

# **Euclid Avenue Development Corporation**

Financial Report  
June 30, 2022



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Directors  
Euclid Avenue Development Corporation  
2121 Euclid Avenue  
Cleveland, Ohio 44115

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, 2021 through June 30, 2022. 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, 2022

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Euclid Avenue Development Corporation

### Opinion

We have audited the financial statements of Euclid Avenue Development Corporation (a nonprofit corporation) (the Corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 accounting principles generally accepted in the United States of America, 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 one year after the date the financial statements are issued.

### Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Corporation's internal control over financial reporting and compliance.

*RSM US LLP*

Cleveland, Ohio  
September 29, 2022



**Euclid Avenue Development Corporation**

**Statements of Financial Position  
June 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,258,377	\$ 3,631,002
Student accounts receivable, net	85,407	71,425
Due from the University	44,786	-
Other receivables	102,097	17,123
Investments	13,056,781	15,180,936
Prepaid expenses	64,026	24,203
<b>Total current assets</b>	<b>15,611,474</b>	<b>18,924,689</b>
Property and equipment:		
Land	128,000	128,000
Buildings	70,632,179	70,632,179
Building improvements	2,510,017	2,185,939
Furniture, fixtures, and equipment	3,387,829	3,340,282
	<b>76,658,025</b>	<b>76,286,400</b>
Less accumulated depreciation	<b>(27,864,402)</b>	<b>(25,827,100)</b>
<b>Property and equipment, net</b>	<b>48,793,623</b>	<b>50,459,300</b>
Other assets:		
Restricted investments and deposits	5,320,560	4,803,902
Leases receivable	18,220,000	18,220,000
<b>Total other assets</b>	<b>23,540,560</b>	<b>23,023,902</b>
<b>Total assets</b>	<b>\$ 87,945,657</b>	<b>\$ 92,407,891</b>

(Continued)

Euclid Avenue Development Corporation

Statements of Financial Position (Continued)

June 30, 2022 and 2021

	2022	2021
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of bonds payable	\$ 2,025,000	\$ 1,925,000
Accounts payable	712,287	469,067
Due to the University	-	728,846
Accrued interest and other	1,504,725	1,603,743
Deferred revenue	37,536	86,867
Security deposits	118,205	92,430
<b>Total current liabilities</b>	<b>4,397,753</b>	<b>4,905,953</b>
Noncurrent liabilities, net of current portion:		
Deferred revenue	938,485	976,023
Bonds payable, net:	79,806,282	82,185,826
<b>Total noncurrent liabilities, net of current portion</b>	<b>80,744,767</b>	<b>83,161,849</b>
<b>Total liabilities</b>	<b>85,142,520</b>	<b>88,067,802</b>
Net assets:		
Without donor restrictions	2,803,137	4,340,089
<b>Total net assets</b>	<b>2,803,137</b>	<b>4,340,089</b>
<b>Total liabilities and net assets</b>	<b>\$ 87,945,657</b>	<b>\$ 92,407,891</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statements of Activities**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	2021
Revenues and gains:		
Rental income:		
Students	\$ 8,310,083	\$ 7,269,799
University	1,483,288	1,483,288
Other	95,198	51,801
Maintenance fees—University	214,226	203,539
Other	239,358	98,210
<b>Total revenues and gains</b>	<b>10,342,153</b>	<b>9,106,637</b>
Expenses:		
Program services	9,377,319	8,711,565
Management and general	520,502	268,217
<b>Total expenses</b>	<b>9,897,821</b>	<b>8,979,782</b>
Investment (loss) income, net	<b>(1,981,284)</b>	351,831
<b>Change in net assets without donor restrictions</b>	<b>(1,536,952)</b>	478,686
Net assets:		
Beginning—without donor restrictions	<b>4,340,089</b>	3,861,403
Ending—without donor restrictions	<b>\$ 2,803,137</b>	<b>\$ 4,340,089</b>

See notes to financial statements.

**Euclid Avenue Development Corporation**

**Statement of Functional Expenses  
Year Ended June 30, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Interest	\$ 3,307,432	\$ -	\$ 3,307,432
Depreciation	2,037,302	-	2,037,302
Occupancy	1,984,152	-	1,984,152
Contracted personnel	1,631,001	-	1,631,001
Administrative costs		459,465	459,465
Property management	328,588	-	328,588
Other operating costs	64,714	-	64,714
Advertising and promotions	-	39,277	39,277
Insurance	24,130	-	24,130
Accounting	-	21,760	21,760
<b>Total expenses</b>	<b>\$ 9,377,319</b>	<b>\$ 520,502</b>	<b>\$ 9,897,821</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
Interest	\$ 3,392,773	\$ -	\$ 3,392,773
Depreciation	2,031,603	-	2,031,603
Occupancy	1,702,811	-	1,702,811
Contracted personnel	1,186,332	-	1,186,332
Administrative costs	-	211,855	211,855
Property management	239,360	-	239,360
Other operating costs	145,751	-	145,751
Advertising and promotions	-	28,060	28,060
Insurance	12,935	-	12,935
Accounting	-	28,302	28,302
<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**

**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,536,952)	\$ 478,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,037,302	2,031,603
Amortization of debt issuance costs and bond premiums	(354,544)	(354,846)
Net realized and unrealized loss (gain) on investments	2,390,174	(314,095)
(Increase) decrease in assets:		
Student accounts receivable, net	(13,982)	(13,445)
Due from the University	(44,786)	-
Other receivables	(84,974)	28,641
Prepaid expenses	(39,823)	6,858
Increase (decrease) in liabilities:		
Accounts payable	243,220	(320,478)
Due to the University	(728,846)	(596,977)
Accrued interest and other	(99,018)	(38,108)
Deferred revenue	(86,869)	(13,812)
Security deposits	25,775	(102,458)
<b>Net cash provided by operating activities</b>	<b>1,706,677</b>	<b>791,569</b>
Cash flows from investing activities:		
Purchases of property and equipment	(371,625)	(183,013)
Net proceeds from sale of restricted investments	133,342	912,446
Deposits made to title company	(650,000)	-
Purchases of investments	(4,630,784)	(7,543,180)
Proceeds from sale of investments	4,364,765	7,688,743
<b>Net cash (used in) provided by investing activities</b>	<b>(1,154,302)</b>	<b>874,996</b>
Cash flows from financing activities:		
Principal payments on bonds payable	(1,925,000)	(1,830,000)
<b>Net cash used in financing activities</b>	<b>(1,925,000)</b>	<b>(1,830,000)</b>
<b>Change in cash and cash equivalents</b>	<b>(1,372,625)</b>	<b>(163,435)</b>
Cash and cash equivalents		
Beginning	3,631,002	3,794,437
Ending	\$ 2,258,377	\$ 3,631,002
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,659,425	\$ 3,785,744

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 to plan, design, and construct housing units in Fenn Tower. In addition, the Corporation entered into a management agreement with an unrelated entity. 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 to design, construct, and furnish housing units referred to as "Euclid Commons." In addition, the Corporation entered into a management agreement with an unrelated entity 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, 2022 and 2021, 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, 2022 and 2021, the Corporation has recorded \$177,135 and \$39,000, 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, 2022 and 2021, 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*.

**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.

**Management fees:** The Corporation has management agreements with Greystar for Fenn Tower and Euclid Commons whereby Greystar is paid a base compensation fee, as adjusted for inflation.

**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, 2022 and 2021, 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.

**Subsequent events:** The Corporation has evaluated subsequent events for potential recognition and/or disclosure through September 29, 2022, the date the financial statements were available to be issued.

#### Note 2. Restricted Investments and Deposits

Restricted investments and deposits are carried at fair value. At June 30, 2022 and 2021, the Corporation had the following restricted investments and deposits:

	2022	2021
Deposits with title company	\$ 650,000	\$ -
Government money market fund	4,670,560	4,803,902
	<u>\$ 5,320,560</u>	<u>\$ 4,803,902</u>

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.

The deposits with the title company represent cash deposits related to properties acquired subsequent to June 30, 2022. See Note 10 for further detail.

#### 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, 2022 and 2021, investments consisted of the following:

	2022	2021
Money market funds	\$ 67,031	\$ 76,018
Exchange traded funds	7,382,475	7,147,667
Fixed-income mutual funds	5,607,275	7,957,251
Total	<u>\$ 13,056,781</u>	<u>\$ 15,180,936</u>

## 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:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 67,031	\$ -	\$ -	\$ 67,031
Exchange traded funds	7,382,475	-	-	7,382,475
Mutual funds:				
Domestic—fixed-income	5,607,275	-	-	5,607,275
Total investments	<u>\$ 13,056,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,056,781</u>
Restricted investments:				
Government Money Market Fund	<u>\$ 4,670,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,670,560</u>
	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>

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 that will be amortized over the life of the bonds. The Series 2014 Bonds were issued at a premium which is also being amortized over the terms of the underlying bonds.

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

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. In conjunction with the Series 2019 Bond issuance a portion of the Series 2014 Bond unamortized premium and unamortized bond issue costs were written off. As noted above the Series 2019 Bonds were issued at a premium and certain issuance costs were incurred which are amortized over the terms of the underlying bonds.

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

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

	2022	2021
Bonds payable	\$ 75,870,000	\$ 77,795,000
Bond premium	9,607,151	9,607,151
Bond premium accumulated amortization	(2,746,664)	(2,340,192)
Bond issuance costs	(1,229,428)	(1,229,428)
Bond issuance costs accumulated amortization	330,223	278,295
Bonds payable, net	<u>\$ 81,831,282</u>	<u>\$ 84,110,826</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
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
2027	2,475,000	376,105	(45,641)	2,805,464
Thereafter	64,655,000	4,979,962	(671,000)	68,963,962
	<u>\$ 75,870,000</u>	<u>\$ 6,860,487</u>	<u>\$ (899,205)</u>	<u>\$ 81,831,282</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, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021). 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 \$1,142,342 which represents \$1,294,434 of cost and \$152,092 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, 2022 and 2021. 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, 2022 and 2021. 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:

2023	\$	754,476
2024		754,476
2025		754,476
2026		754,476
2027		754,476
Thereafter		8,584,352
		<u>\$ 12,356,732</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 from the University totaled \$44,786 at June 30, 2022 and represents amounts due from the University. Cash due to the University totaled \$728,846 at June 30, 2021 and represents amounts owed to the University.

At June 30, 2022 and 2021, included in accounts payable for utilities expenses and cash held for the University was \$165,044 and \$103,085, respectively.

The Corporation generated revenues from the University of \$1,686,827 for rental and maintenance fees related to space occupied by the University for both the years ended June 30, 2022 and 2021. Additionally, included in student rental income is \$1,950,000 of rental revenues from the University to support break-even occupancy for the year ended June 30, 2021.

#### 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:

	2022	2021
Cash and cash equivalents	\$ 2,258,377	\$ 3,631,002
Student accounts receivable, net	85,407	71,425
Due from the University	44,786	-
Other receivables	102,097	17,123
Investments	13,056,781	15,180,936
Total financial assets available within one year	<u>\$ 15,547,448</u>	<u>\$ 18,900,486</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. Subsequent Events

In July 2022, the Corporation issued \$140.3 million of tax-exempt bonds to finance the acquisition of student housing and parking facilities for student residents and \$6.7 million of taxable bonds to finance the purchase of retail space related to the student housing facilities.

**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, 2022, 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 29, 2022.

**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 or significant deficiencies 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 29, 2022



# 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 11/10/2022**

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)