

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

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

**YEAR ENDED  
March 31, 2018**

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**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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, as of March 31, 2018, and for the year then ended, as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

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no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 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, 2018, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information - management's discussion and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other 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, 2018, 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, 2018, 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, 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, 2018, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2018 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  
June 14, 2018

**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, 2018

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, 2018. 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 and instruction services, student scholarships at Florida SouthWestern State College, as well as 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 three basic financial statements; the statement of net position; the statement of revenues, expenses and changes in net position; 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, 2018 as follows:

- \$4,858,923 (unrestricted net assets) may be used to provide academic, community and college program support, as well as general and administrative support;
- \$21,557,213 (temporarily restricted net assets) represents funds whose use has been limited by donors for time restrictions or special purposes; and
- \$19,421,227 (permanently restricted net assets) 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 increased by \$299,844 during the 2017-18 fiscal year, from \$45,537,519 to \$45,837,363. The increase is attributable to the increased investment revenue and contributions.

The Foundation received no state matching funds for the year ended March 31, 2018. The State Matching Program was suspended June 30, 2011. See Financial Statement Note H.

# Florida SouthWestern State College Foundation, Inc.

A Component Unit of Florida SouthWestern State College  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)  
March 31, 2018

## Financial Highlights (cont'd)

The Foundation awarded \$1,733,574 in student scholarships and \$1,298,853 in academic support for fiscal year 2017-2018.

Total revenues and capital additions of \$1,135,493 included private support for scholarships, academic support funds, sponsorships, capital funding and unrestricted gifts.

## 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 revenue and expenses are taken into account regardless of when cash is received or paid.

Assets, liabilities and net position for the Foundation at March 31, 2017 and March 31, 2018 were as follows:

<b>Assets</b>	<b>2017</b>	<b>2018</b>
Current Assets	\$ 2,165,066	\$ 2,584,044
Noncurrent Assets	46,444,977	46,109,201
<b>Total Assets</b>	<b>\$ 48,610,043</b>	<b>\$ 48,693,245</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>	\$ 1,352,218	\$ 1,210,887
Noncurrent Liabilities	1,720,306	1,644,995
<b>Total Liabilities</b>	<b>3,072,524</b>	<b>2,855,882</b>
<b>Net Assets/Position</b>		
Endowment	19,189,378	19,421,227
Restricted-Expendable	22,270,396	21,557,213
Unrestricted	4,077,745	4,858,923
<b>Total Net Assets/Position</b>	<b>45,537,519</b>	<b>45,837,363</b>
<b>Total Liabilities and Net Assets/Position</b>	<b>\$ 48,610,043</b>	<b>\$ 48,693,245</b>

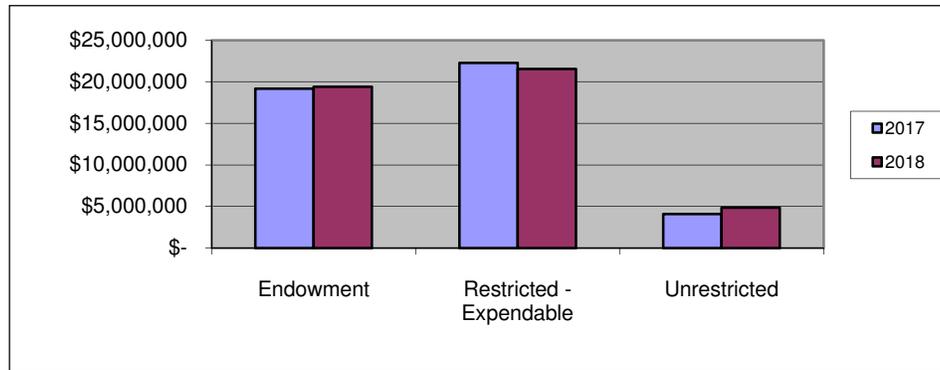
# Florida SouthWestern State College Foundation, Inc.

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

March 31, 2018

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

The Foundation's net position by category at March 31, 2017 and March 31, 2018 are displayed graphically below:



Comparative revenues and expenses of the Foundation for the fiscal year ended March 31, 2017 and March 31, 2018 are presented below:

	<u>2017</u>	<u>2018</u>
<b>Operating Revenues:</b>		
Contributions, Gifts & Other Revenue	\$ 1,172,288	\$ 799,617
Other Income: Donated Facilities	26,000	26,000
In-Kind donations	136,850	78,027
<b>Total Operating Revenues</b>	<u>1,335,138</u>	<u>903,644</u>
Less Operating Expenses	<u>8,841,148</u>	<u>4,758,037</u>
<b>Operating Income (Loss)</b>	<u>(7,506,010)</u>	<u>(3,854,393)</u>
<b>Non-operating Revenues:</b>		
Net Investment Income (Loss)	1,230,200	2,347,670
Net Realized/Unrealized Gains (Losses) on Investments	3,235,378	1,713,718
Net Unrealized Loss on Land	-	(139,000)
<b>Total Non-Operating Revenues</b>	<u>4,465,578</u>	<u>3,922,388</u>
<b>Income (Loss) Before Other Revenues (Expenses)</b>	<u>(3,040,432)</u>	<u>67,995</u>
<b>Capital Additions:</b>		
Private contributions	56,448	231,849
<b>Total Other Revenues (Expenses)</b>	<u>56,448</u>	<u>231,849</u>
<b>Increase (Decrease) in Net Assets/Position</b>	(2,983,984)	299,844
Net Assets/Position, Beginning of Year	<u>48,521,503</u>	<u>45,537,519</u>
<b>Net Assets/Position, End of Year</b>	<u>\$ 45,537,519</u>	<u>\$ 45,837,363</u>

# **Florida SouthWestern State College Foundation, Inc.**

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

March 31, 2018

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

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

### **Private contributions:**

Private contributions, operating and endowment, totaled \$1,109,493 for the year ended March 31, 2018 compared to \$1,365,586 from the prior year.

### **Grants from governmental agencies:**

During the year ended March 31, 2018, 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. These contributions are aligned with the mission of Florida SouthWestern State College and certified by the College's Board of Trustees.

### **Investment income and unrealized gains (losses) on investments:**

Investment income consisting of interest and dividends increased by \$1,117,470 from the prior year to \$2,347,670 for the year ended March 31, 2018. Realized and unrealized gains on investments decreased by approximately \$1,521,660 from the prior year to \$1,713,718 for the year ended March 31, 2018.

### **Loss on Land:**

Loss on land was due to the sale of undeveloped land (property), adjacent to the Lee Campus, to the College's Financing Corporation.

### **Operating Expenses by Natural Classification**

Operating expenses by natural classification for the Foundation for the fiscal year ended March 31, 2017 and March 31, 2018:

# Florida SouthWestern State College Foundation, Inc.

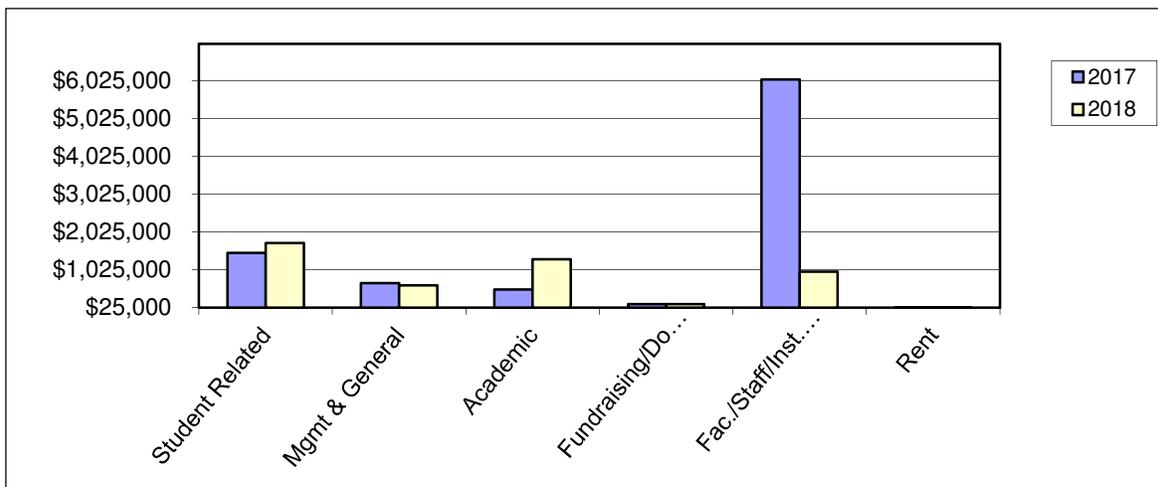
A Component Unit of Florida SouthWestern State College  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

March 31, 2018

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

<b>Operating Expenses:</b>	<b>2017</b>	<b>2018</b>
Student Related	\$ 1,470,552	\$ 1,733,574
Management and General	668,064	608,929
Academic	497,384	1,298,853
Fundraising and Donor-Related	116,915	116,462
Faculty and Staff & Institution-Related	6,062,233	974,219
Rent	26,000	26,000
<b>Total Operating Expenses</b>	<b>\$ 8,841,148</b>	<b>\$ 4,758,037</b>

Depicted below is a comparison of operating expenses by natural classifications for the fiscal year ended March 31, 2017 and March 31, 2018:



### 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 year ended March 31, 2017 and March 31, 2018 is presented as follows:

# Florida SouthWestern State College Foundation, Inc.

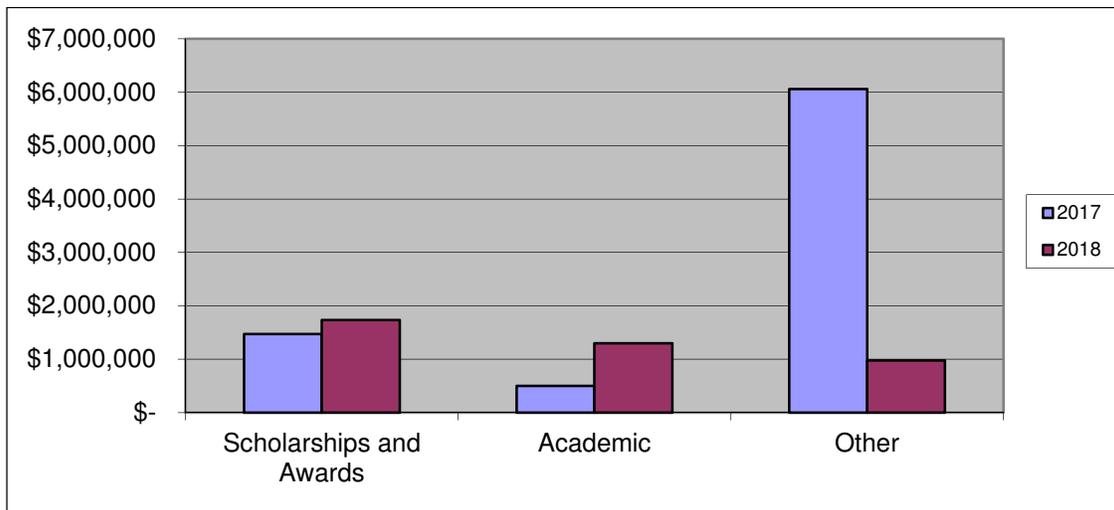
A Component Unit of Florida SouthWestern State College  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

March 31, 2018

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

<b>Operating Expenses:</b>	<b>2017</b>	<b>2018</b>
Program Services:		
Scholarships and Awards	\$ 1,470,552	\$ 1,733,574
Academic	497,384	1,298,853
Faculty, Student and Institution	6,062,233	974,219
<b>Total Program Expenses</b>	<b>8,030,169</b>	<b>4,006,646</b>
Supporting Services		
General Administration	694,064	634,929
Fundraising	116,915	116,462
<b>Total Supporting Services</b>	<b>810,979</b>	<b>751,391</b>
<b>Total Operating Expenses</b>	<b>\$ 8,841,148</b>	<b>\$ 4,758,037</b>

Depicted below is a comparison of program services for the fiscal year ended March 31, 2017 and March 31, 2018:



# Florida SouthWestern State College Foundation, Inc.

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

March 31, 2018

## 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 year ended March 31, 2018 is presented below:

<b>Cash Flows</b>	<b>2018</b>
Cash Provided By (Used in):	
Operating Activities	\$ (3,697,232)
Noncapital Financing Activities	-
Capital and Related Financing Activities	231,849
Investing Activities	4,471,342
Net Increase (Decrease) in Cash	1,005,959
Cash and Cash Equivalents, Beginning of Year	818,167
Cash and Cash Equivalents, End of Year	\$ 1,824,126

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 donors and revenues was \$1,061,395. 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 \$4,758,627. For the year ended March 31, 2018 operations of the Foundation used net cash of \$3,697,232.

Cash flows from investing activities consist of interest and dividends in the amount of \$2,347,670 and the net of proceeds and purchases of securities for long term investments including the sale of the land to the College's Financing Corporation of \$1,061,000 amounted to \$2,123,672.

### Debt Administration

During the year ended March 31, 2011, the Foundation purchased a parcel of land in Lee County contiguous to the west side of the Lee Campus. The Foundation sold the property to the College Financing Corporation in the 2017-2018 fiscal year for \$1,061,000. The Foundation used the proceeds to satisfy the related debt in April 2018.

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

# **Florida SouthWestern State College Foundation, Inc.**

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

March 31, 2018

## **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.

Another factor that could be relevant to the operation of the Foundation is the passage of the most recent Tax Reform Act. Several aspects of the law have made charitable giving less advantageous from a tax perspective, and there has been some discussion in the charitable community about the impact of this law on charitable giving. The Foundation will continue to focus on impact of giving, with the belief that the primary impetus for charitable giving is the donor's affinity for the results Florida SouthWestern State College produces for students, staff, and community.

### **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, Ami Desamours, Foundation Chief Financial Officer, 8099 College Parkway, Fort Myers, Florida, 33919 or phone (239) 489-9036.

**FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF NET POSITION**  
**March 31, 2018**

<b>ASSETS</b>	<u>Total</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents (includes restricted cash of \$1,066,682)	\$ 1,824,126
Investments - SEI, current	277,526
Prepaid expenses	25,159
Sponsorship receivables, current	106,050
Unconditional promises to give, current	<u>351,183</u>
<b>Total current assets</b>	<u>2,584,044</u>
<b>NONCURRENT ASSETS</b>	
Investments - SEI	3,013,233
Restricted investments - SEI	40,801,322
Sponsorship receivables, noncurrent, net	126,023
Unconditional promises to give, noncurrent, net	522,828
Gifts In-Kind	800
Investments held in trust	<u>1,644,995</u>
<b>Total noncurrent assets</b>	<u>46,109,201</u>
<b>TOTAL ASSETS</b>	<u>48,693,245</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	96,887
Note payable, current portion	1,100,000
Unearned revenue	<u>14,000</u>
<b>Total current liabilities</b>	<u>1,210,887</u>
<b>NONCURRENT LIABILITIES</b>	
Investments held in trust (unearned revenue)	<u>1,644,995</u>
<b>Total noncurrent liabilities</b>	<u>1,644,995</u>
<b>TOTAL LIABILITIES</b>	<u>2,855,882</u>
<b>NET POSITION</b>	
Net investment in capital assets	-
Restricted	
Restricted by donors - expendable	21,557,213
Permanent endowments - nonexpendable	19,421,227
Unrestricted	<u>4,858,923</u>
<b>TOTAL NET POSITION</b>	<u>\$ 45,837,363</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, 2018**

	<u>Total</u>
<b>OPERATING REVENUES</b>	
Contributions, sponsorship, gifts and other revenues	\$ 799,617
In-Kind donations	78,027
Other income: donated facilities	<u>26,000</u>
<b>Total operating revenues</b>	<u>903,644</u>
<b>OPERATING EXPENSES</b>	
Program services	
Academic	1,298,853
Student-related scholarships	1,733,574
Faculty and Institution-related	974,219
Management and general expenses	608,929
Fundraising and donor-related	116,462
Other expenses	
Rent: donated facilities	<u>26,000</u>
<b>Total operating expenses</b>	<u>4,758,037</u>
<b>Operating income (loss)</b>	<u>(3,854,393)</u>
<b>NONOPERATING REVENUES (LOSS)</b>	
Interest and dividends	2,347,670
Net appreciation (depreciation) in investments	1,298,941
Net realized gain on investments	414,777
Net unrealized loss on land	<u>(139,000)</u>
<b>Net nonoperating revenues (loss)</b>	<u>3,922,388</u>
<b>Increase in net assets before capital additions</b>	<u>67,995</u>
<b>CAPITAL ADDITIONS</b>	
Contributions to endowments	<u>231,849</u>
<b>Total capital additions</b>	<u>231,849</u>
<b>Increase in net position</b>	299,844
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>45,537,519</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 45,837,363</u>

The accompanying footnotes are an integral part of this statement.

**FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended March 31, 2018**

	<u>Amount</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from donors and revenues	\$ 1,061,395
Cash paid to Florida SouthWestern State College, suppliers, and other educational institutions	(4,715,268)
Interest expense	<u>(43,359)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(3,697,232)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>	
Capitalized interest, taxes and insurance paid	<u>-</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions to endowments	<u>231,849</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>231,849</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net purchases/proceeds of securities for long-term investment	1,062,672
Proceeds from sale of parcel of land - Lee County	1,061,000
Interest and dividend income	<u>2,347,670</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>4,471,342</u>
Increase in cash and equivalents	1,005,959
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>818,167</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 1,824,126</u>

**Supplemental Disclosure of Non-cash Transactions:**

The Foundation recorded donated rent income and expense of \$26,000 during the year ended March 31, 2018.

The Foundation also recorded other in-kind donations of \$78,027 and expenses of \$94,028 during the year ended March 31, 2018.

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)	\$ (3,854,393)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in unconditional promises to give, net	479,851
(Increase) decrease in sponsorship receivables, net	(172,615)
(Increase) decrease in prepaid expenses	(8,744)
Increase (decrease) in accounts payable	(95,873)
Increase (decrease) in unearned revenue	<u>(45,458)</u>
Net Change	<u>157,161</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ (3,697,232)</u></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 Community College Endowment Corporation, Inc. (the "Endowment Corporation"), a not-for-profit organization under the laws of the State of Florida on October 6, 1966.

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 Endowment Corporation. Immediately thereafter, the name of the Endowment Corporation 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"), 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 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 follows GASB Statement No. 62 which incorporates

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, restricted, and unrestricted. 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. No amounts have been recorded for this benefit inasmuch as no objective basis to do so has been determined.
- Restricted - 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.
- Unrestricted - consists of net assets that do not meet the definition of "restricted" or "net investment in capital 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.

**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 domestic equity funds, international 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**

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

**Donated facilities**

The Foundation's office space and office equipment are provided by the College. The fair rental value of this facility has been recorded as donated facilities income and rent expense in accordance with FASB ASC 958-60-50-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 116).

**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 acquire equipment are reported as restricted support. Absent donor stipulations

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

**Donated equipment, continued**

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 temporarily restricted net assets to unrestricted net assets 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, 2018, no amounts have been reflected in the 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. 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**

Significantly all furniture and equipment is provided to the Foundation free of charge by the College. No costs related to these benefits are reflected in the basic financial statements as no objective means to determine such value has been identified. 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 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. Deductible \$5,000.
- 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 or from State matching funds 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, 2018, the Foundation maintained its cash at various financial institutions 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 small 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.

**Subsequent events**

Subsequent events have been evaluated through June 14, 2018, which is the date the basic financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of the Foundation were \$1,824,126 including restricted cash of \$1,066,682, at March 31, 2018. Cash of \$1,066,682 is restricted to service the outstanding debt related to the Lee County land parcel sold to the College during the year ended March 31, 2018.

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, 2018:

	Carrying Amount	Bank Balance
Unrestricted		
Depository	\$ 18,790	\$ 113,996
Money Market	738,654	982,379
	<u>757,444</u>	<u>1,096,375</u>
Restricted		
Depository	1,066,682	1,066,682
Total	<u>\$ 1,824,126</u>	<u>\$ 2,163,057</u>

**Concentration of custodial credit risk**

The Foundation maintains its cash and cash equivalents, including its depository and money market accounts, in financial institutions. 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).

**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, 2018:

	Bank Balance
Amount covered by Federal Depository Insurance	\$ 500,000
Amount uninsured and uncollateralized	1,663,057
	<u>\$ 2,163,057</u>

**NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED**

**Deposits, continued**

The Foundation has experienced no losses in the past due to custodial credit risk.

**NOTE C - UNCONDITIONAL PROMISES TO GIVE, NET**

At March 31, 2018, the Foundation had net unconditional promises to give of \$874,011 (net present value), of which \$351,183 were current and \$522,828 were noncurrent assets. Total unconditional promises to give include net unrestricted, unconditional promises to give of \$663,804, of which \$223,683 is current. Net temporarily restricted unconditional promises to give also include \$114,500 which is current for scholarships, athletic arena, Hendry/Glades building campaign, and other designated gifts and \$95,707 which is noncurrent. 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>
2019	\$ 351,183
2020	320,550
2021	224,033
2022	21,000
2023	11,000
Thereafter	13,063
	<u>\$ 940,829</u>

Net unconditional promises to give at March 31, 2018, were as follows:

	<u>Amount</u>
Receivable in less than one year	\$ 351,183
Receivable in one to five years	589,646
Total unconditional promises to give	940,829
Less unamortized discounts (net present value discount)	(66,818)
Net unconditional promises to give	<u>\$ 874,011</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 4.75%.

**NOTE D - INVESTMENTS - SEI**

All investments classified as "Investments - SEI" 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, 2018. 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% - 60%
Fixed Income	15% - 40%
Alternatives	0% - 30%
Hedge Funds	
Private Equity	
Real Estate	
Hard Assets	
Cash or Cash Equivalents	2% - 15%

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

**NOTE D - INVESTMENTS - SEI, CONTINUED**

The following is a summary of SEI investments held at March 31, 2018:

	Carrying Amount	Market Value
Uninvested Cash	\$ 123,694	\$ 123,694
Hedge Funds:		
Core Property Fund	3,026,605	3,026,605
GPA IV Private Equity Fund	103,925	103,925
Offshore Opportunity Fund	4,465,052	4,465,052
Mutual Funds		
Domestic Equities:		
Dynamic Asset Allocation	2,247,603	2,247,603
Large Cap Disciplined	8,370,196	8,370,196
Small Mid Cap Equity	2,513,468	2,513,468
Fixed Income:		
Core Fixed Income	8,877,769	8,877,769
Institutional Invest. Bond	1,013,998	1,013,998
Emerging Markets Debt	973,840	973,840
Opportunistic Income Fund	1,524,419	1,524,419
Limited Duration Bond	216,520	216,520
Ultra Short Duration Bond	219,307	219,307
International Equities:		
Emerging Mkts Equity Fund	10,173,658	10,173,658
Other:		
Special Situations Fund Escrow	242,027	242,027
	<u>\$ 44,092,081</u>	<u>\$ 44,092,081</u>

The net investments of \$44,092,081 are recorded on the Statement of Net Position and include unrestricted investments of \$3,290,759 and restricted investments of \$40,801,322.

For the year ended March 31, 2018, gross return on investments was 9.63% and 8.90% net of investment manager fees of \$235,579.

**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.

The Foundation utilizes the services of investment managers, SEI and Private Trust Company, a wholly owned subsidiary of SEI Investments, 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 in the SEI Investments.

**NOTE D - INVESTMENTS - SEI, 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, 2018, the maturities of the Foundation's fixed income (mutual funds) investments of \$12,825,853 were available by percentage of its portfolio and are as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	9.03%
1-3 yrs	15.99%
3-5 yrs	33.02%
5-7 yrs	16.84%
7-9 yrs	9.77%
9 + years	<u>15.35%</u>
Totals	<u>100.00%</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 D - INVESTMENTS - SEI, CONTINUED**

**Credit risk, continued**

At March 31, 2018, the Foundation's fixed income investments were rated as follows:

<u>Rating</u>	<u>% of Portfolio</u>
Aaa	65.30%
Aa	4.32%
A	11.88%
Baa	16.65%
Ba and below	1.57%
Not Rated	<u>0.28%</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% of unrestricted investment funds and 2% of temporarily (expendable) and 2% of restricted (nonexpendable) endowment funds. Accordingly, the investments from which these fees are held for the next fiscal year are classified as a current asset of \$277,526.

The Foundation's investment performance expectations include the achievement of long-term investment results of an average annual real return of 6% 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 60% of the total market value.

**NOTE E - 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, 2018, consist of the following:

	CARRYING AMOUNT	
	Unrestricted	Market Value
Cash and cash equivalents	\$ 7,010	\$ 7,010
Equity securities	-	-
Fixed income	237,985	237,985
Real estate	1,400,000 **	1,400,000
Commodities	-	-
	<u>\$ 1,644,995</u>	<u>\$ 1,644,995</u>

\*\* Includes a life estate in real estate valued at \$1,400,000.

The equity and fixed income securities are valued at quoted market prices (fair value measurement) at March 31, 2018. Cash and cash equivalents are at actual reconciled balances at March 31, 2018, 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, 2018, was \$244,995 and is recorded as Investments Held in Trust as both an asset and an offsetting unearned revenue liability.

Real estate held by the Foundation consists of one (1) parcel of land and home valued at \$1,400,000 on which the donor has a life estate. The donor has the right to live in the home until death. The Foundation then becomes sole beneficiary. The real estate was appraised during the year ended March 31, 2017.

**Custodial credit risk**

For cash and investments, 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.

**NOTE E - INVESTMENTS HELD IN TRUST, CONTINUED**

**Custodial credit risk, continued**

The Foundation uses the services of investment manager U.S. Trust (Bank of America) 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.

**Interest rate risk**

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.

The investments held by the Foundation are generally part of large mutual funds and are not individual securities or U.S. Government securities held by the Foundation. Therefore, disclosing actual maturities by fixed income investment security is generally not possible. However, at March 31, 2018 the investment in fixed income was a U.S. Treasury Note.

As of March 31, 2018, the maturities of the Investments Held in Trust (fixed income only) were as follows:

<u>Investment Type</u>	<u>Market</u>	<u>Investment maturities</u>		
	<u>Value</u>	<u>Less than 1 Yr.</u>	<u>1-5 Yrs.</u>	<u>6-10 Yrs.</u>
U.S. Treasury Notes*	\$ 237,985	\$ 237,985	\$ -	\$ -
Totals	\$ 237,985	\$ 237,985	\$ -	\$ -

\* Due August 15, 2018. 4% rate of return. Rated AAA by Moody's and AA+ by the S & P.

**Credit risk**

The Foundation's investments held in trust are often held as part of large mutual funds. When invested in mutual funds, it is not possible to isolate credit risk by actual security held, but rather by the mutual fund in total. At March 31, 2018 no such mutual funds were held by the Foundation.

**NOTE E - INVESTMENTS HELD IN TRUST, CONTINUED**

**Credit risk, continued**

As of March 31, 2018, the Foundation's fixed income Investments Held in Trust were rated as follows:

Investment Type	Market Value			Total
	Mortgage Backed Securities	Govt. Obligations	US Treasury Notes	
AAA (Moody's)	\$ -	\$ -	\$ 237,985	\$ 237,985
	\$ -	\$ -	\$ 237,985	\$ 237,985

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

**Concentration of credit risk**

The Foundation's policies state that the non-U.S. investment grade portion of the fixed income portfolio must consist of securities of non-U.S. issuers located in at least three non-U.S. countries. The Foundation's policies do not specifically limit the debt securities maturity dates.

Investments held in trust include various types of investments that are not insured. These investments are subject to market and economic factors that may result in loss of Foundation principal.

**NOTE F - FAIR VALUE MEASUREMENTS**

The Foundation's investments are reported at fair market value in the accompanying Statement of Net Position at March 31, 2018, 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)
<b>Assets</b>				
Mutual funds - SEI	\$ 36,496,499	\$ 36,496,499	\$ -	\$ -
Alternative investments -SEI	7,595,582	-	7,595,582	-
Investments held in trust	1,644,995	244,995	-	1,400,000
Total Assets	<u>\$ 45,737,076</u>	<u>\$ 36,741,494</u>	<u>\$ 7,595,582</u>	<u>\$ 1,400,000</u>
<b>Liabilities</b>				
Investments held in trust	\$ 1,644,995 (1)	\$ 244,995	\$ -	\$ 1,400,000
Total Liabilities	<u>\$ 1,644,995</u>	<u>\$ 244,995</u>	<u>\$ -</u>	<u>\$ 1,400,000</u>

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

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

Level (3) classifications consist of the following:

**NOTE F - FAIR VALUE MEASUREMENTS, CONTINUED**

Investments held in trust - Equity and fixed income securities held in mutual funds are classified at quoted market prices (level (1) fair value measurement) at March 31, 2018. Cash and cash equivalents are at actual reconciled balances at March 31, 2018. However, the cash and cash equivalents held in money funds along with individual bonds held within a trust are classified as level (3). Real estate held by the Foundation is classified as level (3) and consists of one (1) parcel of land and home valued at \$1,400,000 on which the donor has a life estate. The real estate was appraised during the year ended March 31, 2017. Since the Investments Held in Trust are offset by unearned revenue, no end of the year March 31, 2018 appraisal was performed.

**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.

In January 2010, the FASB issued 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.

**NOTE F - FAIR VALUE MEASUREMENTS, CONTINUED**

**Level (1) fair value measurements**

The fair value of certain of the mutual funds 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 where detailed holdings were available and the funds fair value could be determined based on market prices.

**Level (3) fair value measurements**

The land held for resale is not actively traded and significant other observable inputs are not available. Thus, the land purchased for development, adjacent to the Lee County Campus, is based on the current listed sales price. The land held in trust in Lee County was valued at the date of donation. The following table provides further details of the Level 3 fair value measurements.

**Fair Value Measurement Using Significant Unobservable Inputs (Level 3)**

	Lee County Property	Variable Life Insurance Policy	Investments Held in Trust - Land
Beginning balance,			
April 1, 2017	\$ 1,200,000	\$ 19,182	\$ 1,720,306
Additions	-	-	-
Collected/sold	(1,200,000) *	(19,182)	-
Adjustments	-	-	-
Discounts	-	-	-
Change in market value	-	-	(75,311)
Ending balance,			
March 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,995</u>

\* During the year ended March 31, 2011, the Foundation purchased a parcel of land adjacent to the Lee County Campus. The College had intended to incorporate the Lee County parcel into its future expansion/growth development plan and the College had indicated that it intended to purchase the parcel from the Foundation at the original purchase price plus all costs incurred to carry the property. The College bought the land from the Foundation for \$1,061,000 during the year ended March 31, 2018. The related debt on the land was paid off subsequent to the year ended March 31, 2018 by the Foundation using cash restricted (proceeds from the sale) for such purposes.

**NOTE G - 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, 2018, the College billed the Foundation \$413,592 including payables of \$82,795. The Foundation also paid the College to provide legal services in the amount of \$1,100 for the year ended March 31, 2018. These expenses are recorded in the accompanying Statement of Revenues, Expenses and Changes in Net Position as part of management and general expenses.

The Foundation also paid the College \$3,415,971 for scholarships, certain construction and remodel costs and other academic costs during the year ended March 31, 2018.

The Foundation's office space, phone, internet, furniture, and utilities are provided by the College. The fair value of the office space of \$26,000 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 H - 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 H - 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	<u>1,480,756</u>
	<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 do 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.

**FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

**NOTE I - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended March 31, 2018:

	Balance April 1 2017	Additions	Retirements / Adjustments	Balance March 31 2018	Amounts Due Within One Year
Note Payable - Land	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000	\$ 1,100,000
	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

The following is a summary of the long-term obligations at March 31, 2018:

	<u>Amount</u>
\$1.1 million uncollateralized interest only note payable dated February 14, 2018, with a variable interest rate adjusted daily. Interest varies based on Prime Rate. The interest rate has a floor of 3.25% and a maximum of 18%. Interest is paid monthly to a financial institution. The loan proceeds were used to purchase the Lee County parcel of land was sold to the College during March 2018. The note is due in full on April 30, 2018. Interest rate at March 31, 2018, was 4.75%. The note was paid in full in April 2018.	<u>\$ 1,100,000</u>
TOTAL	<u>\$ 1,100,000</u>

The annual debt service requirements at March 31, 2018, were as follows:

Years Ending March 31	<u>Lee County Parcel</u>		Total	Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>
	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>

Interest expense of \$43,359 was recorded during the year ended March 31, 2018.

The Lee County parcel was sold in March 2018 to the College for \$1,061,000 and the corresponding loan noted above was paid in full in April 2018. As a result of the sale of the land the Foundation recorded a loss on the sale of \$139,000.

**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.

Temporarily restricted endowment net assets at March 31, 2018 are available for scholarships and academic chairs. Permanently restricted endowment net assets at March 31, 2018, represent donor-restricted donations that require the donated assets to 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 Net Asset Composition by Type of Fund as of March 31, 2018:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 3,247,349	\$ 685,857	\$ 337,200	\$ 4,270,406
Donor-restricted endowment funds	<u>43,410</u>	<u>20,694,238</u>	<u>19,084,027</u>	<u>39,821,675</u>
Total Funds	<u>\$ 3,290,759</u>	<u>\$ 21,380,095</u>	<u>\$19,421,227</u>	<u>\$ 44,092,081</u>

Changes in Endowment Assets for the Year Ended March 31, 2018:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 3,108,294	\$ 22,227,484	\$19,189,378	\$ 44,525,156
Investment return:				
Investment income	138,185	2,207,335	-	2,345,520
Net depreciation (unrealized)	-	-	-	-
Net realized gain	<u>140,326</u>	<u>1,480,385</u>	<u>-</u>	<u>1,620,711</u>
Total investment return	278,511	3,687,720	-	3,966,231
Contributions, received	13,221	178,344	231,849	423,414
Appropriation of endowment assets for expenditure	(189,112)	(3,271,503)	-	(3,460,615)
Other changes:	-	-	-	-
Transfers to reclassify endowment funds	<u>79,845</u>	<u>(1,441,950)</u>	<u>-</u>	<u>(1,362,105)</u>
Endowment assets, end of year	<u>\$ 3,290,759</u>	<u>\$ 21,380,095</u>	<u>\$19,421,227</u>	<u>\$ 44,092,081</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, 2018.

**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 Finance Committee and appropriate recommendations are made to the Executive Committee 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, 2018, 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 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

Operating expenses by function for the year ended March 31, 2018, were as follows:

	<u>Amount</u>
Program services	\$ 4,006,646
Supporting services	634,929
Fundraising and donor related	<u>116,462</u>
	<u>\$ 4,758,037</u>

**SUPPLEMENTARY INFORMATION**

**FLORIDA SOUTHWESTERN STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION BY ACCOUNT TYPE**  
**March 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 757,444	\$ 1,066,682	\$ -	\$ 1,824,126
Investment in SEI, current	277,526	-	-	277,526
Prepaid Expense	24,930	229	-	25,159
Due from other funds	-	-	-	-
Sponsorship receivables, current	106,050	-	-	106,050
Unconditional promises to give, current	236,683	114,500	-	351,183
<b>Total current assets</b>	<u>1,402,633</u>	<u>1,181,411</u>	<u>-</u>	<u>2,584,044</u>
<b>NONCURRENT ASSETS</b>				
Investments - SEI	3,013,233	-	-	3,013,233
Restricted investments - SEI	-	21,380,095	19,421,227	40,801,322
Sponsorship receivables, noncurrent, net	126,023	-	-	126,023
Unconditional promises to give, noncurrent, net	427,121	95,707	-	522,828
Gifts In Kind	800	-	-	800
Investments - other	-	-	-	-
Investments held in trust	1,405,756	239,239	-	1,644,995
<b>Total noncurrent assets</b>	<u>4,972,933</u>	<u>21,715,041</u>	<u>19,421,227</u>	<u>46,109,201</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,375,566</u>	<u>\$ 22,896,452</u>	<u>\$ 19,421,227</u>	<u>\$ 48,693,245</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 96,887	\$ -	\$ -	\$ 96,887
Due to other funds	-	-	-	-
Note payable, current portion	-	1,100,000	-	1,100,000
Unearned revenue	14,000	-	-	14,000
<b>Total current liabilities</b>	<u>110,887</u>	<u>1,100,000</u>	<u>-</u>	<u>1,210,887</u>
<b>NONCURRENT LIABILITIES</b>				
Investments held in trust (unearned revenue)	1,405,756	239,239	-	1,644,995
<b>Total noncurrent liabilities</b>	<u>1,405,756</u>	<u>239,239</u>	<u>-</u>	<u>1,644,995</u>
<b>TOTAL LIABILITIES</b>	<u>1,516,643</u>	<u>1,339,239</u>	<u>-</u>	<u>2,855,882</u>
<b>NET ASSETS</b>				
Net investment in capital assets	-	-	-	-
Restricted				
Restricted by donors - expendable	-	21,557,213	-	21,557,213
Permanent endowments - nonexpendable	-	-	19,421,227	19,421,227
Unrestricted	4,858,923	-	-	4,858,923
<b>TOTAL NET ASSETS</b>	<u>4,858,923</u>	<u>21,557,213</u>	<u>19,421,227</u>	<u>45,837,363</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,375,566</u>	<u>\$ 22,896,452</u>	<u>\$ 19,421,227</u>	<u>\$ 48,693,245</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, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Contributions, gifts and other revenues	\$ 441,473	\$ 358,144	\$ 231,849	\$ 1,031,466
Dividend and interest income	140,180	2,207,490	-	2,347,670
Net unrealized gain (loss) on investments	112,967	1,185,974	-	1,298,941
Net realized gain on sale of investments	27,360	387,417	-	414,777
In-Kind donations	78,027	-	-	78,027
Loss on disposal of land	-	(139,000)	-	(139,000)
Other income: donated facilities	26,000	-	-	26,000
	<u>826,007</u>	<u>4,000,025</u>	<u>231,849</u>	<u>5,057,881</u>
Reclassification	-	-	-	-
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>2,151,595</u>	<u>(2,151,595)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>2,977,602</u>	<u>1,848,430</u>	<u>231,849</u>	<u>5,057,881</u>
<b>EXPENSES</b>				
Academic	770,813	528,040	-	1,298,853
Student-related scholarships	386,580	1,346,994	-	1,733,574
Faculty and institution-related	288,882	685,337	-	974,219
Management and general	608,929	-	-	608,929
Fundraising and donor-related	115,220	1,242	-	116,462
Rent: donated facilities	26,000	-	-	26,000
<b>TOTAL EXPENSES</b>	<u>2,196,424</u>	<u>2,561,613</u>	<u>-</u>	<u>4,758,037</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	781,178	(713,183)	231,849	299,844
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,077,745</u>	<u>22,270,396</u>	<u>19,189,378</u>	<u>45,537,519</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,858,923</u>	<u>\$ 21,557,213</u>	<u>\$ 19,421,227</u>	<u>\$ 45,837,363</u>

The accompanying footnotes are an integral part of this statement.

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**



**TUSCAN**  
 & Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**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, 2018 and the related statements of revenue, expenses and changes in net position and cash flows of Florida SouthWestern State College Foundation, Inc. (the "Foundation") for the year ended March 31, 2018, 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 June 14, 2018.

**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.

INTEGRITY ..... SERVICE ..... EXPERIENCE

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined previously. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Florida SouthWestern State College Foundation, Inc.'s basic financial statements are free of 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

June 14, 2018



**TUSCAN**  
 & Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**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, 2018, 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 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 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.

**INTEGRITY ..... SERVICE ..... EXPERIENCE**

**PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:**

There were no financially significant comments noted.

**CURRENT YEAR COMMENTS:**

There were no financially significant comments noted.

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.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

June 14, 2018

**EXHIBIT**

FLORIDA  
SOUTHWESTERN  
STATE COLLEGE  
FOUNDATION

August 14, 2018

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, 2018.

The Independent Auditor's Report to Management did not disclose any current or prior year audit findings.

Please feel free to contact me or Ami Desamours, Chief Financial Officer, Foundation at 239-489-9036 with any questions.

Thank you,

*m. Susan DeSantis*

Susan DeSantis  
Executive Director, Florida SouthWestern State College Foundation

Cc: Tuscan & Company, P.A.  
Certified Public Accountant  
12621 World Plaza Lane, Bldg 55  
Fort Myers, FL 33907

8099 College Parkway  
Fort Myers, FL 33919  
P 239.489.9210  
F 239.489.9135

[www.FSW.edu/FOUNDATION](http://www.FSW.edu/FOUNDATION)

Florida SouthWestern State College is an equal access, equal opportunity organization.