



SHARPE
PATELCPA

FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION AND SUBSIDIARY

Consolidated Financial Statements
and Supplementary Information

As of and for the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

**FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION
AND SUBSIDIARY**

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Consolidated Statement of Net Position	9
Consolidated Statement of Revenues, Expenses and Changes in Net Position	10
Consolidated Statement of Cash Flows	11
Notes to Consolidated Financial Statements	12
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	19



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fayetteville State University Student Housing Corporation and Subsidiary
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fayetteville State University Student Housing Corporation and Subsidiary, a nonprofit organization, as of and for the year ended June 30, 2021, and the related consolidated notes to the financial statements, which collectively comprise the Fayetteville State University Student Housing Corporation and Subsidiary's basic financial statements as listed in the table of contents.

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

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 opinions.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Fayetteville State University Student Housing Corporation and Subsidiary as of June 30, 2021, and the respective changes in its net position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Fayetteville State University Student Housing Corporation 's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated August 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of Fayetteville State University Student Housing Corporation and Subsidiary'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 these reports is 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayetteville State University Student Housing Corporation and Subsidiary's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
September 20, 2021

**FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION, INC., AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Introduction

The Fayetteville State University Student Housing Corporation, Inc. (Corporation) and Subsidiary, provides this overview and Management Discussion and Analysis to assist in understanding the statements and Notes to the Financial Statements presented herewith for the year ended June 30, 2021 and includes comparative data for the year ended June 30, 2020. The discussion describes important trends and events that have impacted the fiscal health of the Corporation and that may continue to exert influence in future years. This discussion has been prepared by and is the responsibility of the Corporation's management along with the financial statements and Notes to the Financial Statements. The report should be read and considered in its entirety.

Using the Annual Report

This annual report consists of a series of financial statements, Notes to the Financial Statements, and other information prepared in accordance with the Governmental Accounting Standards Board (GASB). The GASB establishes standards for external financial reporting and requires that financial statements be presented on a consolidated basis for the Corporation as a whole. These standards were used in the preparation of this document. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Comparative information for the prior fiscal year is also presented in the condensed financial statements.

The basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are discussed in later sections of this discussion and analysis.

The Statement of Cash Flows provides information relative to the Corporation's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

The Notes to the Financial Statements should be read in conjunction with the financial statements. The Notes to the Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and

associated risk of deposits and investments, detailed information on deposits and investments, long-term liabilities, revenues, expenses, required information on insurance against losses, commitments and contingencies, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Corporation's financial statement period. Overall, these Notes to the Financial Statements provide information to better understand details, risk, and uncertainties associated with amounts reported in the financial statements.

Reporting Entity

The financial statements report information about the Corporation as a whole using accounting methods similar to those used in the private-sector. The Corporation includes as a subsidiary the Fayetteville State University Housing, LLC which constructed Renaissance Hall on the campus of Fayetteville State University (University). The land for Renaissance Hall is leased to the Corporation for this purpose, and the beds are leased to the University under a master lease agreement.

Financial Highlights

The Corporation's financial position, as a whole, remained relatively stable during the fiscal year ended June 30, 2021. The combined net position for the Corporation decreased \$447 thousand from the previous fiscal year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Corporation as of the end of the fiscal year. The statement is a point-in-time statement presenting a fiscal snapshot of the Corporation. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes to vendors and others and how much is held for future use by the Corporation or others. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the Corporation.

Net position is divided into categories to show the availability to meet the Corporation's obligations. The first category, net investment in capital assets provides the Corporation's equity in property, plant, and equipment. The next net position category is restricted expendable net position; those are available for use by the Corporation but must be spent for the purposes as determined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the Corporation for any lawful purpose of the corporation.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 1,761,048	\$ 1,852,494	\$ (91,446)	-4.94%
Noncurrent Assets:				
Prepaid Insurance	273,773	-	273,773	100%
Other	14,450,000	17,760,000	(3,310,000)	-18.64%
Total Assets	<u>16,484,821</u>	<u>19,612,494</u>	<u>(3,127,673)</u>	-15.95%
Deferred Outflows of Resources				
Deferred Loss on Refunding	<u>2,770,842</u>	<u>-</u>	<u>2,770,842</u>	100.00%
Liabilities				
Current Liabilities	589,476	687,677	(98,201)	-14.28%
Unamortized premium	3,498,419	-	3,498,419	100.00%
Noncurrent Liabilities	14,450,000	17,760,000	(3,310,000)	-18.64%
Total Liabilities	<u>18,537,895</u>	<u>18,447,677</u>	<u>90,218</u>	0.49%
Net Position				
Net Investment				
in Capital Assets	-	-	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	(64,476)	-	(64,476)	100.00%
Unrestricted	782,244	1,164,817	(382,573)	-32.84%
Total Net Position	<u>\$ 717,768</u>	<u>\$ 1,164,817</u>	<u>\$ (447,049)</u>	-38.38%

Net Position categories are defined in Note 3 of the Notes to the Financial Statements.

As of June 30, 2021, total Corporation net position was \$718 thousand. The Corporation's largest asset is a capital lease receivable of \$14.98 million, representing 90.84% of total assets. Current assets decreased \$91 thousand or 4.94% because of the lease payment received from the University in FY21.

The purchase of prepaid insurance was a requirement of the bond refinancing terms. Most operating costs for Renaissance Hall are the responsibility of Housing System, except for fees and service charges related to debt.

In FY21 the University issued \$14,975,000 in Fayetteville State University Student Housing Project Limited Obligation refunding bonds, Series 2021. The bonds were issued for a current refunding of \$17,760,000 of outstanding Fayetteville State University Student Housing Project Limited Obligation bonds, series 2011. This transaction reduced the bonds payable by \$2,785,000.

Noncurrent assets decreased \$3.3 million or 18.64% because of the decrease of the Capital Lease receivable. The capital lease receivable is the lease payment received each year from the University. The debt service obligation is the basis for the lease payment.

The Corporation's liabilities totaled \$18.54 million at June 30, 2021. Noncurrent liabilities of \$14.45 million consists of bonds payable.

Noncurrent liabilities decreased \$3.3 million or 18.64% because of the decrease of bond payable, that resulted from the refunding of the previously held Series 2011 Bond debt.

The Corporation's current assets of \$1.76 million covered the current liabilities of \$589 thousand, at a ratio of 2.99 (\$2.99 in current assets for every \$1.00 in current liabilities).

At June 30, the Corporation had a liability for bonds payable of \$14.98 million. Bonds payable is the Corporation's largest liability, representing 80.78% of total Corporation liabilities. The bonds will be repaid by a capital lease with the University.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The change in total net position as presented on the Condensed Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the Corporation, both operating and non-operating, the expenses paid by the Corporation, operating and nonoperating, and any other revenues, expenses, and any gains and/or losses received or spent by the Corporation.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Corporation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Corporation. Nonoperating revenues are revenues received for which goods and services are not provided.

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

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Operating Revenues	\$ -	\$ -	\$ -	-
Operating Expenses				
Services	273,176	16,564	256,612	1549.22%
Operating Income (Loss)	<u>(273,176)</u>	<u>(16,564)</u>	<u>(256,612)</u>	1549.22%
Nonoperating Revenues (Expenses)				
Investment Income	717,505	878,748	(161,243)	-18.35%
Other Revenue	-	-	-	-
Interest and Fees on Capital Debt and Leases	<u>(891,378)</u>	<u>(883,523)</u>	<u>(7,855)</u>	0.89%
Net Nonoperating Revenues	<u>(173,873)</u>	<u>(4,775)</u>	<u>(169,098)</u>	3541.32%
Increase (Decrease) in Net Position	(447,049)	(21,339)	(425,710)	1994.99%
Net Position				
Beginning of Year	1,164,817	1,186,156	(21,339)	-1.80%
End of Year	<u>\$ 717,768</u>	<u>\$ 1,164,817</u>	<u>\$ (447,049)</u>	-38.38%

Operating revenues were not generated in FY21 as a result of the lease payment, the lease payment was the exact amount of the debt service payments. The lease agreement states that the University's lease payment to the Corporation shall be a sum of not to exceed \$1.7 million annually through the life of the agreement. The Corporation is committed to ensuring housing facilities constructed by the Corporation are the preferred housing for students and is committed to maintaining Renaissance Hall in a fiscally sound manner.

Operating costs increased by \$257 thousand or 1549.22% as a result of the closing costs associated with the refunding of the previously held debt.

Effective August 24, 2012, the State of North Carolina has a lease agreement with Fayetteville State University Housing, LLC, whereby the State will lease the real property on which the project was constructed for a period of thirty-two years.

The portion of the lease payment to the Corporation from the University that is used to service the debt is classified as investment income. Investment income decreased \$161 thousand or 18.35% due to the decrease in the debt service interest requirement for FY21.

The Condensed Statement of Revenues, Expenses, and Changes in Net Position shows a decrease in net position of \$447 thousand. The decrease is a result of the operating costs such as auditing services, professional advisory services, and closing costs for the refunding of the old debt being paid from debt service reserve funds held by the corporation.

There were no new capital projects for the fiscal year 2021.

Long-Term Debt Activities

The Corporation incurred long-term debt to finance the construction, equipping, and furnishing of Renaissance Hall. As shown in the table below, Corporation’s long-term debt is \$14,975,000 as of June 30, 2021. For detailed information about long-term debt, see note 9 of the Notes to the Financial Statements.

	2021	2020	Increase/ (Decrease)
Total Long-Term Liabilities - Bonds Payable	<u>\$ 14,975,000</u>	<u>\$ 18,230,000</u>	<u>\$ (3,255,000)</u>

Factors Impacting Future Periods

Management believes that the Corporation is positioned to provide excellent housing services to students attending the University. Renaissance Hall has maintained a high occupancy rate since it was placed online in the Fall of FY13, the University’s housing management places a priority in filling Renaissance Hall ahead of other residence halls that no longer have outstanding debt. Renaissance Hall is also a “green” building designed to LEED (Leadership in Energy and Environmental Design) Silver standards and has achieved full certification.

**FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION
AND SUBSIDIARY**

Consolidated Statement of Net Position

June 30, 2021

(With Comparative Totals at June 30, 2020)

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,150,816	\$ 1,164,817
Accrued interest receivable	64,476	217,677
Current portion of capital lease receivable	525,000	470,000
Prepaid insurance	20,756	-
Total current assets	1,761,048	1,852,494
Noncurrent assets:		
Prepaid insurance	273,773	-
Capital lease receivable, net of current portion	14,450,000	17,760,000
Total noncurrent assets	14,723,773	17,760,000
Total assets	16,484,821	19,612,494
Deferred Outflows of Resources		
Deferred loss on refunding	2,770,842	-
Total deferred outflows of resources	2,770,842	-
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Interest payable	64,476	217,677
Current portion of revenue bonds payable	525,000	470,000
Total current liabilities	589,476	687,677
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	14,450,000	17,760,000
Unamortized premium on bonds payable	3,498,419	-
Total noncurrent liabilities	17,948,419	17,760,000
Total liabilities	18,537,895	18,447,677
Net position:		
Restricted for:		
Expendable for debt service	(64,476)	-
Unrestricted	782,244	1,164,817
Total net position	717,768	1,164,817
Total liabilities and net assets	\$ 19,255,663	\$ 19,612,494

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

**FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION
AND SUBSIDIARY**

**Consolidated Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021**

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
<u>REVENUES</u>		
Operating revenue	\$ -	\$ -
Total revenues	-	-
<u>EXPENSES</u>		
Operating expenses:		
Accounting and auditing	7,276	4,000
Professional advisory services	148,900	12,564
Legal fees	117,000	-
Total operating expenses	273,176	16,564
Operating income (loss)	(273,176)	(16,564)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment income, net	717,505	878,748
Interest expense	(891,378)	(883,523)
Net nonoperating revenue (expense)	(173,873)	(4,775)
Increase (decrease) in net position	(447,049)	(21,339)
Net position, beginning of the year	1,164,817	1,186,156
Net position, end of the year	\$ 717,768	\$ 1,164,817

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

**FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION
AND SUBSIDIARY**

**Consolidated Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021**

(With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Payments to vendors and suppliers	\$ (567,705)	\$ (16,564)
Net cash provided (used) by operating activities	<u>(567,705)</u>	<u>(16,564)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal received on capital leases	484,158	455,000
Principal paid on revenue bonds payable	(18,230,000)	(455,000)
Proceeds from revenue bonds issued	18,473,419	-
Interest and fees paid on revenue bonds payable	<u>(1,044,579)</u>	<u>(883,523)</u>
Net cash provided (used) by financing activities	<u>(317,002)</u>	<u>(883,523)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment income	<u>870,706</u>	<u>878,748</u>
Net cash provided (used) by investing activities	<u>870,706</u>	<u>878,748</u>
Net increase (decrease) in cash and cash equivalents	(14,001)	(21,339)
Cash and cash equivalents, beginning of the year	<u>1,164,817</u>	<u>1,186,156</u>
Cash and cash equivalents, end of the year	<u>\$ 1,150,816</u>	<u>\$ 1,164,817</u>

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

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 1 – NATURE OF THE ORGANIZATION

Nature of the Organization

Fayetteville State University Student Housing Corporation (the Corporation) is a separate and distinct entity from Fayetteville State University (the University). It was chartered by the State of North Carolina and has its own Board of Directors. Its purpose is to construct, equip, furnish and manage the debt for residential housing facilities for the students of the University.

Fayetteville State University Student Housing Corporation and Fayetteville State University Housing, LLC are governed by a board consisting of six appointed Directors. Because the elected Directors of the Board are appointed by the University, and the purpose of the Corporation is to benefit the University, the Corporation's financial statements are blended into those of the University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Fayetteville State University Student Housing Corporation and subsidiary is presented to assist in understanding the Corporation's financial statements. The consolidated financial statements and notes are representations of the Corporation's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and have been consistently applied in the preparation of the financial statements.

Pursuant to the provision of GASB Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the Corporation's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Basis of Consolidation

The consolidated financial statements included the accounts of Fayetteville State University Housing, LLC. The Corporation is the sole member of the limited liability company. All significant intercompany transactions have been eliminated.

Basis of Accounting

The consolidated financial statements of the Corporation are prepared using the economic resource measurement focus and the accrual basis of accounting by recognizing revenues when earned and expenses when an obligation has been incurred, regardless of the timing of the cash flows. Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires within the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net position depending on the nature of the restriction. When a restriction expires, restricted net position is reclassified to unrestricted net position.

Cash and Cash Equivalents

This classification includes cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund. The Short-Term Investment Fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Receivables

Receivables consist of accrued interest on cash. Receivables are recorded net of estimated uncollectible amounts.

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material, direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The Corporation capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for intangible assets which are capitalized when the value or cost is \$100,000 or greater and internally generated software which is capitalized when the value or cost is \$1,000,000 or greater.

Restricted Assets

Certain resources are reported as restricted assets because restrictions on asset use changes the nature or normal understanding of the availability of the asset. Resources that are not available for current operation and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources legally segregated for the payment of principal and interest as required by debt covenants.

Impairment of Assets

Accounting for the Impairment or Disposal of Long-Lived Assets requires that Long-lived assets be held and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. As of June 30, 2021 and 2020, management determined that no indicators of impairment existed.

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of bonds payable that will not be paid within the next fiscal year.

Revenue and Expense Recognition

The Corporation classifies its revenues and expenses as operating or nonoperating in the accompanying Consolidated Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the Corporation, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Fayetteville State University Housing Corporation received its 501(c)(3) status effective December 7, 2010.

Fayetteville State University Housing Corporation files federal form 990 on a fiscal year basis beginning July 1 and ending June 30. The Corporation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, it has been determined that the Corporation is not a “private foundation” within the meaning of 509(a) of the IRC. There was no unrelated business income during the fiscal year 2021 and 2020.

On December 3, 2010, the Corporation adopted the revenue recognition requirements for uncertain income tax positions as generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation’s financial condition results of operation or cash flows. Accordingly, the Corporation has not recorded any reserves or related accruals for interest and penalties for income tax positions at June 30, 2021 and 2020.

The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Corporation’s policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE 3 – SUBSIDIARY INFORMATION

In December 2010, Fayetteville State University Student Housing Corporation formed a wholly owned subsidiary named Fayetteville State University Housing, LLC whose purpose is to construct, equip, furnish, and manage the debt for residential housing facilities for students of the University. Renaissance Hall, the first student housing facility constructed by the Corporation, was completed in August 2012, and has been in operation since the Fall 2012 semester.

NOTE 4 – DEPOSITS AND INVESTMENTS

At June 30, 2021 and 2020, the amounts shown on the Statement of Net Position as cash and cash equivalents includes \$1,150,816 and \$1,164,817, respectively, which represents the Corporation’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an eternal investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021 and 2020. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool are included in the North Carolina Department of State Treasurer Investment Programs separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the audited financial statements section.

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB ASC 820-10 and subsections Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – Observable input that reflect quoted prices for identical securities, traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

At June 30, 2021 and 2020, all of the Corporation's investments, including deposits in the Short-Term Investment Fund are deemed to be Level 1.

Short-Term Investment Fund – Ownership interest of the STIF is determined on a fair market valuation as of fiscal year end in accordance with STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The University's position in the pool is measured and reported at fair value.

NOTE 6 – STUDENT HOUSING LEASE AGREEMENT

Effective August 24, 2012, the State of North Carolina has a lease agreement with Fayetteville State University Housing, LLC, whereby the State will lease the real property on which the project will be constructed for a period of thirty-two years. The lease has been classified as a capital lease. As a result, there was a sale of assets in exchange for the capital lease receivable. Lease payments are not to exceed \$1,700,000 per year.

**FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

NOTE 6 – STUDENT HOUSING LEASE AGREEMENT (Continued)

Capital lease obligations relating to the real property are recorded at the present value of the minimum payments. Future minimum lease payments under the capital lease obligation consist of the following at June 30, 2021:

<u>Year ended June 30:</u>	<u>Amount</u>
2022	\$ 899,375
2023	766,250
2024	776,125
2025	785,500
2026	799,375
Thereafter	<u>18,961,137</u>
Total	<u>22,987,762</u>
Amount Representing Interest	<u>8,012,762</u>
 Present Value of Future Lease Payments	 <u>\$ 14,975,000</u>

NOTE 7 – OBLIGATION BONDS

On August 10, 2011 Fayetteville State University Housing, LLC sold \$20,715,000 in series 2011 tax-exempt limited obligation bonds. These bonds are dated August 24, 2011 and bear interest from that date. Interest will be paid semiannually on April 1 and October 1, starting on April 1, 2012. The principal on the bonds will be paid annually on April 1, starting on April 1, 2014. The issuance of the bonds was to provide funds for the construction, equipping and furnishing of a new student housing facility to be located on the University campus. The 2011 bond series was refunded on May 20, 2021 when Fayetteville State University Housing, LLC sold \$14,975,000 in series 2021 tax-exempt limited obligation bonds. The new bonds are dated May 27, 2021 and bear interest from that date. Interest will be paid semiannually on April 1 and October 1, starting on October 1, 2021. The principal on the bonds will be paid annually on April 1, starting on April 1, 2022. The issuance of the bonds will be repaid through a lease with the University. Annual requirements are as follows:

<u>Year ended June 30:</u>	<u>Annual Requirements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 525,000	\$ 374,375
2023	405,000	361,250
2024	425,000	351,125
2025	445,000	340,500
2026	470,000	329,375
Thereafter	<u>12,705,000</u>	<u>6,256,137</u>
Total	<u>\$ 14,975,000</u>	<u>\$ 8,012,762</u>

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 8 – LONG-TERM LIABILITIES

A. A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Limited Obligation Bonds Payable	\$ 18,230,000	\$ 18,473,419	\$ (18,230,000)	\$ 14,975,000	\$ 525,000

B. The Corporation was indebted for limited obligation bonds payable for the purpose shown below:

Purpose	Series	Interest Rate/Rang es	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2021	Principal Outstanding June 30, 2021
Limited Obligation Bonds Payable: Student Housing Project	2021	2% to 3%	4/1/2043	\$ 14,975,000	\$ -	\$ 14,975,000

NOTE 9 – NET POSITION

The Corporation reports four classes of net position: net investment in capital assets, restricted net position – nonexpendable, restricted net position – expendable, and unrestricted net position. At June 30, 2021 and 2020, the Corporation reported the following:

	2021	2020
Restricted for:		
Expendable for debt se	\$ (64,476)	\$ -
Unrestricted	782,244	1,164,817
Total net position	<u>\$ 717,768</u>	<u>\$ 1,164,817</u>

NOTE 10 – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest during the year ended June 30, 2021 and 2020 was \$978,290 and \$881,797, respectively. Accrued interest at June 30, 2021 and 2020 was \$64,476 and \$217,677, respectively. All interest incurred during the year was expensed.

FAYETTEVILLE STATE UNIVERSITY
STUDENT HOUSING CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 11 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related torts; theft of, damage to and destruction of assets; errors and omissions; injuries to contractors; and natural disasters. These exposures to loss are handled via a combination of methods, including purchase of commercial insurance and self-retention of certain risks.

NOTE 12 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 20, 2021, which is the date the financial statements were available to be issued.

As of the date of issuance of the Corporation's audit, there is a pandemic situation regarding the COVID-19 virus. The Company is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.



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

To the Board of Directors
Fayetteville State University Student Housing Corporation and Subsidiary
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Fayetteville State University Student Housing Corporation and Subsidiary (a nonprofit organization), which comprise the statement of net position as of June 30, 2021, and the related consolidated statement of revenues, expenses, and changes in net position, and consolidated statement of cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Fayetteville State University Student Housing Corporation and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
September 20, 2021