

**FLORIDA SOUTHWESTERN
STATE COLLEGE FOUNDATION, INC.**

**BASIC FINANCIAL STATEMENTS
TOGETHER WITH THE REPORTS OF
INDEPENDENT AUDITOR**

**YEAR ENDED
March 31, 2023**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) | i-viii |
| <u>Basic Financial Statements</u> | |
| Statement of Net Position..... | 5 |
| Statement of Revenues, Expenses and Changes in Net Position..... | 6 |
| Statement of Functional Expenses | 7 |
| Statement of Cash Flows..... | 8 |
| Notes to the Financial Statements..... | 9-33 |
| <u>Supplementary Information</u> | |
| Statement of Financial Position by Account Type..... | 34 |
| Statement of Activities by Account Type..... | 35 |
| <u>Additional Reports of Independent Auditor</u> | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 36-37 |
| Independent Auditor's Report to Management..... | 38-40 |
| Management's Response to Independent Auditor's Report to Management..... | Exhibit |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida SouthWestern State College Foundation, Inc.
8099 College Parkway, SW
Fort Myers, FL 33919

Opinion

We have audited the accompanying basic financial statements of Florida SouthWestern State College Foundation, Inc. (the "Foundation") (a not-for-profit corporation) a direct support organization and component unit of Florida SouthWestern State College (the "College"), as of March 31, 2023, and for the year then ended, as listed in the Table of Contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of Florida SouthWestern State College Foundation, Inc. as of March 31, 2023, and the changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Florida SouthWestern State College Foundation Inc. 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.

Management's Responsibilities 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information - management's discussion and analysis on pages i-viii 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Florida SouthWestern State College Foundation, Inc. The accompanying supplementary information - statement of financial position by account type and statement of activities by account type as of and for the year ended March 31, 2023, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of financial position by account type and statement of activities by account type as of and for the year ended March 31, 2023, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as

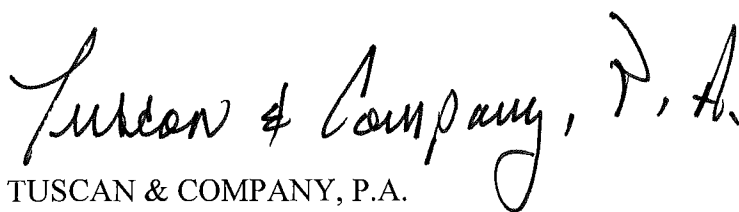
described above, the statement of financial position by account type and statement of activities by account type as of and for the year ended March 31, 2023, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated July 14, 2023, on our consideration of Florida SouthWestern State College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Foundation, Inc.'s internal control over financial reporting and compliance.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

July 14, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2023

The management's discussion and analysis of Florida SouthWestern State College Foundation, Inc.'s (the Foundation) financial performance provides an overview of the Foundation's financial activities for the fiscal year ended March 31, 2023. It should be read in conjunction with the accompanying financial statements and related notes.

The Foundation is a direct support organization, as defined in Chapter 1004.70, Florida Statutes and component unit of Florida SouthWestern State College. The Foundation accepts gifts in support of the activities directly related to the mission of Florida SouthWestern State College, including cash, property, securities, bequests and trust and life income arrangements.

The Foundation promotes higher education, in general, and specifically, encourages the advancement of teaching/instruction services and student scholarships at Florida SouthWestern State College. In addition, the Foundation promotes support for the Barbara B. Mann Performing Arts Hall.

This 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" and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." The Foundation is considered a Business Type Activity (BTA) under the provision and reporting model of GASB Statements No. 34 and No. 35.

USING THIS ANNUAL REPORT

This report consists of four basic financial statements; the statement of net position; the statement of revenues, expenses and changes in net position; the statement of functional expenses; and the statement of cash flows. This report also includes the notes to the financial statements. These statements provide information on the Foundation as a whole and present a long-term view of the Foundation's finances.

FINANCIAL HIGHLIGHTS

The assets of the Foundation exceeded its liabilities on March 31, 2023 as follows:

- \$7,017,626 (net assets without donor restrictions) may be used to provide academic, community and college program support, as well as general and administrative support;
- \$22,926,919 (net assets with donor restrictions, temporary) represents funds whose use has been limited by donors for time restrictions or special purposes; and
- \$20,175,575 (net assets with donor restrictions, permanent) is the non-expendable portion of funds that are subject to donor, grantor or other external party restrictions as to use.
- The Foundation's total net assets/position decreased by \$(1,690,342) during the 2022-23 fiscal year, from \$51,810,462 to \$50,120,120. The decrease is attributable to the market value losses.
- The Foundation's total net assets/position increased by \$1,049,684 during the 2021-22 fiscal year, from \$50,760,778 to \$51,810,462. The increase is attributable to the increased donor contributions.

Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

March 31, 2023

Financial Highlights (cont'd)

The Foundation received no state matching funds for the years ended March 31, 2022 and 2023. The State Matching Program was suspended June 30, 2011. See Financial Statement Note I.

The Foundation awarded \$1,160,382 in student scholarships including \$500,000 in Hurricane Ian relief and \$770,585 in academic support for fiscal year 2022-2023.

The Foundation awarded \$1,977,719 in student scholarships and \$1,048,600 in academic support for fiscal year 2021-2022.

Total revenues and capital additions of \$3,778,822 were used for private support for scholarships, academic support funds, sponsorships, capital funding and unrestricted gifts for the year ended March 31, 2023.

Total revenues and capital additions of \$5,338,019 were used for private support for scholarships, academic support funds, sponsorships, capital funding and unrestricted gifts for the year ended March 31, 2022.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

These two statements report the Foundation's net position and the changes in this net position for the year. Over time, increases or decreases in the Foundation's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as the number of students that benefited from scholarships and loans awarded and the Foundation's role in assisting the College in its goals, also need to be considered in assessing the overall health of the Foundation.

These statements present all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Florida SouthWestern State College Foundation, Inc.

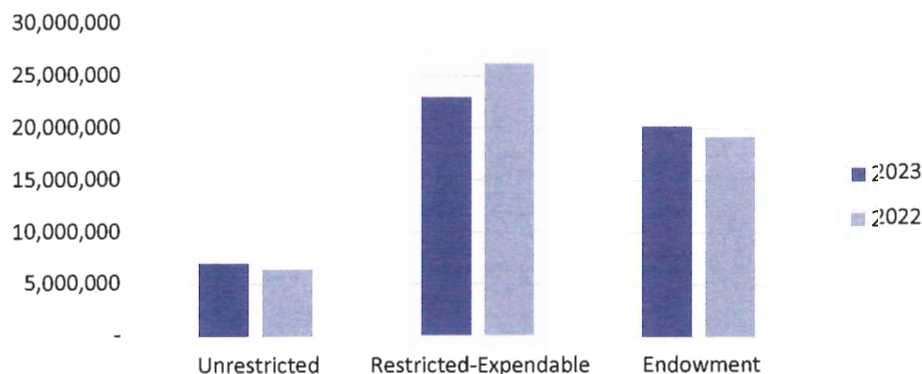
A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
 March 31, 2023

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (cont'd)

Assets, liabilities and net position for the Foundation at March 31, 2023 and March 31, 2022 were as follows:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets | \$ 3,221,553 | \$ 1,755,504 |
| Noncurrent Assets | 46,969,608 | 50,279,171 |
| Total Assets | \$ 50,191,161 | \$ 52,034,675 |
| Liabilities | | |
| Current Liabilities | \$ 58,729 | \$ 221,726 |
| Noncurrent Liabilities | 12,312 | 2,487 |
| Total Liabilities | 71,041 | 224,213 |
| Net Assets/Position | | |
| Unrestricted | 7,017,626 | 6,438,884 |
| Restricted-Expendable | 22,926,919 | 26,173,348 |
| Endowment | 20,175,575 | 19,198,230 |
| Total Net Assets/Position | 50,120,120 | 51,810,462 |
| Total Liabilities and Net Assets/Position | \$ 50,191,161 | \$ 52,034,675 |

The Foundation's net position by category at March 31, 2023 and March 31, 2022 are displayed graphically below:



Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

March 31, 2023

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (cont'd)

Comparative revenues and expenses of the Foundation for the fiscal year ended March 31, 2023 and March 31, 2022 are presented below:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Contributions, Gifts & Other Revenue | \$ 2,542,188 | \$ 2,440,638 |
| Other Income | 431,393 | - |
| In-Kind donations | 475,866 | 88,524 |
| Total Operating Revenues | <u>3,449,447</u> | <u>2,529,162</u> |
| Less Operating Expenses | <u>3,389,329</u> | <u>4,288,335</u> |
| Operating Income (Loss) | <u>60,118</u> | <u>(1,759,173)</u> |
| Non-operating Revenues (Loss): | | |
| Net Interest/Dividend Income (Loss) | 1,627,837 | 2,288,222 |
| Net Realized/Unrealized Gains (Losses) on Investments | <u>(3,707,672)</u> | <u>383,209</u> |
| Total Non-Operating Revenues (Loss) | <u>(2,079,835)</u> | <u>2,671,431</u> |
| Income (Loss) Before Other Revenues (Expenses) | <u>(2,019,717)</u> | <u>912,258</u> |
| Capital Additions: | | |
| Private contributions | <u>329,375</u> | <u>137,426</u> |
| Total Other Revenues (Expenses) | <u>329,375</u> | <u>137,426</u> |
| Increase (Decrease) in Net Assets/Position | (1,690,342) | 1,049,684 |
| Net Assets/Position, Beginning of Year | <u>51,810,462</u> | <u>50,760,778</u> |
| Net Assets/Position, End of Year | <u>\$ 50,120,120</u> | <u>\$ 51,810,462</u> |

The Foundation's significant activity in revenues, operating, nonoperating and endowment, are highlighted as follows:

Private contributions:

Private contributions, operating and endowment, totaled \$3,778,822 for the year ended March 31, 2023 compared to \$2,666,588 from the prior year.

Private contributions, operating and endowment, totaled \$2,666,588 for the year ended March 31, 2022 compared to \$740,125 from the prior year.

Grants from governmental agencies:

During the years ended March 31, 2022 and 2023, the Foundation received no funds from the Dr. Philip Benjamin Matching Grant Program from the State of Florida. Due to the State's financial condition, such funding was suspended during the fiscal year ended March 31, 2012 for donations received on or after June 30, 2011.

Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2023

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (cont'd)

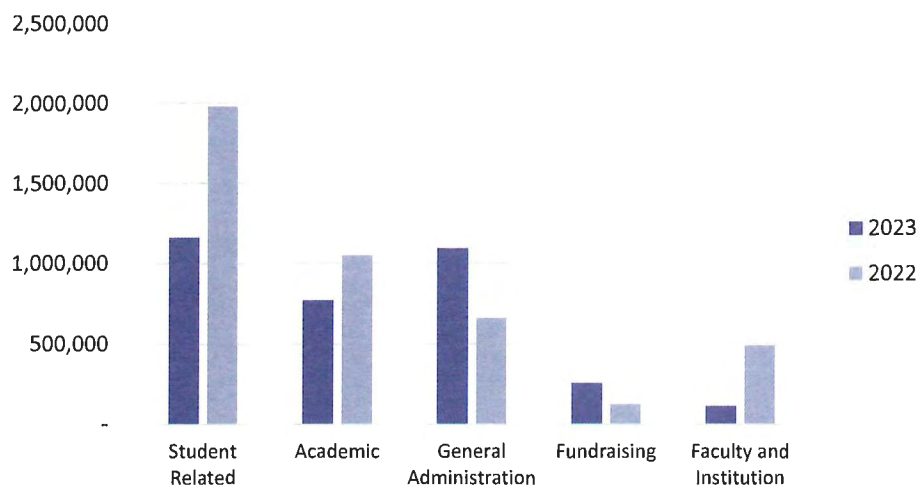
Investment income and unrealized gains (losses) on investments:

Net interest and dividend income decreased by \$660,385 from the prior year to \$1,627,837 for the year ended March 31, 2023. Realized and unrealized gains (losses) on investments decreased by approximately \$4,090,881 from the prior year to a loss of \$(3,707,672) for the year ended March 31, 2023.

Net interest and dividend income increased by \$1,168,074 from the prior year to \$2,288,222 for the year ended March 31, 2022. Realized and unrealized gains on investments decreased by approximately \$10,290,300 from the prior year to \$383,209 for the year ended March 31, 2022.

Operating Expenses by Natural Classification

Depicted below is a comparison of operating expenses by natural classifications for the fiscal years ended March 31, 2023 and March 31, 2022:



Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
 March 31, 2023

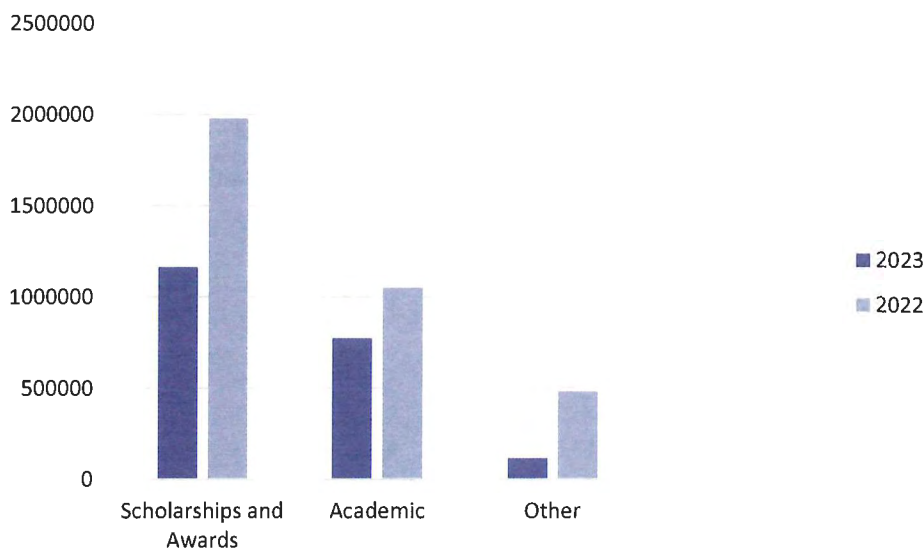
The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (cont'd)

Operating Expenses by Program Function

Total operating expenses presented by program function is also important for the Foundation. This presentation allows the Foundation to evaluate its goal of delivery of program services for the College. Therefore, a comparison of operating expenses by program function for the fiscal years ended March 31, 2023 and March 31, 2022 is presented as follows:

| Operating Expenses: | 2023 | 2022 |
|----------------------------------|---------------------|---------------------|
| Program Services: | | |
| Student Related | \$ 1,160,382 | \$ 1,977,719 |
| Academic | 770,585 | 1,048,600 |
| Faculty and Institution | 114,316 | 478,270 |
| Total Program Expenses | 2,045,283 | 3,504,589 |
| Supporting Services | | |
| General Administration | 1,089,375 | 660,383 |
| Fundraising and Donor Related | 254,671 | 123,363 |
| Total Supporting Services | 1,344,046 | 783,746 |
| Total Operating Expenses | \$ 3,389,329 | \$ 4,288,335 |

Depicted below is a comparison of program services for the fiscal years ended March 31, 2023 and March 31, 2022:



Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2023

The Statement of Cash Flows

Another way to assess the financial health of an organization is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an organization during the fiscal year.

A summary of the Foundation's cash flows for the fiscal years ended March 31, 2023 and 2022 is presented below:

| Cash Flows | 2023 | 2022 |
|--|---------------------|---------------------|
| Cash Provided By (Used in): | | |
| Operating Activities | \$ (396,967) | \$ (2,287,302) |
| Noncapital Financing Activities | - | - |
| Capital and Related Financing Activities | 329,375 | 137,426 |
| Investing Activities | <u>1,190,341</u> | <u>2,506,214</u> |
| Net Increase (Decrease) in Cash | 1,122,749 | 356,338 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,368,075</u> | <u>1,011,737</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,490,824</u> | <u>\$ 1,368,075</u> |

Fiscal Year 2023

For the purpose of cash flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Net cash received from operating activities (donors and revenues) was \$2,619,504. The difference in cash received compared with the total contributed is attributed to pledges. Cash used for operating activities was principally for the benefit of the College in the amount of \$(3,016,471).

Cash flows from capital and related financing activities consist of contributions of endowments of \$329,375.

Cash flows from investing activities consist of interest and dividends in the amount of \$1,627,837 and the net of proceeds and purchases of securities for long term investments amounted to cash outflow of \$(437,495).

Fiscal Year 2022

For the purpose of cash flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Net cash received from operating activities (donors and revenues) was \$2,015,872. The difference in cash received compared with the total contributed is attributed to pledges. Cash used for operating activities was principally for the benefit of the College in the amount of \$(4,303,174).

Cash flows from investing activities consist of interest and dividends in the amount of \$2,288,222 and the net of proceeds and purchases of securities for long term investments amounted to cash inflow of \$217,992.

Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

March 31, 2023

Debt Administration

The Foundation had no outstanding long term debt at March 31, 2023 or 2022.

The Foundation also repays the College for the budgeted Foundation personnel costs as agreed upon annually. This repayment is paid on a quarterly basis.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The most significant economic factor impacting the future work of the Foundation is the return of fixed income investments and the volatility of equities. The Foundation depends on earnings from investments to fund its spending policy for scholarships and program support as well as the draw to underwrite the annual operating budget of the Foundation. Over the next several years it will be important for the Foundation Board to work with our investment counsel to strike a balance between projected returns and risk/volatility.

Given the uncertainties that exist in the investment world, the Foundation continues to give priority to increasing the size of the investment corpus by generating new endowment and non-pass through gifts. Secondly, diversification of the Foundation's operating funding formula by securing outside funding/sponsorship of events and other Foundation activities will reduce pressure to chase unreasonable investment returns.

Request for Information

This financial report is designed to provide the reader with an overview of the Foundation. Questions regarding any information provided in this report should be directed to: Florida SouthWestern State College Foundation, Dr. Geraldine Gallagher, Foundation Executive Director and Vice President of Institutional Advancement, 8099 College Parkway, Fort Myers, Florida, 33919 or phone (239) 489-9210.

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
March 31, 2023

| ASSETS | <u>Total</u> |
|--|----------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents (restricted cash of \$7,500) | \$ 2,490,824 |
| Sponsorship receivables, current | 7,200 |
| Unconditional promises to give, current | 689,864 |
| Prepaid expenses | <u>33,665</u> |
| Total current assets | <u>3,221,553</u> |
| NONCURRENT ASSETS | |
| Investments without donor restrictions | 3,329,563 |
| Investments - with donor restrictions | 43,079,399 |
| Sponsorship receivables, noncurrent, net | 1,250 |
| Unconditional promises to give, noncurrent, net | 533,817 |
| Gifts In-Kind | 13,267 |
| Investments held in trust | <u>12,312</u> |
| Total noncurrent assets | <u>46,969,608</u> |
| TOTAL ASSETS | <u>50,191,161</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 51,229 |
| Unearned revenue | <u>7,500</u> |
| Total current liabilities | <u>58,729</u> |
| NONCURRENT LIABILITIES | |
| Investments held in trust (unearned revenue) | <u>12,312</u> |
| Total noncurrent liabilities | <u>12,312</u> |
| TOTAL LIABILITIES | <u>71,041</u> |
| NET POSITION | |
| Net investment in capital assets | - |
| Without donor restrictions | 7,017,626 |
| With donor restrictions | |
| Temporarily restricted | 22,926,919 |
| Permanently restricted | <u>20,175,575</u> |
| TOTAL NET POSITION | <u>\$ 50,120,120</u> |

The accompanying footnotes are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2023

Page 6 of 40

| | <u>Total</u> |
|---|----------------------|
| OPERATING REVENUES | |
| Contributions, sponsorship, gifts and other revenues | \$ 2,542,188 |
| Refunds | 431,393 |
| In-Kind donations/facilities | <u>475,866</u> |
| Total operating revenues | <u>3,449,447</u> |
| OPERATING EXPENSES | |
| Program services | |
| Academic | 770,585 |
| Student-related scholarships | 1,160,382 |
| Faculty and Institution-related | 114,316 |
| Management and general expenses | 1,089,375 |
| Fundraising and donor-related | <u>254,671</u> |
| Total operating expenses | <u>3,389,329</u> |
| Operating income (loss) | <u>60,118</u> |
| NONOPERATING REVENUES (LOSS) | |
| Interest and dividends | 1,627,837 |
| Net unrealized gain (loss) on investments | (3,772,498) |
| Net realized gain (loss) on investments | <u>64,826</u> |
| Net nonoperating revenues (loss) | <u>(2,079,835)</u> |
| Increase (decrease) in net position before capital additions | <u>(2,019,717)</u> |
| CAPITAL ADDITIONS | |
| Contributions to endowments | <u>329,375</u> |
| Total capital additions | <u>329,375</u> |
| Increase (decrease) in net position | (1,690,342) |
| NET POSITION, BEGINNING OF YEAR | <u>51,810,462</u> |
| NET POSITION, END OF YEAR | <u>\$ 50,120,120</u> |

The accompanying footnotes are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2023

| | <u>Supporting Services</u> | | | Total | |
|--------------------------------|----------------------------|-------------------------------|--------------------------|----------------------------|----------------------------|
| | Total Program Services | General and Administrative | Fundraising & Events | Supporting Services | Total |
| Computer | \$ - | \$ 29,499 | \$ - | \$ 29,499 | \$ 29,499 |
| Contracted services | 14,238 | 9,060 | 9,060 | 18,120 | 32,358 |
| Contracted wages | - | 289,211 | 192,808 | 482,019 | 482,019 |
| Educational, office, materials | - | 2,112 | 159 | 2,271 | 2,271 |
| Freight & postage | 3,918 | - | 979 | 979 | 4,897 |
| Hurricane Ian relief | 500,000 | 596,505 | - | 596,505 | 1,096,505 |
| In-Kind | 404,999 | 70,842 | - | 70,842 | 475,841 |
| Insurance | 6,937 | 16,186 | - | 16,186 | 23,123 |
| Other Materials & Supplies | 8,143 | 7,609 | 37,502 | 45,111 | 53,254 |
| Printing | 296 | 4,882 | 9,615 | 14,497 | 14,793 |
| Professional fees | 182,756 | 61,742 | 2,470 | 64,212 | 246,968 |
| Program support | 260,172 | - | - | - | 260,172 |
| Rentals | 439 | 1,316 | 1,379 | 2,695 | 3,134 |
| Scholarships & waivers | 660,382 | - | - | - | 660,382 |
| Travel | 3,003 | 411 | 699 | 1,110 | 4,113 |
| Total expenses | <u>\$ 2,045,283</u> | <u>\$ 1,089,375</u> | <u>\$ 254,671</u> | <u>\$ 1,344,046</u> | <u>\$ 3,389,329</u> |

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2023

| | <u>Amount</u> |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from donors and revenues | \$ 2,619,504 |
| Cash paid to Florida SouthWestern State College, suppliers, and other educational institutions | (3,016,471) |
| Interest expense | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(396,967)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING | |
| Taxes and insurance paid | - |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Contributions to endowments | <u>329,375</u> |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>329,375</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net proceeds (purchases) of securities for long-term investment | (437,496) |
| Interest and dividend income | <u>1,627,837</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>1,190,341</u> |
| Increase (decrease) in cash and equivalents | 1,122,749 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | <u>1,368,075</u> |
| CASH AND EQUIVALENTS, END OF YEAR | <u>\$ 2,490,824</u> |

Supplemental Disclosure of Non-cash Transactions:

The Foundation recorded donated rent income and expense of \$40,585 during the year ended March 31, 2023.

The Foundation also recorded other in-kind donations of \$435,281 and expenses of \$435,256 during the year ended March 31, 2023.

The accompanying footnotes are an integral part of this statement.

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

| | <u>Amount</u> |
|---|---------------------|
| Operating income (loss) | \$ 60,118 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| (Increase) decrease in sponsorship receivables, net | 10,050 |
| (Increase) decrease in unconditional promises to give, net | (303,377) |
| (Increase) decrease in prepaid expenses | (736) |
| (Increase) decrease in gifts in kind | (25) |
| Increase (decrease) in accounts payable | (102,247) |
| Increase (decrease) in unearned revenue | <u>(60,750)</u> |
| Net Change | <u>(457,085)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (396,967)</u> |

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of activities

Florida SouthWestern State College Foundation, Inc. (the "Foundation") was originally incorporated as Edison Junior College Endowment Corporation, Inc. a not-for-profit organization under the laws of the State of Florida on October 6, 1966.

On October 13, 1976, the Foundation's name was changed to Edison Community College Endowment Foundation, Inc.

On July 1, 1995, another direct support organization of Edison State College (the "College") known as The Foundation for the Performing Arts Hall, Inc. was merged with the Foundation. Immediately thereafter, the name of the Foundation was changed to Edison Community College Foundation, Inc. On July 1, 2004, the Foundation changed its name from Edison Community College Foundation, Inc. to Edison College Foundation, Inc. to reflect the College's name change. On November 10, 2008, the Foundation again changed its corporate name to Edison State College Foundation, Inc., consistent with the name change of the College.

On September 27, 2005, the Board of Directors approved a change in the Foundation's By-Laws to adopt an April 1 - March 31 fiscal year. The change was effective for March 31, 2006.

Effective July 1, 2014, Edison State College Foundation Inc.'s name changed to Florida SouthWestern State College Foundation, Inc. consistent with the approved name change for the College.

The Foundation is a direct support organization and a component unit of Florida SouthWestern State College (the "College"), a governmental entity, as defined by State of Florida Auditor General Rule 10.700 and Florida Statutes Chapter 1004.70. The Foundation is governed by its own independent district Board of Directors and is organized to receive, invest, and disburse funds for students pursuing their collegiate training at the College and to pay for instruction and other educational related activities at the College.

The Foundation's district offices are located on the Lee County campus of the College in Fort Myers, Florida.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Description of activities, continued

These financial statements also include the assets, liabilities, net assets and results of operations of several programs including the Florida SouthWestern State College Alumni Association, Legacy Society, and the Mina Miller Edison Society.

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

The basic financial statements of the Foundation 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.

The Statement of Net Position (Net Assets) 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 (Net Assets) is presented by major sources. The Statement of Functional Expenses is presented in accordance with ASU 2016-14. 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 Flow Proprietary and Non-expendable Trust Funds".

The Foundation also follows FASB Statements and Interpretations issued after November 30, 1989 as permitted by GASB Statement No. 62, since it is a not-for-profit organization that acts as a direct service corporation of a Florida governmental entity, unless those pronouncements conflict with GASB pronouncements.

Financial statement presentation

The Foundation, since it is defined as a direct support organization, adheres to Governmental Accounting Standards including (GASB) Statement No. 34, "Basic

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Financial statement presentation, continued

Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities," GASB Statement No. 37, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34," and GASB Statement No. 38, "Certain Financial Statements Note Disclosures" which were first implemented by the Foundation for the year ended March 31, 2007. The Foundation is considered a Business Type Activity (BTA) under the provisions and reporting model of GASB Statements No. 34 and No. 35.

GASB Statements No. 34 and 35 established standards for external financial reporting which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net assets into three components - net investment in capital assets, net assets with donor restriction, and net assets without donor restriction. These classifications are 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 is attributable to those assets. Substantially, all capital assets are owned by the College, not the Foundation. The College provides the Foundation with the use of capital assets at no cost. Use of such assets and office space has been estimated herein and recorded as donated rent.
- Net assets without donor restriction - consists of net assets that do not meet the definition of "with donor restriction" or "net investment in capital assets."
- Net assets with donor restriction - consists of assets that have constraints placed upon their use through external sources imposed either by donors, endowment agreements, or 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.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Financial statement presentation, continued

The adherence to this reporting model by the Foundation requires that the basic financial statements also include reports required by Government Auditing Standards and a Management's Discussion and Analysis section as well as the reporting required by a not for profit organization.

Cash and cash equivalents

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

Investments

Investments consist substantially of mutual funds. The mutual funds have been invested in a mix between equity funds, hedge funds, and fixed income funds. All investments are carried at fair market value. From time to time, the Foundation may decide to sell unrestricted investments for liquidity or other valid business purposes.

Gains and losses are determined using the specific identification method when securities are sold and are not shown net of related expenses (custodial fees). Investment related expenses are included in management and general expenses on the Statement of Revenues, Expenses and Changes in Net Position. Unrealized appreciation or depreciation of these investments is recorded in the Statement of Revenues, Expenses and Changes in Net Position, as appropriate. Actual gains and/or losses (realized) are reflected separately on the Statement of Revenues, Expenses and Changes in Net Position.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Pledges receivable

The Foundation accounts for its pledges in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". GASB Statement No. 33 establishes reporting standards for nonexchange transactions, which, in the case of the Foundation are unrestricted and restricted pledges to be received in the future. Under the provisions of GASB Statement No. 33, endowment pledges are not recognized.

Restricted assets

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

Recognition of donor restrictions

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted (net assets without donor restrictions) support.

Donated facilities

The Foundation's office space and office equipment are provided by the College. The fair rental value of this facility has been estimated and recorded as donated facilities income and rent expense in accordance with FASB ASC 958.

Donated equipment

Donations of equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Donated equipment, continued

acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. If the restricted funds are used to purchase assets that are placed in service in the reporting period, such support is reported as unrestricted.

Donated goods and services

The Foundation recognizes donated goods and services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended March 31, 2023, no amounts have been reflected in the financial statements for donated services, inasmuch as no objective basis is available to measure the value of such services. A number of volunteers, including the Board of Directors, however, have donated significant amounts of their time and expertise to the Foundation's programs and supporting services.

The Foundation does receive various donated goods and use of facilities. Such donations are recorded as revenue and expense in the same fiscal year. Such goods are valued on the date of donation.

Office furniture and equipment

Substantially all furniture, equipment and utilities are provided to the Foundation free of charge by the College except as estimated within the provision for donated office space. No costs related to these benefits are reflected in the basic financial statements as no objective means to determine such value has been identified except for the estimated cost of donated rent which is recorded. Costs of office furniture and equipment purchased by the Foundation, if any, are charged to expense when incurred because the Foundation does not deem such amounts to be sufficiently material to warrant capitalization and depreciation. Such assets are donated to the College at the time of purchase. The College records such items as capital assets and acts as the capital asset custodian. Therefore, no "net investment in capital assets" net position balance is reflected by the Foundation for office furniture and equipment.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Income taxes

No provision for income tax expense has been made in the accompanying basic financial statements since the Foundation is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Foundation does report unrelated business income; however, no unrelated business income tax was due. Such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. The informational tax returns (U.S. Form 990 and Form 990T) for the prior three (3) fiscal years remain open for examination.

Accounting for uncertainty in income tax items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and Florida SouthWestern State College Foundation, Inc. has adopted this guidance. Florida SouthWestern State College Foundation, Inc. has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

Risk management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, error and omissions, injuries to employees or the public, and natural disasters.

Although the Foundation benefits from the College's existing risk management systems and practices, insurance programs are in place as noted below to protect against reasonably anticipated losses:

- General Liability Coverage \$2 million aggregate/\$1 million each occurrence. \$2 million products and completed operations aggregate. \$1 million personal and advertising injury. \$300,000 damages to premises rented to the Foundation. \$10,000 medical expense to any one person. Deductible: \$0. Also includes Hired/Non-owned Automobile Liability \$1 million total coverage.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Risk management, continued

- Excess Liability Coverage: \$10 million occurrence.
- Commercial Auto: \$1 million liability.
- Directors and Officers Liability: Coverage: Non-Profit Directors and Officers Liability \$2 million occurrence /\$2 million each aggregate. Coverage: Employment Practices Liability \$2 million/Claim \$2 million aggregate.
- Criminal loss coverage (Employee related theft; computer and funds transfer fraud; depositors forgery or alteration; credit, debit or charge card forgery, etc.) Limit of insurance: \$500,000.
- Cyber security/data breach response coverage of \$1 million aggregate.
- Foundation staff members are employed through Florida SouthWestern State College which provides Human Resources oversight as well as mandatory and optional health and other benefits.

Investments held in trust/unearned revenue

Investments held in trust and an offsetting unearned revenue are recorded at fair value at date of receipt. These investments generally consist of cash, equity securities, and fixed income securities. Unearned revenue consists of sponsorships, contributions or grants received by the Foundation with either time or eligibility requirements. The Foundation recognizes revenue, and the unearned revenue liability is reduced after the time restrictions have expired or the eligibility requirements have been met.

Operating income (loss)

The Foundation's operating income (loss) includes all revenues and expenses associated with the Foundation's daily activities. Interest and dividends, net (depreciation) appreciation and net realized gains/losses in investments are excluded from operating income and classified as nonoperating revenues or expenses. Contributions received for endowments are also excluded from operating income and are classified as capital additions.

Interfund due to/from

Interfund receivables and payables consist of amounts paid by one fund on behalf of another and are reflected on the Statement of Financial Position by Account Type. The amounts are short term in nature and are eliminated on the Statement of Net Position.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Concentration of credit risk

During the year ended March 31, 2023, the Foundation maintained its cash at a financial institution in bank deposits which, at times, may have exceeded federally-insured limits. The Foundation has not experienced any losses on such accounts. The Foundation believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the unconditional promises to give receivables relate to the number of contributors in Southwest Florida. The Foundation does not anticipate credit losses related to the unconditional promises to give in the near future.

Management of the Foundation believes the concentration of credit risk with respect to the investments is mitigated by investing through a national investment manager in widely traded mutual funds.

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.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, unconditional promises to give in less than one year, and accounts payable approximate fair value because of the short maturity of those financial instruments. Unconditional promises to give in excess of one year are reflected at actual dollar amount stated in the written promise. The carrying amounts (which are fair value) of long-term investments, including those held in trust for others, are based on values provided by an external investment manager, as traded and reported on a national market exchange.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent events

Subsequent events have been evaluated through July 14, 2023, which is the date the basic financial statements were available to be issued.

New Accounting Standard - Leases

During the year ended March 31, 2023, the Foundation adopted GASB Statement No. 87 - Leases (GASB 87). This Statement required the recognition of certain operating lease assets and liabilities in the Statement of Net Position that previously were classified as operating lease expenses. The Foundation, however, did not have any leases that met the recording criteria of GASB Statement No. 87 at March 31, 2023.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Foundation were \$2,490,824 at March 31, 2023.

The Foundation's policy allows deposits to be held in demand deposit and money market accounts. Bank balances approximate market value.

Cash and cash equivalents (deposits) consist of the following at March 31, 2023:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------|----------------------------|-------------------------|
| Depository | \$ 12,188 | \$ 188,130 |
| Money Market | 2,478,636 | 2,475,144 |
| Total | <u>\$ 2,490,824</u> | <u>\$ 2,663,274</u> |

Restricted cash is \$7,500 of unearned revenue from sponsorships.

Concentration of custodial credit risk

The Foundation maintains its cash and cash equivalents, including its depository and money market accounts, in a financial institution. These assets are federally insured up to \$250,000 per financial institution through Federal Deposit Insurance Corporation (FDIC) and/or the Securities Investor Protection Corporation (SIPC).

NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk as it does not believe its exposure is significant.

The Foundation's cash and money market accounts are categorized as follows at March 31, 2023:

| | <u>Bank Balance</u> |
|--|---------------------|
| Amount covered by Federal Depository Insurance | \$ 250,000 |
| Amount uninsured and uncollateralized | <u>2,413,274</u> |
| | <u>\$ 2,663,274</u> |

The Foundation has experienced no losses in the past due to custodial credit risk and believes it is not exposed to significant custodial credit risk.

NOTE C - UNCONDITIONAL PROMISES TO GIVE, NET

At March 31, 2023, the Foundation had net unconditional promises to give of \$1,223,681 (net present value), of which \$689,864 were current and \$533,817 were net noncurrent assets. These amounts are deemed by management to be fully collectible. Amounts, prior to discount, are expected to be collected as follows:

| <u>Years Ending March 31</u> | <u>Amount</u> |
|------------------------------|---------------------|
| 2024 | \$ 689,864 |
| 2025 | 442,000 |
| 2026 | 137,000 |
| 2027 | 9,063 |
| Thereafter | - |
| | <u>\$ 1,277,927</u> |

Net unconditional promises to give at March 31, 2023, were as follows:

| | <u>Amount</u> |
|---|---------------------|
| Receivable in less than one year | \$ 689,864 |
| Receivable in one to five years | <u>588,063</u> |
| Total unconditional promises to give | 1,277,927 |
| Less unamortized discounts (net present value discount) | <u>(54,246)</u> |
| Net unconditional promises to give | <u>\$ 1,223,681</u> |

NOTE C - UNCONDITIONAL PROMISES TO GIVE, NET, CONTINUED

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 8%.

Management believes all amounts receivable are fully collectible.

Promises to give include restricted amounts of \$33,063 at March 31, 2023 before discounts.

NOTE D - SPONSORSHIP RECEIVABLES, NET

At March 31, 2023, the Foundation had net sponsorship receivables of \$8,450 (net present value), of which \$7,200 were current and \$1,250 were net noncurrent assets. These amounts are deemed by management to be fully collectible. Noncurrent sponsorships are recognized at fair value using present value techniques and a discount rate of 8%.

Management believes all amounts receivable to be fully collectible.

NOTE E - INVESTMENTS

All investments classified as "Investments " are recorded at quoted market value, level (1) fair value measurements, except for the hedge funds which are level (2) as listed on March 31, 2023. The Foundation's policy is to invest its assets in mutual funds, which generally hold equities, fixed income investments, hedge funds, and cash. The mutual fund target allocations are as follows:

| <u>Asset Classes</u> | <u>Range</u> |
|--------------------------|--------------|
| Equity | 35% - 65% |
| Fixed Income | 15% - 40% |
| Alternatives | 0% - 30% |
| Hedge Funds | |
| Private Equity | |
| Real Estate | |
| Hard Assets | |
| Cash or Cash Equivalents | 0% - 10% |

NOTE E - INVESTMENTS - CONTINUED

The asset allocation targets are long-term and provide for short-term divergences.

The following is a summary of investments held at March 31, 2023:

| | Carrying Amount | Market Value |
|--|----------------------|----------------------|
| Uninvested Cash | \$ 406,531 | \$ 406,531 |
| Treasury Bills | - | - |
| Hedge Funds: | | |
| Core | - | - |
| Offshore | - | - |
| Private Equity | 1,830,659 | 1,830,659 |
| Exchange Traded Govt. Bonds - Fixed Income | 12,786,126 | 12,786,126 |
| Mutual Funds: | | |
| Equities | 20,194,461 | 20,194,461 |
| Fixed Income | 11,191,185 | 11,191,185 |
| | <u>\$ 46,408,962</u> | <u>\$ 46,408,962</u> |

The net investments of \$46,408,962 are recorded on the Statement of Net Position and include investments without donor restrictions of \$3,329,563 and investments with donor restrictions of \$43,079,399.

For the year ended March 31, 2023, gross return (loss) on investments of (\$2,110,731) was (3.90%) and (4.08%) net of investment management fees of \$103,894.

Custodial credit risk

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

To minimize risk the Foundation utilizes the services of investment managers for its investments. The investments held by these investment managers are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Foundation's name.

There were no losses during the period due to default by counterparties to investment transactions.

NOTE E - INVESTMENTS, CONTINUED

Interest rate risk

As a means of managing its exposure to fair-value losses arising from potentially increasing interest rates, the Foundation has established a target for the duration of its fixed income portfolio to be between 3 and 7 years.

As of March 31, 2023, the maturities of the Foundation's fixed income (mutual funds) investments of \$23,977,311 were available by percentage of its portfolio and are as follows:

| <u>Investment Maturities</u> <u>Average Years</u> | <u>Percentage of</u> <u>Portfolio</u> |
|--|--|
| 11.49 | 25.0% |
| 4.54 | 10.0% |
| 8.18 | 15.0% |
| 8.73 | 18.0% |
| 1.98 | 12.0% |
| 8.44 | <u>20.0%</u> |
| Totals | <u>100.0%</u> |

The investments held by the Foundation are part of large mutual funds and are not individual securities held by the Foundation. Therefore, disclosing actual maturities by fixed income investment security is not possible.

Credit risk

The Foundation's investments are held as part of large mutual funds. Therefore, it is not possible to isolate credit risk by actual security held, but rather by the mutual fund in total.

It is the Foundation's policy that the investment grade portion of the fixed income portfolio must be rated "BBB" or better or a comparable rating by Moody's or Standard & Poor's rating services, respectively. The high-yield portion of the fixed income portfolio will consist of below investment grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

NOTE E - INVESTMENTS - SEI, CONTINUED

Credit risk, continued

At March 31, 2023, the Foundation's fixed income investments were rated as follows:

| <u>Rating</u> | <u>% of Portfolio</u> |
|------------------------|---------------------------|
| Aaa | 67.5% |
| Aa | 4.1% |
| A | 7.5% |
| BBB | 11.4% |
| Below Investment Grade | <u>9.5%</u> |
| | <u>100.0%</u> |

Other policies

The Foundation assesses a management fee on all unrestricted and restricted endowment funds for the purpose of funding the Foundation's operating budget. The fee is 2.75% of investment funds held without donor restrictions and 2.75% of investments held with donor restrictions (temporarily restricted expendable and restricted nonexpendable endowment funds). The Foundation policy calls for 4% of endowment fund to be spent for College programs and scholarships.

The Foundation's investment performance expectations include the achievement of long-term investment results of an average annual real return of 6.5% above inflation as measured by the Consumer Price Index (CPI).

Equity-type mutual funds investments

The Foundation invests in various equity-type mutual funds investments. Investments are recorded at fair market value in accordance with the reporting requirements. All such investments are subject to various market and economic risk factors as well as the national and global economics and may lose value and/or principal. The Foundation's investment policy allows for investment in equity securities between 35% and 65% of the total market value.

NOTE F - INVESTMENTS HELD IN TRUST

Investments Held in Trust are offset by a liability (unearned revenue) until such time as the restrictive conditions are met. Investments Held in Trust at March 31, 2023, consist of the following:

| | CARRYING AMOUNT | |
|---------------------------|------------------------------|------------------|
| | Without Donor Restriction | Market Value |
| Cash and cash equivalents | \$ 12,312 | \$ 12,312 |
| | <u>\$ 12,312</u> | <u>\$ 12,312</u> |

Cash and cash equivalents are at actual reconciled balances at March 31, 2023, which is considered fair value.

In 2002, the Foundation established a pooled gift annuity for multiple donors. Following the death of the annuitants, the remainder balance will be distributed in a lump sum payment to the endowment fund of the Foundation. As such, no amounts have been recorded to recognized revenue. The value of the investment at March 31, 2023, was \$12,312 and is recorded as Investments Held in Trust as both an asset and an offsetting unearned revenue liability.

Custodial credit risk

Custodial credit risk for cash and investments, is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Foundation uses the services of an investment manager for its Investments Held in Trust (except for cash held by escrow agent and real estate). The investments held by this investment manager are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Foundation's name.

There were no losses during the period due to default by counterparties to investment transactions in the Investments Held in Trust.

NOTE F - INVESTMENTS HELD IN TRUST, CONTINUED

Interest rate risk

Investments Held in Trust at March 31, 2023 are in cash and cash equivalents. As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Foundation has established a target for the duration of its fixed income portfolio to be between 3 and 7 years.

Credit risk and concentration of credit risk are considered insignificant at March 31, 2023 due to use of cash and cash equivalent investment vehicles.

NOTE G - FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair market value in the accompanying Statement of Net Position at March 31, 2023, as follows:

| Description | Carrying Value | Fair Value Measurements at Reporting Date Using: | | |
|-----------------------------|----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets Level (1) | Quoted Prices in Active Markets for Similar Assets Level (2) | Significant Unobservable Inputs Level (3) |
| Assets | | | | |
| Mutual funds | \$ 31,385,646 | \$ 31,385,646 | \$ - | \$ - |
| Treasury bills | - | - | - | - |
| Exchange traded govt. bonds | 12,786,126 | 12,786,126 | - | - |
| Alternative investments | 1,830,659 | - | 1,830,659 | - |
| Investments held in trust | 12,312 | 12,312 | - | - |
| Total Assets | <u>\$ 46,014,743</u> | <u>\$ 44,184,084</u> | <u>\$ 1,830,659</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Investments held in trust | \$ 12,312 (*) | \$ 12,312 | \$ - | \$ - |
| Total Liabilities | <u>\$ 12,312</u> | <u>\$ 12,312</u> | <u>\$ -</u> | <u>\$ -</u> |

(*) The fair value of these liabilities is based on the composite of the investment noted above.

NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

Investments Held in Trust - Cash and cash equivalents are recorded at reconciled balances at March 31, 2023. However, the cash and cash equivalents held in money funds along with individual bonds held within a trust are classified as level (1).

Fair value measurements

FASB ASC 820-10-50-1 through 820-10-50-8 (formerly Financial Accounting Standards Board Statement No. 157, "Fair Value Measurements") established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level (3) inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value.

The Foundation adheres to FASB ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This update provided amendments that require new disclosures of (a) transfers in and out of Levels 1 and 2 to include reasons for the transfers as well, and (b) reconciliation for fair value measurements using significant, unobservable inputs. Level (3) should be presented separately on a gross basis, rather than as one net number. This update also provided amendments that clarify existing disclosures such as the level of disaggregation for each class of assets and liabilities as well as disclosures about inputs and valuation techniques. The Foundation does not believe that the adoption of this update had a material impact on its financial statements.

Level (1) fair value measurements

The fair value of investments, except the alternative investments, is based on quoted net asset values in the shares held by the Foundation at year end.

Level (2) fair value measurements

Level (2) classifications consist of commingled funds (alternative investments) where detailed holdings were available and the fair value of the funds could be determined based on market prices.

NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

Level (3) fair value measurements

The Foundation held no such inputs at March 31, 2023.

NOTE H - RELATED PARTY TRANSACTIONS

Foundation personnel are employed by the College. The Foundation reimburses the College for the actual cost of these respective employees' salaries and the related payroll taxes and benefits. During the year ended March 31, 2023, the College billed the Foundation \$482,019. These expenses are recorded in the accompanying Statement of Revenues, Expenses and Changes in Net Position as part of supporting services.

The Foundation also paid the College \$1,756,887 for scholarships and other academic costs as well as \$1,096,505 for Hurricane Ian assistance to the College for student and faculty disaster relief during the year ended March 31, 2023.

The Foundation's office space, phone, internet, furniture, and utilities are provided by the College. The fair value of the office space of \$40,585 has been recorded as (in-kind) donated facilities income and rent expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position. No amounts have been recorded for the other occupancy costs, as no objective basis to do so has been determined.

NOTE I - CERTIFICATION OF UNMATCHED PRIVATE CONTRIBUTIONS

Due to economic factors and the resulting State budget constraints, the State of Florida, Department of Education, has yet to fund the Foundation's annual request for Dr. Philip Benjamin's matching program for community colleges (Program Challenge Grant, CSFA #48.063) (Chapter 1011.85, Florida Statutes), for match of its private contributions.

During the year ended March 31, 2012, section 1011.85 Florida Statute was amended to suspend State matching funds for the Dr. Phillip Benjamin Matching Program for donations received on or after June 30, 2011.

**NOTE I - CERTIFICATION OF UNMATCHED PRIVATE CONTRIBUTIONS,
CONTINUED**

The following is a summary of the annual unfunded requests at June 29, 2011 (there was no change from the prior year as there was no change in State funding):

| <u>Request for Period:</u> | <u>Amount</u> |
|---|----------------------|
| February 2, 2007 through February 1, 2008 | \$ 2,599,476 |
| February 2, 2008 through February 1, 2009 | 3,654,070 |
| February 2, 2009 through February 1, 2010 | 2,017,202 |
| February 2, 2010 through February 1, 2011 | 1,286,901 |
| February 2, 2011 through June 29, 2011 | 1,480,756 |
| | <u>\$ 11,038,405</u> |

These State match request amounts are not recorded as revenue or a receivable, because it is unclear as to whether such a receivable is collectible. The College certified the receipt of the contributions and submitted the requests per the State's instruction in the event that funds become available. Additionally, per a State of Florida, Department of Education representative, an "Auditor's Certification of Accuracy" is not required for Dr. Philip Benjamin Matching Program Final Certification of Private Contributions as of February 1, 2008, as of February 1, 2009, as of February 1, 2010, as of February 1, 2011, or as of June 29, 2011, since State matching funds were not provided. Therefore, the "Auditor's Certification of Accuracy" is not included and bound herein.

NOTE J - ENDOWMENT

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE J - ENDOWMENT, CONTINUED

Net assets with donor restrictions, temporarily and permanently restricted, at March 31, 2023 are available for scholarships and academic chairs. Such permanently restricted net assets at March 31, 2023, contain donor-restrictions that require the donated assets remain in perpetuity, and the Foundation does not have the right to the original principal.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the Foundation to manage the investment process in a prudent manner with regard to preserving principal while providing reasonable returns. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain purchasing power. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund.
2. The purposes of the institution and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the institution.
7. The investment policy of the institution.

NOTE J - ENDOWMENT, CONTINUED

Interpretation of relevant law, continued

Endowment Investment Composition by Type of Fund as of March 31, 2023:

| | Without Donor Restriction | With Donor Restrictions | | Total |
|-------------------------------------|---------------------------------|---------------------------|---------------------------|----------------------|
| | Restriction | Temporarily Restricted | Permanently Restricted | |
| | Unrestricted | | | |
| Board-designated endowment funds | \$ 3,329,563 | \$ - | \$ - | \$ 3,329,563 |
| Donor-restricted endowment funds | - | 22,925,087 | 20,154,312 | 43,079,399 |
| Total Funds | <u>\$ 3,329,563</u> | <u>\$ 22,925,087</u> | <u>\$ 20,154,312</u> | <u>\$ 46,408,962</u> |

Changes in Endowment Investments for the Year Ended March 31, 2023:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|----------------------|
| Endowment investments, beginning of year | \$ 3,741,535 | \$ 26,159,242 | \$ 19,778,361 | \$ 49,679,138 |
| Investment return: | | | | |
| Interest earnings | 115,780 | 1,481,161 | - | 1,596,941 |
| Net unrealized gain (loss) | (249,879) | (3,522,619) | - | (3,772,498) |
| Net realized gain (loss) | 2,809 | 62,017 | - | 64,826 |
| Total investment return | (131,290) | (1,979,441) | - | (2,110,731) |
| Contributions, received | 17,328 | 460,174 | 329,375 | 806,877 |
| Appropriation of endowment assets for expenditure | - | (1,314,643) | 46,000 | (1,268,643) |
| Other changes | (298,010) | (400,245) | 576 | (697,679) |
| Endowment investments, end of year | <u>\$ 3,329,563</u> | <u>\$ 22,925,087</u> | <u>\$ 20,154,312</u> | <u>\$ 46,408,962</u> |

NOTE J - ENDOWMENT, CONTINUED

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Foundation to retain the fund in perpetual duration. Deficiencies may result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that is deemed prudent by the Board of Directors. There was no such deficiency, in aggregate, as of March 31, 2023.

Spending policy and how the investment objectives relate to spending policy

The amount to be distributed (spent) from the Foundation assets is reviewed annually by the Executive Committee and appropriate recommendations are made to the Board then approved by the Board. It is expected that the annual amount to be distributed from Foundation-invested assets will be at or between 4 percent and 5 percent of a three-year rolling average of year-end market values (for the year ended March 31, 2023, the Board elected a 4% distribution rate). The annual administrative fee, with a long-term spending rate determined by the Finance Committee, is also calculated on a three-year rolling average of year-end market values of the Fund. In establishing this policy, the Foundation considered long-term expected return on its endowment. For the long-term, the primary investment objective for the Fund is to earn a total return, net of fees and within prudent levels of risk, which is sufficient to maintain, in real terms, the purchasing power of the Fund's assets and support the defined spending policy. Specifically, in compliance with FUPMIFA, unless otherwise specified or implied by a gift agreement or other document, at no time will spending invade the principal of endowed funds. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE K - LIQUIDITY

Financial assets available within one year of March 31, 2023 consisted of the following:

| | <u>Amount</u> |
|---|---------------------|
| Cash and cash equivalents | \$ 2,490,824 |
| Investments without donor restrictions | 3,329,563 |
| Promises to give, current | <u>689,864</u> |
| | 6,510,251 |
| Less: Current liabilities | <u>(58,729)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 6,451,522</u> |

The Foundation's goal is generally to maintain financial assets to meet one (1) year of unrestricted operating expenses (approximately \$1,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and mutual funds.

NOTE L - IN-KIND CONTRIBUTIONS

Donated Rent, Goods and Services

The Foundation receives in-kind contributions of time from members of the Board of Directors related to operations, special events, and fundraising. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value of the donation. For the year ended March 31, 2023, no amounts have been recorded for these services inasmuch as no donated services were received which met the criteria to be recorded.

Donated goods consisting of gift cards and services such as promotions and advertising are recorded as in-kind contribution revenue with a corresponding increase to inventory. Expense is recognized upon distribution or use of the items.

NOTE L - IN-KIND CONTRIBUTIONS, CONTINUED

Donated Rent, Goods and Services, continued

The Foundation received the following contributions of goods and services for the year ended March 31, 2023:

| | Support and | | Revenue/Expense |
|-----------------------------|-------------------|-------------------|-----------------|
| | Revenues | Expenses | Category |
| Donated art | \$ 400,000 | \$ 400,000 | In-kind Revenue |
| Consumed goods - gift cards | 35,281 | 35,356 | In-kind Expense |
| Donated rent | 40,585 | 40,485 | In-kind Expense |
| | <u>\$ 475,866</u> | <u>\$ 475,841</u> | |

All donated goods were utilized by the Foundation's program services or held in inventory at March 31, 2023 except for the donated art piece which was donated by the Foundation to the College. There were no donor-imposed restrictions associated with the donated services and goods.

The difference between donated goods revenue and expenses is recorded as an inventory adjustment.

SUPPLEMENTARY INFORMATION

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION BY ACCOUNT TYPE
March 31, 2023

| | With Donor Restrictions | | | | Total |
|---|----------------------------|------------------------|------------------------|-------------|----------------------|
| | Without Donor Restrictions | Temporarily Restricted | Permanently Restricted | Elimination | |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,490,824 | \$ - | \$ - | \$ - | \$ 2,490,824 |
| Sponsorship receivables, current | 7,200 | - | - | - | 7,200 |
| Unconditional promises to give, current | 684,064 | - | 5,800 | - | 689,864 |
| Prepaid Expense | 33,665 | - | - | - | 33,665 |
| Total current assets | <u>3,215,753</u> | <u>-</u> | <u>5,800</u> | <u>-</u> | <u>3,221,553</u> |
| NONCURRENT ASSETS | | | | | |
| Investments without donor restrictions | 3,329,563 | - | - | - | 3,329,563 |
| Investments - with donor restrictions | - | 22,925,087 | 20,154,312 | - | 43,079,399 |
| Sponsorship receivables, noncurrent, net | 1,250 | - | - | - | 1,250 |
| Unconditional promises to give, noncurrent, net | 516,522 | 1,832 | 15,463 | - | 533,817 |
| Gifts In Kind | 13,267 | - | - | - | 13,267 |
| Investments held in trust | (699) | 13,011 | - | - | 12,312 |
| Total noncurrent assets | <u>3,859,903</u> | <u>22,939,930</u> | <u>20,169,775</u> | <u>-</u> | <u>46,969,608</u> |
| TOTAL ASSETS | <u>\$ 7,075,656</u> | <u>\$ 22,939,930</u> | <u>\$ 20,175,575</u> | <u>\$ -</u> | <u>\$ 50,191,161</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 51,229 | \$ - | \$ - | \$ - | \$ 51,229 |
| Unearned revenue | 7,500 | - | - | - | 7,500 |
| Total current liabilities | <u>58,729</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>58,729</u> |
| NONCURRENT LIABILITIES | | | | | |
| Investments held in trust (unearned revenue) | (699) | 13,011 | - | - | 12,312 |
| Total noncurrent liabilities | <u>(699)</u> | <u>13,011</u> | <u>-</u> | <u>-</u> | <u>12,312</u> |
| TOTAL LIABILITIES | <u>58,030</u> | <u>13,011</u> | <u>-</u> | <u>-</u> | <u>71,041</u> |
| NET ASSETS | | | | | |
| Net investment in capital assets | - | - | - | - | - |
| Without donor restrictions | 7,017,626 | - | - | - | 7,017,626 |
| With donor restrictions | | | | | |
| Temporarily restricted | - | 22,926,919 | - | - | 22,926,919 |
| Permanently restricted | - | - | 20,175,575 | - | 20,175,575 |
| TOTAL NET ASSETS | <u>7,017,626</u> | <u>22,926,919</u> | <u>20,175,575</u> | <u>-</u> | <u>50,120,120</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,075,656</u> | <u>\$ 22,939,930</u> | <u>\$ 20,175,575</u> | <u>\$ -</u> | <u>\$ 50,191,161</u> |

The accompanying footnotes are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES BY ACCOUNT TYPE
For the Year Ended March 31, 2023

| | With Donor Restrictions | | | Total |
|---|-------------------------------|---------------------------|---------------------------|----------------------|
| | Without Donor Restrictions | Temporarily Restricted | Permanently Restricted | |
| REVENUES AND SUPPORT | | | | |
| Contributions, gifts and other revenues | \$ 2,511,079 | \$ 31,109 | \$ 329,375 | \$ 2,871,563 |
| Dividend and interest income | 146,676 | 1,481,161 | - | 1,627,837 |
| Net unrealized gain (loss) on investments | (249,879) | (3,522,619) | - | (3,772,498) |
| Net realized gain (loss) on sale of investments | 2,809 | 62,017 | - | 64,826 |
| Refunds | 2,328 | 429,065 | - | 431,393 |
| In-Kind donations/facilities | 475,866 | - | - | 475,866 |
| | <u>2,888,879</u> | <u>(1,519,267)</u> | <u>329,375</u> | <u>1,698,987</u> |
| NET ASSETS RELEASED | | | | |
| FROM RESTRICTIONS | <u>667,673</u> | <u>(1,315,643)</u> | <u>647,970</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | <u>3,556,552</u> | <u>(2,834,910)</u> | <u>977,345</u> | <u>1,698,987</u> |
| EXPENSES | | | | |
| Academic | 723,219 | 47,366 | - | 770,585 |
| Student-related scholarships | 855,588 | 304,794 | - | 1,160,382 |
| Faculty and institution-related | 80,306 | 34,010 | - | 114,316 |
| Management and general | 1,066,240 | 23,135 | - | 1,089,375 |
| Fundraising and donor-related | 252,457 | 2,214 | - | 254,671 |
| TOTAL EXPENSES | <u>2,977,810</u> | <u>411,519</u> | <u>-</u> | <u>3,389,329</u> |
| INCREASE (DECREASE) IN NET ASSETS | 578,742 | (3,246,429) | 977,345 | (1,690,342) |
| NET ASSETS, BEGINNING OF YEAR | <u>6,438,884</u> | <u>26,173,348</u> | <u>19,198,230</u> | <u>51,810,462</u> |
| NET ASSETS, END OF YEAR | <u>\$ 7,017,626</u> | <u>\$ 22,926,919</u> | <u>\$ 20,175,575</u> | <u>\$ 50,120,120</u> |

The accompanying footnotes are an integral part of this statement.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**

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

Board of Directors
Florida SouthWestern State College Foundation, Inc.
8099 College Parkway, SW
Fort Myers, FL 33919

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America, the basic financial statements which comprise the statement of net position as of March 31, 2023 and the related statements of revenue, expenses and changes in net position, statement of functional expenses and cash flows of Florida SouthWestern State College Foundation, Inc. (the "Foundation") for the year ended March 31, 2023, and the related notes to the financial statements which collectively comprise the Foundation's basic financial statements as listed in the table of contents and have issued our report thereon dated July 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Florida SouthWestern State College Foundation, Inc.'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. However, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.


We noted certain other matters that we have reported in our Independent Auditor's Report to Management dated July 14, 2023.

Compliance and Other Matters

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

Purpose of This Report

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

July 14, 2023

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Florida SouthWestern State College Foundation, Inc.
8909 College Parkway, SW
Fort Myers, FL 33919

In planning and performing our audit of the financial statements of Florida SouthWestern State College Foundation, Inc. (the "Foundation") as of and for the year ended March 31, 2023, we considered Florida SouthWestern State College Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards, and Chapter 10.700 "Rules of the Auditor General". We are, therefore, submitting for your review and consideration, items noted during the audit and recommendations designed to help the Foundation make improvements and achieve

operational efficiencies. Our comments reflect our desire to be of continuing assistance to Florida SouthWestern State College Foundation, Inc.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

There were no financially significant comments noted.

CURRENT YEAR COMMENTS:

Over the last several years, we noted various comments in our Reports to Management then noted those comments' respective status in subsequent years' Reports to Management. At the same time the Foundation experienced multiple turnovers in the Executive Director position as well the finance director position and staff. This turnover has resulted in differences in policy understanding, adherence and application to those policies. The Foundation also initiated new activities without specific policies in place at the time. This comment is intended to recapitulate the current year status of these various issues and their final resolution.

International Travel: Several years ago the Foundation initiated international travel to develop fundraising efforts in coordination with the Colleges international studies initiative. There was no policy in place for such activity at the time. The Foundation has since adopted an international travel policy based on the College's (State of Florida) policy.

Contracting Consultants and Use of Credit Cards: The Foundation contracted a consultant and provided use of a Foundation credit card to the consultant. No credit card policy was in place at the time to address this situation. The Foundation policy now limits such credit card use to Foundation staff. Contracting consultants appears to be within the authority of the Executive Director (Bylaws section 7.5) and/or the direction of the President.

We further recommend amending the credit card policy to require submission of the IRS required documentation, certification of business statement by the user and requiring payroll reimbursement for failure of documentation submission.

Lobbyist Costs: The Articles of Incorporation Article VII provide for lobbying activities.

Purchase of Alcohol and Development Costs: The Foundation is permitted as an incorporated not-for-profit entity to purchase alcohol and to incur development costs. The College is prohibited from such activity. The Foundation developed a specific policy to limit such purchases to a "reasonable" limit.

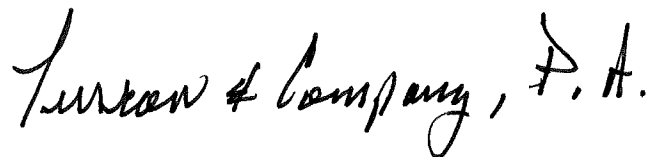
We recommend developing specific limits for cost control and liability purposes as well a policy for preapproval of initiation of such efforts and costs.

Florida Auditor General Rule 10.700. As such, is subject to Florida's Sunshine Law FS 286.011. This Rule among many other items prohibit the Board of Directors from speaking to each other about matters that come in front of the Board for action, except at a properly advertised public meeting.

Relationship between the College and the Foundation: The Foundation is a separate Florida not-for-profit corporation but its independence is somewhat limited by its Articles of Incorporation, Bylaws and the Florida Statute FS 1004.70 governing DSO's. Specifically, the DSO's Board is the board of a separate entity. It is limited, in certain areas of authority, unlike other not-for-profit organizations, where the respective articles, bylaws and statutes provide oversight/authority to the College's president.

Reconciliation of Funds: The funds have been reconciled for the year under audit. Prior year reconciliation differences have been resolved in the current year under audit.

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General of the State of Florida, and other Federal and State agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive, flowing script.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

July 14, 2023

EXHIBIT



August 10, 2023

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Auditor General:

We are providing this letter in connection with the audit of Florida SouthWestern State College Foundation, Inc. for the fiscal year ended March 31, 2023.

The Independent Auditor's Report to Management did not disclose any current year findings. The Independent Auditor conducted another review of prior year findings and issues. The Report provides a summary of the reviewed issues from FY20 and FY21 and their resolution. All findings are now considered to have been corrected appropriately and reached their final resolution.

Please feel free to contact me or Sara Mayo, Controller, at 239-489-9036 with any questions.

Thank you,

A handwritten signature in black ink that reads "Geraldine Gallagher".

Geraldine Gallagher, PhD, CFRE
Foundation Executive Director
VP Institutional Advancement

cc Tuscan & Company, PA
12621 World Plaza Lane, Bldg 55
Fort Myers, FL 33907

8099 College Parkway, Fort Myers, Florida 33919
P 239.489.9210 F 239.489.9135
Foundation.FSW.edu

FSW Foundation, Inc. is categorized as a 501(c)(3) charitable organization by the IRS with federal tax ID #59-6173638.

It is also a Direct Support Organization (DSO) for Florida SouthWestern State College as defined by Florida statute 1004.70. Florida SouthWestern State College is an equal access, equal opportunity institution.