

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**MARCH 31, 2021**



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FINANCING CORPORATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida SouthWestern State College Financing Corporation  
Fort Myers, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Florida SouthWestern State College Financing Corporation (the Financing Corporation), a component unit of Florida SouthWestern State College, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Financing Corporation's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 the 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 auditors' 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 the Financing Corporation as of March 31, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 6 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 July 28, 2021 on our consideration of the Financing 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 Financing 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 Financing Corporation's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
July 28, 2021

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Overview of the Financial Statements and Financial Analysis**

This section of the Florida SouthWestern State College Financing Corporation (the Financing Corporation) annual financial report presents a discussion and analysis of the financial performance of the Financing Corporation for the year ended March 31, 2021. The emphasis of discussions about these statements will be on current year activities, resulting change, and current known facts. The discussion should be read in conjunction with the basic financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Financing Corporation’s management.

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” as amended. The Financing Corporation is considered a Business Type Activity under the provisions and reporting model of GASB Statement No. 34.

**Financial Highlights**

On December 21, 2017, the Financing Corporation issued the Series 2017A, Series 2017B, and Series 2017C Refunding Bank Loans in the par amounts of \$10,000,000, \$10,000,000, and \$2,879,067, respectively. The notes were issued for the purpose of currently refunding the outstanding Series 2010 Industrial Development Revenue Bond. The final maturity of the refunding notes is October 1, 2040, with interest rates of 3%, 2.96%, and 3%, respectively.

On April 3, 2008, the Florida SouthWestern State College’s (the College) District Board of Trustees approved Policy 6Hx6:1.07 which allows the transfer of “legally available auxiliary enterprise funds” to the Financing Corporation in order to operate or administer contracts for the College’s auxiliary enterprises on behalf of the College. Legally available funds is defined as all funds that are not; a) derived from tuition revenues; b) appropriated for designated purposes; c) pledged to secure obligations of the College, or if pledged, are in excess of amounts necessary to pay such obligations in the current fiscal year; or d) otherwise legally or contractually restricted as to use.

On November 16, 2007, the College entered into an agreement with Clearwire, Inc. to lease the College’s excess capacity on its license to operate an Education Broadband Service (EBS). The College holds a license issued by the Federal Communications Commission to operate Educational Broadband Service Stations in areas surrounding its campuses.

Clearwire, Inc. is in the business of operating, aggregating, and/or managing broadband services and hence has agreed to pay royalties to the College for its excess capacity. A total of \$358,656 was received from Clearwire, Inc. for the years ended March 31, 2021 and 2020. All revenue earned by the College from this agreement has been contributed to the Financing Corporation, as approved by the College’s District Board of Trustees.

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Highlights (Continued)**

The Financing Corporation maintains an agreement with the College to collect lease revenues from the Florida SouthWestern Collegiate High Schools (the Charter Schools) located on the Lee and Charlotte campuses of the College. The Charter Schools are a component unit of the College. The Financing Corporation records the revenue from this lease agreement as nonoperating revenues from auxiliary operations of the College. A total of \$272,500 and \$237,500 was recognized as nonoperating revenues from the Charter Schools for the years ended March 31, 2021 and 2020, respectively. See Note F for additional information.

**Statement of Net Position**

The Statement of Net Position reflects the assets and liabilities of the Financing Corporation using the accrual basis of accounting and presents the financial position of the Financing Corporation at a specified time. Net position, the difference between total assets, plus deferred outflows of resources, and total liabilities, is one indicator of the Financing Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Financing Corporation's financial condition.

The following table presents a condensed summary of the Financing Corporation's net position as of the dates shown.

**Summary of Net Position**

	March 31, 2021	March 31, 2020
<b>Assets</b>		
Current and other assets	\$ 10,763,064	\$ 10,802,307
Capital assets	17,440,305	18,066,011
<b>Total Assets</b>	<u>28,203,369</u>	<u>28,868,318</u>
<b>Liabilities</b>		
Current Liabilities	1,304,022	1,085,407
Noncurrent Liabilities	19,432,461	20,214,169
<b>Total Liabilities</b>	<u>20,736,483</u>	<u>21,299,576</u>
<b>Net Position</b>		
Net Investment in Capital Assets	413,368	399,892
Unrestricted	7,053,518	7,168,850
<b>Total Net Position</b>	<u>\$ 7,466,886</u>	<u>\$ 7,568,742</u>
<b>Change in Net Position</b>	\$ (101,856) -1.3%	

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Net Position (Continued)**

At March 31, 2021, the assets of the Financing Corporation totaled \$28,203,369, as compared to a total of \$28,868,318 at March 31, 2020, or a decrease of approximately 2.3 %. Total assets consist primarily of a 405-bed student residence hall completed March 31, 2013. The balance in net position for the Financing Corporation is determined by subtracting total liabilities from total assets. At March 31, 2021, the liabilities of the Financing Corporation totaled \$20,736,483, as compared to a total of \$21,299,576 at March 31, 2020, or a decrease of approximately 2.6%. Total liabilities are primarily comprised of amounts due to the Series 2017 bonds issued for the refinancing of the Series 2010 bonds. Net position totaled \$7,466,886 and consisted primarily of unrestricted net position of \$7,053,518 as of March 31, 2021, for an decrease of approximately 1.3% from the prior year.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the Financing Corporation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the Statement is to show the operating and nonoperating revenues received by the Financing Corporation, the operating and nonoperating expenses paid by the Financing Corporation and any other revenues, expenses, gains and losses received or spent by the Financing Corporation.

Revenues and expenses of the Financing Corporation for the respective years ended are shown in the table below.

**Summary of Revenues, Expenses, and Changes in Net Position**

	Year Ended	
	March 31, 2021	March 31, 2020
Total Operating Revenues	\$ 1,820,585	\$ 2,555,298
Total Nonoperating Revenues, net	718,651	803,613
<b>Total Revenues</b>	<b>2,539,236</b>	<b>3,358,911</b>
Total Operating Expenses	2,018,323	2,015,931
Total Nonoperating Expenses	622,769	644,503
<b>Total Expenses</b>	<b>2,641,092</b>	<b>2,660,434</b>
<b>Change in Net Position</b>	<b>(101,856)</b>	<b>698,477</b>
<b>Net Position, Beginning of Year</b>	<b>7,568,742</b>	<b>6,870,265</b>
<b>Net Position, End of Year</b>	<b>\$ 7,466,886</b>	<b>\$ 7,568,742</b>

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

Operating revenues totaled \$1,820,585 at March 31, 2021 and reflect a decrease of \$734,713, approximately 28.8%, from 2020 primarily due to housing occupation decrease as a result of COVID-19. Operating expenses increased by \$2,392, approximately 0.1%, in 2021 as compared to 2020. Nonoperating expenses are comprised of interest expense related to the housing bonds.

**Capital Assets**

The following schedule provides a comparative summary of net capital assets by category. Additional information on the Financing Corporation's capital assets can be found in Note D on page 19 of this report.

	Year Ended	
	March 31, 2021	March 31, 2020
Buildings	\$ 16,964,833	\$ 17,506,264
Other Structures	475,472	559,747
<b>Total Capital Assets, net</b>	<b>\$ 17,440,305</b>	<b>\$ 18,066,011</b>

Depreciation expense for the years ended March 31, 2021 and 2020 totaled \$625,706.

**Debt Administration**

The following schedule details the Financing Corporation's long-term debt as of the dates shown. Additional information about the Financing Corporation's long-term debt can be found in Note E on pages 19-20 of this report.

	Year Ended	
	March 31, 2021	March 31, 2020
Bonds Payable	\$ 20,214,169	\$ 20,972,998

**Request for Information**

This financial report is designed to provide the reader an overview of the Financing Corporation. Questions regarding any information provided in this report should be directed to:

Dr. Gina Doeble, CPA  
Vice President of Administrative Services  
Florida SouthWestern State College  
8099 College Parkway  
Fort Myers, Florida 33919

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 3,878,106
Due from College	79,959
Prepaid Expenses	109,941
<b>Total Current Assets</b>	<u>4,068,006</u>

**NONCURRENT ASSETS**

Investments	4,933,522
Restricted Cash and Cash Equivalents	1,761,536
Capital Assets, net	17,440,305
<b>Total Noncurrent Assets</b>	<u>24,135,363</u>

<b>TOTAL ASSETS</b>	<u>28,203,369</u>
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	97,421
Rent Received in Advance	223,929
Interest Payable	200,964
Bonds Payable - Current	781,708
<b>Total Current Liabilities</b>	<u>1,304,022</u>

**NONCURRENT LIABILITIES**

Bonds Payable - Noncurrent	19,432,461
<b>Total Noncurrent Liabilities</b>	<u>19,432,461</u>

<b>TOTAL LIABILITIES</b>	<u>20,736,483</u>
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**NET POSITION**

Net Investment in Capital Assets	413,368
Unrestricted	7,053,518
	<u>7,466,886</u>

<b>TOTAL NET POSITION</b>	<u>\$ 7,466,886</u>
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See accompanying Notes to Financial Statements.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2021**

<b>OPERATING REVENUES</b>	\$ 1,820,585
<b>OPERATING EXPENSES</b>	
General and Administrative	<u>2,018,323</u>
<b>OPERATING LOSS</b>	<u>(197,738)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Florida SouthWestern State College - EBS Royalties	358,656
Florida SouthWestern State College - Charter School Leases	272,500
Interest Income	99,859
Net Realized and Unrealized Loss on Investments	(12,364)
Interest Expense	<u>(622,769)</u>
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>95,882</u>
<b>CHANGE IN NET POSITION</b>	(101,856)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>7,568,742</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 7,466,886</u></u>

See accompanying Notes to Financial Statements.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Students for Housing	\$ 1,959,063
Cash Paid to Suppliers for Goods/Services/Utilities	<u>(1,416,147)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>542,916</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from Florida SouthWestern State College - EBS Royalties	358,656
Receipts from Florida SouthWestern State College - Charter School Leases	<u>272,500</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>631,156</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Paid on Bonds	(758,829)
Interest Paid on Bonds	<u>(630,313)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,389,142)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	102,976
Purchases of Securities for Long-Term Investments	(1,650,300)
Proceeds from Sales and Maturities of Investments	<u>1,473,772</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(73,552)</u>
Decrease in Cash and Equivalents	(288,622)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,928,264</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,639,642</u>
Current Cash and Cash Equivalents	\$ 3,878,106
Current Cash and Cash Equivalents - Restricted	<u>1,761,536</u>
Cash and Cash Equivalents, March 31, 2021	<u>\$ 5,639,642</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Change in Fair Value of Investments	<u>\$ 797</u>

See accompanying Notes to Financial Statements.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED MARCH 31, 2021**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	<u>\$ (197,738)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	625,706
Increase in Due from College	(79,331)
Increase in Prepaid Expenses	(9,001)
Increase in Accounts Payable	3,278
Decrease in Due to College	(17,807)
Increase in Rent Received in Advance	<u>217,809</u>
Net Change	<u>740,654</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 542,916</u></u>

See accompanying Notes to Financial Statements.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Description of Organization and Activities**

On November 27, 2007, the Edison College District Board of Trustees approved the creation of the Edison College Financing Corporation (the Financing Corporation). The Financing Corporation was incorporated as a nonprofit organization under the laws of the state of Florida on November 28, 2007. On March 31, 2010, the Financing Corporation changed its corporate name to Edison State College Financing Corporation, consistent with the name change of Edison State College. On July 1, 2014, the Financing Corporation changed its corporate name to Florida SouthWestern State College Financing Corporation, consistent with the name change of Florida SouthWestern State College (the College).

The Financing Corporation is a direct support organization and a component unit of the College, as defined by State of Florida Auditor General Rule 10.700 and Florida Statute 1004.70. It is governed by its own independent board of directors and is organized to: a) provide housing opportunities for the students of the College; b) finance capital projects to meet current and future needs of the College, such as student housing, parking facilities, and/or other improvements; c) manage and invest funds held by it; and d) any other proper activity of the College. The Financing Corporation has no component units. Therefore, no component units are reported as part of the Financing Corporation.

The governing body of the Financing Corporation is its board of directors (the Board). The Board is comprised of at least five (5) but not more than seven (7) directors. The Financing Corporation is managed, supervised, and controlled by its Board subject to applicable law and the powers and duties reserved to the District Board of Trustees and the President of the College.

The Financing Corporation's District offices are located on the Lee County campus of the College in Fort Myers, Florida.

**Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

**Basis of Accounting**

Basis of accounting refers to when the effect of transactions or events should be recognized for financial reporting purposes. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Financing Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

The Statement of Net Position is presented in a classified format to distinguish between current and long-term assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position is presented by major sources. The Statement of Cash Flows is presented using the direct method and is in compliance with GASB Statement No. 9, “Reporting Cash Flow for Proprietary and Non-expendable Trust Funds.”

**Financial Statement Presentation**

The Financing Corporation follows Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,” as amended, and GASB Statements No. 38, “Certain Financial Statements Note Disclosure,” as amended.

GASB Statement No. 34, as amended, established standards for external financial reporting which includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and Notes to the Financial Statements. GASB Statement No. 34 also includes a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of Net Position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are further defined as follows:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that are attributable to those assets.
- Restricted - consists of assets that have constraints placed upon their use through external sources imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities to be paid from these assets.
- Unrestricted - consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Financing Corporation also adheres to the recommendations of the National Association of College and University Business Officers (NACUBO). NACUBO’s recommendations are consistent with generally accepted accounting principles promulgated by the GASB.

Since the Financing Corporation is not required to adopt a legal budget, a budget-versus-actual statement is not presented as part of these financial statements.

**Cash and Cash Equivalents**

The Financing Corporation considers highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Receivables**

Receivables consist of amounts due from the College for lease revenues from students residing in LightHouse Commons. Such amounts are reported net of an allowance for uncollectible accounts of \$38,901 at March 31, 2021.

**Investments**

On December 5, 2014, the Financing Corporation’s board of directors approved an updated investment policy which defines the fiduciary responsibility of the Financing Corporation’s investment advisor and establishes asset uses and the acceptable level of risk on investments. The adopted policy permits investments in low to low-moderate risk investment vehicles. Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the Statement of Revenue, Expenses, and Changes in Net Position.

**Capital Assets**

The Financing Corporation’s capital assets are capitalized and recorded at cost at the date of acquisition or at estimated acquisition value at the date received in the case of gifts and purchases of state surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Financing Corporation has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Other Structures	10 years
Furniture, Machinery, and Equipment:	
Computer Equipment	3 years
Office Equipment	5 years
Furniture	7 years

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Financing Corporation. These revenues are charges for student rent and fees related to housing. Operating expenses are necessary costs incurred to provide the goods and services that are for housing as well as for support of the College. Items that do not directly relate to the principal and usual activity of the Financing Corporation are recorded as nonoperating revenues and expenses.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Income Taxes**

No provision for income tax expense has been made in the accompanying financial statements since the Financing Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Financing Corporation is organized exclusively for educational purposes and although it has not been classified as an organization that is a private foundation under Section 509(a)(2), it has been classified as a corporation under section 509(a)(3).

**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, 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.

**NOTE B – CASH AND CASH EQUIVALENTS**

The Financing Corporation’s policy allows deposits to be held in demand deposit and money market accounts as well as other low to low-moderate risk investment vehicles. Cash and cash equivalents (deposits) consist of the following at March 31, 2021:

Classification	Carrying Amount
<b>Unrestricted</b>	
Public Funds Bank Account	\$ 3,854,416
U.S. Government Money Market Mutual Fund	23,690
<b>Restricted for Capital Outlay</b>	
Public Funds Bank Account	344,744
<b>Restricted for Debt Service</b>	
Public Funds Bank Account	1,416,792
	<u>\$ 5,639,642</u>

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, deposits will be forfeited. The Financing Corporation does not have a deposit policy for custodial credit risk. The Financing Corporation has experienced no custodial credit risk losses.

The Financing Corporation’s accounts are categorized as follows:

	<u>Bank Balance</u>
<b>Unrestricted</b>	
Amount covered by Federal Depository Insurance or collateralized pursuant to Florida Statute 280	\$ 3,966,916
<b>Total Unrestricted</b>	<u>3,966,916</u>
<b>Restricted for Capital Outlay</b>	
Amount covered by Federal Depository Insurance or collateralized pursuant to Florida Statute 280	344,744
<b>Restricted for Debt Service</b>	
Amount covered by Federal Depository Insurance or collateralized pursuant to Florida Statute 280	1,416,792
<b>Total Restricted</b>	<u>1,761,536</u>
	<u><u>\$ 5,728,452</u></u>

**Custodial Credit Risk**

The Financing Corporation maintains its Public Funds Bank Accounts in Qualified Public Depositories as required by Section 280.17, Florida Statutes. These assets are fully insured through a combination of up to \$250,000 per financial institution through Federal Deposit Insurance Corporation (FDIC) or collateral pursuant to Chapter 280, Florida Statutes, Security for Public Deposits. Florida Statute 280.17 requires that public funds be fully collateralized.

**Credit Risk**

The Financing Corporation’s policy requires limiting investments to the safest types of securities and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Financing Corporation’s investment in the Money Market Mutual Fund is rated AAA at March 31, 2021.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE C – INVESTMENTS**

The Financing Corporation's policy objectives suggest an investment strategy of an intermediate taxable fixed income portfolio. The intermediate taxable fixed income portfolio will have a duration range of 1.5 to 3 years determined first by the liquidity requirements of the Financing Corporation and then by yields available in the market. A maximum, final maturity for any single issue will be 3.5 years, with the exception of agency mortgage-backed securities, which may have longer final maturities, but must have average lives of less than 3.5 years at purchase.

Investment will be limited to U.S. treasuries, government agency debt (including agency mortgage-backed securities), taxable municipal bonds, and corporate bonds with the following portfolio limitation: maximum allocation to taxable municipal bonds is 25%; maximum allocation to corporate bonds is 25%; and minimum allocation to government agency and agency mortgage-backed securities will be 50%, with the additional provision that the maximum allocation to agency mortgage-backed securities is 20%.

The strategy states that all corporate bond investments will be A rated or better, with a provision that no purchases will be made if a bond is rated below A by any of the three ratings agencies. All taxable municipal bond investments will be AA rated or better, with a provision that no purchases will be made if a bond is rated below AA by any of the three ratings agencies.

All assets will be invested in liquid securities, defined as securities that can be sold quickly and efficiently for cash, and will settle within three business days.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Financing Corporation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Financing Corporation utilizes the services of an investment manager, FineMark National Bank and Trust, for its investments. The investments held by the investment manager are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Financing Corporation's name.

The Money Market Mutual Fund account, in the amount of \$23,690, is not insured through either the FDIC or Chapter 280. Investments in these money market mutual funds are not categorized as to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE C – INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Financing Corporation has established a target for the duration of its fixed income portfolio to be between 1.5 and 3 years.

As of March 31, 2021, the fair value of the Financing Corporation’s investment portfolio was \$4,957,212. The portion attributed to fixed income investments totaled \$4,933,522 and was available by percentage of its portfolio as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	25.4%
1-3 years	74.6%

All funds classified as Investments are recorded at fair value, as listed on March 31, 2021. As of March 31, 2021, the maturities of investments by type were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-3 Years</u>
Federal Agencies	\$ 2,560,962	\$ 795,693	\$ 1,765,269
State and Municipal Bonds	1,214,511	232,051	982,460
Corporate Bonds	1,158,049	225,000	933,049
Totals	<u>\$ 4,933,522</u>	<u>\$ 1,252,744</u>	<u>\$ 3,680,778</u>

**Credit Risk**

It is the Financing Corporation’s policy that the fixed income portfolio must be rated at A or higher for corporate bond investments and AA or higher for all other investments by any of the three rating services. At March 31, 2021, the Financing Corporation’s fixed income investments were rated as follows:

<u>Ratings</u>	<u>% of Portfolio</u>
AAA	61.76%
AA	26.47%
A	11.76%
	<u>100.0%</u>

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE C – INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The Financing Corporation’s policy limits investments to U.S. treasuries, government agencies, taxable municipal bonds, and corporate bonds. The maximum exposure to A and AA rated bonds is 25% and 25%, respectively, of the portfolio’s fair value. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations. The following represents investments with issuers that exceed 5% of the Financing Corporation’s total investments:

<u>Issuer</u>	<u>Issuers' Total Fair Value</u>	<u>Percent of Total Investments</u>
MICROSOFT CORP	\$ 464,175	9%
FEDERAL HOME LOAN BANK (FHLB)	\$ 724,858	15%
FANNIE MAE (FNMA)	\$ 1,587,642	32%

Management of the Financing Corporation believes the concentration of credit risk with respect to its investments is mitigated by investing through the use of a national investment manager in U.S. treasuries, government agencies, highly rated corporate bonds, municipal bonds, and widely traded mutual funds.

**Fair Value Measurements**

The Financing Corporation categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Financing Corporation has the following recurring fair value measurements as of March 31, 2021:

- Federal Agencies of \$2,560,962 and State and Municipal Bonds of \$1,214,511 are valued using pricing models maximizing the use of observable inputs for similar securities (Level 2 inputs).
- Corporate Bonds of \$1,158,049 is valued using a matrix pricing model (Level 2 inputs).

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE D – CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended March 31, 2021:

	Balance March 31, 2020	Increases	Decreases	Balance March 31, 2021
Depreciable Capital Assets:				
Building	\$ 21,657,234	\$ -	\$ -	\$ 21,657,234
Other Structures	842,750	-	-	842,750
Computer Equipment	21,997	-	-	21,997
Office Equipment	15,897	-	-	15,897
Furniture	90,744	-	-	90,744
Total Depreciable Assets	<u>22,628,622</u>	<u>-</u>	<u>-</u>	<u>22,628,622</u>
Total Capital Assets	<u>22,628,622</u>	<u>-</u>	<u>-</u>	<u>22,628,622</u>
Less Accumulated Depreciation for:				
Building	(4,150,970)	(541,431)	-	(4,692,401)
Other Structures	(283,003)	(84,275)	-	(367,278)
Computer Equipment	(21,997)	-	-	(21,997)
Office Equipment	(15,897)	-	-	(15,897)
Furniture	(90,744)	-	-	(90,744)
Total Accumulated Depreciation	<u>(4,562,611)</u>	<u>(625,706)</u>	<u>-</u>	<u>(5,188,317)</u>
Total Capital Assets, net	<u>\$ 18,066,011</u>	<u>\$ (625,706)</u>	<u>\$ -</u>	<u>\$ 17,440,305</u>

**NOTE E – BONDS PAYABLE**

The following is a summary of the bonds payable activity for the period ended March 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Series 2017A	\$ 9,166,895	\$ -	\$ 331,669	\$ 8,835,226	\$ 341,669
Series 2017B	9,166,895	-	331,669	8,835,226	341,669
Series 2017C	2,639,208	-	95,491	2,543,717	98,370
	<u>\$ 20,972,998</u>	<u>\$ -</u>	<u>\$ 758,829</u>	<u>\$ 20,214,169</u>	<u>\$ 781,708</u>

On December 21, 2017, the Financing Corporation issued the Series 2017A, Series 2017B, and Series 2017C Refunding Bank Loans in the par amounts of \$10,000,000, \$10,000,000, and \$2,879,067, respectively, which represent direct placements. The final maturity of notes is October 1, 2040, with interest rates of 3%, 2.96%, and 3%, respectively.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE E – BONDS PAYABLE (CONTINUED)**

The notes are subject to mandatory redemption at the option of the holder on or after December 21, 2027, upon written notice provided during the period commencing 90 days prior to the call date and ending 90 days following the call date. The notes are subject to mandatory redemption 180 days from the receipt of the notice from the holder.

The Financing Corporation’s outstanding bonds from direct placements contain a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due. The Financing Corporation’s outstanding bond from direct placements also contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

The following is a schedule of future debt service requirements:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 781,708	\$ 597,149	\$ 1,378,857
2023	805,259	573,661	1,378,920
2024	829,504	549,466	1,378,970
2025	854,495	524,543	1,379,038
2026	880,253	498,868	1,379,121
2027-2031	4,815,333	2,081,315	6,896,648
2032-2036	5,585,572	1,312,983	6,898,555
2037-2040	4,836,770	415,336	5,252,106
2041	825,275	16,436	841,711
	<u>\$ 20,214,169</u>	<u>\$ 6,569,757</u>	<u>\$ 26,783,926</u>

Tenant revenues collected are pledged first to be used for debt service. The total amount of rental revenues recorded during 2021 was \$1,820,585.

Under the terms of the refunding notes, the Financing Corporation was required to fund the “debt service reserve fund.” This was funded from the existing debt service reserve that had been established for the refunded bonds and \$1,416,792 is reported in restricted cash and cash equivalents.

**NOTE F – LEASE AGREEMENT**

On August 1, 2010, the Financing Corporation entered into a Master Lease Agreement with the College for the properties occupied by the Charter Schools in both the Charlotte and Lee Campuses. The College leases the respective properties on its campuses to the Financing Corporation for a rental fee of \$1.00 per annum. The property covered by the Master Lease Agreement thereon is leased back to the College to manage and operate. The Financing Corporation records the revenue from this lease agreement as nonoperating revenues from auxiliary operations of the College.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**NOTE G – RELATED PARTY TRANSACTIONS**

Nonoperating revenues totaling \$631,156 were received from the College during the year ended March 31, 2021 and consisted of funds assigned to the Financing Corporation from College auxiliary operations, from two contracts for Educational Broadband Services (EBS) excess capacity use and royalties and from two charter school building leases. The assigned funds totaled \$358,656 from EBS royalties and \$272,500 from the charter school leases.

Financing Corporation personnel are employed by the College. The Financing Corporation paid the College \$106,000 to reimburse the College for the estimated salaries and related payroll taxes and benefits of its staff assigned to the Financing Corporation. Additionally, the Financing Corporation paid the College \$278,000 to reimburse the College for contract and personnel services related to the operation of LightHouse Commons.

The Financing Corporation paid the College \$10,278 to reimburse the College for other expenses related to the operation of LightHouse Commons.

**NOTE H – ECONOMIC DEPENDENCE**

The Financing Corporation is dependent upon the College to contribute resources until the occupancy rate in LightHouse Commons reaches a level that allows the Financing Corporation to cover its operating expenses, as well as its debt service payment. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Financing Corporation and a negative impact on overall operations.

**NOTE I – RISK MANAGEMENT**

The Financing Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial insurance coverage in any of the last three years.

**NOTE J – SUBSEQUENT EVENT**

Subsequent to year-end, the Financing Corporation received funding from the College through the Higher Education Emergency Relief Fund. These funds are for the lost housing revenue from fiscal years 2021 and 2020 due to the COVID-19 pandemic.



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

Board of Directors  
Florida SouthWestern State College Financing Corporation  
Fort Myers, Florida

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 Florida SouthWestern State College Financing Corporation as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise Florida SouthWestern State College Financing Corporation's basic financial statements, and have issued our report thereon dated July 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Florida SouthWestern State College Financing 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 Florida SouthWestern State College Financing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Florida SouthWestern State College Financing 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. We did identify a certain deficiency in internal control, as described below in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Florida SouthWestern State College Financing 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*.

### **The Florida SouthWestern State College Financing Corporation's Response to Finding**

The Florida SouthWestern State College Financing Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Florida SouthWestern State College Financing Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
July 28, 2021

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
MARCH 31, 2021**

**2021-001**

Material Weakness in Internal Control Over Financial Reporting.

**Criteria:** The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the Florida SouthWestern State College Financing Corporation's ability to ensure financial transactions are authorized and accurate. Florida SouthWestern State College Financing Corporation management is responsible for establishing and maintaining internal controls for the proper recording of all the Florida SouthWestern State College Financing Corporation transactions, including year-end adjustments.

**Condition:** As part of the audit, we proposed a material audit adjustment to correct the Florida SouthWestern State College Financing Corporation's financial statements at year-end. This adjustment involved the reporting of rent and related unearned revenue at year-end.

**Cause:** The Florida SouthWestern State College Financing Corporation's internal controls over financial reporting did not detect or prevent the error.

**Effect:** The Florida SouthWestern State College Financing Corporation's financial records were materially misstated and we proposed an adjusting entry to management to correct the financial statements. The proposed audit adjustment was recorded by management to correct the financial statements.

**Recommendation:** We recommend management be consistently aware of all procedures involved in recording year-end adjustments in the financial statements on a GAAP basis and develop internal control policies to ensure proper recording of these items, that may differ from purposes used for internal record-keeping.

**Views of Responsible Officials:** The noted finding was due to a formula error contained within the worksheet used to calculate the deferred revenue for the fiscal year ending March 31, 2021. The Corporation understands the importance of calculated totals, and will enhance procedures to review totals contained within worksheets to ensure that the correct amounts are reflected going forward.