

NEW COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2011



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Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

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Matthew Broerman to 8-26-10 (2)
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Notes: (1) Term ended January 6, 2011, but continued to serve until reappointment or replacement.
(2) Student body president.
(3) Faculty Senate chair.
(4) Positions remained vacant from January 7, 2011, to January 19, 2011.

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

NEW COLLEGE OF FLORIDA
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements	16
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	33
Notes to Required Supplementary Information.....	34
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 <i>GOVERNMENT AUDITING STANDARDS</i>	35
Internal Control Over Financial Reporting.....	35
Compliance and Other Matters	36

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, 2011. 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. 2012-012.

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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements of the blended component unit represents 4 percent of the total assets and 87 percent of the total liabilities reported for New College of Florida. The financial statements of the discretely presented 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 thereon has 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued 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* and should be considered in assessing the results of our audit.

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.

Respectfully submitted,



David W. Martin, CPA
March 13, 2012

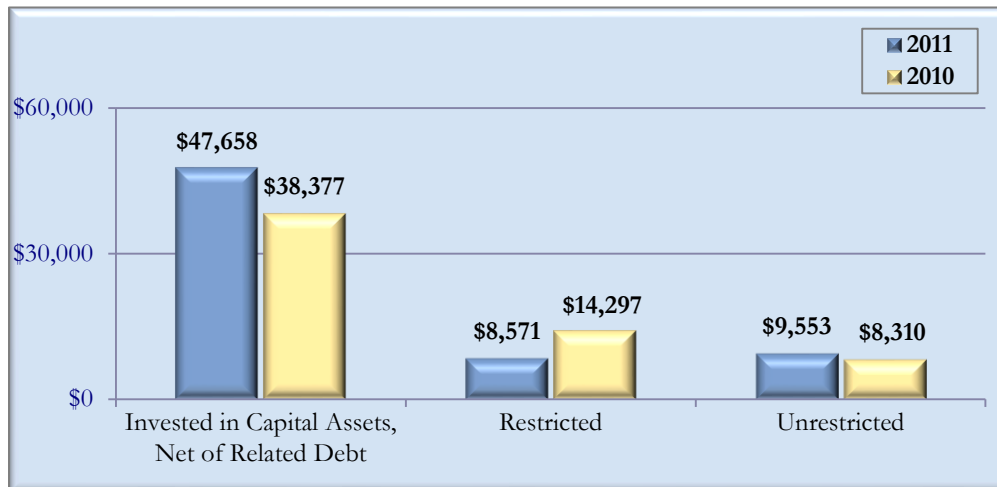
MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College’s assets totaled \$103.8 million at June 30, 2011. This balance reflects a \$1.2 million, or 1.2 percent increase from the 2009-10 fiscal year, resulting primarily from increases in investments and capital assets. While assets grew, liabilities decreased in the amount of \$3.6 million, or 8.7 percent, totaling \$38 million at June 30, 2011, compared to \$41.6 million at June 30, 2010. The primary reason for the decrease in liabilities was due to a decrease in deferred revenues associated with Public Education Capital Outlay (PECO) construction funds. As a result, the College’s net assets increased by \$4.8 million, reaching a year-end balance of \$65.8 million. Net assets increased primarily due to increased funding from the State for capital appropriations. The College’s net assets by category for the fiscal years ended June 30, 2011, and June 30, 2010, are shown in the following table:

**Net Assets
(In Thousands)**



The College’s revenues totaled \$38.5 million for the 2010-11 fiscal year, representing a 19.2 percent increase over the 2009-10 fiscal year due mainly to an increase in State noncapital and capital appropriations. The College’s expenses totaled \$33.7 million for the 2010-11 fiscal year, representing an increase of 4 percent over the 2009-10 fiscal year due mainly to an increase in operating expenses relating to services and supplies, employee compensation and benefits, and depreciation costs.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College’s financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include: New College Foundation, Inc. (Foundation), and New College of Florida Development

Corporation (Development Corporation). Based upon the application of the criteria for determining component units, the Development Corporation is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit. Information regarding these component units, including summaries of the separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the component units. MD&A information regarding the Development Corporation component unit can be found in its separately issued audit report.

THE STATEMENT OF NET ASSETS

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

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

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

	2011	2010
Assets		
Current Assets	\$ 22,697	\$ 29,953
Capital Assets, Net	76,870	67,754
Other Noncurrent Assets	4,206	4,869
Total Assets	103,773	102,576
Liabilities		
Current Liabilities	2,459	5,870
Noncurrent Liabilities	35,532	35,722
Total Liabilities	37,991	41,592
Net Assets		
Invested in Capital Assets, Net of Related Debt	47,658	38,377
Restricted	8,571	14,297
Unrestricted	9,553	8,310
Total Net Assets	\$ 65,782	\$ 60,984

Current assets at June 30, 2011, totaled \$22.7 million, compared to \$29.9 million at June 30, 2010, reflecting a decrease of \$7.2 million, or 24.1 percent. The primary reason for the decrease was an \$8.9 million decrease in the amount due from the State relating to PECO projects. This decrease was partially offset by an increase in investments of \$1.4 million.

Total capital assets of \$76.9 million increased by \$9.1 million and are comprised primarily of buildings, furniture and equipment, land, and construction in progress. The amount is net of accumulated depreciation totaling \$34.4 million.

Other noncurrent assets decreased by \$0.7 million primarily due to decreases in restricted investments and in restricted cash and cash equivalents.

Liabilities at June 30, 2011 totaled \$38 million, compared to \$41.6 million for June 30, 2010. This represents a \$3.6 million decrease. The decrease is primarily due to a \$3.4 million decrease in deferred revenues associated with PECO construction funds, a \$0.3 million decrease in certificates of participation payable, and a \$0.3 million decrease in salary and wages payable. The decrease is partially offset by an increase of \$0.3 million in construction contracts payable and a \$0.3 million increase in other postemployment benefits payable.

In summary, New College of Florida's net assets of \$65.8 million at June 30, 2011, included \$47.7 million invested in capital assets, net of related debt, \$8.6 million in restricted expendable net assets, and \$9.5 million in unrestricted net assets.

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

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

The following summarizes the College's activity for the 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
Operating Revenues	\$ 8,564	\$ 8,835
Operating Expenses	(32,061)	(30,814)
Operating Loss	(23,497)	(21,979)
Net Nonoperating Revenues	21,147	19,355
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,350)	(2,624)
Other Revenues, Expenses, Gains, or Losses	7,148	2,583
Net Increase (Decrease) In Net Assets	4,798	(41)
Net Assets, Beginning of Year	60,984	60,443
Adjustments to Beginning Net Assets (1)		582
Net Assets, Beginning of Year, as Restated	60,984	61,025
Net Assets, End of Year	<u>\$ 65,782</u>	<u>\$ 60,984</u>

Note: (1) In the 2009-10 fiscal year, the College's beginning net assets was increased for a change in reporting bonds payable.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2010-11 and 2009-10 fiscal years:

Operating Revenues (In Thousands)		
	2010-11	2009-10
Net Tuition and Fees	\$ 1,667	\$ 1,690
Grants and Contracts	1,468	1,833
Sales and Services of Auxiliary Enterprises	5,229	5,113
Other	200	199
Total Operating Revenues	\$ 8,564	\$ 8,835

Total operating revenues decreased by \$0.3 million in the 2010-11 fiscal year.

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2010-11 and 2009-10 fiscal years:

Operating Expenses (In Thousands)		
	2010-11	2009-10
Compensation and Employee Benefits	\$ 19,952	\$ 19,490
Services and Supplies	6,675	6,048
Utilities and Communications	1,299	1,297
Scholarships, Fellowships, and Waivers	1,019	1,136
Depreciation	3,116	2,843
Total Operating Expenses	\$ 32,061	\$ 30,814

Total operating expenses for the 2010-11 fiscal year were \$32.1 million as compared to \$30.8 million for the 2009-10 fiscal year, which is a \$1.3 million or a 4.2 percent increase. The increase is mainly due to an increase of \$0.5 million in compensation and employee benefits and in services and supplies of \$0.6 million. The increase in services and supplies was the result of an increase in repair and renovation costs related to PECO-funded construction projects. Compensation and employee benefits accounted for 62.2 percent of total operating expenses and increased 2.4 percent over the 2009-10 fiscal year. The increase was primarily the result of one time annual bonus payments and increased salaries and benefits associated with increased grant and contract activity.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses) (In Thousands)		
	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 16,593	\$ 15,421
Federal and State Student Financial Aid	3,437	3,365
State Appropriated American Recovery and Reinvestment Act Funds	1,178	1,232
Annual Subsidy from Foundation	1,302	135
Investment Income	302	693
Other Nonoperating Revenues	9	75
Interest on Capital Asset-Related Debt	(1,481)	(1,459)
Other Nonoperating Expenses	<u>(193)</u>	<u>(107)</u>
Net Nonoperating Revenues	<u>\$ 21,147</u>	<u>\$ 19,355</u>

Net nonoperating revenues during the 2010-11 fiscal year increased by \$1.8 million. The increase was due mainly to a \$1.2 million increase in State noncapital appropriations and a \$1.2 million increase in grants and contracts resulting from the reclassification of Foundation support from operating revenues to nonoperating revenues. This was partially offset by a \$0.4 million decrease in investment income and a \$0.1 million increase in other nonoperating expenses.

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 2010-11 and 2009-10 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Thousands)		
	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$ 7,145	\$ 2,576
Capital Grants, Contracts, Donations, and Fees	<u>3</u>	<u>7</u>
Total	<u>\$ 7,148</u>	<u>\$ 2,583</u>

Total other revenue for the 2010-11 fiscal year increased by \$4.6 million over the prior fiscal year and was primarily due to an increase in State capital appropriations revenue related to PECO.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from 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 2010-11 and 2009-10 fiscal years:

**Condensed Statement of Cash Flows
(In Thousands)**

	<u>2010-11</u>	<u>2009-10</u>
Cash Provided (Used) by:		
Operating Activities	\$ (20,686)	\$ (18,736)
Noncapital Financing Activities	22,464	20,097
Capital and Related Financing Activities	(1,270)	(1,960)
Investing Activities	<u>(621)</u>	<u>(1,438)</u>
Net Decrease in Cash and Cash Equivalents	(113)	(2,037)
Cash and Cash Equivalents, Beginning of Year	<u>757</u>	<u>2,794</u>
Cash and Cash Equivalents, End of Year	<u>\$ 644</u>	<u>\$ 757</u>

The major sources of cash from operating activities included auxiliary enterprise revenues of \$5.2 million, Federal, State, and nongovernmental grants of \$1.3 million, and net student tuition and fees of \$1.7 million. Included in the total cash used for operating activities were payments to employees of \$19.9 million; payments to suppliers for goods and services of \$8 million; and payments to students for scholarships of \$1 million.

The major sources of cash provided by noncapital financing activities were State noncapital appropriations of \$17.9 million (including \$1.2 million of State appropriated ARRA funds) and \$3.4 million in Federal and State student financial aid. These two sources represent 95 percent of the total cash flows provided in this category.

Cash flows from capital and related financing activities included \$12.5 million in State capital appropriations for infrastructure and maintenance. Major cash outlays included \$12 million for the purchase or construction of capital assets and \$1.8 million for principal and interest payments on asset-related debt.

The major source of cash outflows from investing activities was the purchase of investments.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2011, the College had \$111.3 million in capital assets, less accumulated depreciation of \$34.4 million, for net capital assets of \$76.9 million. Depreciation charges for the current fiscal year totaled \$3.1 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)		
	2011	2010
Land	\$ 4,562	\$ 4,562
Buildings	58,374	56,654
Construction in Progress	10,266	3,150
Infrastructure and Other Improvements	2,538	2,029
Furniture and Equipment	1,008	1,172
Library Resources	79	131
Computer Software	43	56
Capital Assets, Net	\$ 76,870	\$ 67,754

During the 2010-11 fiscal year, the Legislature approved and appropriated \$3.7 million to the College’s capital budget. The appropriations were primarily for utilities, infrastructure, renovation, and roof replacements. Additional information about the College’s capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2011, were incurred on the construction of the new Academic Building and renovations to the Hamilton Center which were funded through PECO appropriations. The College’s capital commitments at June 30, 2011, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$14,577
Completed to Date	(10,266)
Balance Committed	\$ 4,311

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

DEBT ADMINISTRATION

As of June 30, 2011, the College had \$29.4 million in outstanding certificates of participation compared to \$29.7 million at June 30, 2010.

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 economic downturn continues to impact the College. State noncapital and capital appropriations for the 2010-11 fiscal year totaled \$23.7 million and are the largest source of funding. The level of recurring State support included in the budget the Florida Legislature adopted for the 2010-11 fiscal year was about the same as 2009-10. With little or no additional funding from the State, the College continues to look for ways to conserve resources and cut costs and has implemented tuition increases made available by Florida Statutes to enhance its revenue resources. These tuition increases together with increases in student fees have helped provide much needed funding enabling the College to maintain its quality programs. During the 2010-11 fiscal year, the College received Federal stimulus funds of \$1.2 million, which will need to be replaced by July 1, 2011, by either new funding sources or by reducing expenses.

The College received a total of \$1.3 million from the Foundation, during the 2010-11 fiscal year, comprised of \$0.4 million in student aid, \$0.6 million in other program support, and \$0.3 million in capital support. Included in the \$0.6 million of other program support is \$0.3 million to subsidize faculty personnel costs. These moneys are used to ensure that the College maintains its low student-to-faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the College. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the College if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition 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, Florida 34243-2109.

BASIC FINANCIAL STATEMENTS

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2011**

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 458,303	\$ 46,703
Restricted Cash and Cash Equivalents		3,463,459
Investments	13,550,270	16,684
Accounts Receivable, Net	758,593	2,762,283
Loans and Notes Receivable		1,167,383
Due from State	7,898,399	
Other Current Assets	31,959	4,500
Total Current Assets	22,697,524	7,461,012
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	186,120	
Investments		28,824,075
Restricted Investments	385,334	
Depreciable Capital Assets, Net	62,041,337	1,032,615
Nondepreciable Capital Assets	14,828,375	1,026,310
Other Noncurrent Assets	3,634,243	
Total Noncurrent Assets	81,075,409	30,883,000
TOTAL ASSETS	\$ 103,772,933	\$ 38,344,012
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 232,702	\$ 23,534
Construction Contracts Payable	624,749	
Salaries and Wages Payable	797,196	
Deferred Revenue	114,428	100,000
Other Current Liabilities	110,304	
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	485,000	
Compensated Absences Payable	94,698	
Total Current Liabilities	2,459,077	123,534

New College of Florida
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	\$ 28,913,290	\$
Notes Payable		1,610,000
Compensated Absences Payable	1,917,580	
Other Postemployment Benefits Payable	1,194,000	
Other Noncurrent Liabilities	3,507,266	1,465,765
Total Noncurrent Liabilities	35,532,136	3,075,765
TOTAL LIABILITIES	37,991,213	3,199,299
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	47,657,541	2,058,925
Restricted for Nonexpendable:		
Endowment		43,685,098
Restricted for Expendable:		
Capital Projects	7,671,700	
Other	898,958	3,364,747
Unrestricted	9,553,521	(13,964,057)
TOTAL NET ASSETS	65,781,720	35,144,713
TOTAL LIABILITIES AND NET ASSETS	\$ 103,772,933	\$ 38,344,012

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,202,172	\$ 1,667,414	\$
Federal Grants and Contracts	919,442	
Nongovernmental Grants and Contracts	548,970	
Sales and Services of Auxiliary Enterprises	5,228,614	
Gifts and Donations		4,111,200
Other Operating Revenues	199,817	5,496
Total Operating Revenues	8,564,257	4,116,696
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	19,952,272	
Services and Supplies	6,674,847	
Utilities and Communications	1,299,041	
Scholarships, Fellowships, and Waivers	1,019,778	
Depreciation	3,115,867	
Other Operating Expenses		3,647,771
Total Operating Expenses	32,061,805	3,647,771
Operating Income (Loss)	(23,497,548)	468,925
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	16,593,401	
Federal and State Student Financial Aid	3,436,591	
State Appropriated American Recovery and Reinvestment Act Funds	1,178,450	
Annual Subsidy from Foundation	1,302,313	
Investment Income	302,187	5,163,731
Other Nonoperating Revenues	9,194	
Interest on Capital Asset-Related Debt	(1,481,533)	
Other Nonoperating Expenses	(193,322)	
Net Nonoperating Revenues	21,147,281	5,163,731
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,350,267)	5,632,656
State Capital Appropriations	7,144,956	
Capital Grants, Contracts, Donations, and Fees	2,590	
Increase in Net Assets	4,797,279	5,632,656
Net Assets, Beginning of Year	60,984,441	29,512,057
Net Assets, End of Year	\$ 65,781,720	\$ 35,144,713

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, 2011**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 1,654,602
Grants and Contracts	1,338,862
Sales and Services of Auxiliary Enterprises	5,239,871
Payments to Employees	(19,856,693)
Payments to Suppliers for Goods and Services	(7,980,605)
Payments to Students for Scholarships and Fellowships	(1,019,778)
Other Operating Disbursements	(62,457)
Net Cash Used by Operating Activities	(20,686,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	16,707,590
Federal and State Student Financial Aid	3,436,591
State Appropriated American Recovery and Reinvestment Act Funds	1,178,450
Direct Loan Program Receipts	1,865,658
Direct Loan Program Disbursements	(1,865,658)
Other Nonoperating Receipts	1,141,036
Net Cash Provided by Noncapital Financing Activities	22,463,667
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	12,513,261
Capital Grants, Contracts, Donations, and Fees	4,372
Purchase or Construction of Capital Assets	(12,003,156)
Principal Paid on Capital Debt	(305,000)
Interest Paid on Capital Debt	(1,479,041)
Net Cash Used by Capital and Related Financing Activities	(1,269,564)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(924,963)
Net Investment Income	304,707
Net Cash Used by Investing Activities	(620,256)
Net Decrease in Cash and Cash Equivalents	(112,351)
Cash and Cash Equivalents, Beginning of Year	756,774
Cash and Cash Equivalents, End of Year	\$ 644,423

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (23,497,548)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,115,867
Change in Assets and Liabilities:	
Receivables, Net	(411,857)
Other Assets	111,330
Accounts Payable	(117,547)
Salaries and Wages Payable	(276,585)
Compensated Absences Payable	29,164
Deferred Revenue	17,978
Other Postemployment Benefits Payable	343,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (20,686,198)

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, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The College is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of 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 or incomplete. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the New College of Florida Development Corporation (Development Corporation) is included within the College reporting entity as a blended component unit. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Florida Statutes, Chapter 617, and as a direct-support organization of the College. The Development Corporation was established to secure, hold, invest, and administer property and to make expenditures for the exclusive

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

benefit of the College. Due to the substantial economic relationship between the Development Corporation and the College, the financial activities of the Development Corporation are included in the College's financial statements. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the College Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the College Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation) (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's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the College Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the College Controller's Office.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by 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 Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's discretely presented component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations. The blended component unit uses the 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 applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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.

The College's principal operating activities consist of instruction and research. 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 assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

- Buildings – 15 to 50 years
- Infrastructure and Other Improvements – 20 years
- 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 discounts over the life of the certificates of participation using the straight-line method.

2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. 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 State Board of Administration (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

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2011, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 13,896,184
State Board of Administration Florida PRIME	495
State Board of Administration Fund B Surplus Funds	
Trust Fund	38,925
Total College Investments	\$ 13,935,604

External Investment Pools

State Treasury Special Purpose Investment Account (SPIA). The College reported investments at fair value totaling \$13,896,184 at June 30, 2011, in the SPIA investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor’s and had an effective duration of 2.13 years at June 30, 2011. 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.

State Board of Administration Florida PRIME Investment Pool. At June 30, 2011, the College reported investments totaling \$495 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, 2011, 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 31 days as of June 30, 2011. 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. On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

At June 30, 2011, the College reported investments at fair value of \$38,925 in Fund B. The College’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. 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, 2011, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Government Obligations	\$ 4,880,374
Mutual Funds	11,793,848
Common Stock	6,672,189
Other	<u>5,494,348</u>
Total Component Unit Investments	<u><u>\$ 28,840,759</u></u>

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and various sales and services provided to students and third parties. As of June 30, 2011, the College reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 16,684
Contracts and Grants	669,761
Auxiliary Services	<u>88,918</u>
Total Accounts Receivable	775,363
Less, Allowance for Uncollectible Accounts	<u>16,770</u>
Accounts Receivable, Net	<u><u>\$ 758,593</u></u>

Allowance for Doubtful Receivables. An allowance for doubtful 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 \$16,770 at June 30, 2011.

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

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. DUE FROM STATE

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

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 4,561,975	\$	\$	\$ 4,561,975
Construction in Progress	3,149,522	8,265,557	1,148,679	10,266,400
Total Nondepreciable Capital Assets	\$ 7,711,497	\$ 8,265,557	\$ 1,148,679	\$ 14,828,375
Depreciable Capital Assets:				
Buildings	\$ 82,929,481	\$ 3,859,819	\$	\$ 86,789,300
Infrastructure and Other Improvements	2,165,711	649,272		2,814,983
Furniture and Equipment	5,756,101	619,247	109,772	6,265,576
Library Resources	476,920	7,447		484,367
Computer Software	120,735	4,200		124,935
Total Depreciable Capital Assets	91,448,948	5,139,985	109,772	96,479,161
Less, Accumulated Depreciation:				
Buildings	26,275,433	2,140,212		28,415,645
Infrastructure and Other Improvements	136,530	140,749		277,279
Furniture and Equipment	4,583,972	758,015	84,406	5,257,581
Library Resources	345,399	60,376		405,775
Computer Software	65,029	16,515		81,544
Total Accumulated Depreciation	31,406,363	3,115,867	84,406	34,437,824
Total Depreciable Capital Assets, Net	\$ 60,042,585	\$ 2,024,118	\$ 25,366	\$ 62,041,337

6. DEFERRED REVENUE

Deferred 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, 2011, the College reported the following amounts as deferred revenue:

Description	Amount
Student Tuition and Fees	\$ 70,418
Contracts and Grants	44,010
Total Deferred Revenue	\$ 114,428

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, 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, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation Payable	\$29,700,799	\$ 2,491	\$ 305,000	\$29,398,290	\$485,000
Estimated Arbitrage Rebate Payable	43,723		43,723		
Compensated Absences Payable	1,983,114	127,751	98,587	2,012,278	94,698
Other Postemployment Benefits Payable	851,000	381,000	38,000	1,194,000	
Other Noncurrent Liabilities	3,588,259		80,993	3,507,266	
Total Long-Term Liabilities	\$36,166,895	\$511,242	\$ 566,303	\$36,111,834	\$579,698

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.

As a condition of the financing arrangement, the College entered into a Master Ground and Operating Lease Agreement with the New College of 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 housing are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the COPS.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Principal and interest payment requirements on the COPS outstanding as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 485,000	\$ 1,197,918	\$ 1,682,918
2013	495,000	1,177,828	1,672,828
2014	605,000	1,155,278	1,760,278
2015	715,000	1,128,217	1,843,217
2016	750,000	1,098,185	1,848,185
2017-2021	4,280,000	4,990,110	9,270,110
2022-2026	5,340,000	4,007,955	9,347,955
2027-2031	6,645,000	2,784,003	9,429,003
2032-2036	8,265,000	1,262,287	9,527,287
2037	1,880,000	38,540	1,918,540
Subtotal	29,460,000	18,840,321	48,300,321
Less Discounts	(61,710)		(61,710)
Total	\$ 29,398,290	\$ 18,840,321	\$ 48,238,611

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

<u>Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Counter Party Credit Rating</u>
\$29,460,000	4-07-06	7-01-16	4.10%	(1)	AAA+

Note: (1) Determined weekly by the remarketing agent. At June 30, 2011, the variable rate was 0.12257 percent.

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

Fair Value: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2011. 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 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, 2011, the negative fair value of the swap agreement held by the Development Corporation was \$3,507,266.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Credit Risk: As of June 30, 2011, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

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

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

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, 2011, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,012,278. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

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.

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Funding Policy. Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 12 retirees received postemployment healthcare benefits. The College provided required contributions of \$38,000 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 \$96,000.

Annual OPEB Cost and Net OPEB Obligation. The College’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of 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 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)	\$ 217,000
Amortization of Unfunded Actuarial Accrued Liability	144,000
Interest on Normal Cost and Amortization	14,000
Annual Required Contribution	375,000
Interest on Net OPEB Obligation	34,000
Adjustment to Annual Required Contribution	(28,000)
Annual OPEB Cost (Expense)	381,000
Contribution Toward the OPEB Cost	(38,000)
Increase in Net OPEB Obligation	343,000
Net OPEB Obligation, Beginning of Year	851,000
Net OPEB Obligation, End of Year	\$ 1,194,000

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, 2011, and for the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 327,000	23.2%	\$ 504,000
2009-10	400,000	13.3%	851,000
2010-11	381,000	10.0%	1,194,000

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,409,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,409,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$13,180,699 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.5 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, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 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. Healthcare cost trend rates were 9.02, 9.47, and 9.62 percent for the current and two subsequent years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 7.11, 10.5, and 10.5 percent for the current and two subsequent years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.6 percent in the fourth year grading identically to 5.1 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, 2011, was 26 years.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.

(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 for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$545,875, \$572,808, and \$614,154, respectively, which were equal to the required contributions for each fiscal year.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management 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 PEORP vest at one year of service. There were 29 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$104,425.

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

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

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

There were 124 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$763,009 and employee contributions totaled \$343,752.

**NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

9. CONSTRUCTION COMMITMENTS

The College’s construction commitments at June 30, 2011, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Academic Building	\$ 11,282,974	\$ 9,673,396	\$ 1,609,578
Sea Wall Project	2,500,000	108,437	2,391,563
Academic Building Plaza	474,399	304,981	169,418
Robertson Hall	165,599	25,921	139,678
Cooling Tower Makeup Water	154,666	153,665	1,001
Total	\$ 14,577,638	\$ 10,266,400	\$ 4,311,238

10. OPERATING LEASE COMMITMENTS

The College leased land under an operating lease, which will expire in 2056. The leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from the lease agreement are contingent upon future appropriations. The lease is between New College of Florida and the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments under this lease as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 93,541
2013	93,541
2014	93,541
2015	93,541
2016	93,541
2017-2021	467,705
2022-2026	467,705
2027-2031	467,705
2032-2036	467,705
2037-2041	467,705
2042-2046	467,705
2047-2051	467,705
2052-2056	467,705
Total Minimum Payments Required	\$ 4,209,345

11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(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 2010-11 fiscal year, for property losses, the State retained

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 \$58.75 million for named windstorm and flood losses through February 14, 2011, and increased to \$61 million starting February 15, 2011. 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 \$100,000 per person, and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

12. FUNCTIONAL 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. 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 assets 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, 2011

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 8,530,191
Research	894,427
Academic Support	1,938,303
Student Services	3,184,827
Institutional Support	5,479,986
Operation and Maintenance of Plant	4,284,385
Scholarships and Fellowships	1,019,778
Depreciation	3,115,867
Auxiliary Enterprises	<u>3,614,041</u>
Total Operating Expenses	<u>\$ 32,061,805</u>

**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]
7/1/2007	\$	\$ 3,427,000	\$ 3,427,000	0%	\$ 12,645,227	27.1%
7/1/2009	\$	\$ 4,409,000	\$ 4,409,000	0%	\$ 13,286,081	33.2%

Note: (1) The College's OPEB actuarial valuation used the entry-age cost actuarial method to estimate 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, 2009, unfunded actuarial liability of \$4,409,000 was significantly higher than the July 1, 2007, liability of \$3,427,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, changes in the rates of decrement and mortality, and the amortization factor.



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

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

We have audited the 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, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the blended and discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2012-012.

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

Respectfully submitted,



David W. Martin, CPA
March 13, 2012