

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
New College of Florida Development Corporation
Sarasota, Florida**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New College of Florida Development Corporation (the "Development Corporation"), a component unit of New College of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Development Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Development Corporation, as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Development Corporation as of June 30, 2021 were audited by other auditors whose report dated August 30, 2021 expressed an unmodified opinion on those statements.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Development Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022, on our consideration of the Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Development Corporation's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 23, 2022

**NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Overview of the Financial Statements and Financial Analysis

This section of the New College of Florida Development Corporation's (the "Development Corporation") annual financial report presents a discussion and analysis of the financial performance of the Development Corporation during the fiscal years ended June 30, 2022 and 2021. It provides an analytical overview of the financial activities during the fiscal years ended June 30, 2022 and 2021, with the 2020 fiscal year data presented for comparative purposes. This discussion should be read in conjunction with the financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Development Corporation's management.

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

Financial Highlights

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

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

- A 79-bed dorm style student residential facility (Johnson Hall-opened 1965)
- A 82-bed dorm style student residential facility (Bates Hall-opened 1965)
- A 85-bed dorm style student residential facility (Rothenberg Hall-opened 1965)
- A 74-bed apartment style student residential facility (Dort Hall-opened 1998)
- A 74-bed apartment style student residential facility (Goldstein Hall-opened 1999)
- A 32-bed dorm style student residential facility (B Dorm Hall-opened 1966)
- A 203-bed apartment style student residential facility (V-Z Halls-opened 2007)

**NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Statements of Net Position

The statements of net position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities) as of the end of the fiscal years. The purpose of the statement of net position is to present to the reader of the financial statements a fiscal snapshot of the Development Corporation at June 30, 2022 and 2021.

From the data presented, readers of the statements of net position are able to determine the assets available to continue operations of the Development Corporation. In addition, they are also able to determine how much the Development Corporation owes vendors and other parties. For 2022, 2021 and 2020 as noted below, the decrease in total assets is primarily due to the reduction in the Investment in Direct Financing Lease. The increase in current liabilities reflects an increase in the current portion of long-term debt payable. Non-current liabilities have decreased due to a decrease in long-term debt payable. The changes in total assets, deferred outflows of resources and liabilities resulted in an overall decrease in net position of \$2,491 from 2021 to 2022, and \$2,491 from 2020 to 2021. Over time, the changes in net position provide an indication of the overall financial condition of the Development Corporation. The following is a condensed version of the statement of net position as of June 30, 2022, 2021, and 2020.

Net Position of the Development Corporation

<u>Years Ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 1,874,895	\$ 1,947,459	\$ 1,958,080
Non-Curent Assets	<u>19,700,625</u>	<u>20,713,345</u>	<u>21,648,213</u>
Total Assets	<u>21,575,520</u>	<u>22,660,804</u>	<u>23,606,293</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 696,318</u>	<u>\$ 1,402,560</u>
Current Liabilities	\$ 1,196,074	\$ 1,261,358	\$ 1,226,847
Non-Current Liabilities	<u>20,095,697</u>	<u>21,809,524</u>	<u>23,493,275</u>
Total Liabilities	<u>21,291,771</u>	<u>23,070,882</u>	<u>24,720,122</u>
Total Net Position, restricted	<u>\$ 283,749</u>	<u>\$ 286,240</u>	<u>\$ 288,731</u>

Statements of Revenues, Expenses, and Changes in Net Position

Changes in net position of the Development Corporation, as presented on the statements of net position, are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statements is to show the operating and non-operating revenues earned by the Development Corporation, the operating and non-operating expenses incurred by the Development Corporation, and any other revenues, expenses, gains, and losses earned or incurred by the Development Corporation. Operating revenues represent rental income received from the College and operating expenses represent expenses paid for debt service on outstanding bonds payable. Operating revenues during 2022 fiscal year decreased 5.6% over the 2021 level and 8.0% between 2021 and 2020. Operating revenues represent rental income received from the College and operating expenses represent expenses paid for debt service on outstanding bonds payable. On the following page is a condensed version of the changes in net position for the years ended June 30, 2022, 2021, and 2020.

**NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Changes in Net Position of the Development Corporation

<u>Years Ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 1,083,804	\$ 1,147,620	\$ 1,246,960
Operating Expenses	(1,083,804)	(1,147,620)	(1,246,960)
Non-Operating Revenues and Expenses	<u>(2,491)</u>	<u>(2,491)</u>	<u>(2,490)</u>
Change in Net Position	(2,491)	(2,491)	(2,490)
Net Position, Beginning of Year	<u>286,240</u>	<u>288,731</u>	<u>291,221</u>
Net Position, End of Year	<u>\$ 283,749</u>	<u>\$ 286,240</u>	<u>\$ 288,731</u>

Statement of Cash Flows

The statements of cash flows present detailed information about the cash activity of the Development Corporation during the fiscal years ended June 30, 2022 and 2021. The statements are divided into two parts. The first part deals with operating cash flows and shows the net cash used in the operating activities of the Development Corporation. The second deals with cash flows from capital and related financing activities.

The major source of funds included in operating activities is student residence, net rental income received from the College and interest paid on debt. The largest outflow of funds in the capital financing group includes principal payments on debt. The following includes condensed information from the statements of cash flows for the years ended June 30, 2022, 2021, and 2020.

Cash Flows of the Development Corporation

<u>Years Ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Cash Provided by Operating Activities	\$ 2,040,121	\$ 2,073,800	\$ 2,147,372
Net Cash Used in Capital and Related Financing Activities	(2,040,121)	(2,073,800)	(2,147,372)

**NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Capital Assets and Debt Administration

The Development Corporation issued Series 2006 Certificates of Participation ("COPS") in the amount of \$30,110,000 during April, 2006. The COPS are to be repaid from housing system revenues of the College. At June 30, 2022 and 2021, the total amount of debt to be repaid was \$21,150,000 and \$22,130,000, respectively. COPS are presented net of the unamortized discount in the statements of net position.

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

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

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

Effective April 1, 2022, the Development Corporation 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 plain refinancing with an interest rate of 3.330%. The existing maturity and principal payment requirements were not modified.

Factors Impacting Future Periods

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

**NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

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

Year Ended June 30, (Fall Semester)	Enrolled Students	Housing Capacity	Average Number of Students Living in Housing	Occupancy Rate
2013	832	629	607	97%
2014	794	629	607	97%
2015	835	629	634	101%
2016	863	638	638	100%
2017	861	638	637	99%
2018	836	638	657	103%
2019	807	638	621	97%
2020	706	638	566	89%
2021	649	629	353	56%
2022	633	629	471	75%

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

Although the chart above shows a reduction in the average number of students living in housing and enrolled students for 2020, 2021 and 2022, we can confidently say that the decline is a consequence of COVID-19.

As COVID-19 infections became more manageable, the New College returned to normal housing occupancy starting in the fall semester of 2021. Concomitantly, the College continues to work diligently to increase its enrollment for the 2022-2023 academic year. At the moment, the New College has received a number of incoming first-year and transfer students deposits greater than last year's level and already has 668 students enrolled for Fall 2022.

The Board of Governors of the State of Florida (the "Board of Governors") approved a Carryforward Spending Plan for each State University to ensure adequate coverage for required housing debt service and preserve bond credit ratings. The College is using carryforward funds to offset lost housing revenues caused by capacity reduction due to COVID-19 related hesitation. The use of carryforward funds is subject to evaluation by staff from the Board of Governors Office and the Division of Bond Finance.

Requests for Information

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

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

**STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

ASSETS		
	<u>2022</u>	<u>2021</u>
Current assets		
Due from New College of Florida	\$ 176,074	\$ 281,358
Note receivable, current	<u>1,698,821</u>	<u>1,666,101</u>
	<u>1,874,895</u>	<u>1,947,459</u>
Other assets		
Note receivable, less current portion	18,134,060	18,896,780
Due from New College of Florida	<u>1,566,565</u>	<u>1,816,565</u>
	<u>19,700,625</u>	<u>20,713,345</u>
Deferred outflows of resources		
Accumulated decrease in fair value of derivative instruments	<u>-</u>	<u>696,318</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,575,520</u>	<u>\$ 23,357,122</u>
 LIABILITIES AND NET POSITION		
Current liabilities		
Accrued interest payable	\$ 176,074	\$ 281,358
Current maturities of long-term debt	<u>1,020,000</u>	<u>980,000</u>
	<u>1,196,074</u>	<u>1,261,358</u>
Long-term liabilities		
Long-term debt, net of unamortized discount	20,095,697	21,113,206
Derivative instruments, interest rate swap	<u>-</u>	<u>696,318</u>
	<u>20,095,697</u>	<u>21,809,524</u>
TOTAL LIABILITIES	<u>21,291,771</u>	<u>23,070,882</u>
NET POSITION		
Restricted	<u>283,749</u>	<u>286,240</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 21,575,520</u>	<u>\$ 23,357,122</u>

See Notes to Financial Statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Operating revenues		
Net income from New College of Florida	\$ 1,083,804	\$ 1,147,620
Total operating revenues	<u>1,083,804</u>	<u>1,147,620</u>
 Operating expenses		
Interest expense	984,621	1,128,312
Financing fees	75,500	-
Other expenses	23,683	19,308
Total operating expenses	<u>1,083,804</u>	<u>1,147,620</u>
 Operating income	<u>-</u>	<u>-</u>
 Nonoperating expense		
Amortization of bond discount	2,491	2,491
Total nonoperating expense	<u>2,491</u>	<u>2,491</u>
 Change in net position	(2,491)	(2,491)
 Net position, beginning of the year	<u>286,240</u>	<u>288,731</u>
 Net position, end of the year	<u>\$ 283,749</u>	<u>\$ 286,240</u>

See Notes to Financial Statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from housing operations	\$ 2,063,804	\$ 2,093,108
Payments for goods and services	<u>(23,683)</u>	<u>(19,308)</u>
Net cash provided by operating activities	<u>2,040,121</u>	<u>2,073,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	<u>(1,060,121)</u>	<u>(1,143,800)</u>
Principal payments on debt	<u>(980,000)</u>	<u>(930,000)</u>
Net cash used in capital and related financing activities	<u>(2,040,121)</u>	<u>(2,073,800)</u>
Net increase in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities		
Interest paid on debt	1,060,121	1,143,800
Amortization of direct financing lease	730,000	690,001
Changes in assets and liabilities		
Due from New College of Florida	355,284	255,488
Accrued interest payable	<u>(105,284)</u>	<u>(15,489)</u>
Net cash provided by operating activities	<u>\$ 2,040,121</u>	<u>\$ 2,073,800</u>
Noncash financing activities		
Change in value in derivative instruments	<u>\$ 696,318</u>	<u>\$ 706,242</u>

See Notes to Financial Statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New College of Florida Development Corporation (the “Development Corporation”) was created on November 4, 2005 by the New College of Florida Board of Trustees. The Development Corporation is a direct support organization and component unit of New College of Florida (the “College”) and is a not-for-profit corporation organized under the provisions of Florida Statutes, Chapter 617, as a direct support organization of the College as defined by Florida Statutes 1004.28. The Development Corporation was established to provide aid in the form of money and other forms of property and services to the College. The Development Corporation also has the authority to issue revenue bonds, certificates of participation, or other forms of indebtedness upon the approval of the College’s Board of Trustees, as well as to enter into agreements to finance, design, construct, lease, lease-purchase, and purchase and/or operate facilities necessary and desirable to serve the needs of the College.

Specifically, the operations consist of contracting for the design and construction of student residential housing and the issuance of bonded debt to finance such construction. As such, the Development Corporation supervises and accounts for the respective construction. With the completion of the student residential housing, the Development Corporation transferred the value of the completed buildings to the College to operate in return for a direct financing lease (“Master Operating Lease”). Accordingly, the College leases the respective facility from the Development Corporation in an amount equal to the net rental proceeds. These net rental proceeds are then used to service the outstanding debt and pay for the operating costs of the Development Corporation. The Development Corporation issued Certificates of Participation, Series 2006 (“COPS”) in the amount of \$30,110,000 during the year ended June 30, 2006 and were remarketed on April 14, 2012 and April 1, 2022. The proceeds were used to pay for construction and renovation of student residences as well as to service the related debt and to refinance certain outstanding obligations of the College.

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

Based on the application of the criteria described in the Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting standards, the Development Corporation is included within the financial statements of the College as a blended component unit for the years ended June 30, 2022 and 2021.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Basis of Accounting and Presentation

The Development Corporation's accounting policies conform to accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB).

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Development Corporation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The 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 Development Corporation's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

Cash

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

Note Receivable

The note receivable whose assets are restricted is recorded by the Development Corporation at the capitalized amount of the completed student residences and renovation projects, which approximates the sum of the minimum lease payments of the Master Operating Lease.

For the years ended June 30, 2022 and 2021, no depreciation expense was recorded as the Development Corporation held no assets used in its operations.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Due from the College

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

Deferred Outflows of Resources

The statements of net position include a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources represents the fair value of the Development Corporation's interest rate swap which qualifies as a hedging derivative with a negative fair value.

Long-Term Debt

Long-term debt includes principal amounts of COPS issued, which are reported net of the unamortized discount. The unamortized discount is being amortized over the life of COPS using the straight-line method. The use of the straight-line method is not materially different from the interest method for the years ended June 30, 2022 and 2021.

Interest Rate Swap

The Development Corporation has entered into an interest rate swap agreement with a financial institution. The interest rate swap agreement meets the criteria of an effective hedge and, as a result, the Development Corporation follows hedge accounting. A liability in the statements of net position has been recorded at the fair value of the interest rate swap in the amount of \$696,318 at June 30, 2021. In addition, a like amount has been recorded as a deferred outflow of resources. The interest rate swap matured on April 1, 2022.

Net Position

Net position, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net position and changes therein are classified and reported as follows:

Restricted – Restricted net position is reserved for the construction projects and purpose of the Development Corporation by the bondholder.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Net Income from New College of Florida

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

	<u>2022</u>	<u>2021</u>
Cash income from housing operations	\$ 2,169,088	\$ 2,093,109
Change in due from New College of Florida	(105,284)	(15,489)
Principal payments made	(980,000)	(930,000)
Net lease income from New College of Florida	<u>\$ 1,083,804</u>	<u>\$ 1,147,620</u>

Tax Status

The Development Corporation is generally exempt from federal income and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Development Corporation is not classified as a private foundation within the meaning of Section 509(a) of the IRC but is a corporation described under section 509(a)(3). The IRC provides for taxation of unrelated business income under certain circumstances.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 23, 2022, the date the financial statements were available to be issued.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2. NOTE RECEIVABLE

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

At June 30, 2022, aggregate future minimum note payments are \$26,826,234, with \$6,993,353 in unearned income and a net value of \$19,832,881. At June 30, 2021, aggregate future minimum note payments are \$28,917,552, with \$8,354,671 of unearned income and a net value of \$20,562,881. Future minimum amounts to be received are as follows:

	Aggregate Future Minimum Note Payments
2023	\$ 1,698,820
2024	1,708,731
2025	1,722,017
2026	1,728,764
2027	1,748,637
Thereafter	18,219,265
	\$ 26,826,234

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

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3. LONG-TERM LIABILITIES

Bonds payable activity for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Amounts due within one year
COPS, Series 2006	\$ 22,130,000	\$ -	\$ (980,000)	\$ 21,150,000	\$ 1,020,000
Less Unamortized Discount	(36,794)	-	2,491	(34,303)	-
	<u>\$ 22,093,206</u>	<u>\$ -</u>	<u>\$ (977,509)</u>	<u>\$ 21,115,697</u>	<u>\$ 1,020,000</u>

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

	Beginning Balance	Additions	Payments	Ending Balance	Amounts due within one year
COPS, Series 2006	\$ 23,060,000	\$ -	\$ (930,000)	\$ 22,130,000	\$ 980,000
Less Unamortized Discount	(39,285)	-	2,491	(36,794)	-
	<u>\$ 23,020,715</u>	<u>\$ -</u>	<u>\$ (927,509)</u>	<u>\$ 22,093,206</u>	<u>\$ 980,000</u>

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

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

The revised swap agreement associated with the original restructuring is for ten years, and expired on April 1, 2022. However, the existing maturity and principal payment requirements pursuant to the original 2006 debt issuance were not restructured.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3. LONG-TERM LIABILITIES (CONTINUED)

On April 1, 2022, the Development Corporation, through a resolution of the Board, restructured the existing variable rate COPS as allowed under the master trust indenture. The existing COPS were restructured as a non-bank qualified tax exempt plain refinancing (New College of Florida Development Corporation Series 2022 refunding) with an interest rate of 3.330%. The existing maturity and principal payment requirements pursuant to the original 2006 debt issuance were not restructured.

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

The table that follows represents debt service payments on the fixed rate debt as of June 30, 2022:

	Principal	Interest	Net Cash Flows
2023	\$ 1,020,000	678,820	\$ 1,698,820
2024	1,065,000	643,731	1,708,731
2025	1,115,000	607,017	1,722,017
2026	1,160,000	568,764	1,728,764
2027	1,220,000	528,637	1,748,637
2028-2032	6,935,000	1,977,312	8,912,312
2033-2037	8,635,000	671,953	9,306,953
	<u>\$ 21,150,000</u>	<u>\$ 5,676,234</u>	<u>\$ 26,826,234</u>

Total interest expense incurred for the years ended June 30, 2022 and 2021 was approximately \$985,000 and \$1,128,000, respectively.

NOTE 4. INTEREST RATE SWAP

In order to protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPS were issued. The intention of the swap was to effectively change the variable interest rate on the COPS to a synthetic fixed rate. In April 2012, the existing swap agreement was amended to match the terms of the original restructured debt. In April 2022, the swap matured and the Development Corporation restructured the COPS as noted in Note 3 to a fixed rate agreement. The details of the swap are shown in the following table:

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

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

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4. INTEREST RATE SWAP (CONTINUED)

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

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

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

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

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

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

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5. FAIR VALUE MEASUREMENTS

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

The Development Corporation categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The Development Corporation's only recurring fair value measurement is the interest rate swap. The interest rate swap is considered a Level 3 instrument and was valued at \$696,318 as of June 30, 2021. The swap matured April 1, 2022 and was not renewed.

OTHER INDEPENDENT AUDITOR'S REPORT



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

**Board of Directors
New College of Florida Development Corporation
Sarasota, Florida**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New College of Florida Development Corporation (the "Development Corporation"), a component unit of New College of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Development Corporation's basic financial statements, and have issued our report thereon dated September 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Development Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Development Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
September 23, 2022