REPORT NO. 2010-086
JANUARY 2010

NEW COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Deidre J. Larkin, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether New College of Florida and its officers with administrative and stewardship responsibilities for College operations had:

- **Presented the College's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2010-026.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

JANUARY 2010 REPORT NO. 2010-086

AUDITOR GENERAL
STATE OF FLORIDA

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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 12 through 36. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements of the blended component unit represent 3 percent of the total assets and 79 percent of the total liabilities reported for New College of Florida. The financial statements of the discretely present component unit represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the blended and discretely presented component units, is based on the reports of the other auditors.

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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of New College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 37, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

David W. Martin, CPA
January 13, 2010

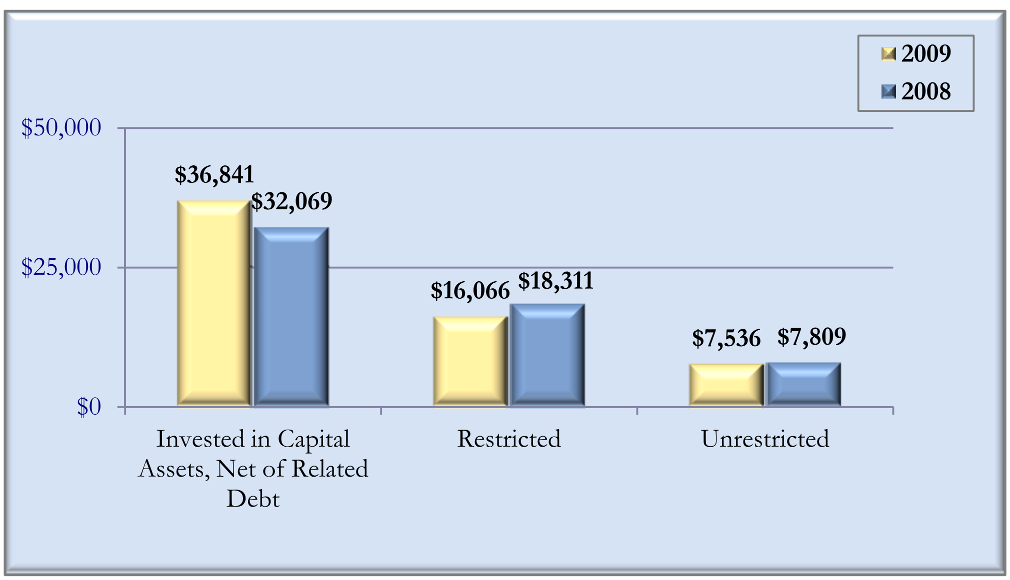
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled $99.4 million at June 30, 2009. This balance reflects a $7 million, or 7.5 percent, increase from the 2007-08 fiscal year, resulting primarily from an increase in capital assets and amounts due from the State for Public Education Capital Outlay (PECO) projects. While assets grew, liabilities increased in the amount of $4.8 million, or 13.8 percent, totaling $39 million at June 30, 2009, compared to $34.2 million at June 30, 2008. As a result, the College's net assets increased by $2.3 million, reaching a year end balance of $60.4 million. Net assets increased primarily due to increases from tuition and fees, grants and contracts, and sales and services of auxiliary enterprises. The College's net assets by category for the fiscal years ended June 30, 2009, and June 30, 2008, are shown in the following table:

Net Assets
(In Thousands)



The College's revenues totaled $35.4 million for the 2008-09 fiscal year, representing a 17.9 percent decrease from the 2007-08 fiscal year. The decrease was primarily due to a reduction in capital and operating appropriations from the State. The College's expenses totaled $33.1 million for the 2008-09 fiscal year, representing a decrease of 1.8 percent from the 2007-08 fiscal year due primarily to a decrease in expenses relating to construction costs.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements and notes thereto, encompass the College and its component units. These component units include: New College Foundation, Inc. (Foundation), and New College of Florida Development Corporation (Development Corporation). Based upon the application of the criteria for determining component units, the Development Corporation is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit. Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit, as it reports under FASB. MD&A information regarding the Development Corporation component unit can be found in its separately issued audit report.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the College's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the College's financial condition.

The following summarizes the College's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets at June 30
(In Thousands)

	2009	2008
Assets		
Current Assets	$ 31,643	$ 27,453
Capital Assets, Net	65,218	62,364
Other Noncurrent Assets	2,551	2,622
Total Assets	99,412	92,439
Liabilities		
Current Liabilities	6,314	2,165
Noncurrent Liabilities	32,655	32,085
Total Liabilities	38,969	34,250
Net Assets		
Invested in Capital Assets, Net of Related Debt	36,841	32,069
Restricted	16,066	18,311
Unrestricted	7,536	7,809
Total Net Assets	$ 60,443	$ 58,189

Current assets at June 30, 2009 totaled $31.6 million, compared to $27.4 million at June 30, 2008, reflecting an increase of $4.2 million, or 15.3 percent. The primary reason for the increase was a $4.1 million increase in the amount due from the State relating to PECO projects.

Total capital assets of $65.2 million increased by $2.9 million and are comprised primarily of buildings, furniture and equipment, land, and construction in progress. This amount is net of accumulated depreciation totaling $28.6 million.

Liabilities at June 30, 2009 totaled $39 million, compared to $34.2 million for June 30, 2008. This represents a $4.8 million increase. The increase is primarily due to a $3.7 million increase in deferred revenues related to PECO projects, a $0.5 million increase in construction contracts payable related to the renovation of Bates Hall, one of the three dormitories which make up the Pei dorm complex, and a $0.3 million increase in postemployment healthcare benefits payable.

In summary, New College of Florida's net assets of $60.4 million at June 30, 2009, included $36.8 million invested in capital assets, net of related debt, $16.1 million in restricted expendable net assets, and $7.5 million in unrestricted net assets.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the College's activity for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Thousands)

	2008-09	2007-08
Operating Revenues	$ 8,023	$ 6,885
Operating Expenses	(31,432)	(28,646)
Operating Loss	(23,409)	(21,761)
Net Nonoperating Revenues	18,747	18,080
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,662)	(3,681)
Other Revenues, Expenses, Gains, or Losses	6,916	13,080
Net Increase In Net Assets	2,254	9,399
Net Assets, Beginning of Year	58,189	48,790
Net Assets, End of Year	$ 60,443	$ 58,189

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2008-09 and 2007-08 fiscal years:

Operating Revenues
(In Thousands)

	2008-09	2007-08
Net Tuition and Fees	$1,182	$ 955
Grants and Contracts	1,776	1,518
Sales and Services of Educational Departments	1	4
Sales and Services of Auxiliary Enterprises	4,831	4,294
Other	233	114
Total Operating Revenues	$8,023	$6,885

Total operating revenues increased by $1.1 million in the 2008-09 fiscal year due to increases in tuition and fees, grants and contracts, and sales and services of auxiliary enterprises. The increase in tuition and fees was due to increased enrollment and increased tuition and fee rates. Additional Federal grants were the main reason for the increase in grants and contracts and the rise in auxiliary sales was the result of increased housing rental revenue due to a 7 percent increase in rental rates and an increase in occupancy.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2008-09 and 2007-08 fiscal years:

Operating Expenses
(In Thousands)

	2008-09	2007-08
Compensation and Employee Benefits	$ 19,153	$ 18,093
Services and Supplies	7,305	5,655
Utilities and Communications	1,412	1,267
Scholarships, Fellowships, and Waivers	979	1,205
Depreciation	2,583	2,426
Total Operating Expenses	$ 31,432	$ 28,646

Total operating expenses for the 2008-09 fiscal year were $31.4 million as compared to $28.6 million for the 2007-08 fiscal year, which is a $2.8 million or a 9.7 percent increase. The increase is primarily due to increases in services and supplies of $1.7 million and compensation and employee benefits of $1.1 million. The increase in supplies and services is due to recording noncapitalized renovation and repair costs related to PECO and other construction projects as an operating expense and not as a nonoperating expense as had been the practice prior to this year. Compensation and employee benefits accounted for 60.9 percent of total operating expenses and increased 5.9 percent over the 2007-08 fiscal year. The increase was the result of annual salary increases and/or one time bonuses ranging between 1 and 4 percent, increases in grant salaries due to increased grant activity, an increase in the use of visiting professors, and new employee hires.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2008-09	2007-08
State Appropriations	$ 17,191	$ 18,823
Federal and State Student Financial Aid	2,874	2,762
Annual Subsidy from Foundation	217	720
Net Investment Income	176	791
Other Nonoperating Revenues	5	2
Interest on Capital Asset-Related Debt	(1,529)	(894)
Other Nonoperating Expenses	(187)	(4,124)
Net Nonoperating Revenues	$ 18,747	$ 18,080

Net nonoperating revenues during the 2008-09 fiscal year increased by $0.7 million. The increase was due primarily to a $3.9 million decrease in other nonoperating expenses. This was partially offset by a $1.6 million decrease in State appropriations, a $0.6 million decrease in net investment income, and a $0.5 million decrease in the annual subsidy from the Foundation.

Other Revenues, Expenses, Gains, or Losses

This category is primarily composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the College's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2008-09	2007-08
Capital Appropriations	$ 6,875	$ 13,047
Capital Grants, Contracts, Donations, and Fees	41	33
Total	$ 6,916	$ 13,080

Total other revenues for the 2008-09 fiscal year decreased by $6.2 million over the prior fiscal year, which was primarily due to a decrease in capital appropriations revenue related to PECO.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	$ (20,513)	$ (19,010)
Noncapital Financing Activities	20,015	22,283
Capital and Related Financing Activities	359	(11,781)
Investing Activities	2,183	9,007
Net Increase in Cash and Cash Equivalents	2,044	499
Cash and Cash Equivalents, Beginning of Year	750	251
Cash and Cash Equivalents, End of Year	$ 2,794	$ 750

The major sources of cash from operating activities included auxiliary enterprise revenues of $4.8 million, Federal, State, and nongovernmental grants of $1.8 million, and net student tuition and fees of $1.4 million. Included in the total cash used for operating activities were payments to employees of $18.7 million, payments to suppliers for goods and services of $9 million, and payments to students for scholarships of $1 million.

The major source of cash provided by noncapital financing activities was State appropriations of $17.2 million, which represents 85.9 percent of the total cash flows provided in this category.

Cash flows from capital and related financing activities included $10.6 million in State capital appropriations for infrastructure and maintenance. Major cash outlays included $4.9 million for the purchase of capital assets, $4 million in capital subsidies and transfers, and $1.5 million for interest payments on asset-related debt.

The major source of cash inflows from investing activities was the sale of investments as the Development Corporation's investments were expended on the new dorm construction.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had $93.8 million in capital assets, less accumulated depreciation of $28.6 million, for net capital assets of $65.2 million. Depreciation charges for the current fiscal year totaled $2.6 million.

The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2009	2008
Land	$ 4,562	$ 4,562
Buildings	55,687	55,176
Construction in Progress	2,749	1,007
Computer Software	65	70
Infrastructure and Other Improvements	537	
Furniture and Equipment	1,454	1,313
Library Resources	164	181
Works of Art and Historical Treasures		55
Capital Assets, Net	$65,218	$62,364

During the 2008-09 fiscal year, the Legislature approved and appropriated $9.5 million to the College's capital budget. The appropriations included $4.4 million for utilities, infrastructure, renovation, and roof replacements, $2.5 million for sea wall replacement, $1.5 million to renovate the Hamilton Center and classrooms, $0.9 million to equip the new academic building, and $0.2 million for planning, maintenance, and repairs.

Additional information about the College's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2009, were incurred on the renovation and repairs of Bates Hall, which is part of the Pei dormitory complex, and to the Hamilton Center, which were funded through the Development Corporation's issuance of $30.1 million in Certificates of Participation, Series 2006.

The College's major capital commitment at June 30, 2009, is as follows:

	Amount (In Thousands)
Total Commitment	$ 15,947
Completed to Date	(2,749)
Balance Committed	$ 13,198

Additional information about the College's capital commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2009, the College had $30.5 million in outstanding revenue bonds and certificates of participation, representing an increase of $0.2 million, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Thousands)

	2009	2008
Revenue Bonds Payable	$ 586	$ 339
Certificates of Participation Payable	29,873	29,956
Total	$ 30,459	$ 30,295

Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of the College is closely tied to that of the State of Florida. State and capital appropriations for the 2008-09 fiscal year totaled $24.1 million and are the largest source of funding. The continued downturn in the State economy resulted in a reduction of the College's 2009-10 fiscal year recurring appropriations by $1.9 million, or 11.2 percent. This reduction has been partially offset by $0.5 million in increased tuition and fee revenues and $1.2 million in nonrecurring Federal stimulus funds. The Federal stimulus funds will be available to the College for both the 2009-10 and 2010-11 fiscal years, but will need to be replaced by July 1, 2011, by either new funding sources or by reducing expenses.

The College received a total of $1.2 million from the Foundation during the 2008-09 fiscal year, comprised of $0.5 million in student aid and $0.7 million in other program support. Included in the $0.7 million of other program support is $0.6 million to subsidize its faculty personnel costs. These moneys are used to ensure that the College maintains its low student-to-faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the College. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the College if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, other required supplementary information, or requests for additional financial information should be addressed to the Controller, New College of Florida, 5800 Bay Shore Road, Sarasota, FL 34243-2109.

BASIC FINANCIAL STATEMENTS

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 711,636	$ 104,979
Restricted Cash and Cash Equivalents		1,686,297
Investments	10,549,129	16,611
Accounts Receivable, Net	299,979	2,036,462
Notes Receivable		70,000
Due from State	20,033,496	
Inventories		3,950
Other Current Assets	49,130	5,040
Total Current Assets	31,643,370	3,923,339
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,082,622	
Investments		25,083,177
Restricted Investments	333,030	
Depreciable Capital Assets, Net	57,906,276	1,129,011
Nondepreciable Capital Assets	7,311,461	1,026,310
Other Noncurrent Assets	134,825	
Total Noncurrent Assets	67,768,214	27,238,498
TOTAL ASSETS	$ 99,411,584	$ 31,161,837
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 249,086	$ 26,158
Construction Contracts Payable	769,167	
Salaries and Wages Payable	1,013,914	
Deposits Payable	1,000	
Due to State	567	
Deferred Revenue	3,903,491	
Other Current Liabilities	103,424	6,919
Long-Term Liabilities - Current Portion:		
Bonds Payable	15,015	
Certificates of Participation Payable	175,000	
Notes Payable		1,097,383
Compensated Absences Payable	83,037	
Total Current Liabilities	6,313,701	1,130,460

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 571,217	$
Certificates of Participation Payable	29,698,307	
Estimated Arbitrage Rebate Payable	114,670	
Notes Payable		1,495,000
Compensated Absences Payable	1,766,751	
Other Noncurrent Liabilities		360,440
Postemployment Healthcare Benefits Payable	504,000	
Total Noncurrent Liabilities	32,654,945	1,855,440
TOTAL LIABILITIES	38,968,646	2,985,900
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	36,840,819	2,155,321
Restricted for Nonexpendable:		
Endowment		42,307,623
Restricted for Expendable:		
Capital Projects	15,645,499	
Other	421,022	2,367,552
Unrestricted	7,535,598	(18,654,559)
TOTAL NET ASSETS	60,442,938	28,175,937
TOTAL LIABILITIES AND NET ASSETS	$ 99,411,584	$ 31,161,837

The accompanying notes to financial statements are an integral part of this statement.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $4,617,439	$ 1,181,823	$
Federal Grants and Contracts	575,165	
State and Local Grants and Contracts	98,829	
Nongovernmental Grants and Contracts	1,102,096	
Sales and Services of Educational Departments	1,276	
Sales and Services of Auxiliary Enterprises	4,830,875	
Gifts and Donations		1,396,274
Other Operating Revenues	232,796	371
Total Operating Revenues	8,022,860	1,396,645
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	19,152,611	
Services and Supplies	7,304,853	
Utilities and Communications	1,411,914	
Scholarships, Fellowships, and Waivers	979,104	
Depreciation	2,583,305	
Other Operating Expenses		3,739,225
Total Operating Expenses	31,431,787	3,739,225
Operating Loss	(23,408,927)	(2,342,580)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	17,190,982	
Federal and State Student Financial Aid	2,873,778	
Annual Subsidy from Foundation	217,411	
Net Investment Income (Loss)	176,163	(7,204,563)
Other Nonoperating Revenues	5,143	
Interest on Capital Asset-Related Debt	(1,529,362)	
Other Nonoperating Expenses	(187,221)	
Net Nonoperating Revenues (Expenses)	18,746,894	(7,204,563)
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,662,033)	(9,547,143)
Capital Appropriations	6,874,911	
Capital Grants, Contracts, Donations, and Fees	41,246	
Increase (Decrease) in Net Assets	2,254,124	(9,547,143)
Net Assets, Beginning of Year	58,188,814	37,723,080
Net Assets, End of Year	$ 60,442,938	$ 28,175,937

The accompanying notes to financial statements are an integral part of this statement.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 1,383,081
Grants and Contracts	1,761,792
Sales and Services of Educational Departments	1,276
Sales and Services of Auxiliary Enterprises	4,815,208
Other Operating Receipts	196,893
Payments to Employees	(18,729,206)
Payments to Suppliers for Goods and Services	(8,962,902)
Payments to Students for Scholarships and Fellowships	(979,104)
Net Cash Used by Operating Activities	(20,512,962)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	17,190,982
Federal and State Student Financial Aid	2,873,778
Other Nonoperating Disbursements	(50,114)
Net Cash Provided by Noncapital Financing Activities	20,014,646
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	258,968
Capital Appropriations	10,577,154
Capital Grants, Contracts, Donations, and Fees	35,629
Capital Subsidies and Transfers	(3,950,655)
Purchase or Construction of Capital Assets	(4,938,145)
Principal Paid on Capital Debt	(96,616)
Interest Paid on Capital Debt	(1,527,153)
Net Cash Provided by Capital and Related Financing Activities	359,182
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	1,986,662
Investment Income	196,655
Net Cash Provided by Investing Activities	2,183,317
Net Increase in Cash and Cash Equivalents	2,044,183
Cash and Cash Equivalents, Beginning of Year	750,075
Cash and Cash Equivalents, End of Year	$ 2,794,258

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (23,408,927)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,583,305
Change in Assets and Liabilities:	
Receivables, Net	60,906
Other Assets	(24,376)
Accounts Payable	(221,760)
Salaries and Wages Payable	34,500
Deposits Payable	500
Compensated Absences Payable	137,905
Deferred Revenue	73,985
Postemployment Healthcare Benefits Payable	251,000
NET CASH USED BY OPERATING ACTIVITIES	$ (20,512,962)

The accompanying notes to financial statements are an integral part of this statement.

NEW COLLEGE OF FLORIDA
COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. In 1975, New College, a private residential liberal arts college, merged with the State's public universities. By the terms of the merger, New College became part of the University of South Florida (USF) which assumed management oversight of New College. Effective July 1, 2001, Chapter 2001-170, Laws of Florida, designated New College of Florida (College), a four-year residential liberal arts honors college of the State of Florida, as the State's 11th independent public institution of higher education. At that time, the College was vested with complete responsibility and authority for its academic and administrative operations. As a result of the reorganization, certain USF assets and liabilities, during the 2001-02 fiscal year, were transferred to the College. These assets and liabilities included, but are not limited to, buildings, machinery, furniture and equipment, bonded debt, and funds associated with general revenue, indirect costs, student fees, financial aid, grants, and auxiliary operations. During the 2006-07 fiscal year, certain buildings were transferred from USF to the College.

The College is a separate public instrumentality that is part of the State University system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the College are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the College, which provide governance in accordance with State law and Board of Governors' Regulations. The Board of Governors, or the Trustees if designated by the Board of Governors, selects the College President. The College President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

NEW COLLEGE OF FLORIDA
COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Blended Component Unit. Based on the application of the criteria for determining component units, the New College of Florida Development Corporation (Development Corporation) is included within the College reporting entity as a blended component unit. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Florida Statutes, Chapter 617, and as a direct-support organization of the College. The Development Corporation was established to secure, hold, invest, and administer property and to make expenditures for the exclusive benefit of the College. Due to the substantial economic relationship between the Development Corporation and the College, the financial activities of the Development Corporation are included in the College's financial statements. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the College Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the College Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), a not-for-profit corporation and direct-support organization (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) is included within the College reporting entity as a discretely presented component unit. This organization is authorized to fund, in whole or in part, academic and other programs of New College of Florida by grants that may be negotiated annually. An annual audit of the Foundation's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the College Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the College Controller's Office.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

NEW COLLEGE OF FLORIDA
COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's discretely presented component unit uses the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs,

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

it is the College's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by a student or a third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets. College capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $1,000 for tangible personal property and $100,000 for new buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives.

- Buildings – 15 to 50 years, Depending on Construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Library Resources – 5 years
- Computer Software – 3 to 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of revenue certificates (bonds) payable, certificates of participation payable, estimated arbitrage rebate payable, compensated absences payable, and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year. Revenue certificates and certificates of participation payable are reported net of unamortized premiums and discounts. The College amortizes premiums and discounts over the life of the revenue certificates and certificates of participation using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges and amortized over the life of the revenue certificates using the straight-line method.

2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME, administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College's investments at June 30, 2009, are reported at fair value, as follows:

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$10,839,969
State Board of Administration Local Government Surplus Funds Trust Fund	895
State Board of Administration Fund B Surplus Funds Trust Fund	41,295
Total College Investments	$10,882,159

External Investment Pools

The College reported investments at fair value totaling $10,839,969 at June 30, 2009, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2009. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2009, the College reported investments at fair value totaling $895 in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by Standard and Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2009, the College reported investments at fair value of $41,295 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

Investments held by the College's discretely presented component unit at June 30, 2009, are reported at fair value as follows:

Investment Type	Amount
United States Government Obligations	$ 4,504,180
Common Stock	9,496,194
Mutual Funds	4,241,443
Corporate Bonds	151,144
Other	6,706,827
Total Component Unit Investments	$ 25,099,788

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and various sales and services provided to students and third parties. As of June 30, 2009, the College reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 12,886
Contracts and Grants	218,435
Auxiliary Services	90,464
Other	8,392
Total Accounts Receivable	330,177
Less: Allowance for Uncollectible Accounts	30,198
Accounts Receivable, Net	$ 299,979

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Allowance for Uncollectible Receivables. An allowance for uncollectible student accounts is reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate for delinquent accounts that are over one year old. Accounts receivable are reported net of allowances of $30,198 at June 30, 2009.

No allowance has been accrued for contracts and grants and other accounts receivable as College management considers these to be fully collectible.

4. DUE FROM STATE

This amount primarily consists of Public Education Capital Outlay allocations due to the College for construction of College facilities.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 4,561,975	$	$	$ 4,561,975
Construction in Progress	1,006,847	2,681,838	939,199	2,749,486
Works of Art and Historical Treasures	55,500		55,500	
Total Nondepreciable Capital Assets	$ 5,624,322	$ 2,681,838	$ 994,699	$ 7,311,461
Depreciable Capital Assets:				
Buildings	$ 77,639,774	$ 2,284,014	$	$ 79,923,788
Infrastructure and Other Improvements		564,883		564,883
Furniture and Equipment	4,717,131	860,696	112,315	5,465,512
Library Resources	413,022	37,468		450,490
Computer Software	101,906	17,283	4,924	114,265
Total Depreciable Capital Assets	82,871,833	3,764,344	117,239	86,518,938
Less, Accumulated Depreciation:				
Buildings	22,464,168	1,773,143		24,237,311
Infrastructure and Other Improvements		28,244		28,244
Furniture and Equipment	3,404,400	709,368	102,231	4,011,537
Library Resources	232,181	54,274		286,455
Computer Software	31,665	18,276	826	49,115
Total Accumulated Depreciation	26,132,414	2,583,305	103,057	28,612,662
Total Depreciable Capital Assets, Net	$ 56,739,419	$ 1,181,039	$ 14,182	$ 57,906,276

NEW COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

6. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the College had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds, student tuition and fees, and contracts and grants revenue received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the College reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	$3,702,243
Student Tuition and Fees	156,994
Contracts and Grants	44,254
Total Deferred Revenue	$3,903,491

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include revenue bonds, certificates of participation, estimated arbitrage rebate payable, compensated absences payable, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 338,644	$ 259,486	$ 11,898	$ 586,232	$ 15,015
Certificates of Participation Payable	29,955,816	2,491	85,000	29,873,307	175,000
Estimated Arbitrage Rebate Payable		114,670		114,670	
Compensated Absences Payable	1,711,883	195,751	57,846	1,849,788	83,037
Postemployment Healthcare Benefits Payable	253,000	327,000	76,000	504,000	
Total Long-Term Liabilities	$32,259,343	$ 899,398	$ 230,744	$32,927,997	$ 273,052

Bonds Payable. The College had the following bonds payable outstanding at June 30, 2009:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
State University System Revenue Bonds:				
2006A Trust Fund	$ 344,786	$ 329,121	4.00 - 5.00	2030
2008A Trust Fund	263,158	257,111	4.00 - 6.50	2033
Total	$ 607,944	$ 586,232		

Note: (1) Amount outstanding includes unamortized bond premiums and discounts.

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JUNE 30, 2009

On January 14, 2009, the Florida Board of Governors, on behalf of the College, issued $259,486 in State University System Revenue Bonds, Series 2008A. The proceeds of the bonds will be used for acquisition and construction of capital assets.

State College System revenue bonds were issued for renovations and repairs to the student service facilities. These revenue bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 15,015	$ 30,534	$ 45,549
2011	15,680	29,863	45,543
2012	16,397	29,163	45,560
2013	17,135	28,430	45,565
2014	17,895	27,663	45,558
2015-2019	102,365	125,379	227,744
2020-2024	131,204	96,535	227,739
2025-2029	170,086	57,661	227,747
2030-2033	94,965	13,104	108,069
Subtotal	580,742	438,332	1,019,074
Plus: Bond Premiums	9,015		9,015
Less: Bond Discounts	3,525		3,525
Total	$ 586,232	$ 438,332	$ 1,024,564

Certificates of Participation. On April 7, 2006, the Development Corporation issued variable rate Certificates of Participation (COPS), Series 2006, in the amount of $30,110,000. The proceeds were used to finance the acquisition, construction, and equipping of five new residence halls containing approximately 200 new student beds and the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), which comprise the Pei dormitory complex.

As a condition of the financing arrangement, the College entered into a Master Ground and Operating Lease Agreement with the New College Florida Property Corporation (a component unit of the Development Corporation), which assigned all of its interest in the lease to the Development Corporation. The property covered by the Master Ground Lease, together with the improvement thereon, is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and Management

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JUNE 30, 2009

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 will terminate on the date 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 COPS.

Principal and interest payment requirements on the COPS outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 175,000	$ 1,223,953	$ 1,398,953
2011	305,000	1,214,112	1,519,112
2012	485,000	1,197,918	1,682,918
2013	495,000	1,177,828	1,672,828
2014	605,000	1,155,278	1,760,278
2015-2019	3,925,000	5,326,412	9,251,412
2020-2024	4,885,000	4,427,077	9,312,077
2025-2029	6,090,000	3,305,830	9,395,830
2030-2034	7,570,000	1,911,215	9,481,215
2035-2037	5,405,000	338,763	5,743,763
Subtotal	29,940,000	21,278,386	51,218,386
Less: Discounts	66,693		66,693
Total	$ 29,873,307	$ 21,278,386	$ 51,151,693

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 of 4.10 percent. The details of the swap are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counter Party Credit Rating
$29,940,000	4-07-06	7-01-16	4.10%	(1)	A-/A-2

Note: (1) Determined weekly by the remarketing agent. At June 30, 2009, the variable rate was .35393 percent.

The Development Corporation pays the variable rate interest monthly and then either pays the swap interest expense or receives a swap payment to effectively fix the rate at 4.10 percent.

Fair Value: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2009. The negative fair value may be countered by reductions in total interest payments required under the

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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, 2009, the negative fair value of the swap agreement held by the Development Corporation was $2,515,838.

Credit Risk: As of June 30, 2009, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap becomes 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.

Estimated Arbitrage Rebate Payable. The estimated arbitrage rebate payable of $114,670 is for the Development Corporation's COPS, and is not due to the Internal Revenue Service until July 2010.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulations, University Regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $1,849,788. The current portion of the compensated absences liability is the amount expected to be paid in

NEW COLLEGE OF FLORIDA
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the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Postemployment Healthcare Benefits. The College follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, eight retirees received postemployment healthcare benefits. The College provided required contributions of $76,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $109,000.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Description	Amount
Normal Cost (Service Cost for One Year)	$ 186,000
Amortization of Unfunded Actuarial Accrued Liability	127,000
Interest on Normal Cost and Amortization	13,000
Annual Required Contribution	326,000
Interest on Net OPEB Obligation	10,000
Adjustment to Annual Required Contribution	(9,000)
Annual OPEB Cost (Expense)	327,000
Contribution Toward the OPEB Cost	(76,000)
Increase in Net OPEB Obligation	251,000
Net OPEB Obligation, Beginning of Year	253,000
Net OPEB Obligation, End of Year	$ 504,000

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	309,000	18.1%	253,000
2008-09	327,000	23.2%	504,000

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $3,264,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $3,264,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $13,394,784 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to

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financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2008, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps after 8 and 9 years, respectively. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $530,746, $511,262, and $545,875, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Class, etc.). Contributions are directed to individual

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JUNE 30, 2009

member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 33 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled $75,968.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 129 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled $782,166 and employee contributions totaled $334,901.

9. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2009, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Project Description	Total Commitment	Completed to Date	Balance Committed
New Academic and Administration Building	$ 11,282,974	$ 230,945	$ 11,052,029
Pei Dormitory Complex	2,449,388	1,236,213	1,213,175
58th Street Paving Project	690,995	311,555	379,440
Blue Lights	686,831	406,411	280,420
Chemical Storage Addition	425,624	413,146	12,478
Water Lines-Bates	232,090	104,440	127,650
Greenhouse	101,516	22,448	79,068
Archeology Lab	63,977	18,342	45,635
American Office	14,256	5,986	8,270
Total	$ 15,947,651	$ 2,749,486	$ 13,198,165

10. OPERATING LEASE COMMITMENTS

The College leased land under an operating lease, which will expire in 2056. The leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from the lease agreement are contingent upon future appropriations. The lease is between New College of Florida and the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments under this lease as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	$ 85,471
2011	85,471
2012	85,471
2013	85,471
2014	85,471
2015-2019	427,355
2020-2024	427,355
2025-2029	427,355
2030-2034	427,355
2035-2039	427,355
2040-2044	427,355
2045-2049	427,355
2050-2054	427,355
2055-2056	170,942
Total Minimum Payments Required	$ 4,017,137

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COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(3), Florida Statutes, the College participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2008-09 fiscal year, for property losses the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named wind and flood. For perils other than named wind and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $100,000 per person and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, College employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

12. FUNCTIONAL DISTIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 8,303,495
Research	478,800
Academic Support	2,202,889
Student Services	3,232,391
Institutional Support	7,324,167
Operation and Maintenance of Plant	2,785,848
Scholarships and Fellowships	979,104
Depreciation	2,583,305
Auxiliary Enterprises	3,541,788
Total Operating Expenses	$ 31,431,787

NEW COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) (1)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a) / c]
7/1/2007	$ -	$ 3,427,000	$ 3,427,000	0%	$ 12,645,227	27.1%
7/1/2008		3,264,000	3,264,000	0%	13,394,784	24.4%

Note: (1) The College used the entry-age cost actuarial method.

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House of Representatives, and the
Legislative Auditing Committee

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

We have audited the basic financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the blended and discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance 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*.

We noted certain matters that we reported to College management in our operational report No. 2010-026.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
January 13, 2010