

**FLORIDA SOUTHWESTERN STATE COLLEGE  
FINANCING CORPORATION**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2022**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Florida SouthWestern State College Financing Corporation, a component unit of Florida SouthWestern State College, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise Florida SouthWestern State College Financing Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida SouthWestern State College Financing Corporation as of March 31, 2022, and the changes in financial position and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Florida SouthWestern State College Financing Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Florida SouthWestern State College Financing Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Florida SouthWestern State College Financing 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 Florida SouthWestern State College Financing Corporation's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 20, 2022, on our consideration of the Florida SouthWestern State College 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 Florida SouthWestern State College 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 Florida SouthWestern State College Financing Corporation's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
July 20, 2022

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED MARCH 31, 2022**

**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, 2022. 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 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, 2022 and 2021. 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.

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 \$295,000 and \$272,500 was recognized as nonoperating revenues from the Charter Schools for the years ended March 31, 2022 and 2021, respectively. See Note 6 for additional information.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED MARCH 31, 2022**

**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 March 31.

**SUMMARY OF NET POSITION**

	<u>2022</u>	<u>2021</u>
Assets:		
Current and Other Assets	\$ 11,068,498	\$ 10,763,064
Capital Assets	16,814,600	17,440,305
Total Assets	<u>27,883,098</u>	<u>28,203,369</u>
Liabilities:		
Current Liabilities	1,470,845	1,304,022
Noncurrent Liabilities	18,627,202	19,432,461
Total Liabilities	<u>20,098,047</u>	<u>20,736,483</u>
Net Position:		
Net Investment in Capital Assets	446,117	413,368
Unrestricted	7,338,934	7,053,518
Total Net Position	<u>\$ 7,785,051</u>	<u>\$ 7,466,886</u>

At March 31, 2022, the assets of the Financing Corporation totaled \$27,883,098, as compared to a total of \$28,203,369 at March 31, 2021, or a decrease of approximately 1.1%. Total assets consist primarily of a 405-bed student residence hall constructed in 2013. The balance in net position for the Financing Corporation is determined by subtracting total liabilities from total assets. At March 31, 2022, the liabilities of the Financing Corporation totaled \$20,098,047, as compared to a total of \$20,736,483 at March 31, 2021, or a decrease of approximately 3.1%. 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 \$7,785,051 and consisted primarily of unrestricted net position of \$7,338,934 as of March 31, 2022, for an increase of approximately 4.3% from the prior year.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED MARCH 31, 2022**

**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 years ended March 31 are shown in the table below.

**SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	2022	2021
Total Operating Revenues	\$ 2,578,613	\$ 1,820,585
Total Nonoperating Revenues, Net	1,543,274	718,651
Total Revenues	4,121,887	2,539,236
Total Operating Expenses	2,006,067	2,018,323
Total Nonoperating Expenses	1,797,655	622,769
Total Expenses	3,803,722	2,641,092
Change In Net Position	318,165	(101,856)
Net Position - Beginning of Year	7,466,886	7,568,742
Net Position - End of Year	\$ 7,785,051	\$ 7,466,886

Operating revenues totaled \$2,578,613 at March 31, 2022, and reflect an increase of \$758,028, approximately 41.6%, from 2021 primarily due to an increase in housing occupancy which reflects a return to pre-COVID-19 occupancy numbers. Operating expenses decreased by \$12,256, approximately 0.6%, in 2022 as compared to 2021. Nonoperating expenses are comprised of interest expense related to the housing bonds and a \$1,200,000 payment to the College for a baseball and softball field construction project.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED MARCH 31, 2022**

**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 4 on page 20 of this report.

	<u>2022</u>	<u>2021</u>
Buildings	\$ 16,423,403	\$ 16,964,833
Other Structures	391,197	475,472
Total Capital Assets, Net	<u>\$ 16,814,600</u>	<u>\$ 17,440,305</u>

Depreciation expense for the years ended March 31, 2022 and 2021 totaled \$625,705.

**Debt Administration**

The following schedule details the Financing Corporation's long-term debt as of March 31. Additional information about the Financing Corporation's long-term debt can be found in Note 5 on pages 20 and 21 of this report.

	<u>2022</u>	<u>2021</u>
Bonds Payable	<u>\$ 19,432,461</u>	<u>\$ 20,214,168</u>

**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, 2022**

**ASSETS**

Current Assets:	
Cash and Cash Equivalents	\$ 4,276,801
Accounts Receivable	569
Due from College	59,103
Prepaid Expenses	116,470
Total Current Assets	<u>4,452,943</u>
Noncurrent Assets:	
Investments	4,825,008
Restricted Cash and Cash Equivalents	1,790,547
Capital Assets, Net	16,814,600
Total Noncurrent Assets	<u>23,430,155</u>
Total Assets	<u>27,883,098</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	209,218
Rent Received in Advance	263,176
Interest Payable	193,192
Bonds Payable - Current	805,259
Total Current Liabilities	<u>1,470,845</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	18,627,202
Total Noncurrent Liabilities	<u>18,627,202</u>
Total Liabilities	<u>20,098,047</u>

**NET POSITION**

Net Investment in Capital Assets	446,117
Unrestricted	<u>7,338,934</u>
Total Net Position	<u>\$ 7,785,051</u>

*See accompanying Notes to Basic Financial Statements.*

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED MARCH 31, 2022**

<b>OPERATING REVENUES</b>	
Student Rent and Fees	\$ 2,578,613
<b>OPERATING EXPENSES</b>	
General and Administrative	<u>2,006,067</u>
<b>OPERATING INCOME</b>	572,546
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Florida SouthWestern State College - EBS Royalties	358,656
Florida SouthWestern State College - Charter School Leases	295,000
Florida SouthWestern State College - Other Nonoperating Revenue	961,282
Interest Income	90,874
Contribution to Florida SouthWestern State College	(1,200,000)
Net Increase (Decrease) in Fair Value of Investments	(162,538)
Interest Expense	<u>(597,655)</u>
Net Nonoperating Expenses	<u>(254,381)</u>
<b>CHANGE IN NET POSITION</b>	318,165
Net Position - Beginning of Year	<u>7,466,886</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 7,785,051</u></u>

*See accompanying Notes to Basic Financial Statements.*

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Students for Housing	\$ 2,638,716
Cash Paid to Suppliers for Goods/Services/Utilities	<u>(1,275,094)</u>
Net Cash Provided by Operating Activities	1,363,622
<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	294,431
Receipts from Florida SouthWestern State College - Other Nonoperating Revenue	961,282
Payments for Noncapital Activities	<u>(1,200,000)</u>
Net Cash Provided by Noncapital Financing Activities	414,369
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Paid on Bonds	(781,708)
Interest Paid on Bonds	<u>(605,427)</u>
Net Cash Used by Capital and Related Financing Activities	(1,387,135)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	99,472
Purchases of Securities for Long-Term Investments	(1,500,744)
Proceeds from Sales and Maturities of Investments	<u>1,438,122</u>
Net Cash Provided by Investing Activities	<u>36,850</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	427,706
Cash and Cash Equivalents - Beginning of Year	<u>5,639,642</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,067,348</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>	
Current Cash and Cash Equivalents	\$ 4,276,801
Current Cash and Cash Equivalents - Restricted	<u>1,790,547</u>
Cash and Cash Equivalents - March 31, 2022	<u>\$ 6,067,348</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Change in Fair Value of Investments	<u>\$ (152,072)</u>

See accompanying Notes to Basic Financial Statements.

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED MARCH 31, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 572,546
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	625,705
Decrease in Due from College	20,856
Increase in Prepaid Expenses	(6,529)
Increase in Accounts Payable	111,797
Increase in Rent Received in Advance	39,247
Net Change	<u>791,076</u>
Net Cash Provided by Operating Activities	<u>\$ 1,363,622</u>

See accompanying Notes to Basic Financial Statements.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 1 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 BASIC FINANCIAL STATEMENTS  
MARCH 31, 2022

NOTE 1 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 Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**Financial Statement Presentation**

The Financing Corporation follows GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, 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.”

When both restricted and unrestricted resources are available, it is the Financing Corporation's policy to first apply restricted resources followed by the use of unrestricted resources.

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.

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
MARCH 31, 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

**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.

**Receivables**

Receivables consist of amounts due from the College for lease revenues from students residing in LightHouse Commons. The amount of \$59,103 is reported net of an allowance for uncollectible accounts of \$46,077 at March 31, 2022.

**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 BASIC FINANCIAL STATEMENTS  
MARCH 31, 2022

**NOTE 1 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 2 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, 2022:

Classification	Carrying Amount
Unrestricted:	
Public Funds Bank Account	\$ 4,233,825
U.S. Government Money Market Mutual Fund	42,976
Restricted for Capital Outlay:	
Public Funds Bank Account	372,334
Restricted for Debt Service:	
Public Funds Bank Account	1,418,213
Total	\$ 6,067,348

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 2 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>
Unrestricted:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	<u>\$ 4,279,085</u>
Total Unrestricted	4,279,085
Restricted for Capital Outlay:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	372,334
Restricted for Debt Service:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	<u>1,418,213</u>
Total Restricted	<u>1,790,547</u>
Total	<u><u>\$ 6,069,632</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, 2022.

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
MARCH 31, 2022

**NOTE 3 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 \$42,976, 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 BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 3 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, 2022, the fair value of the Financing Corporation's investment portfolio was \$4,867,984. The portion attributed to fixed income investments totaled \$4,825,008 and was available by percentage of its portfolio as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 Year	41.0%
1 to 3 Years	59.0%

All funds classified as investments are recorded at fair value, as listed on March 31, 2022. As of March 31, 2022, 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 to 3 Years</u>
Federal Agencies	\$ 2,424,501	\$ 837,867	\$ 1,586,634
State and Municipal Bonds	1,206,821	621,278	585,543
Corporate Bonds	1,193,686	518,932	674,754
Totals	<u>\$ 4,825,008</u>	<u>\$ 1,978,077</u>	<u>\$ 2,846,931</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, 2022, the Financing Corporation's fixed income investments were rated as follows:

<u>Ratings</u>	<u>Percentage of Portfolio</u>
AAA	47.4%
AA	42.1%
A	10.5%
	<u>100.0%</u>

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 3 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. 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>Percentage of Total Investments</u>
FANNIE MAE (FNMA)	\$ 1,240,996	25.7%
FEDERAL HOME LOAN BANK (FHLB)	673,525	14.0%
MICROSOFT CORP	443,716	9.2%
FREDDIE MAC (FHLMC)	422,721	8.8%

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, 2022:

- Federal agencies of \$2,424,501 and state and municipal bonds of \$1,206,821 are valued using pricing models maximizing the use of observable inputs for similar securities (Level 2 inputs).
- Corporate bonds of \$1,193,686 is valued using a matrix pricing model (Level 2 inputs).

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 4 CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended March 31, 2022:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Depreciable Capital Assets:</b>				
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 Capital Assets	<u>22,628,622</u>	<u>-</u>	<u>-</u>	<u>22,628,622</u>
Total Capital Assets	22,628,622	-	-	22,628,622
<b>Less Accumulated Depreciation for:</b>				
Building	(4,692,401)	(541,430)	-	(5,233,831)
Other Structures	(367,278)	(84,275)	-	(451,553)
Computer Equipment	(21,997)	-	-	(21,997)
Office Equipment	(15,897)	-	-	(15,897)
Furniture	(90,744)	-	-	(90,744)
Total Accumulated Depreciation	<u>(5,188,317)</u>	<u>(625,705)</u>	<u>-</u>	<u>(5,814,022)</u>
Total Capital Assets, Net	<u>\$ 17,440,305</u>	<u>\$ (625,705)</u>	<u>\$ -</u>	<u>\$ 16,814,600</u>

**NOTE 5 BONDS PAYABLE**

The following is a summary of the bonds payable activity for the period ended March 31, 2022:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Amounts Due within One Year
<b>Direct Placements:</b>					
Series 2017A	\$ 8,835,225	\$ -	\$ (341,669)	\$ 8,493,556	\$ 351,963
Series 2017B	8,835,225	-	(341,669)	8,493,556	351,963
Series 2017C	2,543,718	-	(98,370)	2,445,349	101,333
Total	<u>\$ 20,214,168</u>	<u>\$ -</u>	<u>\$ (781,708)</u>	<u>\$ 19,432,461</u>	<u>\$ 805,259</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.

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.

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 5 BONDS PAYABLE (CONTINUED)**

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 March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	906,772	472,419	1,379,191
2028 to 2032	4,960,370	1,936,631	6,897,001
2033 to 2037	5,753,805	1,145,157	6,898,962
2038 to 2041	4,442,003	271,862	4,713,865
Total	<u>\$ 19,432,461</u>	<u>\$ 5,972,607</u>	<u>\$ 25,405,068</u>

Tenant revenues collected are pledged first to be used for debt service. The total amount of rental revenues recorded during 2022 was \$2,578,613.

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 \$1,418,213 is reported in restricted cash and cash equivalents.

**NOTE 6 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 BASIC FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 7 RELATED PARTY TRANSACTIONS**

Nonoperating revenues totaling \$653,656 were received from the College during the year ended March 31, 2022, 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 \$295,000 from the charter school leases. The Financing Corporation received \$961,282 from the College in other nonoperating revenue from the College during the year ended March 31, 2022.

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 \$28,484 to reimburse the College for other expenses related to the operation of LightHouse Commons.

The Financing Corporation paid the College \$1,200,000 to begin construction of baseball and softball fields.

**NOTE 8 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 9 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.

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
MARCH 31, 2022

**NOTE 10 SUBSEQUENT EVENTS**

Subsequent to year-end, the College entered into an asset purchase agreement to transfer its EBS license to a third party who had been making royalty payments for the use of the excess capacity associated with the license. The revenue generated from these royalty payments that was assigned to the Financing Corporation by the College will cease as of the date of the sale. However, the College assigned the proceeds from this sale to the Financing Corporation.

Subsequent to year-end, the Financing Corporation and the College entered into a Supplemental Lease Agreement to add property to the Master Lease Agreement of December 1, 2010 for capital projects.

Subsequent to year-end, the Financing Corporation entered into a guaranteed maximum price contract for the construction of baseball and softball fields for the College in the amount of \$3,774,974.



**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, 2022, 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 20, 2022.

**Report on 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.

Board of Directors  
Florida SouthWestern State College Financing Corporation

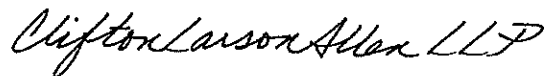
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

#### **Report on 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*.

#### **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 20, 2022