NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Reports of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
New College of Florida Development Corporation
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of New College of Florida Development Corporation (the "Development Corporation"), a component unit of New College of Florida, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 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 no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Development Corporation as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, in March 2020 the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 management's discussion and analysis 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 30, 2021, on our consideration of the Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Development Corporation's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tampa, Florida
August 30, 2021

Overview of the Financial Statements and Financial Analysis

This section of New College of Florida Development Corporation's (the "Development Corporation") annual financial report presents a discussion and analysis of the financial performance of the Development Corporation during the fiscal years ended June 30, 2021 and 2020. It provides an analytical overview of the financial activities during the fiscal years ended June 30, 2021 and 2020, with the 2019 fiscal year data presented for comparative purposes. This discussion should be read in conjunction with the financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Development Corporation's management.

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 Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities, as amended*. The Development Corporation is considered a Business Type Activity (BTA) under the provision and reporting model of GASB Statements Nos. 34 and 35. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when goods or services are received, regardless of when cash is exchanged.

Financial Highlights

As a condition for the financing of the new dorms, New College of Florida (the "College") entered into a ground lease with New College of Florida Property Corporation (the "Property Corporation"). The College leases the respective project land on its campus to the Property Corporation, which assigned all of its interests in the lease to the Development Corporation. The property covered by the Master Ground Lease, together with improvements (i.e., student housing) thereon, is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The master lease shall terminate on the date which the certificates and any related obligations are paid in full. Revenues from student housing are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the long-term debt, as well as any operating costs.

The Housing complex is managed and operated by the College's Department of Housing and Residence Life and consists of the following facilities:

- A 79-bed dorm style student residential facility (Johnson Hall-opened 1965)
- A 88-bed dorm style student residential facility (Bates Hall-opened 1965)
- A 86-bed dorm style student residential facility (Rothenberg Hall-opened 1965)
- A 74-bed apartment style student residential facility (Dort Hall-opened 1998)
- A 74-bed apartment style student residential facility (Goldstein Hall-opened 1999)
- A 41-bed dorm style student residential facility (B Dorm Hall-opened 1966)
- A 203-bed apartment style student residential facility (V-Z Halls-opened 2007)

Statements of Net Position

The statements of net position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities) as of the end of the fiscal years. The purpose of the statements of net position is to present to the reader of the financial statements a fiscal snapshot of the Development Corporation at June 30, 2021 and 2020.

From the data presented, readers of the statements of net position are able to determine the assets available to continue operations of the Development Corporation. In addition, they are also able to determine how much the Development Corporation owes vendors and other parties. For 2021, 2020, and 2019, as noted below, the decrease in total assets is primarily due to the reduction in the Investment in Direct Financing Lease. The increase in current liabilities reflects an increase in the current portion of long-term debt payable. Noncurrent liabilities have decreased due to a decrease in long-term debt payable. The changes in total assets, deferred outflows of resources, and liabilities resulted in an overall decrease in net position of $2,491 from 2020 to 2021 and a decrease of $2,490 from 2019 to 2020. Over time, the changes in net position provide an indication of the overall financial condition of the Development Corporation. The following is a condensed version of the statement of net position as of June 30, 2021, 2020, and 2019:

<u>Net Position of the Development Corporation</u>

Years Ended June 30,	2021	2020	2019
Current Assets	$ 1,947,459	$ 1,958,080	$ 1,994,038
Noncurrent Assets	20,713,345	21,648,213	22,531,977
Total Assets	22,660,804	23,606,293	24,526,015
Deferred Outflows of Resources	696,318	1,402,560	1,329,696
Current Liabilities	1,261,358	1,226,847	1,216,569
Noncurrent Liabilities	21,809,524	23,493,275	24,347,921
Total Liabilities	23,070,882	24,720,122	25,564,490
Total Net Position, Restricted	$ 286,240	$ 288,731	$ 291,221

Statements of Revenues, Expenses, and Changes in Net Position

Changes in net position of the Development Corporation, as presented on the statements of net position, are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of these statements is to show the operating and nonoperating revenues earned by the Development Corporation, the operating and nonoperating expenses incurred by the Development Corporation, and any other revenues, expenses, gains, and losses earned or incurred by the Development Corporation. Operating revenues represent rental income received from the College and operating expenses represent expenses paid for debt service on outstanding bonds payable. Operating revenues during 2021 fiscal year decreased 8.0% over the 2020 level and decreased 7.4% between 2020 and 2019. Operating revenues represent rental income received from the College and operating expenses represent expenses paid for debt service on outstanding bonds payable. The following is a condensed version of the changes in net position for the years ended June 30, 2021, 2020, and 2019:

Revenues, Expenses, and Change in Net Position of the Development Corporation

Years Ended June 30,	2021	2020	2019
Operating Revenues	$ 1,147,620	$ 1,246,960	$ 1,346,469
Operating Expenses	(1,147,620)	(1,246,960)	(1,346,469)
Nonoperating Revenues and Expense	(2,491)	(2,490)	(2,493)
Change in Net Position	(2,491)	(2,490)	(2,493)
Net Position, Beginning of Year	288,731	291,221	293,714
Net Position, End of Year	$ 286,240	$ 288,731	$ 291,221

Statements of Cash Flows

The statements of cash flows present detailed information about the cash activity of the Development Corporation during the fiscal years ended June 30, 2021 and 2020. The statements are divided into two parts. The first part deals with operating cash flows and shows the net cash used in the operating activities of the Development Corporation. The second deals with cash flows from capital and related financing activities.

The major source of funds included in operating activities is student residence, net rental income received from the College, and interest paid on debt. The largest outflow of funds in the capital financing group includes principal payments on debt. The following includes condensed information from the statements of cash flows for the years ended June 30, 2021, 2020, and 2019.

Years Ended June 30,	2021	2020	2019
Net Cash Provided by Operating Activities	$ 2,073,800	$ 2,147,372	$ 2,163,746
Net Cash Used in Capital and Related Financing Activities	(2,073,800)	(2,147,372)	(2,163,746)

Capital Assets and Debt Administration

The Development Corporation issued Series 2006 Certificates of Participation, ("COPS") in the amount of $30,110,000 during April, 2006. COPS are to be repaid from housing system revenues of the College. At June 30, 2021 and 2020, the total amount of debt to be repaid was $22,130,000 and $23,060,000, respectively. COPS are presented net of the unamortized discount in the statements of net position.

In order to hedge its interest rate risk on the variable rate debt, the Development Corporation entered into an interest rate swap agreement, which effectively fixed the interest for a 10-year period which was due to expire July 1, 2016. The swap agreement was amended in 2016 in order to match the terms of the debt as noted below.

Due to the increased cost of renewing the Letter of Credit secured by SunTrust Bank, the Development Corporation requested and received proposals for alternative options to restructure the Series 2006 COPS from qualified financial institutions. The proposal submitted by SunTrust Bank to purchase and hold the Series 2006 Certificates for its own account for a period of at least ten years, presented the most favorable terms. In order to remarket the original Series 2006 COPS to SunTrust Bank, it was necessary to amend and restate the Series 2006 Supplemental Trust agreement and the Series 2006 Lease to provide for the direct purchase of the Series 2006 COPS by SunTrust Bank. The Series 2006 COPS were remarketed on April 9, 2012 as a non-bank qualified tax-exempt variable facility with an interest rate equal to 77% of the sum of the 30-day London Interbank Offered Rate ("LIBOR") index plus 185 basis points. The amended swap agreement is for a 10-year period, which expires in April of 2022. The swap provides an effectively fixed rate as follows: 77% of the 30-day LIBOR is fixed at 3.30%, plus 77% of 1.85% equaling 1.4245%. The sum of these two components provides a total effective fixed interest rate of 4.7245%.

With the enactment of the Federal Tax Cuts and Jobs Act, the Development Corporation's tax exempt bond does not have the same value as it did prior to this act due to the corporate maximum tax rate being reduced to 21% from 35%. As such, SunTrust has adjusted the interest rate on the swap to be 77% of the 30-day LIBOR, fixed at 3.30%, plus 93.584% of 1.85%, equaling 1.7313%. The sum of these two components provides a total effective fixed interest of 5.0313%.

Factors Impacting Future Periods

The most significant factor in the Development Corporation's economic position relates to the College's ability to recruit and retain high quality students to live in the student resident facilities. Being able to maintain a high occupancy rate (96% or higher) is critical for the housing operations to be able to fully cover the annual debt costs.

Outlined below are the student residence facilities' annual average occupancy statistics for the past 11 years. In 8 of the 11 years the occupancy rate exceeded the 96% target.

Year Ended June 30,	Enrolled Students (Fall Semester)	Housing Capacity	Average Number of Students Living in Housing	Occupancy Rate
2011	800	636	597	94%
2012	845	636	648	102%
2013	832	629	607	97%
2014	794	629	607	97%
2015	835	629	634	101%
2016	863	638	638	100%
2017	861	638	637	99%
2018	836	638	657	103%
2019	807	638	621	97%
2020	706	638	566	89%
2021	646	629	353	56%

Due to concerns relating to the coronavirus pandemic ("COVID-19"), students were given the option to attend classes remotely during the 2020 fall semester and 2021 spring semester. During this period, the normal housing capacity of 629 beds was significantly reduced as rooms with double and triple occupancy were eliminated.

Although the chart above shows a reduction in housing occupancy and enrolled students for the last two years, we can confidently say that the decline is a consequence of COVID-19 that affected the world since the beginning (and more severely mid-March) of 2020.

New College is returning to full housing occupancy starting in the fall semester of 2021. Also, the College is working diligently to increase its enrollment for the 2021-2022 academic year. So far, New College has received a number of incoming first-year and transfer students deposits comparable to last year's level.

The Board of Governors of the State of Florida (the "Board of Governors") approved a Carryforward Spending Plan for each state University in September 2020. Use of carryforward for COVID-19 related expenditures is included in the 2020-2021 Carryforward Spending Plan.

To ensure adequate coverage for required housing debt service and preserve bond credit ratings, the College is using carryforward and CARES Act (institutional award) funds to offset lost housing revenues caused by capacity reduction. The use of carryforward funds is subject to evaluation by staff from the Board of Governors Office and the Division of Bond Finance.

Requests for Information

This financial report is designed to provide a general overview of the New College of Florida Development Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Development Corporation at 5800 Bayshore Road, Sarasota, Florida 34243.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	Business-Type Activities	
	2021	**2020**
ASSETS		
Current Assets:		
Cash	$ -	$ -
Due from New College of Florida	281,358	296,847
Investment in direct financing lease - current portion	1,666,101	1,661,233
Total Current Assets	1,947,459	1,958,080
Noncurrent Assets:		
Investment in direct financing lease - noncurrent portion	18,896,780	19,591,649
Due from New College of Florida	1,816,565	2,056,564
Total Noncurrent Assets	20,713,345	21,648,213
Total Assets	$ 22,660,804	$ 23,606,293
Deferred Outflows of Resources:		
Accumulated decrease in fair value of derivative instruments	$ 696,318	$ 1,402,560
Total Deferred Outflows of Resources	$ 696,318	$ 1,402,560
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued interest payable	$ 281,358	$ 296,847
Current portion of long-term debt	980,000	930,000
Total Current Liabilities	1,261,358	1,226,847
Noncurrent Liabilities:		
Long-term debt, net of unamortized discount	21,113,206	22,090,715
Derivative instruments - interest rate swap	696,318	1,402,560
Total Noncurrent Liabilities	21,809,524	23,493,275
Total Liabilities	$ 23,070,882	$ 24,720,122
Net Position:		
Restricted	$ 286,240	$ 288,731
Total Net Position	$ 286,240	$ 288,731

The accompanying notes to the financial statements are an integral part of these statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2021 AND 2020

	Business-Type Activities	
	2021	**2020**
Operating Revenues:		
Net lease income from New College of Florida	$ 1,147,620	$ 1,246,960
Total Operating Revenues	1,147,620	1,246,960
Operating Expenses:		
Debt service	1,128,311	1,227,650
Other expenses	19,309	19,310
Total Operating Expenses	1,147,620	1,246,960
Operating income	-	-
Nonoperating Expense:		
Amortization of bond discount	2,491	2,490
Total Nonoperating Expense	2,491	2,490
Change in net position	(2,491)	(2,490)
Total net position, beginning of year	288,731	291,221
Total net position, end of year	$ 286,240	$ 288,731

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	Business-Type Activities	
	2021	**2020**
Cash flows from operating activities:		
Income from housing operations	$ 2,093,109	$ 2,166,682
Payments for goods and services	(19,309)	(19,310)
Net cash flows from operating activities	2,073,800	2,147,372
Cash flows from capital and related financing activities:		
Interest paid on debt	(1,143,800)	(1,257,372)
Principal payments on debt	(930,000)	(890,000)
Net cash flows from capital and related financing activities	(2,073,800)	(2,147,372)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -
Reconciliation of operating cash flows to operating income:		
Operating income	$ -	$ -
Adjustments to reconcile operating income to net cash flows from operating activities:		
Interest paid on debt	1,143,800	1,257,372
Amortization of direct financing lease	690,001	659,999
Change in cash resulting from changes in operating assets and liabilities:		
Due from New College of Florida	255,488	259,723
Decrease in liabilities:		
Accrued interest payable	(15,489)	(29,722)
Net cash flows from operating activities	$ 2,073,800	$ 2,147,372
Noncash financing activities:		
Change in value in derivative instruments	$ 706,242	$ (72,864)

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Nature of organization and summary of significant accounting policies

Nature of Organization – On November 4, 2005, the New College of Florida Board of Trustees approved the creation of New College of Florida Development Corporation (the "Development Corporation") as a direct support organization and component unit of New College of Florida (the "College"). The Development Corporation was incorporated on November 4, 2005 as a Florida not-for-profit corporation under the provisions of Florida Statutes, Chapter 617, and as a direct support organization of the College as defined by Florida Statutes 1004.28. Operations of the Development Corporation began April 7, 2006. The Development Corporation was established to provide aid in the form of money and other forms of property and services to the College. The Development Corporation also has the authority to issue revenue bonds, certificates of participation, or other forms of indebtedness upon the approval of the College's Board of Trustees, as well as to enter into agreements to finance, design, construct, lease, lease-purchase, and purchase and/or operate facilities necessary and desirable to serve the needs and purposes of the College.

Specifically, the operations of the Development Corporation consist of contracting for the design and construction of student residential housing and the issuance of bonded debt to finance such construction. As such, the Development Corporation supervises and accounts for the respective construction. With the completion of the student residential housing, the Development Corporation transferred the values of the completed buildings to the College to operate in return for a direct financing lease ("Master Operating Lease"). Accordingly, the College leases the respective facility from the Development Corporation in an amount equal to the net rental proceeds. These net rental proceeds are then used to service the outstanding debt and pay for the operating costs of the Development Corporation. The Development Corporation issued Certificates of Participation, Series 2006 ("COPS") in the amount of $30,110,000 during the year ended June 30, 2006 and were remarketed on April 14, 2012. The proceeds were used to pay for construction and renovation of student residences as well as to service the related debt and to refinance certain outstanding obligations of the College.

The governing body of the Development Corporation is its Board of Directors (the "Board"). The Board is composed of at least five (5) but no more than seven (7) Directors. The Development Corporation is managed, supervised, and controlled by its Board subject to applicable law and the powers and duties reserved to the New College Board of Trustees and the President of the College.

Reporting Entity – Based on the application of the criteria described in the Governmental Accounting Standard Board ("GASB") Codification of Governmental Accounting and Financial Reporting standards, the Development Corporation is included within the financial statements of the College as a blended component unit for the years ended June 30, 2021 and 2020.

Basis of Presentation – The Development Corporation adheres to the pronouncements issued by the GASB. Accordingly, the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the related notes to the financial statements follow the pronouncements issued by the GASB.

Note 1—Nature of organization and summary of significant accounting policies (continued)

The GASB has 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. The GASB 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 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets are also included in this component of net position. The Development Corporation holds no capital assets after they are placed in service. Therefore, there is no balance in the classification net investment in capital assets at June 30, 2021 and 2020.

- The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of those that have external constraints placed upon their uses which are imposed by donors, creditors (such as through debt covenants), or through laws, regulations, constitutional provisions, or enabling legislation, reduced by any liabilities to be paid from these assets.

- The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. There is no balance in the unrestricted component of net position at June 30, 2021 and 2020.

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 statements of net position and the statements of revenues, expenses, and changes in net position of the Development Corporation are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statements of net position are presented in a classified format to distinguish between current and long-term assets and liabilities. The statements of revenues, expenses, and changes in net position are presented by major sources. Operating revenues include rental income from the College and operating expenses include interest costs on debt and other professional expenses. The statements of cash flows are presented using the direct method and are in compliance with the requirement of the GASB.

Restricted Assets/Net Position – Restricted assets are reserved for the construction projects and purpose of the Development Corporation by the bondholder.

Direct Financing Lease – The direct financing lease which assets are restricted on page 9 is recorded by the Development Corporation at the capitalized amount of the completed student residences and renovation projects, which approximates the sum of the minimum lease payments per the Master Operating Lease.

For the years ended June 30, 2021 and 2020, no depreciation expense was recorded as the Development Corporation held no assets used in its operations.

Note 1—Nature of organization and summary of significant accounting policies (continued)

Deferred Outflows of Resources – The statements of net position include a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. One item qualifies for reporting in this category. The deferred outflow of resources represents the fair value of the Development Corporation's interest in an interest rate swap which qualifies as a hedging derivative with a negative fair value (see Note 5 for additional information related to the swap).

Income Taxes – The Development Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and is organized exclusively for scientific, educational, and charitable purposes. The Development Corporation is not classified as a private foundation within the meaning of Section 509(a) of the IRC but is a corporation described under Section 509(a)(3). The IRC provides for taxation of unrelated business income under certain circumstances.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, and disclosures 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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing coronavirus pandemic ("COVID-19") and the COVID-19 control responses.

Restricted Resources – When both restricted and unrestricted resources are available for use, it is the Development Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Due from the College – The amount due from the College represents the amount transferred to escrow on behalf of the College to refund the 1996B and 1998 bonds as outlined in the COPS, Series 2006. The amount due from the College is being repaid at the same rate that the outstanding amount of principal on the COPS is being repaid.

Long-Term Debt – Long-term debt includes principal amounts of the COPS issued, which are reported net of the unamortized discount. The unamortized discount is being amortized over the life of the COPS using the straight-line method.

Interest Rate Swap – The Development Corporation has entered into an interest rate swap agreement with a financial institution. The interest rate swap agreement meets the criteria of an effective hedge and, as a result, the Development Corporation follows hedge accounting. A liability in the statements of net position has been recorded at the fair value of the interest rate swap in the amount of $696,318 at June 30, 2021 and $1,402,560 at June 30, 2020. In addition, a like amount has been recorded as a deferred outflow of resources.

Note 1—Nature of organization and summary of significant accounting policies (continued)

The interest rate swap is reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinations, other than those measured using the net asset value as a practical expedient, are made based upon a hierarchy that prioritizes the inputs to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Three levels of inputs may be used to measure fair value:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Development Corporation has the ability to access.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Net Lease Income – Net lease income relates to payments received on the Master Ground Lease further discussed in Note 3. Net lease income is recognized when earned under the terms of the Master Ground Lease and consists of the following components for the years ended June 30:

	2021	2020
Cash income from housing operations	$ 2,093,109	$ 2,166,682
Change in due from New College of Florida	(15,489)	(29,722)
Principal payments paid	(930,000)	(890,000)
Net lease income from New College of Florida	$ 1,147,620	$ 1,246,960

Subsequent Events – Management has evaluated subsequent events through August 30, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Note 2—Cash

When applicable, amounts reported as cash consist of cash in demand accounts and unexpended bond proceeds held by a trustee. Cash in demand accounts are held in banks qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository. Deposits are fully collateralized by a mutual collateral pool as provided by Florida Statutes.

Note 3—Investment in direct financing lease

As a condition of the financing arrangement, the College entered into a ground lease with the New College of Florida Property Corporation (the "Property Corporation"). The College leases the respective project land on its campus to the Property Corporation, which assigned all of its interests in the lease to the Development Corporation. The property covered by the Master Ground Lease together with improvements (i.e., student housing) thereon is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The lease shall terminate on the date on which all certificates and obligations under any related financing documents are paid in full, at which time title passes to the College. The Development Corporation classifies this lease agreement as a direct financing type.

At June 30, 2021, aggregate future minimum lease payments are $28,917,552, with $8,354,671 of unearned income and a net lease value of $20,562,881. At June 30, 2020, aggregate future minimum lease payments are $30,578,785, with $9,325,903 of unearned income and a net lease value of $21,252,882. Future minimum amounts to be received as follows:

Years Ending June 30,	Aggregate Future Minimum Lease Payments
2022	$ 1,666,101
2023	1,654,761
2024	1,654,241
2025	1,647,030
2026	1,640,638
Thereafter	20,654,781
	$ 28,917,552

These aggregate future minimum lease payments approximate the schedule of annual debt service requirements as adjusted for reductions in amounts due from the College for the refunded bonds.

Note 4—Long-term liabilities

Bonds payable activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
COPS, Series 2006	$ 23,060,000	$ -	$ 930,000	$ 22,130,000	$ 980,000
Less unamortized discount	(39,285)	-	2,491	(36,794)	-
	$ 23,020,715	$ -	$ 927,509	$ 22,093,206	$ 980,000

Note 4—Long-term liabilities (continued)

Bonds payable activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
COPS, Series 2006	$ 23,950,000	$ -	$ 890,000	$ 23,060,000	$ 930,000
Less unamortized discount	(41,775)	-	2,490	(39,285)	-
	$ 23,908,225	$ -	$ 887,510	$ 23,020,715	$ 930,000

On April 7, 2006, the Development Corporation issued variable rate COPS, Series 2006 in the amount of $30,110,000. The proceeds derived from the sale of the COPS were used to finance the acquisition, construction, renovation, and equipping of apartment-style student residence facilities. The COPS mature in 2036, and were issued at a discount of $74,748.

In April 2012, the Development Corporation, through a resolution of the Board, restructured the existing variable rate COPS as allowed under the master trust indenture. The existing COPS were restructured as a non-bank qualified tax exempt variable facility (New College of Florida Development Corporation Series 2012 Conversion) with an interest rate of 77% of the sum of the 30-day LIBOR plus 185 basis points. Effective April 1, 2018, the variable interest related to the conversion increased to approximately 94% of the sum of the 30-day LIBOR plus 185 basis points, which was 1.92% and 1.90% at June 30, 2021 and 2020, respectively.

The revised swap agreement associated with the original restructuring is for 10 years, expiring April 1, 2022, with an option to extend for an additional 10 years. However, the existing maturity and principal payment requirements pursuant to the original 2006 debt issuance was not restructured.

Revenues from the student residence facilities of the College are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the debt.

The table that follows represents debt service payments on the variable rate debt, net of swap payments associated with the debt as of June 30, 2021. Although interest rates on variable rate debt changes over time, the calculations in the table below are based on the assumption that the variable rate on June 30, 2021 remains constant over the life of the bonds.

Note 4—Long-term liabilities (continued)

Years Ending June 30,	Principal	Variable Interest	Swap Agreement	Net Cash Flows
2022	$ 980,000	$ 404,671	$ 665,739	$ 2,050,410
2023	1,020,000	386,030	635,073	2,041,103
2024	1,065,000	366,629	603,155	2,034,784
2025	1,115,000	346,371	569,829	2,031,200
2026	1,160,000	325,163	534,938	2,020,101
2027-2031	6,645,000	1,273,452	2,095,006	10,013,458
2032-2036	8,265,000	582,897	958,946	9,806,843
2037	1,880,000	19,496	32,074	1,931,570
	$ 22,130,000	$ 3,704,709	$ 6,094,761	$ 31,929,470

Total interest expense incurred for the years ended June 30, 2021 and 2020 was approximately $1,128,000 and $1,228,000, respectively.

Note 5—Derivative Instruments Interest rate swap

In order to protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPS were issued. The intention of the swap was to effectively change the variable interest rate on the COPS to a synthetic fixed rate. In April 2012, the existing swap agreement was amended to match the terms of the original restructured debt. The details of the swap are shown in the following table:

	Notional Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counter Party Credit Rating
June 30, 2021	$ 22,130,000	4/9/2012	4/1/2022	3.30%	*	S&P: BBB+
June 30, 2020	$ 23,060,000	4/9/2012	4/1/2022	3.30%	*	S&P: BBB+

*Determined as follows: 77% of 30-day LIBOR plus 1.85%

The Development Corporation pays the variable rate interest quarterly and then either pays the swap interest expense or receives a swap payment to effectively fix the rate.

Fair Value – The swap had a negative fair value as of June 30, 2021 and 2020. The negative fair value may be offset by reductions in total interest payments required under the variable rate COPS, creating lower synthetic interest rates. Because the coupons on the Development Corporation variable rate COPS adjust to changing interest rates, the COPS do not have corresponding fair value increases. The fair value estimate is provided to the Development Corporation by a financial institution known to be a high value participant in this market. The Development Corporation has requested the fair value of its swap be determined, although it has no intention of selling the agreement and has the ability to hold and meet the swap obligation. At June 30, 2021 and 2020, the negative fair value of the swap was $696,318 and $1,402,560, respectively.

Note 5—Derivative Instruments Interest rate swap (continued)

Credit Risk – As of June 30, 2021 and 2020, the Development Corporation was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

Termination Risk – The Development Corporation or the counter party may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the Development Corporation would be liable to the counter party for a payment equal to the swap's fair value.

Rollover Risk – The Development Corporation is exposed to rollover risk on the swap since it matures prior to the associated debt. When the swap terminates, the Development Corporation will not realize the synthetic rate offered by the swap.

Basis Risk – The Development Corporation is exposed to basis risk because the variable rate payments are calculated on the basis of approximately 94% of LIBOR and the Development Corporation's variable rate interest obligations on the notes is determined in the tax-exempt market. Should the relationship between LIBOR and the tax-exempt market change and move to converge, or should the debt trade at levels worse (higher in rate) in relation to the tax-exempt market, the Development Corporation's all-in costs would increase.

Note 6—Fair value measurements

Interest Rate Swap (Derivative Investment) – Valued using third party models that incorporate observable market conditions and, therefore, are considered Level 3.

The Development Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The Development Corporation has the following recurring fair value measurements as of June 30, 2021 and 2020:

		Fair Value Measurements Using		
	Interest Rate Swap	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021	$ 696,318	$ -	$ -	$ 696,318
June 30, 2020	1,402,560	-	-	1,402,560

Note 7—Contingencies and uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Development Corporation operates. The Development Corporation has experienced a decrease in occupancy due to more virtual classes being offered during the 2020-2021 school semester.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Development Corporation is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

OTHER REPORT

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
New College of Florida Development Corporation
Sarasota, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of New College of Florida Development Corporation (the "Development Corporation") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Development Corporation's basic financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Development Corporation'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 Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Development Corporation's 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 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tampa, Florida
August 30, 2021