REPORT NO. 2015-139
MARCH 2015

NEW COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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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 Svetlana V. Izmailova, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

NEW COLLEGE OF FLORIDA
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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, 2014. 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, in both 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. 2015-026.

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.

AUDITOR GENERAL
STATE OF FLORIDA

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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

Report on the 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units. The financial statements of the New College of Florida Development Corporation (Development Corporation), a blended component unit, represent 7.9 percent, 0.5 percent, and 3.9 percent, respectively, of the liabilities, net position, and revenues, reported for New College of Florida. The financial statements of the discretely presented component unit represent 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 have been furnished to us, and our opinion, 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 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 opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 2 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, resulting in a change in reporting for bond issuance costs incurred in prior years. 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 **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a 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* in considering New College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015

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, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013.

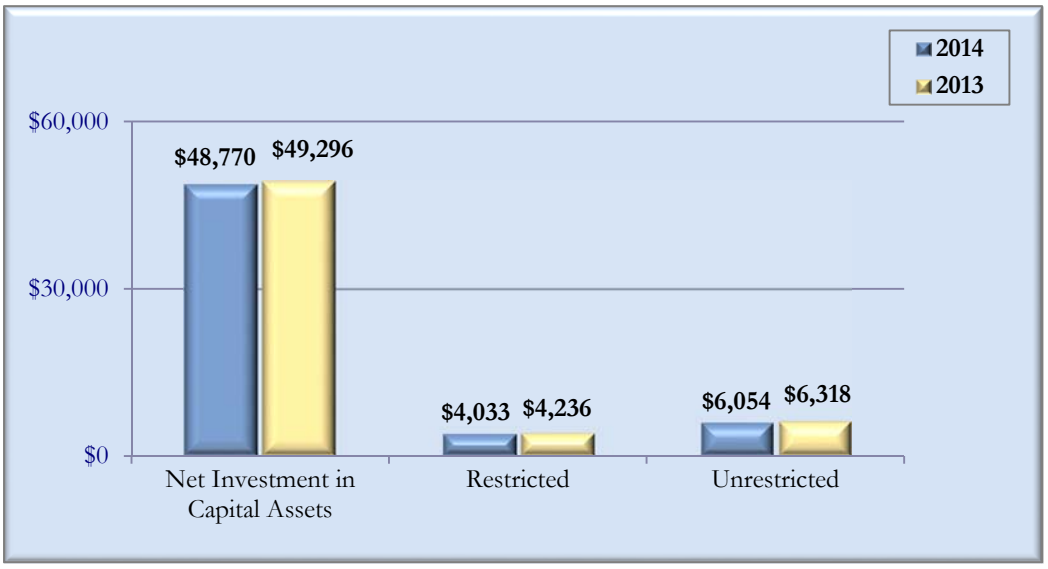
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled $96.6 million at June 30, 2014. This balance reflects a $1.5 million decrease from the 2012-13 fiscal year, resulting primarily from a decrease in the amount due from the State. Liabilities also decreased slightly by $0.5 million, or 1.3 percent, totaling $37.7 million at June 30, 2014, as compared to $38.2 million at June 30, 2013. As a result, the College's net position decreased by $1 million, resulting in a year-end balance of $58.9 million.

The College's operating revenues totaled $9.2 million for the 2013-14 fiscal year, representing a 6.8 percent decrease compared to the 2012-13 fiscal year due mainly to decreases in net student tuition and fees and grants and contracts. Operating expenses totaled $33.7 million for the 2013-14 fiscal year, representing an increase of 5.8 percent over the 2012-13 fiscal year due mainly to an increase in compensation and employee benefits.

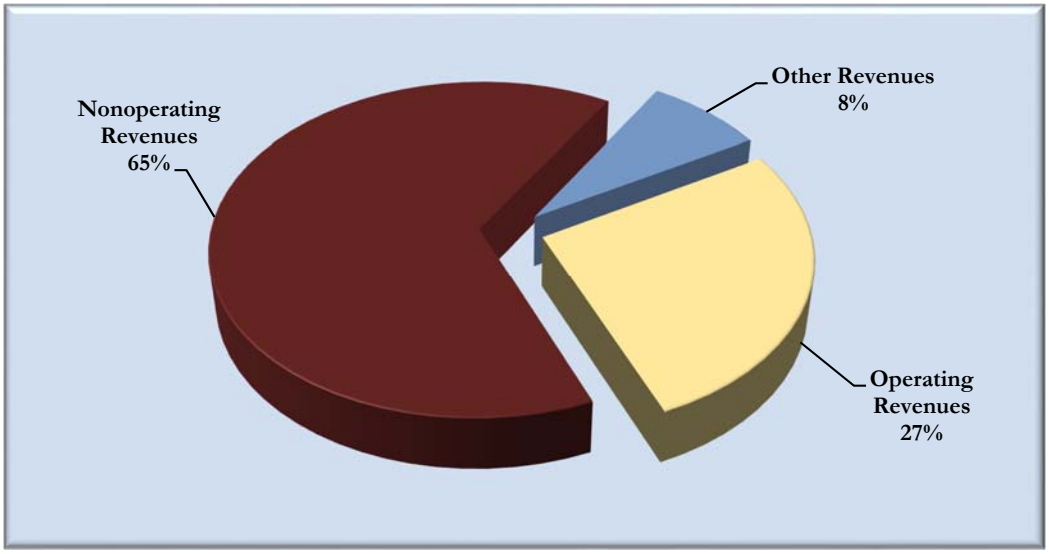
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include: New College Foundation, Inc. (Foundation) and the 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 is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit. The MD&A information regarding the Development Corporation component unit can be found in its separately issued audit report.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets, deferred outflows of resources, and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflow of resources, less liabilities, equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

The following summarizes the College's assets, deferred outflows of resources, liabilities, and net position at June 30:

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

	2014	2013
Assets		
Current Assets	$ 15,998	$ 16,116
Capital Assets, Net	76,591	77,719
Other Noncurrent Assets	670	765
Total Assets	93,259	94,600
Deferred Outflows of Resources	3,291	3,446
Liabilities		
Current Liabilities	2,549	2,849
Noncurrent Liabilities	35,144	35,347
Total Liabilities	37,693	38,196
Net Position		
Net Investment in Capital Assets	48,770	49,296
Restricted	4,033	4,236
Unrestricted	6,054	6,318
Total Net Position	$ 58,857	$ 59,850

Current assets at June 30, 2014, totaled $16 million, compared to $16.1 million at June 30, 2013, reflecting a slight decrease of $0.1 million. Although investments increased by $2.6 million, this increase was offset by a decrease in the amount due from the State relating to Public Education Capital Outlay (PECO) projects of $2 million and a decrease in cash and cash equivalents of $0.6 million.

Total net capital assets of $76.6 million decreased by $1.1 million from the prior fiscal year. This decrease was primarily due to depreciation expense.

Liabilities at June 30, 2014, totaled $37.7 million, compared to $38.2 million for June 30, 2013. This represents a $0.5 million decrease. The decrease is primarily due to a $0.4 million decrease in construction contracts payable and a $0.6 million decrease in certificates of participation payable, offset by an increase of $0.6 million in other postemployment benefits payable.

In summary, New College of Florida's net position of $58.9 million at June 30, 2014, included $48.8 million net investment in capital assets, $4 million in restricted expendable net position, and $6.1 million in unrestricted net position.

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

The statement of revenues, expenses, and changes in net position 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 2013-14 and 2012-13 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)

	2013-14	2012-13
Operating Revenues	$ 9,197	$ 9,871
Less, Operating Expenses	(33,663)	(31,806)
Operating Loss	(24,466)	(21,935)
Net Nonoperating Revenues	21,032	16,741
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,434)	(5,194)
Other Revenues	2,649	1,853
Net Decrease In Net Position	(785)	(3,341)
Net Position, Beginning of Year	59,850	63,191
Adjustment to Beginning Net Position (1)	(208)	
Net Position, Beginning of Year, As Restated	59,642	63,191
Net Position, End of Year	$ 58,857	$ 59,850

Note: (1) Adjustment to beginning net position resulting from implementation of GASB Statement No. 65.

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.

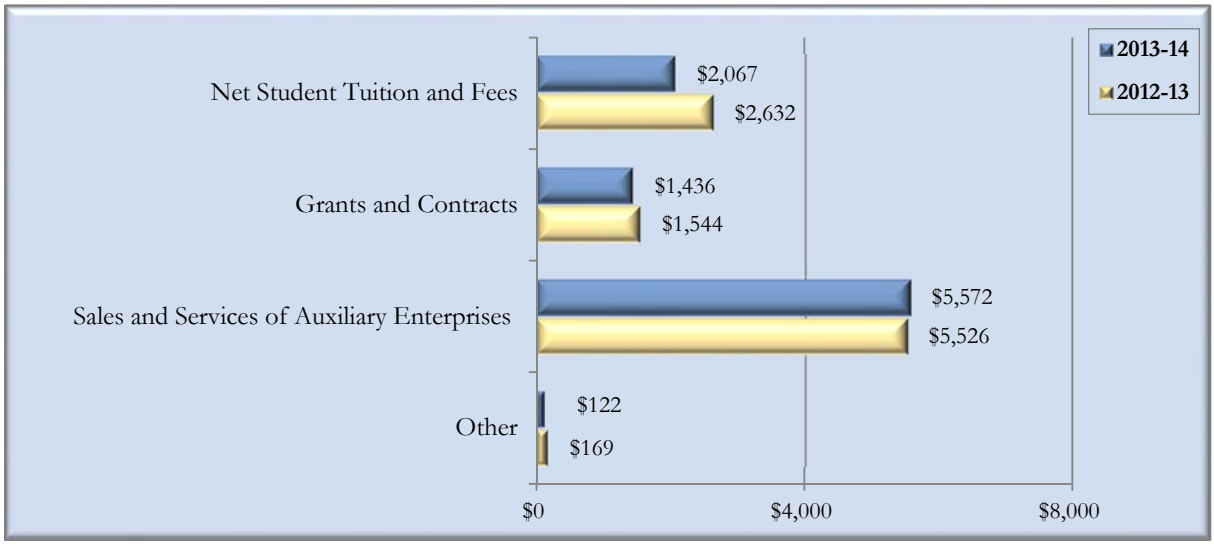
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

Operating Revenues
(In Thousands)

	2013-14	2012-13
Student Tuition and Fees, Net	$ 2,067	$ 2,632
Grants and Contracts	1,436	1,544
Sales and Services of Auxiliary Enterprises	5,572	5,526
Other	122	169
Total Operating Revenues	$ 9,197	$ 9,871

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues
(In Thousands)



Total operating revenues decreased by $0.7 million in the 2013-14 fiscal year due primarily to decreases in net student tuition and fees of $0.6 million, as a result of a decline in student enrollment. Federal and nongovernmental grants and contracts decreased by $0.1 million due to a combined decrease in Federal grants and an increase in nongovernmental grants.

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 position and has displayed the functional classification in the notes to financial statements.

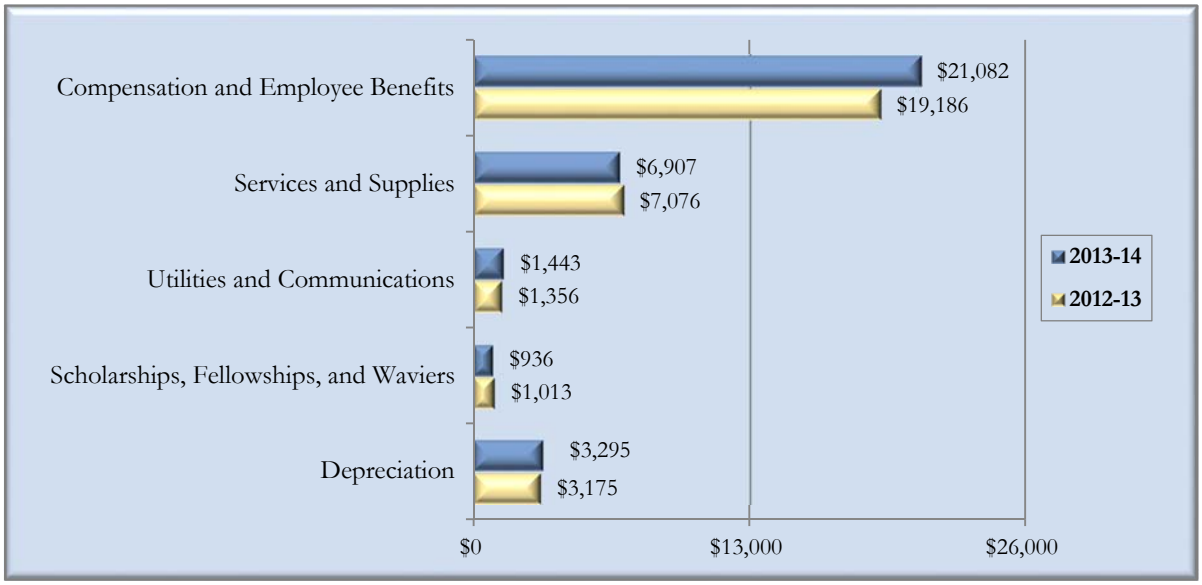
The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	2013-14	2012-13
Compensation and Employee Benefits	$ 21,082	$ 19,186
Services and Supplies	6,907	7,076
Utilities and Communications	1,443	1,356
Scholarships, Fellowships, and Waivers	936	1,013
Depreciation	3,295	3,175
Total Operating Expenses	$ 33,663	$ 31,806

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
(In Thousands)



Total operating expenses for the 2013-14 fiscal year were $33.7 million, as compared to $31.8 million for the 2012-13 fiscal year, which represents a $1.9 million, or 5.8 percent increase. The increase is due to an increase in compensation and employee benefits of $1.9 million. Compensation and employee benefits accounted for 62.6 percent of total operating expenses and increased 9.9 percent over the 2012-13 fiscal year. The increase was primarily due to increases in health insurance related costs, across-the-board salary increases and related benefits, and salaries and benefits for College employees who worked for the Foundation. In the prior fiscal year, these employees were considered Foundation employees and were paid by the Foundation. During the 2013-14 fiscal year the employees were made College employees and the Foundation reimbursed the College for their related salaries and benefits.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 17,959	$ 14,080
Federal and State Student Financial Aid	3,010	3,073
Annual Subsidy from Foundation	1,256	1,089
Investment Income	224	5
Other Nonoperating Revenues	17	5
Loss on Disposal of Capital Assets	(4)	
Interest on Capital Asset-Related Debt	(1,332)	(1,369)
Other Nonoperating Expenses	(98)	(142)
Net Nonoperating Revenues	$ 21,032	$ 16,741

Net nonoperating revenues increased by $4.3 million, or 25.6 percent, during the 2013-14 fiscal year. The increase was due mainly to a $3.9 million increase in State noncapital appropriations.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	$ 2,577	$ 1,836
Capital Grants, Contracts, Donations, and Fees	72	17
Total	$ 2,649	$ 1,853

Total other revenue for the 2013-14 fiscal year increased by $0.8 million over the prior fiscal year and was primarily due to an increase in State capital appropriations.

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 capital financing activities include all plant funds and related long-term debt activities. Cash flows from 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 noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$(20,386)	$(18,352)
Noncapital Financing Activities	22,147	18,105
Capital and Related Financing Activities	178	(2,717)
Investing Activities	(2,495)	3,733
Net Increase (Decrease) in Cash and Cash Equivalents	(556)	769
Cash and Cash Equivalents, Beginning of Year	1,731	962
Cash and Cash Equivalents, End of Year	$ 1,175	$ 1,731

Major sources of cash inflows came from State noncapital appropriations ($18 million), sales and services of auxiliary enterprises ($5.6 million), State capital appropriations ($4.6 million), and Federal and State student financial aid ($3 million). Major uses of cash were for payments made to and on behalf of employees totaling $20.4 million and payments to suppliers totaling $8.5 million.

Changes in cash and cash equivalents were the result of the following factors:

- The increase of $2 million in net cash used by operating activities was primarily due to a $1.7 million increase in payments to employees due to increases in related salaries and benefits of College employees who work for the Foundation, health insurance related costs, and across-the-board salary increases and related benefits.
- The increases in noncapital financing net cash inflows of $4 million was primarily due to the $3.9 million increase in State noncapital appropriations.
- Cash provided by capital and related financing activities increased by $2.9 million primarily due to a $2.4 million increase in State capital appropriations.
- Cash used by investing activities increased by $6.2 million due to a $6 million increase in purchases of investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had $118.2 million in capital assets, less accumulated depreciation of $41.6 million, for net capital assets of $76.6 million. Depreciation charges for the current fiscal year totaled $3.3 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)

	2014	2013
Land	$ 4,562	$ 4,562
Construction in Progress	428	1,148
Buildings	65,861	66,241
Infrastructure and Other Improvements	4,962	5,017
Furniture and Equipment	752	708
Library Resources	2	8
Computer Software	24	35
Capital Assets, Net	$ 76,591	$ 77,719

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

CAPITAL EXPENSES AND COMMITMENTS

During the 2013-14 fiscal year, the College had $2.2 million in capital expenses for the joint Chiller Plant project with Florida State University, Library Phase 2 HVAC system upgrade, other small projects, and various other equipment. The College has $272,828 in construction commitments at June 30, 2014, related to three small construction projects.

	Amount
Total Committed	$ 700,432
Completed to Date	(427,604)
Balance Committed	$ 272,828

DEBT ADMINISTRATION

As of June 30, 2014, the College had $27.8 million in outstanding certificates of participation payable, representing a decrease of $0.6 million, or 2.1 percent, from the prior fiscal year.

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 State and national economy continue to have a major impact on the College. State noncapital and capital appropriations for the 2013-14 fiscal year totaled $20.5 million and are the largest sources of funding. The level of recurring State noncapital support included in the budget the Legislature adopted for the 2014-15 fiscal year is about the same level as in 2013-14. The 2014-15 fiscal year appropriations included $0.7 million in funding to support a Master's program in Data Science, however, this increase was mostly offset by a decrease in recurring base funding of $0.6 million related to performance funding. The College is optimistic that the decrease in performance funds will be restored by the Board of Governors in early 2015.

The College received a total of $1.8 million from the Foundation during the 2013-14 fiscal year, which included $0.5 million in operating grants. Foundation support included $0.5 million in student aid, $0.8 million in other program support, and $0.5 million to reimburse the cost of College employees who worked for the Foundation. Included in the $0.8 million of other program support is $0.5 million to subsidize faculty personnel costs. These funds are used to support the College's 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 and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, 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 POSITION
June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,175,477	$ 129,277
Restricted Cash and Cash Equivalents		2,450,567
Investments	11,438,193	
Accounts Receivable, Net	424,451	2,849,566
Loans and Notes Receivable, Net		2,791,188
Due from State	2,883,533	
Other Current Assets	75,886	
Total Current Assets	15,997,540	8,220,598
Noncurrent Assets:		
Investments		36,049,828
Restricted Investments	670,033	
Depreciable Capital Assets, Net	71,601,537	890,030
Nondepreciable Capital Assets	4,989,579	1,026,310
Total Noncurrent Assets	77,261,149	37,966,168
Total Assets	93,258,689	46,186,766
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives	3,290,953	
LIABILITIES		
Current Liabilities:		
Accounts Payable	252,733	183,093
Construction Contracts Payable	99,412	
Salaries and Wages Payable	830,291	
Deposits Payable	1,000	
Unearned Revenue	176,458	15,000
Other Current Liabilities	331,703	
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	715,000	
Compensated Absences Payable	142,840	
Total Current Liabilities	2,549,437	198,093

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	$ 27,105,765	$
Compensated Absences Payable	1,966,744	
Other Postemployment Benefits Payable	2,780,000	
Other Noncurrent Liabilities	3,290,953	3,270,497
Total Noncurrent Liabilities	35,143,462	3,270,497
Total Liabilities	37,692,899	3,468,590
NET POSITION		
Net Investment in Capital Assets	48,770,351	1,916,340
Restricted for Nonexpendable:		
Endowment		35,841,561
Restricted for Expendable:		
Capital Projects	3,451,817	
Other	580,711	8,079,275
Unrestricted	6,053,864	(3,119,000)
TOTAL NET POSITION	$ 58,856,743	$ 42,718,176

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 POSITION
For the Fiscal Year Ended June 30, 2014

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $5,329,378	$ 2,066,746	$
Federal Grants and Contracts	412,251	
Nongovernmental Grants and Contracts	1,023,046	
Sales and Services of Auxiliary Enterprises ($4,221,490 Pledged for Housing Facility Certificates of Participation)	5,572,197	
Gifts and Donations		3,088,432
Other Operating Revenues	122,226	111,311
Total Operating Revenues	9,196,466	3,199,743
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	21,081,823	
Services and Supplies	6,907,370	
Utilities and Communications	1,442,646	
Scholarships, Fellowships, and Waivers	935,777	
Depreciation	3,295,497	
Other Operating Expenses		3,664,881
Total Operating Expenses	33,663,113	3,664,881
Operating Loss	(24,466,647)	(465,138)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	17,958,675	
Federal and State Student Financial Aid	3,010,146	
Annual Subsidy from Foundation	1,256,265	
Investment Income	224,131	5,016,136
Other Nonoperating Revenues	16,698	
Loss on Disposal of Capital Assets	(4,523)	
Interest on Capital Asset-Related Debt	(1,331,665)	
Other Nonoperating Expenses	(97,813)	
Net Nonoperating Revenues	21,031,914	5,016,136
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,434,733)	4,550,998
State Capital Appropriations	2,577,359	
Capital Grants, Contracts, Donations, and Fees	72,015	
Increase (Decrease) in Net Position	(785,359)	4,550,998
Net Position,Beginning of Year	59,849,742	38,167,178
Adjustment to Beginning Net Position	(207,640)	
Net Position, Beginning of Year, as Restated	59,642,102	38,167,178
Net Position, End of Year	$ 58,856,743	$ 42,718,176

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, 2014

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 1,970,436
Grants and Contracts	1,382,961
Sales and Services of Auxiliary Enterprises	5,587,252
Payments to Employees	(20,443,092)
Payments to Suppliers for Goods and Services	(8,475,758)
Payments to Students for Scholarships and Fellowships	(935,777)
Other Operating Receipts	528,142
Net Cash Used by Operating Activities	(20,385,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	17,960,447
Federal and State Student Financial Aid	3,010,146
Noncapital Grants, Contracts, and Donations	1,256,265
Federal Direct Loan Program Receipts	1,686,437
Federal Direct Loan Program Disbursements	(1,686,437)
Other Nonoperating Receipts	16,598
Other Nonoperating Disbursements	(95,954)
Net Cash Provided by Noncapital Financing Activities	22,147,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,612,260
Capital Grants, Contracts, Donations, and Fees	63,616
Purchase or Construction of Capital Assets	(2,564,050)
Principal Paid on Capital Debt	(605,000)
Interest Paid on Capital Debt	(1,329,174)
Net Cash Provided by Capital and Related Financing Activities	177,652
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	22,229,454
Purchase of Investments	(24,834,708)
Investment Income	110,264
Net Cash Used by Investing Activities	(2,494,990)
Net Decrease in Cash and Cash Equivalents	(555,672)
Cash and Cash Equivalents, Beginning of Year	1,731,149
Cash and Cash Equivalents, End of Year	$ 1,175,477

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (24,466,647)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,295,497
Change in Assets and Liabilities:	
Receivables, Net	170,136
Other Assets	(37,963)
Accounts Payable	(87,530)
Salaries and Wages Payable	(35,082)
Unearned Revenue	101,940
Compensated Absences Payable	48,813
Other Postemployment Benefits Payable	625,000
NET CASH USED BY OPERATING ACTIVITIES	$ (20,385,836)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 113,867
Losses from the disposal of capital assets were recognized in the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (4,523)

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. 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 thirteen 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 Trustees select 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 (GASB) *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. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Although it is legally separate from the College, the New College of Florida Development Corporation (Development Corporation) is included within the College's reporting entity as a blended component unit, based on the application of the criteria for determining component units. 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's Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, is included within the College reporting entity as a discretely presented component unit. This legally separate, not-for-profit, corporation is organized and operated exclusively to fund, in whole or in part, academic programs of New College of Florida by grants that may be negotiated annually. An annual audit of the Foundation is conducted by independent certified public accountants and is submitted to the

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Auditor General and the College Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the College's 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 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 entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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, deferred outflows of resources, 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, deferred outflows of resources, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's blended component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 noncapital 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 position 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, 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 position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference 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 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 $5,000 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
- Infrastructure and Other Improvements – 20 years

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Furniture and Equipment – 3 to 15 years
- Library Resources – 5 to 10 years
- Computer Software – 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of certificates of participation payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities payable (an interest rate swap) that are not scheduled to be paid within the next fiscal year. Certificates of participation payable are reported net of unamortized discounts. The College amortizes debt discounts over the life of the debt using the straight-line method.

2. ADJUSTMENT TO BEGINNING NET POSITION

The College's beginning net position was decreased by $207,640 due to the adoption of a new GASB Pronouncement, Statement No. 65, *Items Previously Reported as Assets and Liabilities* by New College of Florida Development Corporation, a blended component unit of the College. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized, to be expensed when incurred. Previously deferred bond issuance costs totaled $207,640.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), 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. The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool administered by the SBA; 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, 2014, are reported at fair value, as follows:

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 12,098,596
SBA Florida PRIME	1,262
SBA Fund B Surplus Funds Trust Fund	8,368
Total College Investments	$ 12,108,226

External Investment Pools

The College reported investments at fair value totaling $12,098,596 at June 30, 2014, 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 & Poor's, had an effective duration of 2.57 years and fair value factor of 1.0074 at June 30, 2014. 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, 2014, the College reported investments totaling $1,262 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. 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 Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and 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 Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College reported investments at fair value of $8,368 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 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 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, 2014. 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, 2014, are reported at fair value as follows:

Investment Type	Amount
Fixed-Income Mutual Funds	$ 9,434,747
Equity Mutual Funds	24,236,799
Other	2,378,282
Total Component Unit Investments	$ 36,049,828

4. 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, 2014, the College reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 37,886
Contracts and Grants	266,039
Auxiliary Services	105,737
Other	76,612
Total Accounts Receivable	486,274
Less, Allowance for Uncollectible Accounts	61,823
Net, Accounts Receivable	$ 424,451

Allowance for Doubtful Receivables. Allowances for uncollectible student accounts is reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $61,823 at June 30, 2014.

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

5. DUE FROM STATE

This amount consists of $2,883,533 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 4,561,975	$	$	$ 4,561,975
Construction in Progress	1,147,891	427,604	1,147,891	427,604
Total Nondepreciable Capital Assets	$ 5,709,866	$ 427,604	$ 1,147,891	$ 4,989,579
Depreciable Capital Assets:				
Buildings	$ 99,667,234	$ 2,130,452	$ 23,573	$ 101,774,113
Infrastructure and Other Improvements	5,746,917	243,777		5,990,694
Furniture and Equipment	4,419,788	517,803	42,772	4,894,819
Library Resources	484,367			484,367
Computer Software	103,897			103,897
Total Depreciable Capital Assets	110,422,203	2,892,032	66,345	113,247,890
Less, Accumulated Depreciation:				
Buildings	33,426,280	2,505,567	19,050	35,912,797
Infrastructure and Other Improvements	730,058	298,564		1,028,622
Furniture and Equipment	3,711,828	473,677	42,772	4,142,733
Library Resources	476,058	6,776		482,834
Computer Software	68,454	10,913		79,367
Total Accumulated Depreciation	38,412,678	3,295,497	61,822	41,646,353
Total Depreciable Capital Assets, Net	$ 72,009,525	$ (403,465)	$ 4,523	$ 71,601,537

7. UNEARNED REVENUE

Unearned revenue includes student tuition and fees and contracts and grants revenue received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2014, the College reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 66,761
Contracts and Grants	109,697
Total Unearned Revenue	$ 176,458

8. DEFERRED OUTFLOW OF RESOURCES

The College's blended component unit (Development Corporation) entered into an interest rate swap agreement in connection with its $30 million certificates of participation issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflow of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. The other noncurrent liabilities section of note 9 below includes a complete discussion of the swap agreement.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include certificates of participation payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities (an interest rate swap). Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation Payable	$ 28,423,274	$ 2,491	$ 605,000	$ 27,820,765	$ 715,000
Compensated Absences Payable	2,060,771	172,573	123,760	2,109,584	142,840
Other Postemployment Benefits Payable	2,155,000	696,000	71,000	2,780,000	
Other Noncurrent Liabilities	3,445,573		154,620	3,290,953	
Total Long-Term Liabilities	$ 36,084,618	$ 871,064	$ 954,380	$ 36,001,302	$ 857,840

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, the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), comprising the Pei complex, and renovation and improvement to the Hamilton Center, the student activities center.

In April of 2012, the Development Corporation, through 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). The interest rate is 77 percent of the sum of the 30 day LIBOR plus 185 basis points. The revised agreement is for 10 years, 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 were not restructured.

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 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 resident facilities are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the long-term debt and any operating costs. During the 2013-14 fiscal year, student housing revenue totaled $4,221,490.

Principal and interest payment requirements on the COPS outstanding as of June 30, 2014, are as follows:

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Fiscal Year Ending June 30	Principal	Interest	Total
2015	$ 715,000	$ 1,300,996	$ 2,015,996
2016	750,000	1,268,536	2,018,536
2017	785,000	1,227,468	2,012,468
2018	820,000	1,188,189	2,008,189
2019	855,000	1,147,233	2,002,233
2020-2024	4,885,000	5,060,779	9,945,779
2025-2029	6,090,000	3,718,290	9,808,290
2030-2034	7,570,000	2,052,741	9,622,741
2035-2037	5,405,000	266,577	5,671,577
Subtotal	27,875,000	17,230,809	45,105,809
Less: Discounts	(54,235)		(54,235)
Total	$ 27,820,765	$ 17,230,809	$ 45,051,574

Other Noncurrent Liabilities. Other noncurrent liabilities is the liability for an interest rate swap agreement. 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 of 2012, the existing swap agreement was amended to match the terms of the restructured debt. The details of the swap at June 30, 2014, are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counterparty Credit Rating
$27,875,000	4-09-12	4-01-22	4.7245% (1)	(2)	BBB+ (3)

Notes: (1) 77 percent of 30 day LIBOR fixed at 3.30 percent, plus 77 percent of 1.85 percent equaling 1.4245 percent. The sum of these two components total an effective fixed rate of 4.7245 percent.
(2) 77 percent of 30 day LIBOR plus 185 basis points.
(3) Rated by Standard & Poor's.

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: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2014. The negative fair value may be countered 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 agreement 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, 2014, the negative fair value of the swap agreement held by the Development Corporation was $3,290,953.

Credit Risk: As of June 30, 2014, 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 agreement 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 counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. If the swap agreement 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 agreement has a negative fair value, the Development Corporation would be liable to the counterparty for a payment equal to the fair value of the swap agreement.

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 agreement.

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, College 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 noncapital 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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $2,109,584. The current portion of the compensated absences liability, $142,840, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts for the last three years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare 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 (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 report of a public employee retirement system or another entity.

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Funding Policy. Plan benefits are pursuant to the 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 2013-14 fiscal year, 20 retirees received postemployment healthcare benefits. The College provided required contributions of $71,000 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 $122,000, which represents 1 percent of covered payroll.

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 GASB 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 fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 425,000
Amortization of Unfunded Actuarial Accrued Liability	234,000
Interest on Normal Cost and Amortization	26,000
Annual Required Contribution	685,000
Interest on Net OPEB Obligation	86,000
Adjustment to Annual Required Contribution	(75,000)
Annual OPEB Cost (Expense)	696,000
Contribution Toward the OPEB Cost	(71,000)
Increase in Net OPEB Obligation	625,000
Net OPEB Obligation, Beginning of Year	2,155,000
Net OPEB Obligation, End of Year	$ 2,780,000

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, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 542,000	9.8%	$ 1,683,000
2012-13	544,000	13.2%	2,155,000
2013-14	696,000	10.2%	2,780,000

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JUNE 30, 2014

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $7,028,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $7,028,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $14,126,788 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 49.7 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 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, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. 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. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. 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, 2014, was 23 years.

10. 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 the 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. The 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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, 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 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class 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 including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $409,981, $420,300, and $582,111, respectively, which were equal to the required contributions for each fiscal year.

There were 48 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $174,722, which was equal to the required contribution for the 2013-14 fiscal year.

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' Web site (www.myfloridacfo.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

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 FRS for eight 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, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the College to the participant's annuity

account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 140 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled $549,916 and employee contributions totaled $407,035 for the 2013-14 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Library - Lobby Renovations	$ 328,662	$ 86,592	$ 242,070
Sainer/Mundy Hall - HVAC	329,430	303,012	26,418
Ace Plaza- Christopher Fennell Sculpture	42,340	38,000	4,340
Total	$ 700,432	$ 427,604	$ 272,828

12. OPERATING LEASE COMMITMENTS

The College leased land under an operating lease, which will expire in 2056. These leased assets and the related commitments are not reported on the College's statement of net position. 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 for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2015	$ 93,541
2016	93,541
2017	93,541
2018	93,541
2019	93,541
2020-2024	467,705
2025-2029	467,705
2030-2034	467,705
2035-2039	467,705
2040-2044	467,705
2045-2049	467,705
2050-2054	467,705
2055-2056	187,082
Total Minimum Payments Required	$ 3,928,722

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

13. 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(2), Florida Statutes, the College participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2013-14 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named windstorm and flood losses through February 15, 2014, and increased to $54 million starting February 16, 2014. For perils other than named windstorm 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 $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), 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.

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Functional Classification	Amount
Instruction	$ 9,136,159
Research	738,587
Academic Support	2,494,271
Student Services	3,210,215
Institutional Support	5,632,346
Operation and Maintenance of Plant	3,598,815
Scholarships and Fellowships	935,777
Depreciation	3,295,497
Auxiliary Enterprises	4,621,446
Total Operating Expenses	$ 33,663,113

15. BLENDED COMPONENT UNIT

The College has one blended component unit as discussed in note 1. The following financial information is presented for the College's blended component unit:

Condensed Statement of Net Position

	New College of Florida Development Corporation	College	Eliminations	Total Primary Government
Assets:				
Due From College / Blended CU	$ 3,643,267	$	$ (3,643,267)	$
Other Current Assets	1,677,201	15,995,860	(1,675,521)	15,997,540
Capital Assets, Net		76,591,116		76,591,116
Other Noncurrent Assets	23,137,360	670,033	(23,137,360)	670,033
Total Assets	28,457,828	93,257,009	(28,456,148)	93,258,689
Deferred Outflows of Resources	3,290,953			3,290,953
Liabilities:				
Due To College / Blended CU		3,643,267	(3,643,267)	
Other Current Liabilities	1,048,283	1,501,154		2,549,437
Noncurrent Liabilities	30,396,718	29,559,625	(24,812,881)	35,143,462
Total Liabilities	31,445,001	34,704,046	(28,456,148)	37,692,899
Net Position:				
Net Investment in Capital Assets		48,770,351		48,770,351
Restricted - Expendable	303,780	3,728,748		4,032,528
Unrestricted		6,053,864		6,053,864
Total Net Position	$ 303,780	$ 58,552,963	$	$ 58,856,743

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A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	New College of Florida Development Corporation	College	Eliminations	Total Primary Government
Operating Revenues	$ 1,349,489	$ 7,846,977	$	$ 9,196,466
Depreciation Expense		(3,295,497)		(3,295,497)
Other Operating Expenses	(20,215)	(30,347,401)		(30,367,616)
Operating Income (Loss)	1,329,274	(25,795,921)		(24,466,647)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue		22,461,392		22,461,392
Interest Expense	(1,331,665)			(1,331,665)
Other Nonoperating Expenses		(97,813)		(97,813)
Net Nonoperating Revenues (Expenses)	(1,331,665)	22,363,579		21,031,914
Other Revenues, Expenses, Gains, and Losses		2,649,374		2,649,374
Decrease in Net Position	(2,391)	(782,968)		(785,359)
Net Position, Beginning of Year	513,811	59,335,931		59,849,742
Adjustment to Beginning Net Position (1)	(207,640)			(207,640)
Net Position, Beginning of Year, as Restated	306,171	59,335,931		59,642,102
Net Position, End of Year	$ 303,780	$ 58,552,963	$	$ 58,856,743

Note: (1) Adjustment due to implementation of GASB Statement No. 65.

Condensed Statement of Cash Flows

	New College of Florida Development Corporation	College	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 1,943,024	$ (22,328,860)	$	$ (20,385,836)
Noncapital Financing Activities		22,147,502		22,147,502
Capital and Related Financing Activities	(1,941,344)	2,118,996		177,652
Investing Activities		(2,494,990)		(2,494,990)
Net Increase (Decrease) in Cash and Cash Equivalents	1,680	(557,352)		(555,672)
Cash and Cash Equivalents, Beginning of Year		1,731,149		1,731,149
Cash and Cash Equivalents, End of Year	$ 1,680	$ 1,173,797	$	$ 1,175,477

NEW COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 4,409,000	$ 4,409,000	0%	$ 13,286,081	33.2%
7/1/2011	-	5,575,000	5,575,000	0%	13,419,429	41.5%
7/1/2013	-	7,028,000	7,028,000	0%	14,126,788	49.7%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

NEW COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of $7,028,000 was significantly higher than the July 1, 2011, liability of $5,575,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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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*

Report on the Financial Statements

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, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 13, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 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, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2015-026.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 13, 2015