follows:

	June 30, 2021	Additions	June 30, 2022
Land (nondepreciable)	\$ 12,408,700	—	12,408,700
Buildings	62,341,610	—	62,341,610
Renovations and improvements	146,491,739	1,697,079	148,188,818
Capitalized software	13,600	—	13,600
Furniture/fixtures/equipment	11,898,325	269,309	12,167,634
Total	233,153,974	1,966,388	235,120,362
Accumulated depreciation	(120,238,688)	(8,207,089)	(128,445,777)
Net capital assets	\$ 112,915,286	(6,240,701)	106,674,585

	June 30, 2020	Additions	June 30, 2021
Land (nondepreciable)	\$ 12,408,700	—	12,408,700
Buildings	62,341,610	—	62,341,610
Renovations and improvements	144,933,987	1,557,752	146,491,739
Capitalized software	13,600	—	13,600
Furniture/fixtures/equipment	11,898,325	—	11,898,325
Total	231,596,222	1,557,752	233,153,974
Accumulated depreciation	(112,144,110)	(8,094,578)	(120,238,688)
Net capital assets	\$ 119,452,112	(6,536,826)	112,915,286

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Notes to Financial Statements

June 30, 2022 and 2021

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2022 and 2021:

	2022	2021
Construction related	\$ 593,602	45,645
Vendors and other	1,411,559	336,971
Accrued audit fees	40,710	39,210
Accrued expenses	369,372	510,264
Accrued payroll	150,451	6,894
Total accounts payable and accrued expenses	\$ 2,565,694	938,984

(6) Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the years ended June 30, 2022 and 2021 is as follows:

		2022				
		Beginning balance	Additions/ transfers	Reductions	Ending balance	Due within one year
Accrued vacation and sick leave	\$	73,925	81,164	(44,863)	110,226	—
Total OPEB liability		1,433,747	—	(1,081,778)	351,969	—
College loan payable		7,474,123	—	—	7,474,123	—
DASNY bonds payable		133,031,645	—	(5,275,896)	127,755,749	4,975,000
	\$	142,013,440	81,164	(6,402,537)	135,692,067	4,975,000
		2021				
		Beginning balance	Additions/ transfers	Reductions	Ending balance	Due within one year
Accrued vacation and sick leave	\$	178,099	—	(104,174)	73,925	—
Paycheck Protection Program loan		209,800	—	(209,800)	—	—
Total OPEB liability		1,293,397	144,546	(4,196)	1,433,747	—
College loan payable		7,474,123	—	—	7,474,123	—
DASNY bonds payable		106,397,541	31,670,000	(5,035,896)	133,031,645	4,730,000
	\$	115,552,960	31,814,546	(5,354,066)	142,013,440	4,730,000

(7) DASNY Bonds Payable

The Corporation has two related outstanding insured revenue bonds issued by the DASNY.

DASNY is a public benefit corporation of New York State, created for the purpose of financing and constructing a variety of public purpose facilities for certain educational and not-for-profit institutions. The bonds are special obligations of DASNY and are payable from a pledge of the proceeds of the bonds and

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payments to be made under an agreement between DASNY and the Corporation. The agreement is a general obligation of the Corporation and requires payments in December and June of the amounts of interest coming due the succeeding January and July 1, plus one-half of the amount of the principal coming due on the bonds the next succeeding July 1. In addition, the Corporation is obligated to pay certain fees and expenses of DASNY, the trustee.

The obligations for both bond issues are being funded primarily by a pledge of revenue consisting of room rents. In order to ensure that the Corporation will meet its obligations under the agreement, the Corporation subleases the property to FIT. The sublease, which is a general obligation of FIT, remains in force until the bonds and all required payments have been satisfied. FIT is obligated to pay, or provide for payment to the Corporation, the amounts the Corporation is required to make pursuant to the agreement. FIT will receive a credit against this amount for rents and room charges received. The bonds are secured by the pledges, revenues, and FIT sublease as previously discussed, as well as the mortgaged properties and security interests in the fixtures and equipment.

(a) DASNY Series 2021

In February 2021, DASNY issued new bonds in the principal amount of \$31,670,000 in response to the significant decrease in dorm occupancy and related revenue due to the COVID-19 pandemic. The proceeds from the bonds will be used to fund debt services costs of the 2007 series bond for the next three years. The bonds were sold at cost with interest rates ranging from 2.692% to 2.842%. The total amount of \$31,670,000 was outstanding as of June 30, 2022.

(b) DASNY Series 2007

On June 9, 2004, DASNY issued the Corporation Insured Revenue Bonds (2004 Issue) in the principal amount of \$144,545,000, with a premium of \$1,504,334. The total bond proceeds of \$146,049,334 were used to purchase and renovate a building at 406 West 31st Street for use as a 1,100 bed dormitory (which opened in August 2006). The debt service obligation is funded by a pledge of revenue consisting of room rents.

Under the initial terms of the agreement, a Debt Service Reserve Fund was established, into which \$9,895,670 was deposited. During the fiscal year 2006, in order to cover higher than estimated renovation expenses for the 31st Street dormitory, DASNY secured on behalf of the Corporation, the approval of the bond insurer to allow the funds in the Debt Service Reserve Fund to be transferred to the Construction Fund. A total of \$9,698,945 was transferred to the Construction Fund, and additional bond insurance worth \$346,348 was purchased. In addition, during fiscal years 2006 and 2007 at the request of DASNY, the Corporation transferred to DASNY a total of \$6,200,000 to cover additional construction and renovation costs.

In May 2007, DASNY issued new bonds in the principal amount of \$110,935,000 to refinance a portion of the original 2004 series bonds, which would save the Corporation an estimated \$4.4 million in debt service payments over the life of the bonds. The bonds were sold with a premium of \$14,639,189. Interest rates range from 5.00% to 5.25%. The total amount of \$89,535,000 and \$94,265,000 was outstanding as of June 30, 2022 and 2021, respectively.

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(c) DASNY Debt Service Reserve Fund

In early 2008, FIT and the Corporation were notified by the bonds' underwriter that because the credit rating of the bond's insurance agency had been downgraded, under the terms of the bond offering the Corporation would be required to fund the debt service reserve account to the initial level of \$9,895,670 over a five-year period by making semiannual payments of \$987,243. In order to enable the Corporation to make these payments, FIT agreed to loan the Corporation up to \$9,895,670 over a five-year period (note 10). The first payment to refund the debt service reserve fund was made in June 2008. In June 2012, FIT transferred an additional \$1,411,060 to the Corporation to fund the debt service reserve. As of June 30, 2022, the Corporation has made payments totaling \$7,474,123, which brought the debt service reserve fund to the required level.

(d) Defeasance

Of the original 2004 bonds, \$114,935,000 was refunded. As of June 30, 2022 and 2021, the remaining unamortized loss on defeasance is \$4,477,760 and \$4,850,906, respectively, which is reported on the accompanying financial statements as deferred outflows of resources.

The new bond proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account's assets and the obligation for the defeased debt are not included in these financial statements. At June 30, 2022 and 2021, \$92,430,000 and \$97,390,000, respectively, remained outstanding and is considered defeased.

(e) Repayment

The following table presents debt service payments for the combined bonds as of June 30, 2022:

	<u>Principal</u>	<u>Premium</u>	<u>Total</u>	<u>Interest expense</u>
Year(s) ending June 30:				
2023	\$ 4,975,000	545,896	5,520,896	5,316,254
2024	5,235,000	545,896	5,780,896	5,041,417
2025	5,515,000	545,896	6,060,896	4,751,879
2026	5,800,000	545,896	6,345,896	4,447,379
2027	6,105,000	545,896	6,650,896	4,126,867
2028–2032	35,685,000	2,729,479	38,414,479	15,205,308
2033–2037	41,620,000	1,091,790	42,711,790	5,129,536
2038–2040	16,270,000	—	16,270,000	291,945
	<u>\$ 121,205,000</u>	<u>6,550,749</u>	127,755,749	<u>44,310,585</u>
Less current portion			<u>(4,975,000)</u>	
Noncurrent portion			<u>\$ 122,780,749</u>	

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(8) Pension Expense

The Corporation's full-time employees participate in the SUNY Optional Retirement Program (ORP), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity Investments, Met Life, VALIC, and VOYA.

The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting.

Employees who joined the ORP after July 27, 1976 and have less than 10 years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the ORP.

Pension expense for the years ended June 30, 2022 and 2021 was \$65,501 and \$66,655, respectively.

The total payroll for 2022 and 2021 for the Corporation's employees covered by the ORP was \$879,100 and \$616,068, respectively. Employer and employee contributions for the plan were \$65,501 and \$10,435 in 2022, and \$66,655 and \$26,368 in 2021, respectively.

(9) Total OPEB Liability

(a) Plan Description

FIT provides healthcare benefits to eligible retirees of the College and its component organizations (including FIT Student Housing Corporation) through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare-eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the United College Employees of FIT (UCE). The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The plan is classified as a single employer defined benefit plan under GASB No. 75. No assets are accumulated in a trust that meets the criteria under GASB No. 75.

Healthcare Coverage: Basic coverage is provided to eligible retirees through the New York City Health Insurance Program. The plans included in this program are community rated; given the size of FIT's covered population in relation to the total covered population, FIT's actual claims experience has no effect on the premiums charged by these plans.

UCE Welfare Fund: FIT pays \$1,670 annually for most eligible retirees to the UCE Welfare Fund. This contribution may change periodically based on collective bargaining agreements.

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Medicare Part B Premium Reimbursement: FIT reimburses \$58.70 per month toward Part B premium for all Medicare eligible retirees and covered spouses.

At the June 30, 2022 valuation date, the following employees were covered by the benefit terms:

Actives		12
Retirees		1
Total		13

(b) Contributions

The terms of the plan are determined through collective bargaining among FIT, UCE, and the City of New York. FIT (and its component organizations) historically has funded the plan on a pay-as-you-go basis and does not anticipate prefunding the plan. In the fiscal years ended 2022 and 2021, current expenses funded for the Corporation were \$4,656 and \$4,196, respectively.

(c) Total OPEB Liability

The Corporation's total OPEB liability at June 30, 2022 and 2021 was \$351,969 and \$1,433,747, respectively. The total OPEB liability for the June 30, 2022 measurement date was based on actuarial valuation as of June 30, 2022. The total OPEB liability for the June 30, 2021 was rolled forward from the actuarial valuation as of June 30, 2020 to June 30, 2021.

(d) Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rates:	
Pre-Medicare Plans	6.75% for 2022, decreasing to an ultimate rate of 3.78% at 2075 and years later
Medicare Plans	4.4% for 2022, decreasing to an ultimate rate of 3.78% at 2075 and years later

The mortality rates used are based on the mortality table in the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP-2021 mortality improvement scale on a generational basis.

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The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rates:	
Pre-Medicare Plans	6.75% for 2021, decreasing to an ultimate rate of 3.78% at 2075 and years later
Medicare Plans	4.40% for 2021, decreasing to an ultimate rate of 3.78% at 2075 and years later

The mortality rates used are based on the mortality table in the Pub 2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP 2020 mortality improvement scale on a generational basis.

(e) Changes in the Total OPEB Liability

	<u>2022</u>	<u>2021</u>
Total OPEB liability, beginning of year	\$ 1,433,747	1,293,397
Service cost	127,313	124,048
Interest	33,669	31,279
Differences between expected and actual experience	(969,801)	(10,658)
Changes in assumptions and other inputs	(268,303)	(123)
Actual benefit payments	<u>(4,656)</u>	<u>(4,196)</u>
Net changes (OPEB expense)	<u>(1,081,778)</u>	<u>140,350</u>
Total OPEB liability, end of year	\$ <u>351,969</u>	<u>1,433,747</u>

(f) Discount Rate

The discount rate used to measure the OPEB liability as of June 30, 2022 and 2021 was 3.54% and 2.16%, respectively, based on the Bond Buyer's 20 Bond Index.

(g) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Corporation's total OPEB liability calculated as of June 30, 2022 using the discount rate of 3.54%, as well as what the Corporation's obligation would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) and 1-percentage point higher (4.54%) than the current year rate:

	<u>1% Decrease (2.54%)</u>	<u>Current discount rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
OPEB liability	\$ 438,470	351,969	284,970

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The following presents the Corporation's total OPEB liability calculated as of June 30, 2021 using the discount rate of 2.16%, as well as what the Corporation's obligation would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) and 1-percentage point higher (3.16%) than the current year rate:

	<u>1% Decrease (1.16%)</u>	<u>Current discount rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
OPEB liability	\$ 1,848,945	1,433,747	1,121,340

(h) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Corporation's total OPEB liability calculated as of June 30, 2022 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (5.75% decreasing to 2.78%)</u>	<u>Healthcare cost trend rates (6.75% decreasing to 3.78%)</u>	<u>1% Increase (7.75% decreasing to 4.78%)</u>
OPEB liability	\$ 282,580	351,969	448,805

The following presents the Corporation's total OPEB liability calculated as of June 30, 2021 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (5.75% decreasing to 2.78%)</u>	<u>Healthcare cost trend rates (6.75% decreasing to 3.78%)</u>	<u>1% Increase (7.75% decreasing to 4.78%)</u>
OPEB liability	\$ 1,061,859	1,433,744	1,981,352

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(i) Deferred Outflows and Inflows of Resources

The following are components of the deferred outflows and inflows at June 30, 2022 and 2021:

	2022	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 7,521	927,598
Change in assumption	234,074	454,306
Total	\$ 241,595	1,381,904
	2021	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 7,979	10,089
Change in assumption	249,021	213,579
Total	\$ 257,000	223,668

The deferred outflow and deferred inflows of resources at June 30, 2022 will be recognized in expense as follows:

Year ended June 30:	
2023	\$ 67,463
2024	67,463
2025	67,463
2026	67,463
2027	67,463
Thereafter	802,994

(j) Annual OPEB Expense

The Corporation's annual OPEB expense for fiscal years ended 2022 and 2021, was \$96,519 and \$156,896, respectively.

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(10) Transactions with Affiliates

The College leases garage space and the top floor of Alumni Hall for the College's President and an apartment in Kaufman Hall for the College's Vice Presidents, for a total of \$199,720 and \$132,180 during fiscal years 2022 and 2021, respectively. This amount is included in other rental income in the accompanying financial statements.

The College charged the Corporation \$730,486 and \$605,004 as a management fee for billing, collection, purchasing, disbursements, accounting, and record-keeping assistance provided during fiscal years 2022 and 2021, respectively, which is reported as institutional support in the accompanying financial statements.

In May 2008, in order to enable the Corporation to reestablish the debt service reserve on the 2004 DASNY bonds (note 7), the board of FIT approved a loan of up to \$9,895,670 over a five-year period conditioned upon a promise to repay when the debt service reserve is no longer required. Interest on the loan will be calculated based on the average interest rate of the College's pooled short-term investments. As of June 30, 2022 and 2021, payments have been made to the debt service reserve fund by FIT, totaling \$7,474,123. This amount is included in the Corporation's noncurrent liabilities as College loan payable. Total interest expense paid to the College in fiscal years 2022 and 2021 for this loan was \$74,741.

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Required Supplementary Information – Schedule of Changes in
Total OPEB Liability and Related Ratios

June 30, 2022*

(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability, beginning of year	\$ 1,433,747	1,293,397	1,180,690	789,517	757,543	818,322
Service cost	127,313	124,048	91,167	68,425	74,547	96,116
Interest	33,669	31,279	44,424	33,109	29,710	26,001
Differences between expected and actual experience	(969,801)	(10,658)	7,384	670	467	529
Changes in assumptions and other inputs	(268,303)	(123)	(25,074)	293,862	(68,306)	(179,145)
Actual benefit payments	<u>(4,656)</u>	<u>(4,196)</u>	<u>(5,194)</u>	<u>(4,893)</u>	<u>(4,444)</u>	<u>(4,280)</u>
Net changes (OPEB expense)	<u>(1,081,778)</u>	<u>140,350</u>	<u>112,707</u>	<u>391,173</u>	<u>31,974</u>	<u>(60,779)</u>
Total OPEB liability, end of year	<u>\$ 351,969</u>	<u>1,433,747</u>	<u>1,293,397</u>	<u>1,180,690</u>	<u>789,517</u>	<u>757,543</u>
Covered employee payroll	879,100	616,068	1,055,166	1,081,720	1,055,337	1,029,597
Total OPEB liability as a percentage of covered employee payroll	40.04 %	232.73 %	122.58 %	109.15 %	74.81 %	73.58 %
Changes of assumptions:						
Discount rate	3.54 %	2.16 %	2.21 %	3.50 %	3.87 %	3.58 %
Plan changes	None	None	None	None	None	None

For fiscal years 2017 to 2019 the mortality table in the New York City Teacher's Retirement System Assumption report was used. In fiscal years 2020, 2021 and 2022 the mortality table in the Pub-2010 Public Retirement Plans was used.

* Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.