NEW COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2019

And Reports of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NEW COLLEGE FOUNDATION, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Board of Directors
New College Foundation, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of New College Foundation, Inc. (the "Foundation"), a direct support organization and component unit of New College of Florida, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 8 to the financial statements, the Foundation changed its financial accounting framework from that prescribed by the Financial Accounting Standards Board (FASB) to the accounting framework prescribed by the Governmental Accounting Standards Board (GASB). Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 27, 2019 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Foundation'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 Foundation's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tampa, Florida
September 27, 2019

New College Foundation, Inc. (the "Foundation") is a direct support organization and component unit of New College of Florida ("New College"). The Foundation accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board ("GASB").

The Foundation is considered a Business-Type Activity ("BTA") under the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statement – Management's Discussion and Analysis – for Public Colleges and Universities*. The BTA format includes accounting on an accrual basis. The statements are a presentation of 1) assets and liabilities as current and noncurrent and deferred inflows of resources; 2) revenues and expenses as operating and nonoperating; 3) the use of the direct and indirect methods for the statement of cash flows; and 4) management's discussion and analysis ("MD&A") of the financial results.

The objective of the MD&A is to focus on current activities, resulting changes, and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statements include the following:

1) Basic financial statements -
   a) Statement of Net Position
   b) Statement of Revenues, Expenses, and Changes in Net Position
   c) Statement of Cash Flows
   d) Notes to the Financial Statements

Financial Highlights

The Net Position at June 30, 2019 increased by $1,210,245 (2.7%).

Foundation Scholarships and Enhancements

The Foundation provided scholarships and enhancements during the fiscal year ending June 30, 2019 totaling $2,479,253, an increase of 10% from fiscal year 2018's $2,256,895. This along with major gift, alumni, and annual fund fundraising comprised of 81.8% support to New College for fiscal year 2019. This represents a 1.5% increase in support for New College of Florida from the Foundation.

Major Gifts

The 2011 legislature suspended the Major Gifts Matching Program effective July 1, 2011. The program may be restarted after $200 million of the backlog for programs have been matched. Existing eligible donations remain eligible for future matching funds. The Foundation's existing request to the State of Florida for matching gifts is $2.6 million as of June 30, 2019.

The following sections in the MD&A include an analysis of the three basic financial statements listed on the previous page.

Statements of Net Position

The purpose of the statements of net position is to present the reader with a look at the Foundation's financial condition as of the end of the fiscal year.

In reading the statements of net position, the reader will be able to determine the Foundation's ability to continue operations; how much it owes to vendors and other lending institutions; and provide a snapshot of the assets and their availability for spending by the Foundation.

Condensed Summary of Net Position

			2019 - 2018	
	2019	2018 (As Restated)	Increase (Decrease)	Change
Assets				
Current assets	$ 9,809,115	$ 9,056,797	752,318	8.3%
Noncurrent assets	38,645,847	37,566,401	1,079,446	2.9%
Total Assets	48,454,962	46,623,198	1,831,764	3.9%
Liabilities				
Current liabilities	804,908	646,073	158,835	24.6%
Noncurrent liabilities	865,940	424,388	441,552	104.0%
Total Liabilities	1,670,848	1,070,461	600,387	56.1%
Deferred Inflows of Resources	376,568	355,436	21,132	5.9%
Net Position				
Net investment in capital assets	849,093	897,338	(48,245)	(5.4%)
Restricted by donors - expendable	10,350,250	10,372,225	(21,975)	(0.2%)
Restricted permanent endowments - nonexpendable	34,820,471	34,091,531	728,940	2.1%
Unrestricted	387,732	(163,793)	551,525	(336.7%)
Total Net Position	$ 46,407,546	$ 45,197,301	1,210,245	2.7%

The 2019 statement of net position is presented on page 8 of the basic financial statements. For the fiscal year ended June 30, 2019, the total net position increased $1.2 million (2.7%). This year's activity included the following:

Assets

Current assets increased by 752,318 (8.3%), mainly due to the receipt of a new grant of $750,000. Noncurrent assets increased by $1,079,446 (2.9%). Noncurrent investments increased by approximately $896,000 (2.4%) mainly due to new endowments received during the year ended June 30, 2019, and contribution receivables increased by $182,328 mainly from a large contribution receivable to fund scholarships as of June 30, 2019.

Liabilities

Current Liabilities increased by $158,835 (24.6%) and noncurrent liabilities increased by $441,552 (104.0%). primarily due to unearned revenue for a grant received during the year ended June 30, 2019.

Deferred Inflows of Resources

Deferred inflows of Resources increased by $21,132 (5.9%). This increase is primarily caused by changes in market value of the related asset.

Net Position

The net position section of the statement of net position provides three classifications:

1. Net Investment in capital assets includes capital assets reduced by accumulated depreciation and any outstanding debt balances that are attributable to the acquisition, construction, or improvement of those assets.
2. The restricted assets are listed in two categories:
    a. The restricted by donors category represents amounts which are available for spending in accordance with the donor's specified criteria, and
    b. The permanent endowments category represents the Foundation's restricted nonexpendable funds, which are required to be held in perpetuity.
3. The unrestricted assets are the amounts available to the Foundation for any purpose in support of its mission.

The Net Position at June 30, 2019 increased by $1,210,245 (2.7%). The change in net position equals the excess of funds and contributions receivable received over the amounts expensed and amortized.

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the statement of revenues, expenses, and changes in net position is to provide the details of the Foundation's operating and nonoperating activities for the fiscal year. This includes the revenues displayed by major source (net of discounts), expenditures, and gains and losses received by the Foundation.

The statement of revenues, expenses, and changes in net position include the following categories:

- Operating revenues are revenues received from donors (i.e., contributions, etc.) and services provided (i.e., special events, etc.) to various customers and constituents of the Foundation.
- Operating expenses are detailed by expense type, which include program services, general administrative expenses, and fundraising.
- Nonoperating revenue is received from sources for which no service is provided by the Foundation (i.e., investments).
- Endowment contributions represent revenues received from donors to increase the permanent endowment.
- The change in net position is the result of the current year's excess revenues over expenses, which is also the change in total net position on the statements of net position.

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

	2019	2018 (As Restated)	2019 - 2018 Increase (Decrease)	2019 - 2018 Change
Operating Revenues:				
Contributions	$ 2,145,978	$ 1,940,624	205,354	10.6%
Fundraising support and revenue	403,257	239,082	164,175	68.7%
Other income	157,842	35,868	121,974	340.1%
Total operating revenues	2,707,077	2,215,574	491,503	22.2%
Less operating expenses	4,369,936	4,001,598	368,338	9.2%
Operating Loss	(1,662,859)	(1,786,024)	(123,165)	(6.9%)
Non-Operating Revenue (Expense):				
Investment income, net	3,043,710	904,041	2,139,669	236.7%
Unrealized (loss) gain on investments, net	(1,987,862)	29,298	(2,017,160)	(6885.0%)
Gain on sale of investments, net	1,169,322	1,361,221	(191,899)	(14.1%)
Changes in value of trust agreements	(1,180)	(33,873)	(32,693)	(96.5%)
Non-Operating Revenue:	2,223,990	2,260,687	(36,697)	(1.6%)
Income before endowment contributions	561,131	474,663	86,468	18.2%
Endowment Contributions:				
Contributions to permanent endowments	649,114	9,572	639,542	6681.4%
Increase in net position	1,210,245	484,235	726,010	149.9%
Net position, beginning of the year	45,197,301	44,713,066	484,235	1.1%
Net position, end of the year	$ 46,407,546	$ 45,197,301	1,210,245	2.7%

The 2019 statement of revenues, expenses, and changes in net position is on page 9 of the basic financial statements. The statement's highlights are as follows:

Operating Revenues

Contributions and fundraising increased by $369,259 (17.0%). This was due the realization of an estate gift, continued efforts to build the Foundation's annual fund, and an increase in fundraising revenues. Other Income increased by $122,171 (340.6%) due to a gift fee on an estate gift and the sale of a painting which occurred during the year ended June 30, 2019.

Operating Expenses

The Foundation assisted New College in providing program services including scholarships, enhancements, professorships, and operating expenses. These expenses increased by $368,338 (9.2%), of which $324,000 was due to a library renovation.

Nonoperating Revenue (Expense)

Nonoperating Revenues decreased by $36,697 or 1.6% during the fiscal year ended June 30, 2019, due to the overall investment market neutrality.

Endowments

Contributions to endowments were $649,114, an increase of $639,542 from the prior year due mainly from an estate gift received during the year ended June 30, 2019.

Statements of Cash Flows

The statements of cash flows displays the cash provided and used for operating, investing activities, noncapital financing, and capital and related financing activities.

Operating activities include funds received (i.e., from private donors, fees, matching programs, etc.) and payments (i.e., for programs, scholarships, university support, etc.) made for the Foundation's operations.

Investing activities represent funds used to purchase investments and associated investment earnings.

Noncapital financing activities include permanent endowment contributions.

Capital and related financing activities include outflows of cash for debt service, capital expenses, and other notes payable and receivable.

Capital Assets

Capital assets decreased by $48,245 or 5.4% due to depreciation of $53,761, purchases of $9,494, and disposals of $3,978.

Economic Outlook

The New College Foundation increased its' cash position by over 15.5% in Fiscal Year 2019 along with its accounts payable position by 0.0%. The Foundation has made great strides to solidify its' financial future by mindful spending along with strategically retaining monies in order to maximize its' short term and long-term earnings. Though, no one can predict the future of the investment markets, the Foundations' Board of Directors and management have made great strides to maximize earnings, along with monitoring spending in order to maximize the Foundation's effect in supporting New College of Florida and its initiatives. Coupled with the growth plan initiated by New College of Florida, the New College Foundation, Inc., is committed to support the growth and future of this great institution. The Foundation has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or its results of operations during the next fiscal year. Management believes the Foundation's overall position is strong. The Foundation has sufficient funds to cover its obligations.

Request for Information

This financial report is designed to provide the reader an overview of the Foundation. Questions regarding any information provided in this report in this report should be directed to: Director of Finance and Compliance, New College Foundation, Inc. 5800 Bay Shore Road, Sarasota, FL 34243. (941) 487-4672.

NEW COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 5,233,295
Investments	4,072,512
Contributions receivable, net	107,204
Contributions receivable from trusts	366,427
Prepaid expense and other assets	29,677
Total Current Assets	9,809,115
Noncurrent Assets:	
Investments	37,537,004
Contributions receivable, net	259,750
Capital assets, net	849,093
Total Noncurrent Assets	38,645,847
Total Assets	48,454,962
LIABILITIES	
Current Liabilities:	
Accounts payable and other accrued expenses	498,151
Gift annuities payable	5,257
Unearned revenue	301,500
Total Current Liabilities	804,908
Noncurrent Liabilities:	
Gift annuities payable, net of current portion	19,163
Unearned revenue, net of current portion	846,777
Total Noncurrent Liabilities	865,940
Total Liabilities	1,670,848
DEFERRED INFLOWS OF RESOURCES	
Gift annuities and charitable remainder unitrust	376,568
NET POSITION	
Net investment in capital assets	849,093
Restricted	
Expendable	10,350,250
Nonexpendable endowments	34,820,471
Unrestricted	387,732
Total Net Position	$ 46,407,546

See notes to the financial statements.

NEW COLLEGE FOUNDATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

Operating Revenues:	
Contributions	$ 2,145,978
Fundraising support and revenue	403,257
Other revenue, net	157,842
Total Operating Revenue	2,707,077
Operating Expenses:	
Scholarships and grants	1,080,659
University support and other programs	2,416,566
General and administrative	619,003
Fundraising	253,708
Total Operating Expenses	4,369,936
Operating Loss	(1,662,859)
Nonoperating Revenues (Expenses):	
Investment income, net	3,043,710
Unrealized (loss) gain on investments, net	(1,987,862)
Gain on sale of investments, net	1,169,322
Changes in value of trust agreements	(1,180)
Total Nonoperating Revenues	2,223,990
Income Before Permanent Endowment Contributions	561,131
Endowment Contributions	
Contributions to permanent endowments	649,114
Change in Net Position	1,210,245
Net Position, Beginning of Year (restated)	45,197,301
Net Position, End of Year	$ 46,407,546

See notes to the financial statements.

NEW COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Received from private donors	$ 2,265,817
Received from other sources	839,958
Payments to University for programs	(2,874,343)
Payments to suppliers for goods and services	(1,504,289)
Net cash flows from operating activities	(1,272,857)
Cash flows from investing activities:	
Investment income, net	2,221,001
Proceeds from sales and maturities of investments	2,166,926
Purchases of investments	(3,122,051)
Net cash flows from investing activities	1,265,876
Cash flows from noncapital financing activities:	
Endowment contributions	649,114
Net cash flows from noncapital financing activities	649,114
Cash flows from capital and related financing activities:	
Proceeds from sale of real estate	68,185
Purchases of capital assets	(9,494)
Net cash flows from capital and related financing activities	58,691
Net change in cash and cash equivalents	700,824
Cash and cash equivalents, beginning of year	4,532,471
Cash and cash equivalents, end of year	$ 5,233,295
Supplemental disclosures of noncash related investing activities:	
Net change in unrealized and realized gain	$ 822,709

See notes to the financial statements.

NEW COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2019

Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	$ (1,662,859)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	53,761
Change in allowance and present value discount	53,188
Gain on sale of capital assets	(64,207)
Deferred Inflow of resources related to gift annuities	21,132
Effect of changes in operating assets and liabilities:	
Prepaid expenses and other assets	(9,392)
Contributions receivable	(234,336)
Contributions receivable from trusts	(30,531)
Gift annuity payable	(10,202)
Accounts payable and other accrued expenses	212
Unearned revenue	610,377
Net cash flows from operating activities	$ (1,272,857)

See notes to the financial statements.

Note 1—The organization and summary of significant accounting policies

Organization – The purpose of New College Foundation, Inc. (the "Foundation") is to support and provide enhancement funding which enables New College of Florida ("New College") to deliver an individualized liberal arts and sciences education. As of November 3, 2006, the Foundation has elected to organize and operate as a university direct-support organization as defined in Section 1004.28, Florida statutes.

Reporting Entity – The Foundation is considered a discrete component unit of New College due to the New College's budgetary oversight responsibility and due to the Foundation's significant operational and financial relationships with New College. Management has determined no entities are required to be reported as component units of the Foundation.

Basis of Presentation – The Foundation follows Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended; GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*; and GASB Statements No. 38, *Certain Financial Statements Note Disclosures*.

GASB Statements No. 34 and No. 35 established standards for external financial reporting which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. GASB Statements No. 34 and No. 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

> *Net Investment in Capital Assets* – includes capital assets, net of accumulated depreciation and reduced by any outstanding debt balances that are attributable to the acquisition, construction, or improvement of those assets.
>
> *Restricted* – Includes funds externally restricted by donors - Expendable and Nonexpendable endowments.
>
> > *Expendable* – includes funds that are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations, or that expire by passage of time.
> >
> > *Nonexpendable Endowments* – includes funds subject to donor-imposed stipulations that they be maintained permanently by the Foundation to use all or part of the related investment return for general or specific purposes in support of the New College.
>
> *Unrestricted* – includes funds that do not meet the definition of "restricted" or "invested in capital assets".

Measurement Focus and Basis of Accounting – The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

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

Cash and Cash Equivalents – The Foundation considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents. Cash equivalents include money market funds, which are readily convertible to cash, and are stated at cost, which approximates fair value.

Cash and cash equivalents held on June 30, 2019 are as follows:

Unrestricted	Endowed	Total
$ 5,229,688	$ 3,607	$ 5,233,295

Contributions Receivable, Net – The Foundation accounts for its contributions receivable in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 establishes reporting standards for nonexchange transactions, whereby unrestricted and restricted contributions receivable are recorded in the statements of net position and endowment contributions receivable are excluded from the statements of net position.

Contributions receivable are recorded at estimated present value at the date of the gift, less an appropriate reserve for uncollectible amounts. Amounts expected to be received after one year are discounted using the appropriate risk-free rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions. The Foundation does not require collateral in relation to these receivables.

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

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

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

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

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

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

Realized gains and losses on the sale of investments and the unrealized gains and losses on the change in the fair value of the investments are reflected in the statements of revenues, expenses, and changes in net position in the accompanying financial statements. Investment securities are exposed to interest rate, market, credit, and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments.

Split-Interest Agreements – The Foundation's split-interest agreements with donors consist of charitable gift annuities and charitable remainder uni-trusts, which are presented on the statement of net position as gift annuities payable and contributions receivable from trusts, respectively. Contributions of split-interest agreements are recorded when the Foundation is informed of the contribution and its interest is irrevocable. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. There were no new split-interest agreements entered into during the year ended June 30, 2019.

Trust assets, for which the Foundation has been designated trustee, totaled approximately $35,000 at June 30, 2019 and are recorded in the investments of the Foundation. The related liabilities under trust agreements totaled approximately $24,000 at June 30, 2019.

The present values of payments to beneficiaries under these charitable gift annuities are calculated using an applicable tax discount rate at year-end of 3.4% for the year ended June 30, 2019.

Charitable remainder trusts are classified as restricted net position. Once the beneficial interest is passed to the Foundation, the remaining assets are released for unrestricted use. Charitable gift annuities are classified as unrestricted or restricted net position based upon the individual gift agreements as appropriate. Distributions of the annuities are paid from income first then as a release of principal, if necessary.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as changes in the value of trust agreements in the statement of revenues, expenses, and changes in net position and resulted in a net loss of approximately $1,180 for the year ended June 30, 2019. The change in the value of trust agreements and the related assets and liabilities are based on estimated maturity of the agreements. Actual results could differ from those estimates.

Capital Assets – Office equipment is recorded at cost and depreciated over its estimated useful life, ranging from 3 to 5 years, using the straight-line method. Assets purchased in excess of $500 are capitalized. Building and related improvements have a 40-year estimated service life and are recorded at cost or at acquisition value, if donated, at the date of receipt. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Foundation owns real estate received through a gift of approximately 188 acres of land on Tidy Island situated in Manatee County, Florida, during the year ended June 30, 1984. The conveyance was subject to deed restrictions including that the land not be built upon and that it be used solely for educational, research and study purposes. This property is used as an outdoor classroom by the New College Environmental Studies Program.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When assets are impaired, asset values are reduced for this impairment. There was no impairment recognized on property or equipment for the year ended June 30, 2019.

Unearned Revenue – Amounts received under contracts with third parties are considered unearned revenue until such a time as the Foundation expends amounts on eligible items and recognizes the amount as revenue.

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

Deferred Inflows of Resources – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Foundation has one item that meets the criterion for this category related to gift annuity payments. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Income Taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization described in section 501(c)(3). However, the Foundation is subject to income tax on unrelated business income. The Foundation is classified as an organization operated for the benefit of a college or university owned or operated by a governmental unit described in Section 170(b)(1)(A)(iv).

Operating and Nonoperating Activities – The Foundation's operating income includes all revenues and expenses associated with the Foundation's daily activities. Interest and net investment earnings are excluded from operating income and classified as nonoperating revenues. Contributions received for endowments or from state matching funds are also excluded from operating and nonoperating activities and are classified as endowment contributions.

Revenue Recognition – Contributions are recognized as increases in net position when pledged provided all eligibility requirements have been met, with the exception of contributions to endowments which are recognized when received. Assets donated to the Foundation are recorded at their estimated acquisition value at the date of donation. Revenues associated with irrevocable split-interest agreements are recognized when the resources become applicable to the reporting period.

Donated services are only recorded if the services received create or enhance nonfinancial assets or required specialized skills and would typically need to be purchased if not provided by donation. Other volunteer services are not recorded as revenue and expense since they do not create or enhance financial assets or require specialized skills. In-kind donations for services of approximately $108,000 were recognized in the year ended June 30, 2019 and are in included in contributions on the accompanying statement of revenues, expenses, and changes in net position.

Gift Fee – Beginning in July 2010, the Board of Directors implemented a 5% gift fee on most restricted gifts, a 5% gift fee on all restricted planned gifts, and a 10% gift fee on all unrestricted planned gifts. The Board of Directors may vote to waive the gift fee at its discretion. The fee is disclosed on all donation literature and is either paid in addition to the gift or as a reduction to restricted gifts. The gift fee is recorded as part of unrestricted contributions on the statement of revenues, expenses, and changes in net position.

Use of Estimates and Assumptions –The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows of resources, disclosure 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 and assumptions.

Subsequent Events – Management has evaluated subsequent events through September 27, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Note 2—Commitments to New College for 2019 – 2020 academic year

For the academic year ending June 30, 2020, the Foundation has budgeted to provide direct support to New College as follows:

Academic programs and enhancements	$ 544,273
Endowed chairs, professorships, and fellowships	245,723
New College library and library association	46,569
Scholarship and student grants	1,250,288
Other	124,000
	$ 2,210,853

The Foundation will fulfill this obligation using anticipated endowment income and designated contributions.

Note 3—Financial assets and liabilities measured at fair value

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation's policy regarding custodial credit risk is to hold noninvested cash in a financial institution covered by the Federal Deposit Insurance Corporation ("FDIC") not exceeding the limit of FDIC Coverage.

Noninvested cash in excess of FDIC coverage will be held in a certified Qualified Public Depository (QPD) as identified by the Florida Security for Public Deposits Act, Chapter 280, Florida Statute. At June 30, 2019 the bank balance was approximately $563,000. Of the bank balance, approximately $313,000 was in excess of the amount covered by federal depository insurance and thus collateralized under the Florida Security for Public Deposits Act.

The Foundation has an account with the State Treasury Special Purpose Investment Account ("SPIA"). This account represents ownership of a share of the Florida Treasury Investment Pool, not the underlying securities. At June 30, 2019 the Florida Treasury Investment Pool carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.71. At June 30, 2019 the Foundation had cash equivalents of approximately $4,590,000 with the State Treasury SPIA.

Investments – The Foundation's investment policy allows for investments in domestic equities, international equities, fixed income and alternatives. For fixed income instruments, the Foundation's investment policy allows for investment in domestic, global, U.S. inflation projected, U.S. high yield emerging market bonds, short term bonds, multi-sector bond, unconstrained bond, and cash equivalents. For alternatives instruments, the Foundation's investment policy allows for private equity, absolute return (hedge funds), real assets, and commodities.

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Mutual Funds – The fair value is measured based on quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

Alternative Foreign Equity and Private Equity and Other Funds – These investments are valued using the NAV provided by the administrator of the fund, as a practical expedient. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is excluded from the valuation hierarchy.

Note 3—Financial assets and liabilities measured at fair value (continued)

Investments consist of the following at June 30, 2019:

		Fair Value Measurements on a Recurring Basis at Reporting Date Using			
Description	**June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value**
Investments at fair value					
Mutual funds - fixed income:					
High yield bond fund	$ 4,676,719	$ 4,676,719	$ -	$ -	$ -
Emerging Markets	1,601,673	1,601,673	-	-	-
Multi Alternative	3,264,092	3,264,092	-	-	-
Total mutual funds - fixed income	9,542,484	9,542,484	-	-	-
Mutual funds - equity:					
Large cap	11,982,536	11,982,536	-	-	-
Mid cap	2,116	2,116	-	-	-
Small cap	1,241,579	1,241,579	-	-	-
Multi strategy fund	2,503,795	2,503,795	-	-	-
International markets	13,287,633	13,287,633	-	-	-
Total mutual fund - equity	29,017,659	29,017,659	-	-	-
Total investments at fair value	38,560,143	38,560,143	-	-	-
Investments at net asset value					
Alternative foreign equity, and private equity and other funds	3,049,373	-	-	-	3,049,373
Total investments	$ 41,609,516	$ 38,560,143	$ -	$ -	$ 3,049,373

Note 3—Financial assets and liabilities measured at fair value (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The fair values of the funds listed below have been estimated based on net asset value per share as reported by the investment institution where the funds are held. The information for the following table was derived from each individual fund's latest available audited annual report, as of March 31, 2019 for the SEI Offshore Opportunity II CLF (a) fund, as of December 31, 2018 for the SEI Special Situations Fund LTD (c) and December 31, 2018 for the Northern Trust Private Equity Fund (QP) II (c).

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative foreign equity:				
SEI Offshore Opportunity II CLF [(a)]	$ 1,420,507	$ -	Monthly or quarterly	30 days to 90 days
SEI Special Situations Fund LTD [(b)]	1,257,291	-	Monthly or quarterly	30 days to 90 days
Private equity and other:				
Northern Trust Private Equity Fund (QP) II [(c)]	371,575	-	n/a	n/a

(a) This fund invests using a “fund of funds” approach, which includes investments in various private investment firms such as hedge funds. The fund's investment objective is to seek to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. Assets in the fund are valued at the end of each month at fair value in accordance with each investment fund's valuation policies. The fair value approximates the amount that would be received if the investment were sold. There is a 10% holdback on final redemption. The holdback amount is held in escrow until the completion of the fund's audit.

(b) This fund invests using a “fund of funds” approach, which includes investments in various private investment firms such as hedge funds. The fund's investment objective is to seek to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. Assets in the fund are valued at the end of each month at fair value in accordance with each investment fund's valuation policies. The fair value approximates the amount that would be received if the investment were sold. There is a 10% holdback and 65 – 95 day pre-notification requirement on final redemption. The holdback amount is held in escrow until the completion of the fund's audit.

(c) This fund is a partnership that is wholly owned by a subsidiary of Northern Trust Corporation that invests in venture capital, buyout, and other private equity-oriented portfolio funds. The determination of the fair value of the investments in the fund are determined by the general partner in accordance with the partnership agreement by using, but not limited to, the market approach, discounting cash flows, valuing net assets and industry specific benchmarks. Net asset valuations are provided quarterly for each portfolio fund. The general partner values the partnership's investment in its portfolio funds at the partnership's pro rata interest in the net assets of the portfolio funds. The partnership shall terminate and be dissolved on the latter of the twelfth anniversary of the effective date (February 1, 2005) or 120 days after the date of which partnership has been liquidated.

Note 3—Financial assets and liabilities measured at fair value (continued)

Custodial Credit Risk – The Foundation utilizes the services of an investment advisor and several investment managers to manage its portfolio. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The investment in mutual funds are not categorized as to custodial risk as they are not evidenced by securities that exist in physical or book entry form. These mutual funds are not rated by a nationally statistical rating organization. There were no losses due to default by counterparties to investment transactions during the year ended June 20, 2019.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of June 30, 2019, the maturities of the Foundation's fixed income investments were as follows:

		Investment Maturities			
	Market Value	Less than 1 Year	1 - 5 Years	5 -10 Years	Over 10 years
Investment Type:					
Mutual funds	$ 9,542,484	$ 1,356,031	$ 4,348,504	$ 3,837,949	$ -

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy manages credit risk by limiting the Foundation to investment in mutual funds as opposed to direct investment in bonds

At June 30, 2019, the Foundation's fixed income investments were rated as follows:

		Rating		% of Fixed Income
Fair Value	Duration	Moody's	S&P	Investment
$ 2,236,276	5.56	Aa2	AA-	23.43%
1,356,031	0.45	Baa2	BBB	14.21%
1,961,467	1.25	Aa2	AA-	20.56%
2,387,037	3.07	B1	B+	25.01%
1,601,673	5.99	Baa3	BBB-	16.79%
$ 9,542,484				

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Foundation's investment in a single issuer. The Foundation's policy requires a maximum equity holdings of 5% in any single company as a percentage at cost of the total equity portfolio, a maximum equity holdings of 15% in a single non-US country as a percentage at market value of total equity portfolio and a maximum fixed income of 5% holdings in a single corporate issuer (excluding US Government and agencies) as a percentage at cost of total fixed income portfolio.

Other Information – For management control, investments are pooled. Gains, losses, and investment income from the pool are allocated quarterly to the funds that participate in the pool based upon each fund's average quarterly balance.

Note 4—Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Real Estate	$ 179,310	$ -	$ (3,978)	$ 175,332
Total capital assets not being depreciated	179,310	-	(3,978)	175,332
Capital assets being depreciated:				
Buildings	1,321,492	-	-	1,321,492
Equipment	143,539	9,494	-	153,033
Total capital assets being depreciated	1,465,031	9,494	-	1,474,525
Less accumulated depreciation for:				
Buildings	(616,697)	(44,050)	-	(660,747)
Equipment	(130,306)	(9,711)	-	(140,017)
Total accumulated depreciation	(747,003)	(53,761)	-	(800,764)
Total capital assets being depreciated, net	718,028	(44,267)	-	673,761
Total capital assets, net	$ 897,338	$ (44,267)	$ (3,978)	$ 849,093

Depreciation expense was approximately $54,000 for the year ended June 30, 2019.

Note 5—Contributions receivable, net

Contributions receivable are expected to be collected as follows during the years ending June 30:

2020	$ 107,400
2021	106,800
2022	107,400
2023	106,000
	427,600
Less present value discount at 5% - 10%	(60,646)
Contributions receivable, net	$ 366,954

The Foundation maintains an allowance for doubtful accounts for estimated losses resulting from the inability of donors to make contribution payments. Based on management's assessment, the Foundation provides for estimated uncollectible amounts through a charge to earnings and a credit to the valuation allowance. Balances that remain outstanding after the Foundation used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contribution receivable. There were no such estimated uncollectible amounts for the year ended June 30, 2019.

Note 6—Donor restricted endowments

The Foundation's endowments consist of funds established for a variety of purposes to provide support to New College and include donor-restricted funds. Endowment funds are $41,066,472 as of June 30, 2019 ($37,537,004 in noncurrent investments and $3,529,468 in current investments on the statement of net position). There were $649,114 of contributions to donor restricted endowments during the year ended June 30, 2019.

Return Objectives and Risk Parameters – The Foundation's Board of Directors establishes investment policies and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the investments. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods.

The desired investment objective is a long-term real rate of return on assets that is 5.5% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the Foundation has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The objective is based on a 10-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Investments are diversified within asset classes with the intent to minimize the risk of large losses to the Foundation. The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a spending policy of annually appropriating for distribution a percentage of its endowment funds based on the average endowment fair value of the three preceding fiscal years, as computed on December 31st. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The spending policy established for the year ended June 30, 2019 was 4%. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7—Related party transactions

Beginning in November 2013, employees of the Foundation became employees of New College, an affiliated entity, and the Foundation began reimbursing New College for the cost of services received from personnel of New College. Salaries and reimbursements to New College totaled approximately $1,350,000 for the year ended June 30, 2019.

The Foundation provided direct support to New College of approximately $2,480,000 for the year ended June 30, 2019. Of that amount, approximately, $88,000 was provided for a lobbyist.

Note 8—Noncurrent liabilities

The Foundation manages charitable gift annuities. These annuities are irrevocable split-interest agreements where the Foundation is the remainder interest beneficiary that makes distributions to the annuitant. Noncurrent liabilities consist of gift annuities payable as of June 30, 2019. GASB Statement No. 81 established financial reporting standards for irrevocable split-interest to include assets, liabilities, and deferred inflows of resources. The asset is the market value of resources received; the liability is the present value of future payments to annuitants; the deferred inflow of resources is the difference between the asset and the liability. There is also a portion of unearned revenue that is not expected to be recognized as revenue in the upcoming year.

A summary of the changes in the noncurrent liabilities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Balance
Unearned revenue	$ 537,900	$ 752,050	$ (141,673)	$ 1,148,277	$ 301,500
Gift annuities payable	34,622	3,282	(13,484)	24,420	5,257
Total	$ 572,522	$ 755,332	$ (155,157)	$ 1,172,697	$ 306,757

Note 9—Restatement

During the 2018 Legislative Session, the Florida General Assembly passed Senate Bill 4 which modified Florida General Statute 1004.28. The board of trustees of universities were given additional oversight over university direct-support organizations, such as the Foundation. As a result of this additional control of New College over the Foundation, it became necessary for the Foundation to modify its financial accounting framework from that prescribed by the Financial Accounting Standards Board ("FASB") to that prescribed by GASB in order to be consistent with New College. Effective July 1, 2018, applied retrospectively, the Foundation restated its net position as follows:

Net assets as of July 1, 2018 (as previously reported under FASB)	$ 45,933,563
Adjustments to convert from FASB to GASB:	
Removal of endowment pledges	(380,826)
Deferral of inflows related to split interest arrangements	(355,436)
Net position as of July 1, 2018 (reported under GASB)	$ 45,197,301

Cherry Bekaert LLP
CPAs & Advisors

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

Board of Directors
New College Foundation, Inc.
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 Foundation, Inc. (the "Foundation"), a direct support organization and component unit of New College of Florida, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 27, 2019. Our report includes an emphasis of matter paragraph which discloses the Foundation changed its financial accounting framework from that prescribed by the Financial Accounting Standards Board (FASB) to the accounting framework prescribed by the Governmental Accounting Standards Board (GASB). Our report is not modified with respect to that matter.

We have audited the accompanying financial statements of New College Foundation, Inc. (the "Foundation"), a direct support organization and component unit of New College of Florida, as of and for the year ended June 30, 2019 which collectively comprise the Foundation's basic financial statements and the related notes to the financial statements, as listed in the table of contents.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cherry Bekaert LLP

Tampa, Florida
September 27, 2019

Finding 2018-001—Net Asset Classification

MATERIAL WEAKNESS

Condition: During the prior year audit, management determined there were certain net asset classifications improperly reported as of June 30, 2017. Approximately, $153,000 of the decrease in permanently restricted net assets being reclassified to temporarily restricted related to a misinterpretation of a donor agreement received in a prior period. The remainder of the restatement adjustment is due to identification of certain net assets that were determined by management to not be recorded properly as unrestricted, temporarily restricted, or permanently restricted based on donor intent.

Status: Management implemented proper controls and were deemed to be working effectively.