NEW COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

NEW COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS
JUNE 30, 2020

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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, 2020, 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 respective financial position of the Foundation as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis of pages 3 through 9 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 October 19, 2020, 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 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 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
October 19, 2020

NEW COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of New College Foundation, Inc. (the "Foundation") for the fiscal year ended June 30, 2020, with comparative information for fiscal years ending 2019 and 2018, and should be read in conjunction with the financial statements and notes thereto. This report includes financial statements presented and prepared with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) as this is the presentation used in the Foundation's Annual Financial Report. The Foundation's management has prepared the financial statements and related note disclosures along with the discussion and analysis. The responsibility for the completeness and fairness of this information rests with New College Foundation Inc.'s management.

The Foundation is a 501(c)3 organization. The Foundation is a Direct Support Organization and a component unit of New College of Florida. The New College Foundation, Inc. converted from reporting under the Financial Accounting Standards Board (FASB) to reporting under GASB as of July 1, 2018, as mandated by the Florida Legislature for all Direct Support Organizations of the 12 State Universities. The mission of the Foundation is to support the priorities of New College of Florida, Florida's designated Honors College. This is accomplished by securing funds as a result of cultivating and stewarding individuals, foundations, and corporations and through the prudent management of assets.

FINANCIAL HIGHLIGHTS

The Foundation's financial position remained strong at June 30, 2020, with total assets of $45,849,740 and liabilities of $2,317,691, resulting in a net position of $43,532,049 at June 30, 2020. Net position decreased from July 1, 2019 to June 30, 2020, by 6.2%.

The Foundation's investments showed a return (net of fees) of approximately (3.63%) from July 1, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The financial statements consist of three basic financial statements: (1) the statement of net position; (2) the statement of revenues, expenses and changes in net position; and (3) the statement of cash flows. These financial statements are prepared in accordance with GASB accounting principles and guidelines, which establish standards for external financial reporting for public colleges, universities and other governmental entities. The Foundation is required to prepare its annual report in accordance with GASB due to its formation under Florida Statute 1004.70 and the component unit relationship with New College of Florida. These statements present a long-term view of the Foundation's finances.

THE STATEMENT OF NET POSITION

The statement of net position presents the financial position of the Foundation at the end of the fiscal year and includes all assets and liabilities of $43,532,049. The difference between total assets and total liabilities – net position – is an indicator of the current financial condition of the Foundation. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation.

A summarized comparison of the Foundation's assets, liabilities and net position at June 30, 2020, June 30, 2019, and June 30, 2018, is presented in the following table:

NET ASSETS

	For the years ended		
	June 30, 2020	June 30, 2019	June 30, 2018
Assets			
Current assets	$ 12,152,042	$ 9,809,115	$ 9,056,797
Capital assets, net	797,375	849,093	897,338
Other non-current assets	32,900,323	37,796,754	36,669,063
Total Assets	$ 45,849,740	$ 48,454,962	$ 46,623,198
Liabilities			
Current liabilities	$ 1,040,299	$ 804,908	$ 646,073
Non-current liabilities	1,277,392	1,242,508	779,824
Total Liabilities	$ 2,317,691	$ 2,047,416	$ 1,425,897
Net Position			
Invested in capital assets	$ 797,375	$ 849,093	$ 897,338
Restricted	42,089,329	45,170,721	44,463,756
Unrestricted	645,345	387,732	(163,793)
Total Net Position	43,532,049	46,407,546	45,197,301
Total Liabilities and Net Position	$ 45,849,740	$ 48,454,962	$ 46,623,198

Current assets primarily consist of cash, cash equivalents, accounts receivables and investments. Non-current assets consist of net capital assets and endowment investments. A review of the Foundation's statement of net position at June 30, 2020 and June 30, 2019, shows that New College of Florida, Inc.'s net position decreased by 6.2% from 2019 to 2020.

CAPITAL ASSETS

The Foundation capitalizes assets with a value of $1,000 for financial reporting purposes. As of June 30, 2020, there was $797,375 invested in capital assets net of accumulated depreciation. Capital assets of the Foundation at June 30, 2020, June 30, 2019, and June 30, 2018, are presented in the following table:

CAPITAL ASSETS

Capital Assets	For the years ended June 30, 2020	June 30, 2019	June 30, 2018
Non-depreciable capital assets:			
Real estate	$ 175,332	$ 175,332	$ 179,310
Total Non-depreciable Capital Assets	$ 175,332	$ 175,332	$ 179,310
Depreciable capital assets:			
Buildings	$ 1,321,492	$ 1,321,492	$ 1,321,492
Equipment	155,752	153,033	137,544
Automobiles	-	-	5,995
Total Depreciable Capital Assets	$ 1,477,244	$ 1,474,525	$ 1,465,031
Accumulated depreciation	$ (855,201)	$ (800,764)	$ (747,003)
Capital Assets, Net of Depreciation	$ 797,375	$ 849,093	$ 897,338

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position presents the Foundation's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. A summary of the Foundation's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2020, June 30, 2019, and June 30, 2018, is presented in the following table:

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended		
	June 30, 2020	June 30, 2019	June 30, 2018
Operating revenues			
Contributions	$ 2,071,097	$ 2,145,978	$ 1,940,624
Fundraising support and revenue	390,885	403,257	239,082
Other revenue	20,744	157,842	35,868
Total operating revenues	2,482,726	2,707,077	2,215,574
Less operating expenses	3,934,736	4,369,936	4,001,598
Operating loss	(1,452,010)	(1,662,859)	(1,786,024)
Nonoperating revenues			
Investment income, net	2,487,577	3,043,710	904,041
Unrealized gain (loss) on investments	(1,377,395)	(1,987,862)	29,298
Realized gain (loss) on investments	(2,599,008)	1,169,322	1,361,221
Changes in value of trust agreements	17,571	(1,180)	(33,873)
Nonoperating expenses	(1,471,255)	2,223,990	2,260,687
Gain (loss) before additions to permanent endowments	(2,923,265)	561,131	474,663
Additions to permanent endowments	47,768	649,114	9,572
Increase (decrease) in net assets	(2,875,497)	1,210,245	484,235
Net position, beginning of year	46,407,546	45,197,301	44,713,066
Net position, end of year	$ 43,532,049	$ 46,407,546	$ 45,197,301
Increase (decrease) in net assets	-6.2%	2.7%	1.1%

Operating revenue from fiscal year 2019 to 2020 decreased by $224,351. Total gifts, contributions, grants and other income decreased $74,881. Additions to permanent endowments decreased by $601,346 from the prior year, due for the most part of the receipt of a large bequest in fiscal year 2019. Investment income showed a significant decrease of $3,713,996 from 2019 to 2020, which is attributed to the effect of COVID-19 market response during the year, and a temporary move to a more conservative portfolio.

In fiscal year 2019, the Foundation received pledges in the amount of $278,700. The decreases in gifts and additions to permanent endowments reflect the accounting of a decrease in revenue from pledges receivable.

Overall expenses decreased by $435,200 from 2019 to 2020. In total, program support decreased by $452,052 and scholarship expenses paid to New College of Florida decreased by $81,447 from fiscal year 2019 to 2020. Both types of expense allocations, program support and scholarships, are funded primarily by endowment earnings in accordance with New College Foundation, Inc. spending policy – awards of up to 3.25%, calculated by using the average of the 20 quarter rolling average balances with the end date of December 31st for each endowment when earnings are available. This decrease in spending is mainly due the New College of Florida Campus being closed down in March of 2020, due to the COVID-19 pandemic.

The Foundation's operating expenses increased $51,687 from 2019 to 2020, mainly due to the hiring of a consultant to help fill a vacant position. The Annual Fund campaign initiatives remain a focus of the Foundation. Fundraising expenses increased by $46,612 in fiscal year 2020.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the Foundation's financial results by reporting the major sources and uses of cash. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A comparative summary of the statement of cash flows for the Foundation for the fiscal years ended June 30, 2020, June 30, 2019, and June 30, 2018, is shown in the following table:

CASH FLOWS

	For the years ended June 30, 2020	June 30, 2019	June 30, 2018
Cash provided (used) by:			
Operating activities	$ (1,311,679)	$ (1,272,857)	$ (475,906)
Investing activities	1,985,828	989,876	767,569
Noncapital financing activities	47,768	649,114	-
Capital and related financing	(2,718)	58,691	12,755
Net decrease in cash and cash equivalents	719,199	424,824	304,418
Cash and cash equivalents, beginning of the year	4,957,295	4,532,471	4,228,053
Cash and cash equivalents, end of year	$ 5,676,494	$ 4,957,295	$ 4,532,471

The Foundation's liquidity remained stable during the reporting year. For the purpose of cash flows, the Foundation considers cash equivalents to include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The following discussion presents an overview of cash flows:

During the fiscal year ended June 30, 2020, cash and cash equivalents increased by $719,199. The increase is due to a conscious effort to preserve liquidity for operations and the move to a more conservative approach temporarily for the New College Foundation, Inc. Endowment. The Foundation has adequate funds on hand to pay invoices upon demand and approval.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of the Foundation is closely tied to the needs of New College of Florida and the investment markets for the endowment.

The New College Foundation, Inc.'s Matching Program for New College of Florida was implemented to leverage private donations to New College Foundation, Inc. by providing state matching funds. As of June 29, 2011, the Philip Benjamin Matching program has been suspended per Florida Statute 1011.85. As of fiscal year 2019, the Foundation discounted all unpaid pledges from the State of Florida for the Phillip Benjamin Matching program to a 100% discount.

Investment income plays a key role in generating revenues for the Foundation. Also tied to investment earnings is the ability to provide scholarships and program support New College of Florida through various endowments. The Foundation's investment accounts remain well-diversified and moderately invested, target ranges are 40-70% U.S. and International Equities, 20-35% Fixed Income, and 5-28% Cash and Alternatives per the Foundation's Investment Policy.

The Foundation's Board of Directors and management carefully monitor the status of all endowed funds, particularly those underwater funds in which the total fund balance is less than the corpus, or principal. This deficit can only be overcome through positive investment earnings UPMIFA allows for spending of current interest & dividends. As of June 30, 2020, the Foundation held 79 endowed funds. Of these funds, six were in an underwater status. The current condition of each these funds is due to the temporary condition caused by the market declines caused by the COVID-19 pandemic. The Foundation's Investment Committee is reviewing these funds.

In fiscal year 2020, the Foundation placed an emphasis on revitalizing the planned giving program, including the establishment of a gift annuity program in December 2019. It has a solid beginning with the establishment of three new charitable gift annuities along with new bequest intentions. The Foundation also raised $1million at the initiative of the Board, in order to grow the fundraising efforts of the Foundation. As a Direct Support Organization of New College of Florida, the Foundation is committed to the Growth Plan established by the College and is making major efforts to assist in this growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the New College Foundation, Inc.'s finances for all those with an interest in the New College Foundation, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ron P. McDonough, Director of Finance and Compliance.

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS		
CURRENT ASSETS		
Cash	$	5,676,494
Accounts receivable		8,000
Pledge receivable, net		140,750
Investments		5,943,595
Beneficial interest in remainder trusts, net		348,043
Prepaid expenses and other assets		35,160
Total current assets		12,152,042
NONCURRENT ASSETS		
Investments		32,537,268
Pledge receivable, net		363,055
Capital assets, net		797,375
Total noncurrent assets		33,697,698
TOTAL ASSETS	$	45,849,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	677,269
Gift annuities payable		13,030
Unearned revenue		350,000
Total current liabilities		1,040,299
NONCURRENT LIABILITIES		
Gift annuities payable, net of current portion		76,850
Unearned revenue, net of current portion		791,557
Total noncurrent liabilities		868,407
DEFERRED INFLOWS OF RESOURCES		
Gift annuities and charitable remainder unitrust		408,985
NET POSITION		
Investment in capital assets		797,375
Restricted, nonexpendable, endowment		34,909,926
Restricted, expendable		7,179,403
Unrestricted		645,345
Total net position		43,532,049
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	45,849,740

See Notes to Financial Statements

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Contributions	$ 2,071,097
Fundraising support and revenue	390,885
Other revenue	20,744
Total Operating Revenues	2,482,726
OPERATING EXPENSES	
Program	
Scholarships and grants	1,001,631
Enhancements for programs	974,044
University support	987,951
General and administrative	670,790
Fundraising	300,320
Total Operating Expenses	3,934,736
Operating loss	(1,452,010)
NONOPERATING REVENUES (EXPENSES)	
Investment income, net	2,487,577
Unrealized loss on investments	(1,377,395)
Realized loss on investments	(2,599,008)
Changes in value of trust agreements	17,571
	(1,471,255)
Loss before permanent endowment contributions	(2,923,265)
Contributions to permanent endowments	47,768
Change in net position	(2,875,497)
Net position, beginning of the year	46,407,546
Net position, end of the year	$ 43,532,049

See Notes to Financial Statements

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from private donors	$ 1,960,020
Received from other sources	434,965
Payments to University for programs	(2,784,508)
Payments to suppliers for goods and services	(922,156)
Net cash used in operating activities	(1,311,679)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income, net	2,487,577
Proceeds from sales of investments	43,920,720
Purchase of investments	(44,422,469)
Net cash provided by investing activities	1,985,828
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Endowment contributions	47,768
Net cash provided by noncapital financing activities	47,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(2,718)
Net cash used in capital and related financing activities	(2,718)
Net change in cash	719,199
Cash, beginning of year	4,957,295
Cash, end of year	$ 5,676,494

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (1,452,010)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	54,436
Deferred inflow of resources related to gift annuities	32,417
Changes in assets and liabilities	
Prepaid expenses and other assets	(5,482)
Accounts receivable	(8,000)
Pledges receivable	(136,851)
Beneficial interest in remainder trusts	18,384
Gift annuity payable	13,030
Accounts payable and other accrued expenses	179,118
Unearned revenue	(6,721)
Net cash used in operating activities	$ (1,311,679)

Noncash investing activities	
Net unrealized losses on investments	$ (1,377,395)

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New College Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of Florida and operates exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code. The Foundation's mission is to provide aid in the form of money and other forms of property and services to New College of Florida (the "College"). The Foundation also promotes education and encourages learning and dissemination of information about which the College is involved. 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*. The Foundation is considered a discrete component unit of the College due to the College's budgetary oversight responsibility and due to the Foundation's significant operational and financial relationships with the College.

Basis of Accounting and Presentation

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

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

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

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the Foundation's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers amounts on hand in checking accounts and money market accounts as cash unless held for the purpose of reinvestment. The Foundation considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of revenues, expenses and changes in net position. Investment income includes interest and dividend income, net of fees, and is included in the statement of activities separate from gains and losses. Investment fees were $174,781 for the year ended June 30, 2020.

Pledges Receivable

The Foundation accounts for its pledges 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 statement of net position and endowment contributions receivable are excluded from the statement of net position.

Promises to give are recorded at net realizable value. Unconditional promises to give are recognized as contribution revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. Management has deemed all pledges as collectible, therefore no allowance is necessary.

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

Beneficial Interest in Remainder and Perpetual Trusts

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 beneficial interest in remainder trusts. 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.

Trust assets, for which the Foundation has been designated trustee, totaled $150,822 at June 30, 2020, and are recorded in investments on the statement of net position. The related liabilities under trust agreements totaled $89,880 at June 30, 2020.

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, 2020.

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 gain of approximately $17,571 for the year ended June 30, 2020. 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.

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. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Foundation's capital assets consist of land, buildings, furniture, and equipment and are stated at historical cost or estimated fair value if donated or acquired at nominal cost. The Foundation has a capitalization threshold of $500 for capital assets. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buldings	40 Years
Equipment	3-5 Years

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 capital assets for the year ended June 30, 2020.

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.

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.

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

Contributions

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 $96,000 were recognized in the year ended June 30, 2020, and are included in contributions on the accompanying statement of revenues, expenses and changes in net position.

Net Position

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

Net Investment in Capital Assets – 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 – Restricted net position includes funds externally restricted by donors that are 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 College.

Unrestricted – Unrestricted net position includes funds that do not meet the definition of restricted or invested in capital assets.

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

Tax Status

The Foundation is generally exempt from federal income and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Foundation is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax exempt purpose of the Foundation over the related expenses.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events

The Foundation has evaluated all subsequent events through October 19, 2020, the date the financial statements were available to be issued.

In August 2020, the Foundation purchased property in Sarasota County for $425,000.

NOTE 2. COMMITMENTS TO NEW COLLEGE FOR 2020-2021 ACADEMIC YEAR

For the academic year ending June 30, 2021, the Foundation has budgeted to provide direct support to the College as follows:

Academic programs and enhancements	$	483,883
Endowed chairs, professorships and fellowships		245,723
New College library and library association		46,569
Scholarship and student grants		1,275,115
Other		205,000
	$	2,256,290

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

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give. Pledges which are due in excess of one year are discounted to net present value using a discount rate of 4%. Pledges receivable are due to be collected as follows as of June 30, 2020:

Gross amounts due in		
2021	$	140,750
2022		141,000
2023		126,000
2024		20,000
2025 - 2030		120,000
Total gross pledges		547,750
Less discount to present value		(43,945)
Total	$	503,805

The Foundation maintains an allowance for doubtful accounts for estimated losses resulting from the inability of donors to make pledge 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 pledge receivable. There were no such estimated uncollectible amounts for the year ended June 30, 2020.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, is shown as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Real estate	$ 175,332	$ -	$ -	$ 175,332
Total capital assets not being depreciated	175,332	-	-	175,332
Capital assets being depreciated:				
Buildings	1,321,492			1,321,492
Equipment	153,034	2,718		155,752
Total capital assets being depreciated	1,474,526	2,718	-	1,477,244
Less accumulated depreciation for:				
Buildings	(660,747)	(44,051)		(704,798)
Equipment	(140,018)	(10,385)		(150,403)
	(800,765)	(54,436)	-	(855,201)
Total capital assets being depreciated, net	673,761	(51,718)	-	622,043
Total capital assets, net	$ 849,093	$ (51,718)	$ -	$ 797,375

NOTE 5. RESTRICTED NET POSITION

Expendable restricted net position is restricted for scholarships or other similar purposes and totaled $7,179,403 for the year ended June 30, 2020.

Nonexpendable restricted net position (endowments) is donor-directed contributions restricted in perpetuity for a variety of purposes to provide support to the College. Nonexpendable restricted net position totaled $34,909,926 for the year ended June 30, 2020.

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as nonexpendable restricted net position: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 5. RESTRICTED NET POSITION (CONTINUED)

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns and protect the Foundation against long-term inflation trends. The desired investment objective is a long-term real rate of return on assets that is 7.5-8.0%. 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 ten year investment horizon, so that interim fluctuations should be viewed with appropriate perspective.

Actual returns in any given year may vary from this amount. 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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, 2020, was 5.50% (3.25% to the College and 2.25% to the Foundation for an administrative fee). 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 6. RELATED PARTY TRANSACTIONS

Beginning in November 2013, employees of the Foundation became employees of the College, an affiliated entity, and the Foundation began reimbursing the College for the cost of services received from personnel of the College. Salaries and reimbursements to the College totaled $2,721,478 for the year ended June 30, 2020.

The Foundation received $94,583 of in-kind services for payroll, grounds maintenance and custodial services for the year ended June 30, 2020.

The Foundation provided direct support to the College of $1,975,675 for the year ended June 30, 2020. Of that amount, approximately $108,254 was provided for a lobbyist.

NOTE 7. 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, 2020. 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:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Unearned revenue	$ 1,148,277	$ -	$ (6,720)	$ 1,141,557	$ 350,000
Gift annuities payable	24,420	120,000	(54,540)	89,880	13,030
	$ 1,172,697	$ 120,000	$ (61,260)	$ 1,231,437	$ 363,030

NOTE 8. FAIR VALUE MEASUREMENTS

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation's policy regarding custodial 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, 2020, the bank balance was approximately $643,000. Of the bank balance, approximately $393,000 was in excess of the amount covered by the FDIC 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, 2020, the Florida Treasury Investment Pool carried a credit rating of A+ by Standard & Poor's and had an effective duration of 2.71. At June 30, 2020, the Foundation had cash equivalents of approximately $5,060,000 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 bonds, unconstrained bonds, and cash equivalents. For alternative instruments, the Foundation's investment policy allows for private equity, absolute return (hedge funds), real assets and commodities.

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

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 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.

Investments held by the Foundation are reported at fair value and were as follows at June 30, 2020:

	Level 1	Level 2	Level 3	Net Asset Value	Total at June 30, 2020
Investments					
Cash and cash equivalents	$ 6,677,025	$ -	$ -	$ -	$ 6,677,025
Mutual funds - fixed income	10,142,654	-	-	-	10,142,654
Mutual funds - equities	116,708	-	-	-	116,708
Domestic equities	15,493,924	-	-	-	15,493,924
International equities	3,402,298	-	-	-	3,402,298
Total mutual funds - fixed income	35,832,609	-	-	-	35,832,609
Investments at net asset value					
Alternative foreign equity, private equity and other funds	-	-	-	2,648,255	2,648,255
Total investments	$ 35,832,609	$ -	$ -	$ 2,648,255	$ 38,480,863

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.

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

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 December 31, 2019, for the SEI Offshore Opportunity II CLF fund, as of March 31, 2020, for the SEI Special Situations Fund LTD.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
SEI Offshore Opportunity II CLF [a]	$ 1,430,701	-	Monthly or Quarterly	30 days to 90 days
SEI Special Situations Fund LTD [b]	1,217,554	-	Monthly or Quarterly	30 days to 90 days

[a] This fund invests using a "funds 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 "funds 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.

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

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 a 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 credit 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 30, 2020.

As of June 30, 2020, the maturities of the Foundation's fixed income mutual funds were as follows:

		Investment Maturities			
	Market Value	Less than 1 year	1-5 years	5-10 years	Over 10 years
Mutual funds - fixed income	$ 10,142,654	$ 5,943,595	$ 933,124	$ 993,980	$ 2,271,954

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020, the Foundation's fixed income investments were rated as follows:

		Rating
Fair Value	Duration	Standard & Poor's
$ 10,142,654	5.75	AAA to BB

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy requires that investments are to be diversified to the extent that no more than 5% of the funds may be invested in any one security, a maximum equity holdings of 15% in a single non-U.S. country and a maximum fixed income of 5% holdings in a single corporate issuer (excluding U.S. Government and agencies).

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 9. FUNCTIONAL CLASSIFICATION OF EXPENSES

The expenses recognized by the Foundation in the statement of revenues, expenses and changes in net position are classified by function, that is, the purpose for which they are incurred. The Foundation's expenses based on function classification are as follows as of June 30, 2020:

	Program Services	General and Administrative	Fundraising	Total
Enhancements	$ 865,789	$ -	$ -	$ 865,789
Lobbyist	108,254	-	-	108,254
Scholarships - College Budget	820,829	-	-	820,829
Grants	180,802	-	-	180,802
Salaries	868,029	356,848	121,337	1,346,214
Salaries - unemployment	-	916	-	916
Depreciation	-	54,436	-	54,436
Insurance	-	13,189	-	13,189
Admin fees	-	1,059	-	1,059
Bank service fees	2,800	12,642	2,961	18,403
Dues and subscriptions	3,897	5,557	-	9,454
Professional services	17,540	82,714	9,666	109,920
Audit fees	-	33,555	-	33,555
In-kind professional services	-	28,783	-	28,783
Miscellaneous expense	-	1,152	341	1,493
Postage and shipping	7,680	1,140	4,828	13,648
Telephone expense	-	1,741	-	1,741
Office supplies	93	4,566	1,004	5,663
Software/software upgrades	14,939	21,092	3,685	39,716
Storage	-	4,953	-	4,953
Equipment	-	26	-	26
Maintenance and repair	-	300	-	300
Rental	211	4,002	39,002	43,215
Taxes - property	-	153	-	153
Donor cultivation major gifts	7,234	-	169	7,403
Printing	20,216	2,436	14,361	37,013
Utilities - TKC	-	13,069	-	13,069
Promotional expense	1,459	10,962	7,202	19,623
Holiday reception	-	-	8,704	8,704
Staff meetings/meals	-	4,735	-	4,735
Development and entertainment	310	-	-	310
Advertising	22,066	-	11,060	33,126
Audio visual	-	-	1,020	1,020
Catering	2,575	-	71,003	73,578
Travel - airfare/training	4,075	167	-	4,242
Travel - lodging	9,299	513	3,725	13,537
Mileage and toll reimbursement	730	275	61	1,066
Travel - auto rental	1,793	-	132	1,925
Conference/educational expense	3,005	90	59	3,154
Board of Directors expense	-	9,719	-	9,719
	$ 2,963,626	$ 670,790	$ 300,320	$ 3,934,736

OTHER INDEPENDENT AUDITOR'S REPORT

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

Board of Directors
New College 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, 2020, and the related notes to the financial statements which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 19, 2020.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
October 19, 2020