

# **Euclid Avenue Development Corporation**

Financial Report  
June 30, 2021



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Euclid Avenue Development Corporation  
2121 Euclid Avenue  
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We have reviewed the *Independent Auditor's Report* of the Euclid Avenue Development Corporation, Cuyahoga County, prepared by RSM US LLP, for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Euclid Avenue Development Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 18, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Euclid Avenue Development Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of Euclid Avenue Development Corporation (a nonprofit corporation) (the Corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Euclid Avenue Development Corporation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 on our consideration of Euclid Avenue Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Euclid Avenue Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Euclid Avenue Development Corporation's internal control over financial reporting and compliance.

*RSM US LLP*

Cleveland, Ohio  
September 28, 2021



**Euclid Avenue Development Corporation**

**Statements of Financial Position  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,631,002	\$ 3,794,437
Student accounts receivable, net	71,425	57,980
Other receivables	17,123	45,764
Investments	15,180,936	15,012,404
Prepaid expenses	24,203	31,061
<b>Total current assets</b>	<b>18,924,689</b>	<b>18,941,646</b>
Property and equipment:		
Land	128,000	128,000
Buildings	70,632,179	70,632,179
Building improvements	2,185,939	2,026,554
Furniture, fixtures, and equipment	3,340,282	3,316,654
	<b>76,286,400</b>	<b>76,103,387</b>
Less: accumulated depreciation	<b>(25,827,100)</b>	<b>(23,795,497)</b>
<b>Property and equipment, net</b>	<b>50,459,300</b>	<b>52,307,890</b>
Other assets:		
Restricted investments	4,803,902	5,716,348
Leases receivable	18,220,000	18,220,000
<b>Total other assets</b>	<b>23,023,902</b>	<b>23,936,348</b>
<b>Total assets</b>	<b>\$ 92,407,891</b>	<b>\$ 95,185,884</b>

See notes to financial statements.

Euclid Avenue Development Corporation

Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of bonds payable	\$ 1,925,000	\$ 1,830,000
Accounts payable	469,067	789,545
Due to the University	728,846	1,325,823
Accrued interest and other	1,603,743	1,641,851
Deferred revenue	86,867	63,145
Security deposits	92,430	194,888
<b>Total current liabilities</b>	<b>4,905,953</b>	<b>5,845,252</b>
Noncurrent liabilities, net of current portion:		
Deferred revenue	976,023	1,013,557
Bonds payable, net:	82,185,826	84,465,672
<b>Total noncurrent liabilities, net of current portion</b>	<b>83,161,849</b>	<b>85,479,229</b>
<b>Total liabilities</b>	<b>88,067,802</b>	<b>91,324,481</b>
Net assets:		
Without donor restrictions	4,340,089	3,861,403
<b>Total net assets</b>	<b>4,340,089</b>	<b>3,861,403</b>
<b>Total liabilities and net assets</b>	<b>\$ 92,407,891</b>	<b>\$ 95,185,884</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statements of Activities**

**Years Ended June 30, 2021 and 2020**

	2021	2020
Revenues and gains:		
Rental income:		
Students	\$ 7,269,799	\$ 7,701,932
University	1,483,288	1,475,898
Other	51,801	93,996
Maintenance fees - University	203,539	216,333
Investment income, net	351,831	211,739
Other	98,210	313,272
<b>Total revenues and gains</b>	<b>9,458,468</b>	<b>10,013,170</b>
Expenses:		
Program services	8,711,565	9,192,418
Management and general	268,217	339,738
<b>Total expenses</b>	<b>8,979,782</b>	<b>9,532,156</b>
Other gain (loss):		
Loss on forgiveness of note receivable	-	(1,385,000)
Gain on bond extinguishment	-	804,022
<b>Total other gain (loss)</b>	<b>-</b>	<b>(580,978)</b>
<b>Change in net assets without donor restrictions</b>	<b>478,686</b>	<b>(99,964)</b>
Net assets:		
Beginning	3,861,403	3,961,367
Ending	<b>\$ 4,340,089</b>	<b>\$ 3,861,403</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statement of Functional Expenses**

**Year Ended June 30, 2021**

	Program Services	Management and General	Total
Contracted personnel	\$ 1,186,332	\$ -	\$ 1,186,332
Occupancy	1,702,811	-	1,702,811
Property management	239,360	-	239,360
Other operating costs	145,751	-	145,751
Administrative costs	-	211,855	211,855
Accounting	-	28,302	28,302
Advertising and promotions	-	28,060	28,060
Insurance	12,935	-	12,935
Interest	3,392,773	-	3,392,773
Depreciation	2,031,603	-	2,031,603
<b>Total expenses</b>	<b>\$ 8,711,565</b>	<b>\$ 268,217</b>	<b>\$ 8,979,782</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statement of Functional Expenses**

**Year Ended June 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Contracted personnel	\$ 1,407,593	\$ -	\$ 1,407,593
Occupancy	1,913,450	-	1,913,450
Property management	222,659	-	222,659
Other operating costs	90,875	-	90,875
Administrative costs	-	266,504	266,504
Accounting	-	31,044	31,044
Advertising and promotions	-	42,190	42,190
Insurance	11,099	-	11,099
Interest	3,509,535	-	3,509,535
Depreciation	2,037,207	-	2,037,207
<b>Total expenses</b>	<b>\$ 9,192,418</b>	<b>\$ 339,738</b>	<b>\$ 9,532,156</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statements of Cash Flows**

**Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 478,686	\$ (99,964)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,031,603	2,037,207
Amortization of debt issuance costs and bond premiums	(354,846)	(345,513)
Loss on forgiveness of note receivable	-	1,385,000
Gain on bond extinguishment	-	(804,022)
Net realized and unrealized gain on investments	(314,095)	204,139
(Increase) decrease in assets:		
Student accounts receivable, net	(13,445)	(1,630)
Other receivables	28,641	360,944
Prepaid expenses	6,858	(16,914)
Increase (decrease) in liabilities:		
Accounts payable	(320,478)	63,950
Due to the University	(596,977)	1,325,823
Accrued interest and other	(38,108)	(132,803)
Deferred revenue	(13,812)	(207,214)
Security deposits	(102,458)	(37,208)
<b>Net cash provided by operating activities</b>	<b>791,569</b>	<b>3,731,795</b>
Cash flows from investing activities:		
Purchases of property and equipment	(183,013)	(152,847)
Net proceeds from sale (purchases) of restricted investments	912,446	(1,060,212)
Purchases of investments	(7,543,180)	(19,892,331)
Proceeds from sale of investments	7,688,743	20,089,265
<b>Net cash provided by (used in) investing activities</b>	<b>874,996</b>	<b>(1,016,125)</b>
Cash flows from financing activities:		
Payment of bond issuance costs	-	(327,074)
Proceeds from bonds payable	-	19,942,884
Principal payments on bonds payable	(1,830,000)	(21,350,000)
<b>Net cash used by financing activities</b>	<b>(1,830,000)</b>	<b>(1,734,190)</b>
<b>Change in cash and cash equivalents</b>	<b>(163,435)</b>	<b>981,480</b>
Cash and cash equivalents		
Beginning	3,794,437	2,812,957
Ending	\$ 3,631,002	\$ 3,794,437
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,785,744	\$ 3,940,066

See notes to financial statements.

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Organization:** Euclid Avenue Development Corporation (the Corporation) was organized primarily to further the educational mission of Cleveland State University (the University) by developing and owning housing and parking facilities for the students, faculty, and staff of the University.

On March 1, 2005, the Corporation leased the Fenn Tower Building, located on the University's campus, from the University. On March 1, 2005, the Corporation entered into a development agreement with American Campus Communities (ACC) to plan, design, and construct housing units in Fenn Tower. In addition, the Corporation entered into a management agreement with ACC to manage Fenn Tower once construction was completed. Fenn Tower was completed in August 2006 and can house approximately 430 residents.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus. On August 22, 2008, the Corporation entered into a design-build agreement to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage. Construction of the garage was completed in August 2009.

On March 9, 2009, the Corporation leased land, owned by the University and located on its campus. On August 24, 2009, the Corporation entered into a development agreement with ACC to design, construct, and furnish housing units referred to as "Euclid Commons." In addition, the Corporation entered into a management agreement with ACC to manage Euclid Commons once construction was completed. Euclid Commons was completed in September 2011 and can house approximately 600 residents. Part of the project included constructing a 292-car attached parking garage. On December 18, 2009, the Corporation entered into a lease agreement with the University to operate the garage.

On April 1, 2016, the Corporation purchased a home for the use of the University's President. The home is referred to as the "University House." The Corporation entered into a lease agreement with the University for use of the home.

**Basis of presentation:** The Corporation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The financial statements have been prepared on the accrual basis of accounting.

**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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents (excluding cash equivalents held in investment brokerage accounts).

At various times during the years ended June 30, 2021 and 2020, the Corporation's cash bank balances exceeded the federally insured limits.

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Student accounts receivable:** Student accounts receivable are uncollateralized obligations due from the University's students for housing related charges. Accounts receivable are stated at the amount billed to the resident. Student account balances are considered delinquent when scheduled payments are missed.

At June 30, 2021 and 2020, the Corporation has recorded \$39,000 and \$47,000, respectively, as an allowance for potential uncollectible student accounts receivable. Management estimates an allowance for uncollectible accounts based upon a review of delinquent accounts and an assessment of the Corporation's historical collections experience.

**Bond issuance costs, net:** Bond issuance costs, net, were incurred to obtain financing and are being amortized using the straight-line method over the terms of the related bonds issued.

**Property and equipment:** Property and equipment is valued at cost when purchased or, if received through a donation, the fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets ranging from 3 to 40 years. Maintenance and repairs are expensed as incurred. Additions and major improvements are capitalized.

The Corporation capitalizes the net interest income or expense incurred during the construction of property. The amount capitalized is determined based upon the interest related to bonds payable and bond proceeds from specific construction projects. During the years ended June 30, 2021 and 2020, there was no interest income or expense capitalized.

**Security deposits:** Security deposits represent housing deposits made by residents of the Corporation's facilities and are shown as a liability in the accompanying statements of financial position.

**Deferred revenue:** Deferred revenue represents the unearned portion of rental revenue related to a sublease of property (Note 7) and housing for the summer session.

**Revenue recognition policy:** Revenue from rental income, maintenance fees, and summer leasing contracts is recognized when earned as per the terms of the underlying lease or sublease in accordance with ASC Topic 842, *Leases*.

**Management fees:** The Corporation has management agreements with ACC for Fenn Tower and Euclid Commons whereby ACC is paid a base compensation fee, as adjusted for inflation, and an incentive fee as a function of gross revenue. The agreements expired subsequent to year end on July 31, 2021. The Corporation is in the process of negotiating a management agreement with a new management company.

**Interest expense:** Interest expense includes interest incurred on the Corporation's bonds payable. The bonds were issued at a premium and issuance costs were incurred in relation to the issuance (Note 5). Interest expense is shown net of the annual amortization of the premium and issuance costs. The premium and the issuance costs are being amortized on a straight-line basis over the term of the underlying bonds payable.



## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Income taxes:** The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Uncertain income tax positions are evaluated at least annually by management. The Corporation classifies interest and penalties related to income tax matters as management and general expense in the accompanying financial statements. As of June 30, 2021 and 2020, the Corporation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

**Recently adopted accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, *Leases*. Under the new lease guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. Management has evaluated the impact of this standard and concluded that the standard did not materially impact the Corporation's financial statements.

**Subsequent events:** The Corporation has evaluated subsequent events for potential recognition and/or disclosure through September 28, 2021, the date the financial statements were available to be issued.

#### Note 2. Restricted Investments

Investments are carried at fair value. At June 30, 2021 and 2020, the Corporation had the following investments classified as restricted investments:

	2021	2020
Government Money Market Fund	\$ 4,803,902	\$ 5,716,348

The restricted investments are maintained in separate trust accounts as defined by the bond indenture. The restricted investments will be utilized for the Fenn Tower, parking garages, and Euclid Commons projects. Due to the volume and quick turnover of the investments underlying the restricted investments, the purchases and sales of such investments are displayed net in the statements of cash flows.

#### Note 3. Investments

Investments are reported at fair value with any realized and unrealized gains and losses reported in the statements of activities. Investment income is recognized in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. At June 30, 2021 and 2020, investments consisted of the following:

	2021	2020
Money market funds	\$ 76,018	\$ 4,377
Exchange traded funds	7,147,667	-
Fixed-income mutual funds	7,957,251	15,008,027
Total	\$ 15,180,936	\$ 15,012,404

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Corporation uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions.

Financial assets measured at fair value consisted of the following at June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 76,018	\$ -	\$ -	\$ 76,018
Exchange traded funds	7,147,667	-	-	7,147,667
Mutual funds:				
Domestic – fixed-income	7,957,251	-	-	7,957,251
Total investments	<u>\$ 15,180,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,180,936</u>
Restricted investments:				
Government Money Market Fund	<u>\$ 4,803,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,803,902</u>
	2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,377	\$ -	\$ -	\$ 4,377
Mutual funds:				
Domestic – fixed-income	15,008,027	-	-	15,008,027
Total investments	<u>\$ 15,012,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,012,404</u>
Restricted investments:				
Government Money Market Fund	<u>\$ 5,716,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,716,348</u>

The Corporation’s money market funds are valued at cost, which approximates fair value. The Corporation’s mutual funds, stocks, and exchange traded funds are valued at the daily closing price reported by the fund.

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 5. Bonds Payable, Net

On December 9, 2014, the Cleveland-Cuyahoga County Port Authority (Port Authority) issued \$88,945,000 of Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (Series 2014 Bonds). The Port Authority entered into a loan agreement with the Corporation to loan the bond proceeds to the Corporation. The proceeds were used by the Corporation to refund bonds issued in 2005 through 2009 and to pay certain costs of issuance of the Series 2014 Bonds. The remaining Series 2014 Bonds mature at various dates through August 1, 2044 with a fixed rate of interest of 5%. The bonds are secured by the assignment of all revenues from the Corporation. In issuing the bonds, the Corporation recorded bond issuance costs associated with these bonds with an original cost of \$1,116,704 and accumulated amortization of \$278,295 and \$226,669 at June 30, 2021 and 2020, respectively.

Unamortized bond issuance costs of \$181,602 were written-off during the year ended June 30, 2020 as a result of the Series 2019 Bond issuance.

The Series 2014 Bonds were issued pursuant to a Trust Indenture dated December 1, 2014, between the Port Authority and the Trustee.

The Series 2014 Bonds were issued at a premium of \$9,047,628 which are amortized over the terms of the underlying bonds. Unamortized bond premium of \$985,624 was recognized as a result of the Series 2019 Bond issue.

On August 8, 2019, the Cleveland-Cuyahoga County Port Authority issued Development Refunding Revenue Bonds in the principal amount of \$18,220,000. The Series 2019 Bonds were issued as fixed rate bonds with a maturity of August 1, 2044 and a coupon rate of 4%. The proceeds of the bonds totaled \$19,942,883, including a bond premium of \$1,722,883, which were used to (1) refund a portion (\$19,605,000) of the outstanding principal amount of the Series 2014 Bonds; and (2) to pay certain costs of issuance of the Series 2019 Bonds (\$327,074). In conjunction with the Series 2019 Bond issuance a portion of the Series 2014 Bond unamortized premium of \$985,624 was recognized and \$181,602 of unamortized bond issue costs were written off resulting in a gain from bond extinguishment of \$804,022. Additionally a loss of \$1,385,000 from the forgiveness of a portion of the note receivable from Cleveland State University was recognized. The forgiveness was a result of the bond premium received as a result of the Series 2019 Bond issue which lowered the lease obligation of Cleveland State University over the term of the bonds.

The Series 2019 Bonds were issued pursuant to a Trust Indenture dated August 1, 2019, between the Port Authority and the Trustee.

As noted above the Series 2019 Bonds were issued at a premium of \$1,722,884 which are amortized over the terms of the underlying bonds.

Bonds payable, net, as of June 30, is as follows:

	2021	2020
Bonds payable	\$ 77,795,000	\$ 79,625,000
Bond premium	9,607,151	9,607,151
Bond premium accumulated amortization	(2,340,192)	(1,933,720)
Bond issuance costs	(1,229,428)	(1,229,428)
Bond issuance costs accumulated amortization	278,295	226,669
Bonds payable, net	<u>\$ 84,110,826</u>	<u>\$ 86,295,672</u>

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 5. Bonds Payable, Net (Continued)

The aggregate amounts of maturities on bonds payable, net, as of June 30, are as follows:

Year	Bond Payment	Unamortized Bond Premium	Unamortized Bond Issuance Cost	Bonds Payable, Net
2022	\$ 1,925,000	\$ 376,105	\$ (45,641)	\$ 2,255,464
2023	2,025,000	376,105	(45,641)	2,355,464
2024	2,130,000	376,105	(45,641)	2,460,464
2025	2,235,000	376,105	(45,641)	2,565,464
2026	2,350,000	376,105	(45,641)	2,680,464
Thereafter	67,130,000	5,386,434	(722,928)	71,793,506
	<u>\$ 77,795,000</u>	<u>\$ 7,266,959</u>	<u>\$ (951,133)</u>	<u>\$ 84,110,826</u>

#### Note 6. Leases

**Leases as Lessor:** On July 1, 2008, the Corporation entered into a 30-year lease with the University for the East 21<sup>st</sup> Street parking garage facility. Under the terms of the lease, the University has been granted sole and exclusive charge of the operations of the parking garage facility during the lease term in exchange for making monthly rental payments in an amount equal to the required debt service payments on the Series 2014 and Series 2019 Bonds that refunded bonds issued in 2008 and 2014 (See Note 5), plus any other amount due to the Trustee under the Reimbursement Agreement. Upon termination of the lease, the Corporation will transfer title of the parking facility to the University. As such, the Corporation has recorded a lease receivable in the amount of \$12,298,500 as of June 30, 2021 and 2020, which represents the amount outstanding on the Series 2019 and 2014 Bonds (attributable to the parking garage facility) that refunded bonds issued in 2008 as of June 30, 2021 and 2020. Interest income is recognized based on the interest expense incurred on the Series 2019 and 2014 Bonds that refunded bonds issued in 2008 and 2014.

On July 1, 2011, the Corporation entered into a 30-year lease with the University for the parking garage facility attached to the Euclid Commons residence halls. Under the terms of the lease, the University has been granted sole and exclusive charge of the operations of the parking garage facility during the lease term in exchange for making monthly rental payments in the amount equal to the required debt service payments on the related bonds, plus any other amounts due to the Trustee under the Reimbursement Agreement. Upon termination of the lease, the Corporation will transfer title of the parking facility to the University. As such, the Corporation recorded a lease receivable in the amount of \$5,921,500 as of June 30, 2021 and 2020, which represents the amount outstanding on the Series 2019 and 2014 Bonds (attributable to the parking garage facility) that refunded bonds issued in 2009 as of June 30, 2021 and 2020. Interest income is recognized based on the interest expense incurred on the Series 2019 and 2014 Bonds that refunded bonds issued in 2009 and 2014.

On April 1, 2016, the Corporation entered into a 15-month lease with the University for the University House. Annual rent is \$56,460. The rent was arrived at in part to cover the estimated rate of return on the fixed-income assets used to fund the purchase of the University House plus 75 basis points (4.55% at June 30, 2021 and 2020). As a result, the lease allows the Corporation to adjust the rent once each biennium in Ohio, beginning July 1, 2019, to reflect the estimated rate of return, as defined. The lease includes the option to renew the lease up to nine times, for a two-year period each renewal, at the option of the tenant. The carrying value of this residence is \$1,174,106 which represents \$1,294,434 of cost and \$120,328 of accumulated depreciation. The Corporation plans to negotiate a renewal of the lease.

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 6. Leases (Continued)

**Leases as Lessee:** On March 1, 2005, the Corporation entered into a 31-year lease with the University for the Fenn Tower Building. Annual rent was equal to the net available cash flows from the Fenn Tower project. In fiscal year 2019, an amendment was made to the agreement whereby EADC is refunding certain debt obligations for purposes of refinancing a portion of bonds maturing on August 1, 2044. Rent expense under this lease was \$75,000 for each of the years ended June 30, 2021 and 2020. The University has a subordinate position on the assignment of rents and other assets from Fenn Tower.

On July 1, 2008, the Corporation entered into a 40-year lease with the University for the leasehold interest in the land upon which the parking garage was constructed. There is no rent payment due until July 1, 2039, at which time the rent payment will be \$1,000 per year through June 30, 2048.

On March 9, 2009, the Corporation entered into a 50-year lease with the University for the leasehold interest in the land upon which the Euclid Commons building was constructed. Annual rent was equal to the net available cash flows from the Euclid Commons project. In fiscal year 2017, an amendment was made to the agreement whereby the University could reduce or waive rents due from the Corporation regardless of whether the Corporation had net available cash flows from the project. Rent expense under this lease was \$425,000 for each of the years ended June 30, 2021 and 2020. The University has a subordinate position on the assignment of rents and other assets from Euclid Commons.

#### Note 7. Subleases

The Corporation subleases conference facilities within Fenn Tower and Euclid Commons to the University totaling approximately 30,000 square feet. Monthly payments related to Fenn Tower are \$39,158 through July 2036, and to Euclid Commons are \$23,715 through August 2042.

In July 2009, the Corporation entered into a 39-year lease with the Greater Cleveland Regional Transit Authority for a leasehold interest in land. Under the terms of the lease, the Corporation received a one-time rental payment of \$1,464,000. The Corporation is recognizing rental income over the 39-year life of the lease or \$37,538 per year.

Future minimum payments to be received for non-cancelable subleases are as follows for the years ending June 30:

2022	\$ 754,476
2023	754,476
2024	754,476
2025	754,476
2026	754,476
Thereafter	9,338,828
	<u>\$ 13,111,208</u>

## Euclid Avenue Development Corporation

### Notes to Financial Statements

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#### Note 8. Related-Party Transactions

Related-party transactions, other than those disclosed in Note 7, are as follows:

Cash due to the University totaled \$728,846 and \$1,325,823 at June 30, 2021 and 2020, respectively, and represents amounts owed to the University.

At June 30, 2021 and 2020, included in accounts payable for utilities expenses and cash held for the University was \$103,085 and \$497,000, respectively.

The Corporation generated revenues from the University of \$1,686,827 and \$1,692,231 for rental and maintenance fees related to space occupied by the University during the years ended June 30, 2021 and 2020, respectively. Additionally, included in student rental income is \$1,950,000 and \$936,905 of rental revenues from the University to support break-even occupancy for the years ended June 30, 2021 and 2020, respectively.

#### Note 9. Liquidity and Availability of Resources

The Corporation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	\$ 3,631,002	\$ 3,794,437
Student accounts receivable, net	71,425	57,980
Other receivables	17,123	45,764
Investments	15,180,936	15,012,404
Total financial assets available within one year	<u>\$ 18,900,486</u>	<u>\$ 18,910,585</u>

All financial assets listed above are without donor restrictions. The Corporation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### Note 10. Statements of Functional Expenses

The statements of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program services and management and general purposes are reported as expenses of that functional area. All expenses are directly attributable to functional expense categories and none were considered indirect costs requiring allocation.

#### Note 11. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. The extent to which the coronavirus impacts the Corporation's financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, included new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

**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***

**Independent Auditor's Report**

Board of Directors  
Euclid Avenue Development Corporation

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 financial statements of Euclid Avenue Development Corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*RSM US LLP*

Cleveland, Ohio  
September 28, 2021



# OHIO AUDITOR OF STATE KEITH FABER



**EUCLID AVENUE DEVELOPMENT CORPORATION**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/4/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)