

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization and Activities

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

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

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

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

Summary of Significant Accounting Policies

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

Basis of Accounting

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

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

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024

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

Basis of Accounting (Continued)

The statement of net position is presented in a classified format to distinguish between current and long-term assets and liabilities. The statement of revenues, expenses, and changes in net position is presented by major sources. The statement of cash flows is presented using the direct method and is in compliance with Governmental Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Financial Statement Presentation

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

GASB Statement No. 34, as amended, established standards for external financial reporting which includes a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements. GASB Statement No. 34 also includes a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are further defined as follows:

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that are attributable to those assets.

Restricted – consists of assets that have constraints placed upon their use through external sources imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities to be paid from these assets.

Unrestricted – consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024

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

Cash and Cash Equivalents

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

Receivables

Receivables consist of amounts due from the College for lease revenues from students residing in LightHouse Commons. The amount of \$64,291 is reported net of an allowance for uncollectible accounts of \$24,851 at March 31, 2024.

Investments

On January 17, 2023, the Financing Corporation's board of directors approved an updated investment policy which defines the fiduciary responsibility of the Financing Corporation's investment advisor and establishes asset uses and the acceptable level of risk on investments. Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position.

Capital Assets

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

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

Operating Revenues and Expenses

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

**FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024**

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

The Financing Corporation’s policy allows deposits to be held in demand deposit and money market accounts as well as other low to low-moderate risk investment vehicles. Cash and cash equivalents (deposits) consist of the following at March 31, 2024:

Classification	Carrying Amount
Unrestricted:	
Public Funds Bank Account	\$ 4,024,865
U.S. Government Money Market Mutual Fund	91,360
Restricted for Capital Outlay:	
Public Funds Bank Account	1,533,325
Restricted for Debt Service:	
Public Funds Bank Account	1,463,333
Total	\$ 7,112,883

FLORIDA SOUTHWESTERN STATE COLLEGE FINANCING CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2024

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

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

The Financing Corporation's deposit accounts are categorized as follows:

	<u>Bank Balance</u>
Unrestricted:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	<u>\$ 4,078,496</u>
Total Unrestricted	4,078,496
Restricted for Capital Outlay:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	1,533,325
Restricted for Debt Service:	
Amount Covered by Federal Depository Insurance or Collateralized Pursuant to Florida Statute 280	<u>1,463,333</u>
Total Restricted	<u>2,996,658</u>
Total	<u><u>\$ 7,075,154</u></u>

Custodial Credit Risk

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

Credit Risk

The Financing Corporation's policy requires limiting investments to the safest types of securities and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Financing Corporation's investment in the Money Market Mutual Fund is rated AA at March 31, 2024.