NEW COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018
(with summarized financial information for 2017)

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"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2018, and the changes in its net assets 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 16 to the financial statements, the 2017 financial statements have been restated to reflect the correction of a misstatement related to the interpretation of net asset restrictions. Our opinion is not modified with respect to those matters.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 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, 2018

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	2018	2017 (Restated)
ASSETS		
Cash and cash equivalents	$ 4,532,471	$ 4,228,053
Investments	40,651,402	40,041,867
Pledges receivable, net	469,259	556,602
Bequests receivable, net	83,089	88,747
Contributions receivable from trusts	350,548	498,313
Prepaid expense and other assets	20,285	2,137
Property and equipment, net	897,338	935,542
Total Assets	$ 47,004,392	$ 46,351,261
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 472,255	116,396
Deferred revenue	537,900	736,103
Funds held on behalf of others	25,684	27,599
Liabilities under trust agreements	34,990	95,449
Total Liabilities	1,070,829	975,547
Net Assets:		
Unrestricted	580,209	815,584
Temporarily restricted	10,809,659	10,019,316
Permanently restricted	34,543,695	34,540,814
Total Net Assets	45,933,563	45,375,714
Total Liabilities and Net Assets	$ 47,004,392	$ 46,351,261

NEW COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public Support and Revenue:					
Contributions	$ 623,581	$ 1,387,474	$ 12,755	$ 2,023,810	$ 2,237,300
Fundraising support and revenue	239,082	-	-	239,082	187,008
Investment (loss) income, net	(63,095)	967,136		904,041	1,302,746
Unrealized gain on investments, net	280	29,018	-	29,298	2,085,810
Gain on sale of investments, net	26,972	1,334,249	-	1,361,221	620,239
Other revenue, net	-	-	-	-	24,647
Net assets released from restriction	2,932,375	(2,932,375)	-	-	-
Total Public Support and Revenue	3,759,195	785,502	12,755	4,557,452	6,457,750
Expenses:					
Program services	3,182,616	-	-	3,182,616	3,172,695
General and administrative	582,251	-	-	582,251	584,553
Fundraising	236,731	-	-	236,731	262,314
Total Expenses	4,001,598	-	-	4,001,598	4,019,562
Other Changes in Net Assets:					
Changes in value of trust agreements	(23,093)	(906)	(9,874)	(33,873)	126,624
Changes in value of bequests	-	-	-	-	1,982
Other income (expenses)	30,121	5,747	-	35,868	(29,042)
Total Other Changes in Net Assets	7,028	4,841	(9,874)	1,995	99,564
Change in net assets	(235,375)	790,343	2,881	557,849	2,537,752
Net assets, beginning of year (restated)	815,584	10,019,316	34,540,814	45,375,714	42,837,962
Net assets, end of year	$ 580,209	$ 10,809,659	$ 34,543,695	$ 45,933,563	$ 45,375,714

NEW COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 557,849	$ 2,537,752
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	51,619	49,133
Changes in value of trust agreements	33,873	(126,624)
Changes in value of bequests	-	(1,982)
Changes in value of contributions receivable	207,382	(550,438)
Write-off of uncollectible pledges	-	29,042
Contributions to permanently restricted endowment	(12,755)	(917,875)
Gain on sale of investments, net	(1,361,221)	(620,239)
Unrealized gain on investments, net	(29,298)	(2,085,810)
(Increase) decrease in operating assets:		
Prepaid expense	(18,148)	8,399
Pledges receivable	(120,039)	1,177,691
Bequests receivable	5,658	(44,502)
Contributions receivable from trusts	113,892	(24,800)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	355,859	(136,360)
Deferred revenue	(198,203)	736,103
Liabilities under trust agreements	(60,459)	(9,466)
Funds held on behalf of others	(1,915)	-
Net cash flows from operating activities	(475,906)	20,024
Cash flows from investing activities:		
Proceeds from sales of investments	2,295,859	4,312,584
Purchases of investments	(1,514,875)	(3,877,377)
Purchases of fixed assets	(13,415)	(5,355)
Net cash flows from investing activities	767,569	429,852
Cash flows from financing activities:		
Contributions for investment in endowment	12,755	917,875
Increase in cash and cash equivalents	304,418	1,367,751
Cash and cash equivalents, beginning of year	4,228,053	2,860,302
Cash and cash equivalents, end of year	$ 4,532,471	$ 4,228,053

See notes to the financial statements.

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	Program Services	General and Administrative	Fundraising	2018 Total Expenses	2017
Direct Support:					
Academic support	$ 2,256,895	$ -	$ -	$ 2,256,895	$ 2,337,807
Total Direct Support	2,256,895	-	-	2,256,895	2,337,807
Indirect Support:					
Salaries, taxes, benefits, and reimbursement	855,364	337,339	56,830	1,249,533	1,269,717
Service fees	1,089	11,689	407	13,185	13,577
Advertising, development, and promotion	39,664	13,705	127,121	180,490	121,602
Depreciation	-	51,619	-	51,619	49,133
Professional fees	-	63,936	14,227	78,163	51,803
Computer	3,330	30,245	1,360	34,935	43,875
Office	1,060	35,960	463	37,483	35,622
Printing	3,164	950	16,365	20,479	22,580
Insurance	-	18,888	-	18,888	21,464
Postage	155	2,822	5,886	8,863	6,688
Travel	21,895	4,747	7,437	34,079	32,592
Telephone	-	2,286	-	2,286	2,061
Dues and subscriptions	-	5,843	-	5,843	5,871
Miscellaneous	-	1,003	6,635	7,638	3,770
Property expenses and taxes	-	1,219	-	1,219	1,400
Total Indirect Support	925,721	582,251	236,731	1,744,703	1,681,755
Total Expenses	$ 3,182,616	$ 582,251	$ 236,731	$ 4,001,598	$ 4,019,562

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.

Financial Statements – The financial statements and notes are a representation of the Foundation's management, which is also responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions –The preparation of financial statements in conformity 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, 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.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All unrealized gains or losses on investments is classified as temporarily restricted. Accordingly, net assets of the Foundation and changes therein are classified and reported in the following categories:

> *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
>
> *Temporarily Restricted Net Assets* – Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by the actions of the Foundation and/or the passage of time.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Earnings on the investment of permanently restricted net assets are temporarily restricted.

Fair Value Measurements – The Foundation's financial instruments that are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature include cash and cash equivalents, notes and other receivables, accounts payable and accrued expenses, and funds held on behalf of others.

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.

Pledges Receivable, Net – Pledges are recorded in the year the pledge is made and discounted to the present value of estimated cash flows and evaluated for collectability each year (see Note 7). Net pledges receivable of approximately $187,000 is from various donors with the remaining balance related to amounts due from the state of Florida Major Gifts Challenge Grant program.

The state approves gifts for the matching program and then the state legislature appropriates funds to pay the matching grants. The state legislature has not appropriated funds to pay the approved matching grants for the program since 2008, due to the state of Florida's economic condition.

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

As of June 30, 2018, the Foundation recognized gross pledges receivable from the state totaling approximately $1,141,000. These pledges receivable were recorded from January 2008 through April 2010, at which time the Foundation changed its policy to only recognize the pledges receivable once funds were appropriated by the state. Previously, pledges receivable were recognized when a written letter of intent was received. As of June 30, 2018, the Foundation submitted matching requests and received letters of intent from the state for the Major Gifts Challenge Grant program totaling approximately $2,598,000, of which approximately $1,457,000 has not been recorded in the financial statements.

During 2009, Florida lawmakers passed legislative action that required each university to notify donors of private funds of the substantial delay in the availability of funds for the state matching gift program. The Foundation recorded a discount against the total pledges outstanding of approximately $859,000 as of June 30, 2018, to show the estimated present value of future funds receivable from the state of Florida. The pledges receivable from the state of Florida, net of discounts, totaled approximately $282,000 as of June 30, 2018.

Investments – Investments are presented in the financial statements at fair value. 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 statement of activities 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 (see Note 5).

Bequests Receivable, Net – Bequests are recorded at the date of death and when a reasonable estimate of assets can be determined. The bequests receivable are discounted to the present value of estimated cash flows and evaluated for collectability each year. Management believes all are collectible; therefore, no allowance for uncollectible receivables has been recorded. Bequests receivable totaled approximately $83,000, net of discounts of approximately $17,000 as of June 30, 2018.

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 financial position as liabilities under trust agreements 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, 2018.

Trust assets, for which the Foundation has been designated trustee, totaled approximately $59,000 at June 30, 2018, and are recorded in the investments of the Foundation. The related liabilities under trust agreements totaled approximately $35,000 at June 30, 2018.

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%.

Charitable remainder trusts are classified as temporarily restricted and permanently restricted. Once the beneficial interest is passed to the Foundation, the remaining assets are released for unrestricted use. Charitable gift annuities are classified as unrestricted, temporarily restricted and permanently restricted 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.

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

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 activities and resulted in a net loss of approximately $34,000 for the year ended June 30, 2018. 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.

Property and Equipment – 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 fair market value 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.

Property and equipment is 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, 2018.

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

Revenue Recognition – Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor stipulations that restrict the use of donated assets or have time restrictions are treated as temporarily or permanently restricted net assets. When a temporary restriction is satisfied, those related net assets are reclassified from temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Gifts of cash restricted for the purpose of acquiring or constructing long-lived assets are recorded as temporarily restricted net assets until the long-lived asset is acquired or constructed at which time the net assets are released from the restriction and reclassified to unrestricted net assets.

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 $95,000 were recognized in the year ended June 30, 2018, and are in included in contributions on the accompanying statement of activities.

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

Advertising, Development, and Promotion – Advertising, development, and promotion costs are expensed as incurred. For the year ended June 30, 2018, advertising, development, and promotion expense was approximately $180,000.

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 activities.

Income Taxes – The Foundation is exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated directly among the programs and supporting services that benefited. General and administrative expenses include costs that are not directly identifiable with any specific program, but provide for the overall support and direction of the Foundation.

Summarized Financial Information for 2017 - The financial statements included certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Note 2—Academic support to New College

For the year ended June 30, 2018, the Foundation provided direct support to New College as follows:

Academic programs and enhancements	$ 923,731
Endowed chairs, professorships, and fellowships	241,875
New College library and library association	31,824
Scholarship and student grants	1,059,465
	$ 2,256,895

Approximately $88,000 was provided to New College for a lobbyist which is allocated between the categories above and included as direct support in program services on the statement of activities.

Note 3—Commitments to New College for 2018 – 2019 academic year

For the academic year ending June 30, 2019, the Foundation has budgeted to provide direct support to New College as follows:

Academic programs and enhancements	$ 462,748
Endowed chairs, professorships, and fellowships	238,571
New College library and library association	92,517
Scholarship and student grants	428,461
Other	1,003,214
	$ 2,225,511

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

Note 4—Property and equipment

A summary of property and equipment at June 30, 2018 as follows:

Real estate	$ 179,310
Buildings and building improvements	1,321,492
Office equipment	137,544
Automobiles	5,995
	1,644,341
Less accumulated depreciation	(747,003)
Property and equipment, net	$ 897,338

Note 5—Investments

The cost, fair value, and accumulated unrealized gain (loss) on investments in the aggregate are summarized as follows at June 30, 2018:

	Cost	Market	Accumulated Unrealized Gain (Loss)
Mutual funds - fixed income	$ 11,603,756	$ 10,901,700	$ (702,056)
Mutual funds - equity	21,375,746	26,602,527	5,226,781
Private equity and other	2,300,000	3,147,175	847,175
Total investments	$ 35,279,502	$ 40,651,402	$ 5,371,900

Note 5—Investments (continued)

The Foundation recognized realized gains of approximately $1,361,000 on the sales of investments for the year ended June 30, 2018. Additionally, changes to the accumulated unrealized gains and losses resulted in unrealized gains of approximately $29,000 during the year ended June 30, 2018.

Investment income is comprised of dividends and interest income, net of direct fees, of approximately $904,000 for the year ended June 30, 2018.

Note 6—Funds held on behalf of others

Funds held on behalf of others are temporarily restricted by agreements or contracts to support New College programs, including research grants, library acquisitions, and other various purposes. Funds held on behalf of others totaled approximately $26,000 as of June 30, 2018.

Note 7—Pledges receivable, net

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

2019	$ 142,570
2020	27,060
2021	27,176
2022	-
2023	-
Thereafter	1,141,166
	1,337,972
Less unamortized discount	(868,713)
Pledges receivable, net	$ 469,259

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 pledges receivable. There were no such estimated uncollectible amounts for the year ended June 30, 2018.

Note 8—Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Academic programs and enhancements	$ 4,386,744
Endowed chairs, professorships, and fellowships	1,843,378
New College library and library association	383,247
Scholarship and student grants	4,172,720
Trust	23,570
	$ 10,809,659

Note 9—Net assets released from restrictions

Net assets were released from donor or trustee restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors as follows:

Academic programs and enhancements	$ 954,194
Endowed chairs, professorships, and fellowships	644,433
New College library and library association	52,865
Scholarship and student grants	1,147,749
Trust	127,833
Other	5,301
	$ 2,932,375

Note 10—Permanently restricted net assets

Permanently restricted principal balances of the endowment funds are presented below as of June 30, 2018:

Academic programs and enhancements	$ 13,108,310
Endowed chairs, professorships, and fellowships	6,960,370
New College library and library association	1,121,392
Scholarship and student grants	13,175,454
Trust	178,169
	$ 34,543,695

Income earned on the endowment funds is classified as temporarily restricted.

Note 11—Financial assets and liabilities measured at fair value

Investments, pledges receivable, bequests receivable, and liabilities under trust agreements are reported at fair value. 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, other than those measured using the net asset value ("NAV") as a practical expedient, 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).

The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, certain hedge funds, private equity and other). The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

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

The following table presents information about the Foundation's assets and liabilities that are measured at fair value on a recurring and nonrecurring basis as of June 30, 2018, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

		Fair Value Measurements on a Recurring Basis at Reporting Date Using			
Description	**June 30, 2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value**
Assets					
Mutual funds - fixed income:					
U.S. government securities	$ 27,182	$ 27,182	$ -	$ -	$ -
High yield bond fund	7,495,476	7,495,476	-	-	-
Emerging Markets	1,537,340	1,537,340	-	-	-
Multi Alternative	1,841,702	1,841,702	-	-	-
Total mutual funds - fixed income	10,901,700	10,901,700	-	-	-
Mutual funds - equity:					
Large cap	12,102,091	12,102,091	-	-	-
Mid cap	7,461	7,461	-	-	-
Small cap	1,330,079	1,330,079	-	-	-
International markets	13,162,896	13,162,896	-	-	-
Alternative foreign equity, and private equity and other funds	3,147,175	-	-	-	3,147,175
Total mutual fund - equity	29,749,702	26,602,527	-	-	3,147,175
Total investments	40,651,402	37,504,227	-	-	3,147,175
Contributions receivable from trusts	350,548	-	-	350,548	-
Pledges receivable, net	469,259	-	-	469,259	-
Bequests receivable, net	83,089	-	-	83,089	-
Total assets at fair value	$ 41,554,298	$ 37,504,227	$ -	$ 902,896	$ 3,147,175
Liabilities					
Liabilities under trust agreements	$ 34,990	$ -	$ -	$ 34,990	$ -
Total liabilities at fair value	$ 34,990	$ -	$ -	$ 34,990	$ -

Note 11—Financial assets and liabilities measured at fair value (continued)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. 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 or Level 2).

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.

Contributions Receivables from Trusts and Liabilities Under Trust Agreements – The fair value of these assets and liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables (Level 3).

Pledges Receivable, Net and Bequests Receivable, Net – The fair value of these assets and liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables. Collectability of these receivables is based on the Foundation's assumptions based on the best information available in the circumstance (Level 3).

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2018:

	Contributions Receivable from Trusts	Pledges Receivable	Bequests Receivable	Liabilities Under Trust Agreements
Beginning balance	$ 498,313	$ 556,602	$ 88,747	$ 95,449
Change in value	(33,873)	(207,382)	-	-
Net change in receivables	(113,892)	-	(5,658)	-
Total losses, net (realized and unrealized)	-	-	-	(46,651)
Payments	-	(86,983)	-	(13,808)
Increase in pledge receivables	-	207,022	-	-
Ending balance	$ 350,548	$ 469,259	$ 83,089	$ 34,990

Note 11—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, 2018 for the SEI Offshore Opportunity II CLF (a) fund, as of December 31, 2017 for the SEI Special Situations Fund LTD (c) and December 31, 2017 for the Northern Trust Private Equity Fund (QP) II (c).

	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative foreign equity:			
SEI Offshore Opportunity II CLF (a)	$ -	Monthly or quarterly	30 days to 90 days
SEI Special Situations Fund LTD (b)	-	Monthly or quarterly	30 days to 90 days
Private equity and other:			
Northern Trust Private Equity Fund (QP) II (c)	-	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 12—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. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors of the Foundation voted to implement the Florida Uniform Prudent Management of Institutional Funds Act effective July 1, 2012.

The Foundation records permanently restricted endowment net assets as (a) the original value of gifts donated to the permanent endowment, (b) less a one-time market fluctuation adjustment during fiscal year 2013 for gifts donated prior to fiscal year 2013 which eliminated the underwater endowment, and (c) the original value of subsequent gifts to the permanent endowment. Investment earnings and gains or losses on permanently restricted endowment net assets that are not part of the adjusted corpus are recorded as temporarily restricted net assets until the proceeds are appropriated for expenditure.

Endowment funds consist of the following as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 6,578,645	$ 34,365,526	$ 40,944,171
Board-Designated Endowment Funds	644,079	-	-	644,079
	$ 644,079	$ 6,578,645	$ 34,365,526	$ 41,588,250

Income earned on board-designated endowment funds is classified as unrestricted.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017, as previously reported	$ (211,338)	$ 6,855,069	$ 34,142,289	$ 40,786,020
Restatement (see Note 16)	159,238	283,631	213,665	656,534
Endowment net assets, June 30, 2017 (restated)	(52,100)	7,138,700	34,355,954	41,442,554
Endowment investment return:				
Interest and dividends	11,913	957,303	-	969,216
Realized and unrealized losses	27,423	1,345,813	-	1,373,236
Total endowment investment return	39,336	2,303,116	-	2,342,452
Contributions	2,000	-	9,572	11,572
Net assets released from restrictions	2,863,171	(2,863,171)	-	-
Appropriation for expenditures	(2,208,810)	-	-	(2,208,810)
Other	482	-	-	482
Total endowment activity	656,843	(2,863,171)	9,572	(2,196,756)
Endowment net assets, June 30, 2018	$ 644,079	$ 6,578,645	$ 34,365,526	$ 41,588,250

Note 12—Endowments (continued)

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 31. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The spending policy established for the years ended June 30, 2018 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.

Internal Loan – As of June 30, 2018, there was an outstanding loan from permanently restricted net assets within endowments to unrestricted net assets in the amount of approximately $334,000. It is anticipated to be repaid when unrestricted cash is available.

Note 13—Concentrations

At June 30, 2018, approximately 60% of pledges receivable were due from the state of Florida Major Gifts Challenge Grant program.

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. At any time, the Foundation may have cash balances with a single financial institution in excess of the Federal Deposit Insurance Corporation's federally insured limit. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on its cash balances.

Note 14—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 $1,250,000 for the year ended June 30, 2018.

Note 15—Subsequent events

The Foundation has evaluated events subsequent to the statement of financial position date of June 30, 2018 through the date these financial statements were available for issuance, September 27, 2018, and has determined that there are no subsequent events that require disclosure.

Note 16—Restatement

During the year ended June 30, 2018, 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 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.

Included in the restatement factors above were restatements to endowment net assets as of June 30, 2017. As a result, endowed unrestricted net assets increased by approximately $159,000, endowed temporarily restricted net assets increased by approximately $284,000, and endowment permanently restricted net assets increased approximately $214,000.

As a result of these factors, net assets as of June 30, 2017, as previously reported, have been restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 1,924,021	$ 7,192,473	$ 36,259,220	$ 45,375,714
Restatement	(1,108,437)	2,826,843	(1,718,406)	-
Net assets, beginning of year, (restated)	$ 815,584	$ 10,019,316	$ 34,540,814	$ 45,375,714

There was no effect on the increase/decrease in net assets for the year ended June 30, 2017 as previously reported as the result of these corrections.

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"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2018. Our report includes an emphasis of matter paragraph which discloses a restatement of prior year balances. Our report is not modified with respect to those matters.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, 2018-001, described in the accompanying schedule of findings and responses that we consider to be a material weakness.

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*.

Foundation's Response to Findings

The Foundation's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2018

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2018–001 Material Weakness in Internal Control over Net Asset Classification

Criteria: The Foundation is responsible for establishing and maintaining internal controls over financial reporting including the timely determination and proper reporting of net asset classifications according to the proper restriction.

Condition: During the year ended June 30, 2018, 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.

Effect: The Board approved the reclassification of the net assets as of June 30, 2018. This resulted in a restatement of prior year net asset amounts. Permanently restricted net assets in the amount of approximately $1,718,000 and unrestricted net assets in the amount of approximately $1,108,000 were reclassified to temporarily restrict net assets as of June 30, 2017.

Cause: In previous years, the determinations of net asset classifications were not properly recorded.

Recommendation: We recommend that the Foundation continue to strengthen controls surrounding the determination of donor intent upon receipt of the contribution. Further, we recommend the Foundation periodically review existing net assets to ensure proper categorization.

Management's Response: We agree with the finding.

Summary of Prior Audit Findings

Finding 2017-001—Financial Reporting Process Related to Bequests Receivable

MATERIAL WEAKNESS

Condition: During the prior year audit, we viewed the detail of the bequest receivable account from the financial reporting system nothing that two bequests had been written off in the year ended June 30, 2015 in the sub-ledger but were not entered into the financial reporting system.

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

Finding 2017-002—Net Asset Classification

MATERIAL WEAKNESS

Condition: During the prior year, management reviewed various donor agreements and discovered that restrictions related to net asset classifications were misinterpreted several years ago which resulted in restrictions being placed on amounts that were actually unrestricted.

Status: See current finding 2018-001.

Finding 2017-003—Financial Reporting Close Process

MATERIAL WEAKNESS

Condition: During the prior year audit, we discovered that manual journal entries required for accurate financial reporting were not properly recorded and reviewed.

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

New College
THE HONORS COLLEGE of Florida

New College Foundation, Inc.

2018-001 - As a result of the endowment cleanup in FY 2017, endowments were reclassified from one category (Endowments), to two categories (True Endowments and Quasi Endowments). In the financial statements for FY 2017, the two categories were not separated on the financial statements. For the FY 2018, the audit team requested that categories to be split out separately on the financial statements. Since the Net Assets were presented in one category for FY 2017, it was not evident that there were quasi endowments that held assets in the incorrect restriction. During preparation for the FY 2018, management discovered that there quasi endowments that held assets incorrectly. Once identified, management immediately alerted the auditors, and provided them with the entry to book as a prior period adjustment.

It is only due to the refinement of the accounting system put into place by management over the past two years, that system errors created previously, have been corrected immediately upon discovery by management. Reports have been created by management, in order to not only identify errors, but also be able to immediately correct them, and pass on the appropriate entries to the audit team.

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