New College of Florida Board of Trustees
Audit and Compliance Committee Meeting
March 24, 2023 at 12pm

Meeting Agenda

1. **Call to Order**
   - Confirm Public Notice of Meeting
   - Roll Call
     - Lance Karp, Chair
     - Mark Bauerlein
     - Ron Christaldi
     - Matthew Spalding
   - Establish Quorum

2. **Consideration of Draft Minutes from August 25, 2022 Meeting**
   - **Committee Action**: Approve minutes.

3. **Board of Governor's Regulations 4.002, CAE Responsibilities and 4.003, Compliance and Ethics Program**
   - **Information Item:** Walkthrough key elements of the Board of Governor's regulations pertaining to the Audit and Compliance Committee.

4. **Audit and Compliance Committee Charter**
   - **Information Item:** Walkthrough key elements of the Audit and Compliance Committee Charter.

5. **Internal Audit and Compliance Department Charter**
   - **Information Item:** Walkthrough key elements of the Internal Audit and Compliance function Charter.

6. **Enterprise Risk Management Program Update**
   - **Information Item:** Review the Enterprise Risk Management Program and current risk rankings.

7. **Annual Performance Funding Metrics Audit Report**
   - **Information Item:** Mauldin and Jenkins annual Performance Funding Metrics Audit Report with zero exceptions.

8. **DAVID Audit**
   - **Information Item:** Review the results of the annual DAVID audit as required by the Florida Department of Highway Safety and Motor Vehicles.

9. **Certification of Foreign influence Legislation Compliance**
   - **Information item: Certification of Foreign influence Legislation Compliance**
     CAE/CCO Tzoumas conducted the Foreign Influence compliance check as required by the Board of Governor's Office of Inspector General and Director of Compliance. The review confirmed the requirements of Board of Governors Regulation 9.012, Foreign Influence, and House Bill 7017 on Foreign Influence were in place. The required Certification of Foreign Influence Legislation Compliance was completed and filed as instructed.

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10. **Identity Theft Program**
    - **Information Item:** Review status of Identity Theft Program as required by Regulation 3-1014, Identity Theft.

11. **Management Consulting Engagement - Student Research Employee Payroll**
    - **Information Item:** Review resolution of student summer grant payroll control challenges.

12. **Annual State of Florida Auditor General's Financial Audit for FY 21-22**
    - **Information Item:** Review results of the annual State of Florida Auditor General's Financial Audit for FY 21-22. Financial statements were fairly presented with zero internal control deficiencies identified.

13. **Annual Development Corporation Financial Statement Audit for FY 21-22**
    - **Information Item:** Review the annual Development Corporation financial statement audit for FY 21-22 by Mauldin & Jenkins.

14. **New College Foundation Annual External Audit Report for FY 21-22**
    - **Information Item:** Review results of Mauldin & Jenkins annual audit of the New College Foundation (NCF) financial statements for fiscal year (FY) 21-22.

15. **Crowe Direct-Service-Organization Findings Status Report**
    - **Information Item:** Review the status of the findings report in the Crowe internal control review of the university's Direct Service Organization. Also review the NCF Crowe Report Findings Corrective Action Status report submitted to the State University System of Florida Board of Governors.

16. **Management Consulting Engagement - New College Foundation Investment and Budget Process Controls Evaluation**
    - **Information Item:** Review observations from the NCF Investment and Budget process controls evaluation.

17. **Cyber Security Penetration Test**
    - **Information Item:** Internal Audit and management have identified a reputable third party to perform an external penetration test of system security. (No Attachments)

18. **Annual Compliance Partner Reporting**
    - **Information Item:** All university departments have provided their Annual Compliance Reports. (No Attachments)

19. **Update on Title IX Activities**
    - **Information Item:** Completed two Title IX Hearings. Stale cases and Title IX Coordinator concerns have prompted external Title IX program review. Program presently reports to the VP of Student Affairs and is under review. (No Attachments)

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20. Internal Audit Department Peer Review

- **Information Item:** While a peer review was completed for the university's Office of the Chief Compliance Officer in accordance with Board of Governor's regulation 4.003, State University System Compliance and Ethics Programs, the Board of Governor's Office of Internal Audit and Compliance is requesting a second peer review be performed of the Office of Internal Audit in accordance with Board of Governor's regulation 4.002, Officer of Chief Audit Executive. The now retired and well-respected Chief Audit Executive for Florida State University, Sam McCall, has offered to perform the external peer review of the Office of Internal Audit for a nominal fee which the CFO has agreed to fund. (No Attachments)

Other Business

Adjournment

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New College of Florida Board of Trustees
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Meeting Minutes for August 25, 2022

1. **Call to Order/Roll Call**
Chair Lenger called the meeting to order at 11:10 a.m. over a Zoom conference call. Roll call confirmed that a quorum was present.

   Committee Members in Attendance: Audit and Compliance Committee Members present included the Committee Chair Charlie Lenger and Trustee Garin Hoover. Trustee Felipe Colon was absent. Chair Lenger noted a Quorum had been established. Chair of the Board of Trustees Mary Ruiz was also in attendance.

   Participating Staff: CAE/CCO Alexander G. Tzoumas; General Counsel David Fugett; and VP of Finance and Administration Chris Kinsley.

   Acknowledgement of Notice of Meeting: CAE Alex Tzoumas confirmed that the meeting had been duly noticed.

2. **Consideration of Draft Minutes from June 17, 2022 Meeting**
Consideration of the June 17, 2022 committee meeting minutes was submitted for approval. Motion by Trustee Hoover and second by Trustee Lenger. Motion was approved.

3. **Consideration of the Allegation Intake, Investigation, and Discipline Regulation Update**
Consideration of the Allegation Intake, Investigation, and Discipline Regulation update was submitted for approval. Discussion ensured regarding the circulation of the regulation for comment. Mr. Tzoumas noted the regulation had been published for comment and vetted with Finance, Police, Legal, Human Resources, and Student Government. Trustee Ruiz inquired about the faculty's thoughts on the changes. Mr. Tzoumas noted he had not run the changes by the faculty, but would do so immediately. Trustee Ruiz explained that President Okker was adamant about improving university communication and assuring all parties potential affected by change were included in the discussion. Motion to approve the revised regulation with the understanding Mr. Tzoumas would seek faculty input was made by Trustee Hoover, second by Trustee Lenger. Motion was approved.

4. **Information item: Admissions Management Consulting Engagement - Process Control Evaluation**
CAE/CCO Tzoumas presented the Admissions Management Consulting Engagement - Process Control Evaluation report. Mr. Tzoumas highlighted the control enhancements Enrollment management planned or have already made. With regarding the continued use of applicant essays to assess writing skills, the committee advised Mr. Tzoumas they supported the essay but recommend Mr. Tzoumas continue to periodically audit denials for appropriate decision support.

5. **Information item: New College of Florida Direct Support Organizations Summary Report from Crowe**
CAE/CCO Tzoumas presented a review of the New College of Florida Direct Support Organizations Summary Report from Crowe on their evaluation of the NCF Foundation internal controls. Mr. Tzoumas planned to walk through each of the findings with the NCF Foundation management as well as the university's Controller. While Foundation staffing limited the ability to adequately segregate certain accounting procedures, the Controller would be able to provide additional oversight to augment the process controls.

6. **Information item: 2021-2022 Annual Performance Based Funding Audit**
CAE/CCO Tzoumas informed the committee he had again retained Mauldin and Jenkins to perform the

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2021-2022 Annual Performance Based Funding Audit. Mr. Tzoumas outlined the metrics which were audited last year and the ones which would be audited this year. Mr. Tzoumas explained all 10 metrics would be audited during the three-year rotation.

Other Business

Adjournment at 11:55am.

4.002 State University System Chief Audit Executives

(1) Each university shall have an office of chief audit executive as a point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university.

(2) Each board of trustees shall establish a committee responsible for addressing audit, financial- and fraud-related compliance, controls, and investigative matters. For purposes of this regulation, this committee will be referred to as the audit and compliance committee. This committee shall have a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors Office, through the Office of Inspector General and Director of Compliance (OIGC).

(3) Each board of trustees shall adopt a charter which defines the duties and responsibilities of the office of chief audit executive. The charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors Office, through the OIGC. At a minimum, the charter shall specify that the chief audit executive:

- (a) Provide direction for, supervise, and coordinate audits and investigations which promote economy, efficiency, and effectiveness in the administration of university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
- (b) Conduct, supervise, or coordinate activities that support management's responsibility for the prevention and detection of fraud, waste, and abuse within university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
- (c) Address significant and credible allegations relating to fraud, waste, abuse, or financial mismanagement as provided in Board of Governors Regulation 4.001.
- (d) Keep the president and board of trustees informed concerning significant and credible allegations and known occurrences of fraud, waste, abuses, mismanagement, and deficiencies relating to university programs and operations; recommend corrective actions; and report on the progress made in implementing corrective actions.
- (e) Promote, in collaboration with other appropriate university officials, effective coordination between the university and the Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies.

(f) Review and make recommendations, as appropriate, concerning policies and regulations related to the university's programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.

(g) Communicate to the president and the board of trustees, at least annually, the office's plans and resource requirements, including significant changes, and the impact of resource limitations.

(h) Provide training and outreach, to the extent practicable, designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter.

(i) Coordinate or request audit, financial- and fraud-related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity.

(j) Develop and maintain a quality assurance and improvement program for the office of chief audit executive.

(k) Establish policies which articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.

(l) Inform the board of trustees when contracting for specific instances of audit or investigative assistance.

(4) The board of trustees must:

(a) Adopt a regulation(s) as prescribed by Board of Governors Regulation 4.001, paragraphs (5) and (6), regarding significant and credible allegations against the university president, board of trustees member or the chief audit executive;

(b) Obtain Board of Governors' approval before outsourcing the chief audit executive's entire audit or investigative function; and

(c) Provide quarterly updates to the Board of Governors Audit and Compliance Committee, through the OIGC, of any chief audit executive vacancy unfilled for six (6) months and describe efforts taken to fill such vacancy.

(5) Each board of trustees shall ensure that the university chief audit executive is organizationally independent and objective to perform the responsibilities of the position. The chief audit executive shall:

(a) Report functionally to the board of trustees and administratively to the president.

(b) Report routinely to the board of trustees on matters including significant risk exposures, control issues, fraud risks, governance issues, and other matters requested by the president and the board of trustees.

(c) Conduct and report on audits, investigations, and other inquiries free of actual or perceived impairment to the independence of the chief audit executive's office.

(d) Have timely access to any records, data, and other information in possession or control of the university including information reported to the university's hotline/helpline.

(e) Notify the chair of the board of trustees' audit and compliance committee or the president, as appropriate, of any unresolved restriction or barrier imposed by any individual on the scope of an inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. The chief audit executive shall work with the board of trustees and university management to remedy scope or access limitations. If the university is not able to remedy such limitations, the chief audit executive shall timely notify the Board of Governors Office, through the OIGC, of any such restriction, barrier, or limitation.

(6) In carrying out the auditing duties and responsibilities set forth in this regulation, each chief audit executive shall review and evaluate controls necessary to enhance and promote the accountability of the university. The chief audit executive shall perform or supervise audits and prepare reports of their findings, recommendations, conclusions, and opinions. The scope and assignment of the audits shall be determined by the chief audit executive; however, the president and board of trustees may request the chief audit executive direct, perform, or supervise audit engagements.

(a) Audit engagements shall be performed in accordance with the *International Professional Practices Framework*, published by The Institute of Internal Auditors, Inc.; the *Government Auditing Standards*, published by the United States Government Accountability Office; and/or the *Information Systems Auditing Standards* published by ISACA. All audit reports shall describe the extent to which standards were followed.

(b) At the conclusion of each audit engagement, the chief audit executive shall prepare a report to communicate the audit results and action plans to the board of trustees and university management. A copy of the final audit report will be provided to the Board of Governors consistent with Board of Governors Regulation 1.001(6)(g).

(c) The chief audit executive shall monitor the disposition of results communicated to university management and determine whether corrective actions have been effectively implemented or that senior management or the board of trustees, as appropriate, has accepted the risk of not taking corrective action. If, in the chief audit executive's judgment, senior management or the board of trustees has chosen not to take corrective actions to address substantiated instances of fraud, waste, abuse, or financial mismanagement, then the chief audit executive shall timely notify the Board of Governors, through the OIGC.

(d) The chief audit executive shall develop audit plans based on the results of periodic risk assessments. The plans shall be submitted to the board of trustees for approval. A copy of approved audit plans will be provided to appropriate university management and the Board of Governors Office, through the OIGC.

(e) The chief audit executive must develop and maintain a quality assurance and improvement program in accordance with professional audit standards. This program must include an external assessment conducted at least once every five (5) years. The external assessment report and any related improvement plans shall be presented to the board of trustees, with a copy provided to the Board of Governors Office, through the OIGC.

(7) Each chief audit executive shall initiate, conduct, supervise, or coordinate investigations that fall within the purview of the chief audit executive's office and be designated by their board of trustees as the employee to review statutory whistle-blower information and coordinate all activities of the university as required by the Florida Whistle-blower's Act. Investigative assignments shall be performed in accordance with professional standards issued for the State University System. All final investigative reports shall be submitted to the appropriate action officials, board of trustees, and if, in the chief audit executive's judgment, the allegations are determined to be significant and credible, to the Board of Governors Office through the OIGC. Such reports shall be redacted to protect confidential information and the identity of individuals, when provided for by law.

(8) By September 30th of each year, the chief audit executive shall prepare a report summarizing the activities of the office for the preceding fiscal year. The report shall be provided to the president, board of trustees, and the Board of Governors Office, through the OIGC.

Authority: Section 7(d), Art. IX, Fla. Const.; History: New 11-3-16; Amended 06-30-22

IIA's Standard 1110 – Organizational Independence
The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.
Interpretation:
Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:
Approving the internal audit charter.
Approving the risk-based internal audit plan.
Approving the internal audit budget and resource plan.
Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters.
Approving decisions regarding the appointment and removal of the chief audit executive.
 Approving the remuneration of the chief audit executive.
Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

4.003 State University System Compliance and Ethics Programs

(1) Each board of trustees shall implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures.

(2) The Program shall be:

(a) Reasonably designed to optimize its effectiveness in preventing or detecting non-compliance, unethical behavior, and criminal conduct, as appropriate to the institution's mission, size, activities, and unique risk profile; and

(b) Developed consistent with the Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes; other applicable codes of ethics; and the Federal Sentencing Guidelines Manual, Chapter 8, Part B, Section 2.1(b).

(3) Each board of trustees shall assign responsibility for providing governance oversight of the Program to the audit and compliance committee established pursuant to Board of Governors Regulation 4.002(2). The charter required by Board of Governors Regulation 4.002(2) shall address governance oversight for the Program.

(4) Each university, in coordination with its board of trustees, shall designate a senior-level administrator as the chief compliance officer. The chief compliance officer is the individual responsible for managing or coordinating the Program. Universities may have multiple compliance officers; however, the highest ranking compliance officer shall be designated the chief compliance officer. Nothing in this regulation shall be construed to conflict with the General Counsel's responsibility to provide legal advice on ethics laws.

(a) The chief compliance officer shall not be the same individual as the chief audit executive with the exception of New College of Florida and Florida Polytechnic University who may, due to fiscal and workload considerations, name the same individual as both chief audit executive and chief compliance officer.

(b) The board of trustees must provide quarterly updates to the Board of Governors Audit and Compliance Committee, through the Office of Inspector General and Director of Compliance (OIGC), of any chief compliance officer vacancy unfilled for six (6) months and describe efforts taken to fill such vacancy.

(c) The board of trustees must obtain Board of Governors' approval before outsourcing the function of the chief compliance officer.

(d) The board of trustees must adopt a regulation(s) as prescribed by Board of Governors Regulation 4.001, paragraphs (5) and (6), regarding significant and credible allegations against the university president, board of trustees' member, or the chief compliance officer.

(5) The chief compliance officer shall report functionally to the board of trustees and administratively to the president.

(6) The office of the chief compliance officer shall be governed by a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors Office, through the OIGC.

(7) The Program shall address the following components:

(a) The president and board of trustees shall be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. The board of trustees shall approve a Program plan and any subsequent changes. A copy of the approved plan, and any subsequent revisions to the plan, shall be provided to the Board of Governors Office, through the OIGC.

(b) University employees and board of trustees' members shall receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan shall specify when and how often this training shall occur.

(c) At least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate. The first external review shall be initiated within five (5) years from the effective date of this regulation. The assessment shall be provided to the board of trustees and the Board of Governors Office, through the OIGC.

(d) The Program may designate compliance officers for various program areas throughout the university based on an assessment of risk in any particular program or area. If so designated, the individual shall coordinate and communicate with the chief compliance officer on matters relating to the Program.

(e) The Program shall require the university, in a manner which promotes visibility, to publicize a mechanism for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith. If the chief compliance officer determines the reporting process is being abused by an individual, he or she may recommend actions to prevent such abuse.

(f) The Program shall articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.

(g) The chief compliance officer shall:

1. Have the independence and objectivity to perform the responsibilities of the chief compliance officer function;

2. Have adequate resources and appropriate authority;
3. Communicate routinely to the president and board of trustees regarding Program activities;
4. Conduct and report on compliance and ethics activities and inquiries free of actual or perceived impairment to the independence of the chief compliance officer;
5. Have timely access to any records, data, and other information in possession or control of the university, including information reported to the university's hotline/helpline;
6. Coordinate or request compliance activity information or assistance as may be necessary from any university, federal, state, or local government entity;
7. Notify the president of any unresolved restriction or barrier imposed by any individual on the scope of any inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. In such circumstances, the chief compliance officer shall request the president remedy the restrictions. If unresolved by the president or if the president is imposing the inappropriate restrictions, the chief compliance officer shall notify the chair of the board of trustees audit and compliance committee. If the matter is not resolved by the board of trustees, the chief compliance officer shall notify the Board of Governors, through the OIGC;
8. Report annually to the board of trustees on the activities and effectiveness of the Program and provide documentation of such report to the Board of Governors Office, through the OIGC;
9. Promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action;
10. Initiate, conduct, supervise, coordinate, or refer to other appropriate offices (such as human resources, audit, Title IX, or general counsel) such inquiries, investigations, or reviews as deemed appropriate; and in accordance with university regulations and policies, submit final reports to appropriate action officials; and
11. Timely notify the Board of Governors office, through the OIGC, of any significant issues of noncompliance.

(h) When noncompliance, unethical behavior, or criminal conduct has been detected, the university shall take reasonable steps to prevent further similar behavior, including making any necessary modifications to the Program.

(8) The university shall use reasonable efforts not to include within the university and its affiliated organizations individuals whom it knew, or should have known (through

the exercise of due diligence), to have engaged in conduct not consistent with an effective Program.

Authority: Section 7(d), Art. IX, Fla. Const., History: New 11-3-16; Amended 06-30-22

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Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters.
Approving decisions regarding the appointment and removal of the chief audit executive.
Approving the remuneration of the chief audit executive.
Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

NEW COLLEGE OF FLORIDA BOARD OF TRUSTEES
AUDIT AND COMPLIANCE COMMITEE CHARTER

I. Purpose

The Audit and Compliance Committee (the "Committee") Charter outlines the authority, responsibilities and operation of the Committee to assist the New College of Florida (New College") Board of Trustees (the "Board") in fulfilling its responsibilities.

II. Membership and Meetings

The Committee shall be comprised of at least three members of the New College Board as appointed by the Chair of the Board. At least one Committee member shall be designated as the Committee's financial expert[1]. The Chair and members of the Committee shall be independent and objective in the discharge of their responsibilities, and be free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgment. The Chair of the New College Board may not serve as the Chair of the Committee. The Vice President for Finance and Administration and Chief Audit Executive and Chief Compliance Officer serve as the New College's staff liaisons to the Committee.

The Committee shall meet at least twice per calendar year in connection with regularly scheduled meetings of the Board and at other times as deemed necessary. Meeting agendas will be prepared and provided to Committee members in advance of meetings, along with appropriate briefing materials. The Committee is subject to the requirements of Article I, Section 24 of the Florida Constitution and Chapter 286, Florida Statutes. As such, meetings will be noticed and open to the public, and minutes will be recorded and published for public inspection. The Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information.

A majority of Committee members present at a meeting will constitute a quorum for the transaction of Committee business.

III. Public Records Requirements

Most matters addressed by the Committee are public records subject to Chapter 119, Florida Statutes. However, Chapter 119.07, Florida Statutes, provides that limited exceptions apply, and certain records are confidential and exempt from the public record. The Chief Audit Executive and Chief Compliance Officer will communicate directly with the Committee on matters considered to be confidential and exempt. Exemptions include, but are not limited to:

A. Documents and reports created pursuant to Florida's "Whistle-blower Act," Chapter 112, Florida Statutes;

B. Complaints of discrimination and misconduct pursuant to Chapter 119.071, Florida Statutes;

C. Enterprise security of data and information technology pursuant to Chapter 286, Florida Statutes.

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[1] Under SEC Regulations and NYSE Rules, a financial expert is defined as a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

IV. Committee Responsibilities:

In accordance with State University System of Florida Board of Governor's regulations sections 4.001, 4.002 and 4.003, the Committee responsibilities shall include:

A. Assisting the Board in fulfilling oversight responsibilities in relation to financial reporting, sound business practices, internal and external audits, enterprise risk management, financial and fraud related compliance, investigations, and the Program of Compliance and Ethics.

B. Reviewing and approving the Committee Charter and the Internal Audit and Compliance Charter.

C. Functionally overseeing the Chief Audit Executive and Chief Compliance Officer, including the review of external quality assessments as required by Board of Governor's regulations 4.002 State University System Chief Audit Executives, 4.003 State University System Compliance and Ethics Programs, and professional auditing standards.

D. Directing the CAE/CCO to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.

E. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.

F. Reviewing and approving for submittal required reports to the Board of Governors as necessary.

V. Financial Reporting

The Committee shall receive and review the Auditor General's independent financial statement audits for the purpose of determining whether the New College:

A. Presented the basic financial statements in accordance with generally accepted accounting principles;

B. Established and implemented an adequate system of internal controls over financial reporting and compliance including information system reliability and security;

C. Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and

D. Has taken corrective action to appropriately address any findings and recommendations contained in the Auditor General financial statement audits.

VI. Internal Audit

With regard to the Office of the Chief Audit Executive (Office), the Committee shall:

A. Review the Office's continuous enterprise risk assessment of the New College and affiliated organizations.

B. Review the Office's risk-based plan, including plans to contract for audit assistance, and the impact of any resource constraints.

C. Review the Office's annual summary of activities for the preceding fiscal year.

D. Review the Office's reports of significant risk exposures, control issues, fraud risks, governance issues and other matters as requested.

E. Review the Office's receipt and investigation of all significant and credible allegations and known occurrences of waste, fraud, mismanagement, and/or abuse.

F. Provide support to the Office in the event timely access to records, data, personnel or other New College information is not provided or there is an actual or perceived impairment to the independence of the Chief Audit Executive and Compliance Officer.

G. Meet with the Chief Audit Executive no less than twice a year to review significant matters.

H. Review with management and concur in the appointment, compensation, replacement, reassignment, and/or dismissal of the Chief Audit Executive.

I. Review, at least every three (3) years, the Officer of Internal Audit Charter.

VII. External Audit

With regard to external audits, the Committee shall review the scope and approach of external audit engagement and all external auditors' reports of New College's operations, including reports from the Auditor General and the Office of Program Policy and Governmental Accountability (OPPAGA). The Committee shall follow-up to ensure New College takes timely and appropriate actions to correct reporting deficiencies.

VIII. Program of Compliance and Ethics

With regard to compliance, the Committee shall review the effectiveness of New College's efforts to comply with Board of Governor regulation 4.003 State University System Compliance and Ethics Programs. Specifically, the Committee shall:

A. Review the New College's Compliance and Ethics Program Plan and other Office efforts to prevent or detect non-compliance with Board of Governor, federal, state, and New College regulations; unethical behavior; and/or criminal conduct, as appropriate to New College's mission, size, activities, and unique risk profile.

B. Ensure the Office has an external peer review at least once every five years.

C. Review the Officer of Compliance Charter at least every three (3) years.

IX. Investigative Responsibilities

With regard to investigations, the Committee shall:

A. Ensure a process is publicized for individuals to anonymously report potential or actual fraud, waste, abuse, misconduct and/or violations of university policy, regulations, or laws; and, that no individual faces retaliation for reporting a good-faith concern.

B. Conduct or authorize investigations within its scope of responsibilities and is empowered to retain and compensate independent counsel, accountants, experts, and other advisors as it deems necessary.

C. Oversee an independent investigation in those instances where significant and credible allegations of fraud, waste, mismanagement, misconduct and other abuses are made against the Chief Audit Executive and Chief Compliance Officer. The investigation may be conducted by an independent outside firm or the Board of Governors Office of Inspector General and Director of Compliance.

X. Other Responsibilities

The Committee's other responsibilities shall include but not be limited to performing activities consistent with this Charter, regulations, rules and governing laws that the Board or Committee determines are necessary or appropriate.

Review

The Committee shall review this Charter at least every three years for consistency with applicable Board of Governors and New College regulations, professional standards, best practices and assess its adequacy in achieving the goals and objectives of the Board. A copy of the approved charter and any subsequent changes are to be provided to the Board of Governors through the Office of Inspector General and Director of Compliance.

Adopted by the New College Board of Trustees at its regular meeting duly assembled on the 20th day of April, 2021

ATTEST

By: ________________________
David Fugett,
Clerk to the
New College of Florida
Board of Trustees

New College of Florida
Board of Trustees

By: __________________________
Mary Ruiz
Chairperson

Seal

History: Adopted 11-4-06 Revised 04-20-21

Office of Internal Audit and Compliance Charter

This Charter identifies the purpose, authority, and responsibilities of the Office of Internal Audit and Compliance for New College of Florida (New College).

I. Purpose

The Office of Internal Audit and Compliance (OIAC) provides New College with independent and objective assurance, investigation, and advisory services to promote accountability, integrity, and efficiency in the programs and operations of New College. Through the evaluation and enhancement of governance, risk management, internal control and compliance, the OIAC will seek opportunities to assist New College management and the Board of Trustees in the effective discharge of their responsibilities and achievement of New College's strategic plan, mission, goals and objectives.

II. Authority

The OIAC is mandated by State University System of Florida Board of Governor's regulation 4.002. In accordance with the regulation, the OIAC reports functionally to the Board of Trustees Audit and Compliance Committee and administratively to the President of the university. This reporting relationship ensures the organizational independence and objectivity of the Chief Audit Executive and Chief Compliance Officer (CAE/CCO). The Board of Trustees Audit and Compliance Committee will approve the Internal Audit and Compliance Charter, annual risk-based audit and Compliance and Ethics Program Plan (Compliance Plan), annual budget and resource plan, and the appointment, remuneration, and removal of the Chief Audit Executive and Chief Compliance Officer.

OIAC has timely, full and unrestricted access to all New College functions, including Direct Support Organizations (DSO), records, systems, data, property, and personnel in possession or control of New College. Any restrictions or barriers which limit the scope or access of information or people necessary to perform the OIAC functions will be remediated through the President and the Board of Trustees (Board). If remediation is unsuccessful, the CAE/CCO shall timely notify the Board of Governors through its Office of the Inspector General and Director of Compliance (OIGC) to remedy any such restrictions, barriers, or limitations. The Chief Audit Executive and Chief Compliance Officer will confirm to the Board, at least annually, the organizational independence of the internal audit and compliance activities.

OIAC is responsible for ensuring confidential records obtained in the course of its activities are adequately secured and are only disclosed in accordance with Florida and Federal statutes.

OIAC has no direct operational responsibility or authority over any reviewed activities. Participation of the OIAC in the planning, development, implementation, or modification of New College systems, operations, or processes is limited to an advisory role. This role is managed so as to provide independence and objectivity when conducting future assessments.

III. Professionalism

All OIAC personnel shall adhere to the Institute of Internal Auditor's mandatory guidance including the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practices of Internal Auditing; as well as the Florida Code of Ethics for Public Officers and Employees, *Government Accounting Standards*, published by the US Government Accountability Office; the Standards for Complaint Handling and Investigations for the State University System of Florida, as adopted by the State University Audit Council ("SUAC Investigative Standards"); *Information Systems Auditing Standards*, published by the Institute of Information System Audit and Control Association, and the Committee of Sponsoring Organization's (COSO) Risk Management Framework. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to New College's regulations, policies and procedures.

IV. Responsibilities

The scope of the OIAC encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of New College's governance, risk management, internal controls, and Compliance Plan as well as the quality of New College's performance in achieving the institution's stated mission, goals and objectives. The OIAC will also promote accountability and conduct investigations of allegations of misconduct. The OIAC responsibilities include, but are not limited to, the following activities:

A. Internal Audit

1. Develop a COSO risk assessment based annual Internal Audit and Compliance Plan to:
   a. evaluate material exposures to the achievement of New College's mission, goals, and strategic plan objectives.
   b. evaluate the reliability and integrity of information provided to management, the Board, and outside regulatory authorities including the means to collect, input, verify, identify, measure, classify and report on the data.
   c. evaluate plans and systems used to assure compliance with government and New College regulations as well as policies, plans, procedures and statutes which could have a material impact on the success of the institution.
   d. evaluate the safeguarding of material assets and authorization of material liabilities including the verification of existence and proper financial reporting of such.
   e. evaluate the effective and efficient use of New College resources.
   f. evaluate operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
   g. monitor and evaluate governance processes.
   h. monitor and evaluate the effectiveness of the organization's risk management processes.
   i. evaluate the quality of performance of external auditors and the degree of coordination with internal audit.
   j. performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.

k. evaluating specific operations at the request of the Board or management, as appropriate.

- Submit an annual Audit and Compliance Plan to the Board for approval. The Audit and Compliance Plan will include a schedule of audit and compliance activities as well as budget and resource requirements. The Audit and Compliance Plan will be developed based on a prioritization of the audit universe using the COSO risk framework methodology, including input of senior management and the Board. The Chief Audit Executive will review and adjust the Audit and Compliance Plan, as necessary, in response to changes in New College's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Audit and Compliance Plan will be communicated to senior management and the Board through periodic activity reports. The approved Audit and Compliance Plan and substantive changes will be forwarded to the Board of Governors through the Office of Inspector General and Director of Compliance (OIGC).

- Provide audits, advisory services, and compliance oversight based on the International Professional Practices Framework, published by the IIA professional standards and other professional standards as appropriate for the Audit engagement.

- Prepare a report at the conclusion of each audit, review, investigation, management assist or other formal OIAC activity to communicate the results including any substantive findings including material exposures and control issues, including fraud risks, and/or governance issues. These reports shall include management's action plans and the extent to which the applicable standards, as referenced above in the Professionalism section, were followed. Reports with substantive findings will be forwarded to the Board of Governor's OIGC.

  The OIAC will periodically follow up on the extent to which management has completed their proposed action plans for Board OIAC findings as well as those in reports and assessments issued by external audit entities. Such follow up will determine whether the corrective actions have either been effectively implemented or Senior Management and/or the Board have chosen to accept the risk. In those instances where significant risk of waste, fraud, and/or financial mismanagement remain, the OIAC will notify the Board of Governor's OIGC.

- Report annually on the internal audit activity's purpose, authority, responsibility, and performance relative to its Annual Audit and Compliance Plan.

- Arrange for an objective external assessment of its programs every five (5) years in accordance with the IIA standards and Board of Governors regulation 4.002. The assessment results and any related recommendations for improvement shall be provided to New College's Board and the Board of Governor's OIGC.

Compliance

- Develop and implement a Compliance and Ethics Program Plan (Compliance Plan). The Compliance Plan and any substantive changes shall be approved by the Board and a copy provided to the Board of Governor's OIGC.

- Communicate routinely to the President and the Board regarding the results of Compliance Plan activities and provide an annual report on the effectiveness of the Compliance Plan. A copy of the annual report shall be provided to the Board of Governor's OIGC.

- Facilitate the designation of compliance partners for various program areas throughout New College. Such designations will be based on an assessment of risk for a program area. If so designated, the individual shall coordinate and communicate at least annually with the Chief Audit Executive and Chief Compliance Officer on matters relating to the Program.

Investigation

Pursuant to Board of Governor's Regulation 4.002 State University System Chief Audit Executives, the OIAC shall initiate, conduct, supervise, or coordinate investigations that fall within the purview of the OIAC and be designated as the employee to review statutory whistle-blower information and coordinate all activities of New College as required by the Florida Whistle-blower's Act. Investigative assignments will be performed in accordance with professional standards discussed in the Professionalism section.

IV. Charter Review and Approval

The Board of Trustees approved Office Internal Audit and Compliance Charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and New College of Florida regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors.

Mary Ruiz
Mary Ruiz, Chair, Board of Trustees — Approved on: 4/20/21

Donal O'Shea, President — Approved on: 4/20/21

Alexander G. Tzoumas
Alexander G. Tzoumas, CAE/CCO — Approved on: 4/20/21

Enterprise Risk Management A

Risk Evaluation Form Title	Business Objective	Inherent Risk Description	Inherent Risk Rating	Control Rating	Risk Ranking June 2022	Risk Ranking March 2023
Facilities	Provide and maintain facilities in accordance with university needs, to quality specifications, in a cost effective/competitive and regulatory compliant manner.	Significant age of buildings and budget limitations may result in facilities being disrupted or unable to fulfil university housing and administrative building needs in a timely and quality manner. Delays could cause inability to meet student body and administration demand causing a substantial loss of potential revenue, reputation and personnel dissatisfaction.	9	7	16	16
Human Resources	To design and manage compensation/benefit plans and employee satisfaction strategies that cost effectively attract, retain, and heighten the abilities of highly proficient employees who consistently achieve New College's strategic goals and objectives.	Personnel leave, are ineffective, or untrustworthy exposing New College to under performance, business process interruptions, loss of institutional knowledge, misconduct and increased recruitment and training costs thus hindering the achievement of key university's objectives.	8	7	15	15
Strategic Growth Initiatives	Demonstrate management's ability to achieve the university's goals of 1,200 students by 2024-25, 80% four-year graduation rate, and be recognized among the best twenty liberal arts universities in the nation.	Growth initiatives for existing or future enrolment fail to achieve projected results and support university graduation and achievement targets.	8	5	13	13
Cyber Security & Reliability	Demonstrate management's ability to secure protected data, respond to all cyber security breach threats/incidents, and assure reliability and accessibility of all data processing systems and repositories.	Non-public College, personal student and/or employee information is obtained and misused by unauthorized persons resulting in remediation costs, legal expense, regulatory agency sanctions and/or brand reputation damage. Data processing systems cannot be accessed or data lacks integrity.	8	5	13	13
Business Contunity	In the event of an emergency, imminent threat, or disaster, be prepared to identify the risk, quickly respond to minimize harm, and expeditiously restore normal university operations. Develop and Maintain an Emergency Operations Plan that assures the university is continuously able to safely and efficiently educate, conduct research, operate campus services, house students, communicate, and recruit.	Campus community is harmed and/or university operations are disrupted in a manner which adversely impacts the university's ability to maintain a safe environment, delivery its services, preserve public trust, and/or achieve its strategic objectives. 1.Critical business systems become inoperable (i.e. communications, payment processing, financial reporting, information or internet access). 2.Facilities become uninhabitable, unavailable, or destroyed. 3.Students cannot safely attend classes or reside in dorms. 4.Faculty or staff cannot perform essential job functions. 5.Campus support services such as the cafeteria or maintenance cannot provide services. 6.The campus cannot be accessed.	6	7	13	13
Campus Safety & Security	To operate the College campus in a safe and secure manner such that personnel, students and visitors feel safe, the College's reputation is supported, costs related to bodily and property harm are minimized, liability insurance rates are the lowest possible, and litigation is minimized.	Stakeholders, personnel, students, or government agency(s) could come to believe the open access campus is unsafe resulting in decreased enrolment, retention, and the viability of the campus mission; police could be viewed as threatening creating tension with student body and/or faculty, and insurance claims and uncovered losses strain the campus budget.	8	5	13	13
Environment Safety & Emergency Management	Assure the safety of campus students, personnel, and facilities; as well as, the continuous ability to effectively and efficiently educate and operate campus activities in compliance with local, state, and federal environmental laws and codes.	Key university assets, students, and personnel are placed at risk of damage or injury from hurricanes and other severe storms, rising seas, drinking water contamination, harmful algal bloom, hazardous substances, pandemics, and/or airplane crash.	7	5	12	12

Enterprise Risk Management A

Risk Evaluation Form Title	Business Objective	Inherent Risk Description	Inherent Risk Rating	Control Rating	Risk Ranking June 2022	Risk Ranking March 2023
Faculty Development	To identify, attract, and deliver a diverse collection of faculty and academic programs with the ability to engage students, core competencies, credentials and scholarly profile or potential to market the university as a high-quality institution with a vibrant academic program that can meet high performing student educational and developmental needs, support the cost of operations, and increase our impact as a SUS contributor.	• Failure to create an integrated academic and student residential experience that supports holistic student growth. • New marketable degrees, programs and research are not offered or under consideration to attract faculty and students. • Advanced technologies cannot be optimized and brought to bear to enhance education in a timely, quality, and/or cost-effective manner resulting in quality erosion, decreased enrollment and/or increased expenses. • The competitiveness of curriculum offered and new student application follow through are not thoroughly vetted resulting in decreased enrollment, low class size, and increase in cost of education per student. • Research breakthroughs and Intellectual property are not consistently identified and/or protected.	7	5	12	12
Code of Conduct & Regulatory Compliance	Create and communicate a tone of ethics, integrity, and awareness from the top of the organization that sponsors a high level of ethical conduct and regulatory compliance.	Non-compliance with the Code of Ethics and Conduct or Federal and State regulatory agency requirements may result in law suits, material errors, fines, sanctions, loss of license(s), loss of revenue, low employee morale, and/or adverse publicity.	7	4	11	11
Adverse Legal Action	To operate in a legal and ethical manner, build the university's reputation, and minimize the cost of, or loss from, litigation.	A stakeholder(s), employee(s), student(s), or government agency takes exception to the University's actions or inaction and files a legal action to force a change and/or remedy.	6	5	10	10
Financial Reporting	Ensure financial results, required footnotes and other disclosure information are reported and presented in a complete, accurate, timely, consistent, fair manner as required by the Government Accounting Standards Board and applicable regulatory guidelines.	Financial statements are presented in a manner that subjects the university to claims of misstatement, violation of accounting standards, fraud, inappropriate oversight, or malfeasance resulting in lawsuits, fines, penalties, higher insurance costs, additional costs, and/or damage to the university's reputation.	6	4	10	10
Economic & Political Events	Accurately adjust strategic plans, forecasts, and budgets for economic and/or political events in order to minimize the impact of uncontrollable shifts in State funding, enrolment, research, fundraising, operational costs, and other economic dependent variables.	Uncontrollable economic and/or political/world events, such as a change in State and Federal spending, consumer spending, interest rates, financial market liquidity, grant and loan availability, government policy, and/or tax regulations adversely impact U.S. and/or State economic stability thus budget funding, financial aid, donations, grant funding, student financial support, and/or other enrolment and funding variables.	6	4	10	10

Ranking is from highest present Residual risk of an adverse event to the lowest. The Residual risk ranking is the sum of the Inherent risk that the adverse event will occur plus the rating of
The higher Control rating indicates a less effective control environment from a scale of 1 to 10. The best ranking would be a 2 and the worst a 20. Unchanged risk rankings are in green. In
report.

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Management's Plan to Further Mitigate Risk	Risk Category	Responsible Manager(s)
1. New College strategic plan calls for an increase in student housing fees to help address deferred student dormitory maintenance over the next 12 months. 2. Employee and student relations are being addressed by management. 3. Facility improvements and housing will remain at issue until the 70 Pei beds can be restored.	Customer Relations & Brand Recognition	AVP Facilities, CFO
1. Implement company-wide base pay review. (Initially planned for calendar year 2021.) 2. Communication plan with all supervisors regarding expectation of open communication in each department and completion of annual performance evaluations in a timely manner. 3. Implement anonymous supervisor feedback process. Summer 2022 4. Develop an antibullying regulation. Summer 2022 5. Provide the Board with an annual Staff Views Report. Summer 2022 6. Conduct 2023 Employee Satisfaction Survey.	Business Continuity	Chief Human Officers & all Executives
1. Market in international markets including Asia and South America to attract foreign students. 2. Improved applicant communication to facilitate higher conversion rates. 3. Add recruiter to manage student interest programs. 4. Continuously evolve curriculum to higher demand fields. 5. Manage social media posts to improve university's image. 6. Publicize research and other faculty successes.	Asset Productivity and Brand Reputation	President, Provost, VP of Enrolment Management, and Board of Trustees
1. Breach response team, which includes the CFO, Chief Audit Executive, Director of Application Support & Development, Director of Information Technology, and Director of Technology Support will evaluate known causes for cyber related losses and enhance policies and process controls to further reduce exposures. 2. Penetration test will be performed during the 22/23 fiscal year. 3. External mail may be flagged to help College personnel recognize phishing attacks. 4. IT is in the process of implementing ISO 27001 Information Security Management to lessen cyber exposures.	Asset Security, Regulatory Compliance and Brand Reputation	Director of Application Support and Development, CFO, Director of Technology Support
Risk Management Plan - Campus will evaluate and improve continuity preparations as follows: 1. Develop Executive Security Program, 2. Assemble disaster recovery teams and emergency response wardens for all buildings/locations, 3. Conduct severe incident response drills and table top exercise with all campus personnel and a tiered involvement with students to improve awareness and response, 4. Update/renew POs with critical disaster response supply vendors, 5. Develop standing communiques to inform public of emergency status.	Business Continuity (also see Cyber Security, Facilities, & Environmental Safety)	CFO
1. Professionally evaluate camera system to ensure ability to identify perpetrators. 2. Campus administration is considering a scrub barrier and signage along Hwy 41 to restrict open access to student dorms and social areas.	Business Continuity, Compliance	President, CFO, & Chief of Police
1. The university plans to upgrade generator capacity at the Heiser Natural Science and ACE buildings. 2. Plan to control burn the regenerative forest area. 3. Housing has closed 30 rooms due to water damage and mold issues pending renovation funding. 4. The Blue emergency phones system is pending an upgrade.	Business Continuity, Compliance	President, CFO, & EH&S Director

nalysis

Management's Plan to Further Mitigate Risk	Risk Category	Responsible Manager(s)
1. Investments in faculty mentoring and research grant submissions support. 2. Competitive benefits and salary package. 3. Robust faculty review process that includes student feedback on teaching, external reviews of scholarship, and identification of improvement opportunities. 4. Research and creative scholarship activities are expected of all tenure-track and tenured faculty.	Reputation Research	Provost, President, Deans
1. The CFO will obtain an Annual Disclosure Form from all personnel with invoice payment authority, to obtain acknowledgement of their understanding and compliance with the Code of Conduct and other university regulations. 2. Update the university regulations related to ethics and compliance annually.	Financial Reporting & Compliance	Board of Trustees, President, CFO, Chief Compliance Officer, Compliance Partners
1. University plans to hire experienced general counsel for general, personnel, regulatory compliance, and institution specific matters. 2. Management will continue to enhance employee training to support knowledge of, and compliance with, applicable laws and regulations. 3. Implemented website accessibility practices and physical access policies to minimize risks from lawsuits on ADA compliance.	Compliance	President, CFO, Chief HR Officer & General Counsel
1. Support continuing education and certifications for accounting team. (ongoing) 2. Implement Enterprise Risk Management program. (Fall 2022)	Financial Reporting & Compliance	CFO, CAE, Finance Committee
1. Efforts are being made to diversify non-state funding sources including leverage of real property and alumni/Foundation relationships. 2. Focus on additional operational efficiencies to offset potential funding pressures.	Asset Productivity	President, CFO

the adequacy of controls in place to mitigate the Inherent risk. The higher the Inherent risk rating the more likely it could occur on a scale of 1 - 10.
ncreases in risk rankings are highlighted in red while decreases are highlighted in yellow. Risks in light blue shading have been added since the last

NEW COLLEGE OF FLORIDA
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

SEPTEMBER 30, 2022

NEW COLLEGE OF FLORIDA
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

SEPTEMBER 30, 2022

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Trustees
New College of Florida
Sarasota, Florida 34243

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees of New College of Florida (the "College"), solely to assist the College in determining whether the College has processes established to ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors (the "BOG") which support the Performance Funding Metrics of the College as of September 30, 2022. The College is responsible for all processes and procedures related to the complete, accurate and timely submission of data to the BOG.

New College of Florida has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the College. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

We reviewed the BOG submissions relating to the Performance Funding Metrics identified and published by the State University System of Florida (the "SUS") specific to the certification. See Attachment I for a listing of the submissions management selected for testing in the current year.

a) *Testing of data accuracy*.

1. Identify and evaluate data validity controls to ensure that data extracted from the primary systems of record are accurate and complete. This may include review of controls over code used to create the data submission. Review each measure's definition and calculation for the consistency of data submissions with the data definitions and guidance provided by the BOG.
2. As appropriate, select samples from data the College has submitted to the BOG for its Performance Funding Model. Vouch selected data to original source documents (this will most likely include the College's student and financial systems used to capture relevant information).
3. Evaluate the results of the testing and conclude on the completeness and accuracy of the submissions examined.

Procedures Performed

- For each metric and submission file identified, listed in Attachment I, we performed the following procedures for the specific metrics identified in the Performance Funding Metrics published by the SUS:

  - Obtained complete submission file for time period being tested;
  - Selected a sample size of thirty (30) data items, or other representative sample, to test for each file submission and each metric specific to the performance funding testing;
  - Verified data reported in the submission files specific to the metrics identified by the SUS agreed to the source system Banner;
  - Verified the data reported for each metric agreed with the SUDS data dictionary.

- To determine the completeness of the files being submitted, we performed the following procedures:

  - For each term and reported time frame, we obtained a file which was extracted from Banner and compared to submission files extracted by the Institutional Research and Analysis department. For each comparison we identified any person that was on the Banner report that was not in the file submission. We then selected a sample size based on the size of the file and errors returned and verified the student was properly omitted for the specific submission based on the current data definitions. Selected files and corresponding sample sizes are as follows:

    1. All students enrolled were compared to the Student Instruction Files (SIF) submitted. No differences were identified.
    2. All students who received Pell grants were compared to the Student Financial Aid (SFA) files submitted. No differences were identified.
    3. All students who had a degree awarded were compared to the Degrees Awarded (SIFD) files submitted. No differences were identified.

Findings

No exceptions were identified as a result of applying these procedures.

b) *Evaluate the veracity of the College Data Administrator's data submission statements that indicate, "I certify that this file/data represents the position of this College for the term being reported."*

1. Interview the College Data Administrator to consider the reasonableness of the various coordination efforts with the Data Administrator's staff, the other Data Custodians' staff, BOG IRM, and other knowledgeable individuals which form the basis for personal and professional satisfaction that data submitted to the BOG is complete, accurate and submitted timely.
2. Inquire how the Data Administrator knows the key controls are in place and operating effectively. If not already done, consider verifying these key controls are in place and adequate to support the Data Administrator's assertions.

Procedures Performed

- Interviewed the following people who have significant responsibility for the data being reported and submitted to the BOG:

  - Director of Institutional Research and Assessment, Office of Institutional Research and Assessment;
  - Director of Administrative Computing, Office of Information Technology;
  - Controller, Business Office;
  - Registrar, Office of the Registrar;
  - Associate Dean of Enrollment Services and Director of Admissions, Office of Admissions and Financial Aid;
  - Director of Financial Aid, Office of Admissions and Financial Aid.

- Verified communication with the Institutional Research and Assessment department is on-going and clear to ensure accurate and timely data submission. Also, verified the Data Administrator understands the key controls specific to the metrics being tested and that they are functioning. This was performed through review of emails, various correspondence between departments, and discussions with each personnel.
- Verified with the Director of Institutional Research and Assessment their communication with the BOG and IRM to ensure data being submitted meets the data definitions. This was performed through review of correspondence and emails.

Findings

No exceptions were identified as a result of applying these procedures.

We were engaged by New College of Florida to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestations standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the processes and procedures for the complete, accurate and timely submission of data to the BOG. Additionally, the specific accuracy of the current year data submissions was not a part of our review. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to this engagement.

This report is intended solely for the information and use of New College of Florida's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 20, 2023

NEW COLLEGE OF FLORIDA
METRIC RELATED SUBMISSIONS
OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022

ATTACHMENT I

Performance Based Funding Metrics Tested	
3	Cost to the Student Net Tuition and Fees for Resident Undergraduates per 120 Credit Hours
4	Four-Year FTIC Graduation Rate
9a	Two-Year Graduation Rate for FCS Associate in Arts Transfer Student
9b	Six-Year Graduation Rate for Students who are Awarded a Pell Grant in their First Year

For the above metrics, the data elements specific to those metrics were tested in the below submission files.

Submissions Tested				
Due Date	**Submission**	**Term or Year**	**Rept Time Frame**	**Sample Tested**
10/13/2021	SFA - Student Financial Aid File	Annual 2020	20202021	60
11/12/2021	SIF- Student Instruction File	Summer 2021	202105	1
1/21/2022	SIF - Student Instruction File	Fall 2021	202108	30
2/1/2022	RET - Retention File	Annual 2020	20202021	1
6/15/2022	SIF - Student Instruction File	Spring 2022	202201	30
6/29/2022	SIFD - Degrees Awarded	Spring 2022	202201	30
9/23/2022	SIF- Student Instruction File	Summer 2022	202205	9
N/A (1)	HTD - Hours to Degree	Annual 2021	20202021	30

(1) NCF used to be exempt for the HTD submission and still does not submit a traditional HTD file. The BOG accepts a simplified version of the HTD file from NCF that does not have a due date.

New College
THE HONORS COLLEGE of Florida

November 15, 2022

Dr. Patricia Okker, President
New College of Florida,
5800 Bay Shore Road, Sarasota, Fl 34243

Dear President Okker,

The university has a contract with the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) which allows us access to Florida registered motor vehicle information. We use the information to send citations to the registered owner(s) of vehicles parked at the university without a permit.

Each year the FDHSMV requires the university to certify it has evaluated and has adequate controls in place to protect the personal data of registered owners from unauthorized access, distribution, use and modification or disclosure and is in full compliance with the contractual agreement to access the Driver and Vehicle Information Database.

I have conducted the required quarterly audits and have found adequate controls to be in place to protect the personal data of registered owners and zero instances of noncompliance with our contractual agreement.

As such, I am requesting your signature on the Annual Certification Statement which will in turn be forwarded to the FDHSMV as required to maintain our access.

Respectfully,

Alexander G. Tzoumas, Chief Audit Executive

Certification of Foreign Influence Legislation Compliance (Non-Gifts-Related)

University Name: The New College of Florida

Purpose: We are conducting this compliance check for the non-gift-related, regulatory requirements contained in Board of Governors Regulation 9.012, *Foreign Influence*. The information collected will be summarized and provided to the Board of Governors.

1. The university has designated a Research Integrity Office in accordance with Board of Governors Regulation 9.012(3). If completed, please note in the comments field which office has been designated for this responsibility.

☒ Yes ☐ No ☐ In progress and expected to be operational by Click or tap to enter a date.

Comments: **Research integrity activities and compliance are managed by the Office of Research Programs and Services.**

2. The university has instituted a process for screening foreign applicants for research positions in accordance with Board of Governors Regulation 9.012(4).

☐ Yes ☐ No ☐ In progress and expected to be operational by Click or tap to enter a date.

Comments: **As the New College of Florida does not have a "research budget in excess of $10 million or more", we are exempt from this requirement.**

3. The university has established an international travel approval and monitoring program that complies with each element described in Board of Governors Regulation 9.012(5)(a)1.-5.

☐ Yes ☐ No ☐ In progress and expected to be operational by Click or tap to enter a date.

Comments: : **As the New College of Florida does not have a "research budget in excess of $10 million or more", we are exempt from this requirement.**

4. The university provided to the Board of Trustees a report of foreign travel to countries of concern, listing individual travelers foreign locations visited, and foreign institutions visited by July 31, 2022, in accordance with Board of Governors Regulation 9.012(5)(a)5. [Please provide the BOT meeting minutes reflecting the verbal report and/or a copy of the written report or memo that includes the date disseminated.]

☐ Yes [Attach additional information as described above] ☐ No

Comments: : **As the New College of Florida does not have a "research budget in excess of $10 million or more", we are exempt from this requirement.**

I certify that the representations above are true and correct to the best of my knowledge.

Signature: Alexander G. Tzoumas Date: 10/25/2022

Alexander G. Tzoumas, Chief Compliance Officer

Office of Chief Audit Executive and Chief Compliance Officer

Date: November 17, 2022

To: Dr. Patricia Okker, President
New College of Florida

From: Alexander G. Tzoumas, Chief Audit Executive and Chief Compliance Officer

Subject: Identity Theft and "Red Flag" Rules

Dear President Okker,

In reviewing prior State of Florida Auditor General Operational Audit findings, we noted an Identity Theft Protection Program finding in the October 2011 report. Upon following-up on the finding, we determined a university created Regulation 3-1014, Identity Theft and an Identity Theft Program Administrator was appointed to administer the program. Regrettably, the designated Program Administrator left the university several years ago without passing the baton to someone else and the program became dormant.

I brought the Identity theft program inactivity to Chris Kinsley's attention and we assembled a new Identity Theft Committee. We held a kick-off Committee meeting and all of the members stepped-up to take responsibility for their respective areas of expertise, please see the attached meeting minutes for details.

Our plan is to reconvene the Identity Theft Committee in six months and gauge our progress on program training and program guidance updates.

In accordance with the university's Identity Theft regulation, please accept this report as the official update on compliance with the Identity Theft program.

Cc: Chris Kinsley, Vice President for Finance and Administration

NEW COLLEGE OF FLORIDA
INTERNAL AUDIT DEPARTMENT

MANAGEMENT CONSULTING

Student Worker Summer Grant Timesheet Approval Process Evaluation

October 28, 2022

New College
THE HONORS COLLEGE of Florida

October 28, 2022

Pat Okker, President
New College of Florida

Re: Student Summer Grant Payroll Process Evaluation

Background:

The New College of Florida (NCF) is occasionally awarded grants which provide an opportunity for students to work on research projects during the summer break months. While these projects are managed by the Office of Research and Grants, the students are working under the direction of the faculty member Principal Investigator for the research award. The challenge arises when nine-month faculty are involved. The nine-month faculty do not hold active positions on the university's payroll system during the summer break months. As such, they cannot access the NewCleis employee self-service system to approve their research students' payroll timesheet. In order to assure the students are paid in the timely manner, either the Office of Research and Grants or the Human Resources Payroll Department, who do not have first-hand knowledge of the student actual hours worked, are approving the student timesheets.

Engagement Objectives:

At the request of the Director of the Office of Research and Grants, the objective of the engagement was to work with management to develop a process that allows the nine-month faculty Principal Investigators for the summer research projects to approve the student workers' timesheets.

Scope:

The scope of the student summer research worker consulting engagement included the evaluation of applicable research award requirements, adherence to established payroll process controls, and compliance with faculty union contract restrictions.

Procedures Performed

The consulting engagement was conducted in accordance with the Institute of Internal Auditors guidelines. Procedures performed involved meetings with the Office of Research and Grants, the Human Resources Payroll Department, Office of the Provost, and the IT Department.

Consulting Engagement Recommendations for Student Research Worker Timesheet Approval

After conferring with all parties with vested interest in the student summer research programs, Internal Audit supports the Human Resources Payroll Department recommendation that the university pay each nine-month faculty member acting as the Principal Investigator for a summer research award a stipend for one hour of their time each pay period during the six-week summer break period. The compensation rate would be equivalent to the average faculty hourly rate for that academic year. The Human Resources Payroll Department is able to set-up a separate assignment for each faculty member to receive the minor Other Personnel Services stipend amount, which would be exempt from accruing leave, insurance coverages, and retirement benefit contributions. The approach will require the Office of Research and Grants to identify the Principal Investigators involved in summer research awards and prepare an Employee Action Form for them to be set-up in the Payroll system. All faculty involved in summer research awards will receive the stipend to avoid any question of unequal treatment or work without compensation from the union. The Chief Human Resources Officer will also present the solution to the faculty union representative for their review and comment. Ultimately, the new process will allow student summer research to continue in a regulatory compliant and appropriately controlled manner.

Respectfully,

Alexander G. Tzoumas, CIA, CISA, CFE, CRMA, CDPSE
Chief Audit Executive & Chief Compliance Officer, NCF

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2023-076
December 2022

NEW COLLEGE OF FLORIDA

For the Fiscal Year Ended
June 30, 2022

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2021-22 fiscal year, Dr. Patricia Okker served as President of New College of Florida and the following individuals served as Members of the Board of Trustees:

Mary Ruiz, Chair
Ronald A. Christaldi, Vice Chair
Mark Aesch
Felipe Colòn
Dr. David Harvey [a]
Garin C. Hoover
Dr. Lance Karp
Grace Keenan from 5-1-22 [b]
Charlene “Charlie” J. Lenger
Sofia Lombardi through 4-30-22 [b]
Dr. Sarah S. Mackie
Felice C. Schulaner
Dr. James Stewart

[a] Faculty Senate Chair.
[b] Student Body President.

Note: One Trustee position vacant the entire period.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Michael D. Hess Jr., CPA, and the audit was supervised by Rachel P. Sellers, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General
Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

NEW COLLEGE OF FLORIDA

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of New College of Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely presented component unit as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended and discretely presented component units. The financial statements of New College of Florida Development Corporation, a blended component unit, represent 2.6 percent, 0.9 percent, and 2.1 percent, respectively, of the liabilities, net position, and revenues reported for New College of Florida. The financial statements of the discretely presented component unit represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the New College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. 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 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 New College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
December 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2022, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2022, and June 30, 2021.

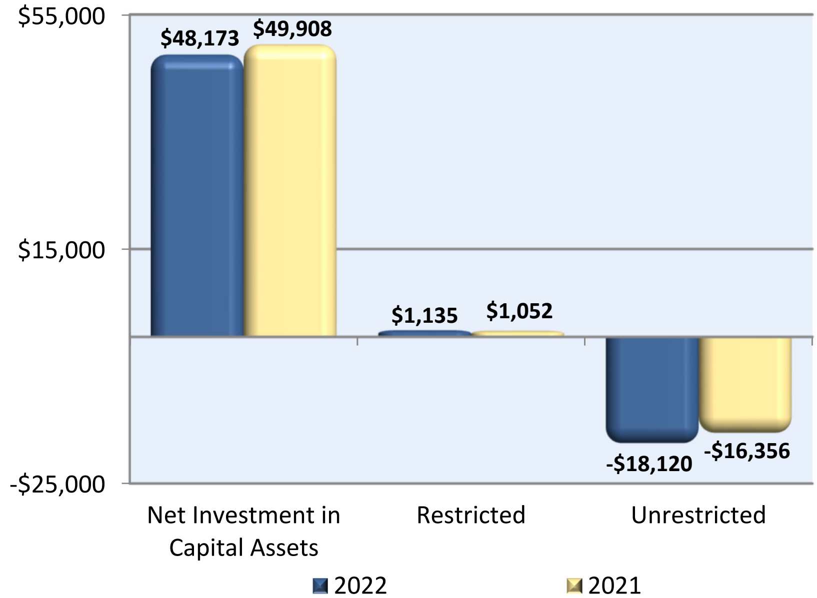
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $104.2 million at June 30, 2022. This balance reflects a $5.7 million, or 5.2 percent, decrease as compared to the 2020-21 fiscal year, resulting from decreases in cash and cash equivalents, investments, depreciable capital assets, deferred loss on certificates of participation debt refunding and deferred outflows of pension resources, offset by an increase in accounts receivable and contracts and grants receivable, the addition of the right-to-use land lease asset with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and an increase in deferred outflows of other postemployment benefits resources. While assets and deferred outflow of resources decreased, liabilities and deferred inflows of resources decreased by $2.3 million, or 3 percent, totaling $73 million at June 30, 2022, resulting from decreases in accrued salaries and wages, certificates of participation payable and debt refunding interest rate swap, net pension liability and deferred inflows of other postemployment benefits resources, offset by increases in accounts payable, the addition of the right-to-use land lease payable with the implementation of GASB Statement No. 87, *Leases*, other postemployment benefits payable, and deferred inflows of pension resources. As a result, the University's net position decreased by $3.4 million, resulting in a year-end balance of $31.2 million.

The University's operating revenues totaled $11.3 million for the 2021-22 fiscal year, representing a 34.5 percent increase compared to the 2020-21 fiscal year due mainly to increases in Federal, State, and nongovernmental grants and contracts received, and sales and services of auxiliary enterprises, offset by a decrease in net student tuition and fees as a result of an increase in the tuition scholarship allowance. Operating expenses totaled $53.3 million for the 2021-22 fiscal year, representing an increase of 0.1 percent as compared to the 2020-21 fiscal year due mainly to increases in scholarships and services and supplies expenses, offset by a decrease in compensation and employee benefits due to changes in the actuarial valuation of the Florida Division of State Group Insurance's other postemployment benefits and pension program.

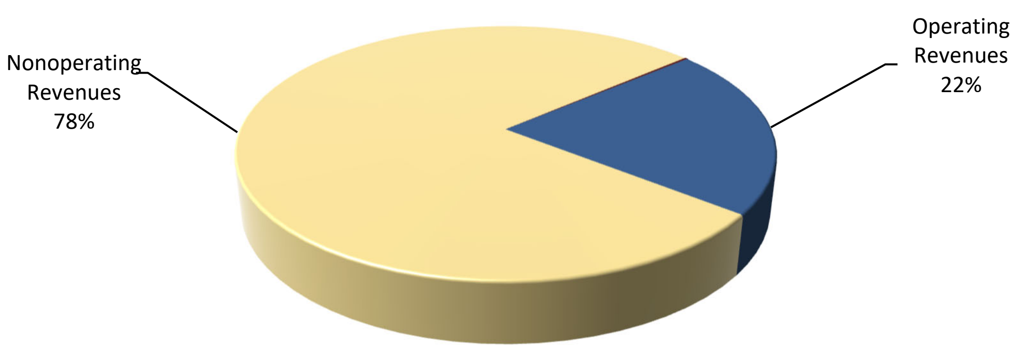
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2021-22 fiscal year:

Total Revenues
2021-22 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include: New College Foundation, Inc. (Foundation) and New College of Florida Development Corporation (Development Corporation). Based on the application of the criteria for determining component units, the Development Corporation is included within the University reporting entity as a blended component unit, and the Foundation is included within the University reporting entity as a discretely presented component unit.

Information regarding these component units, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component unit.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2022	2021
Assets		
Current Assets	$ 21,195	$ 23,728
Capital Assets, Net	71,333	72,002
Other Noncurrent Assets	596	600
Total Assets	93,124	96,330
Deferred Outflows of Resources	11,038	13,532
Liabilities		
Current Liabilities	4,563	4,859
Noncurrent Liabilities	51,020	61,774
Total Liabilities	55,583	66,633
Deferred Inflows of Resources	17,391	8,625
Net Position		
Net Investment in Capital Assets	48,173	49,908
Restricted	1,135	1,052
Unrestricted	(18,120)	(16,356)
Total Net Position	$ 31,188	$ 34,604

Current assets at June 30, 2022, totaled $21.2 million, compared to $23.7 million at June 30, 2021, reflecting a decrease of $2.5 million. This decrease is due to decreases in cash and cash equivalents and investments of $3.3 million, slightly offset by a combined increase of $0.8 million in accounts receivable, contracts and grants receivable, and other current assets.

Total capital assets of $71.3 million decreased by $0.7 million from the prior fiscal year. This decrease was due to increases related to depreciable capital assets of $3.7 million, offset by an increase in accumulated depreciation and a decrease in construction in progress of $4.4 million.

Deferred outflows of resources decreased by $2.5 million, due mainly to a decrease in pension resources of $2 million and the elimination of the interest rate swap prepayment penalty obligation of $0.7 million, offset by a $0.2 million increase in other postemployment benefits resources.

Liabilities at June 30, 2022, totaled $55.6 million, compared to $66.6 million at June 30, 2021. This represents an $11 million decrease. This decrease is composed primarily of decreases of $12.4 million in pension liability, $1 million in certificates of participation payable, $0.6 million in accrued salaries and wages, $0.7 million eliminating the interest rate swap prepayment penalty obligation and $0.1 million in other current liabilities, offset by increases in accounts payable of $0.3 million, the addition of the right-to-use land lease liability with the implementation of GASB Statement No. 87, of $2 million and $1.5 million in other postemployment benefits liability.

Deferred inflows of resources at June 30, 2022, totaled $17.4 million, compared to $8.6 million at June 30, 2021. This increase is due to an increase in pension resources of $9.3 million, offset by a $0.5 million decrease in other postemployment benefit resources.

In summary, New College of Florida's net position of $31.2 million at June 30, 2022, includes $48.2 million net investment in capital assets, $1.1 million in restricted expendable net position, and a deficit of $18.1 million in unrestricted net position, as disclosed in Note 4.

The Statement of Revenues, Expenses, and Changes in Net Position

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

The following summarizes the University's activity for the 2021-22 and 2020-21 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
Operating Revenues	$ 11,308	$ 8,424
Less, Operating Expenses	53,321	53,004
Operating Loss	(42,013)	(44,580)
Net Nonoperating Revenues	38,516	38,441
Loss Before Other Revenues	(3,497)	(6,139)
Other Revenues	107	133
Net Decrease In Net Position	(3,390)	(6,006)
Net Position, Beginning of Year	34,604	40,610
Adjustment to Beginning Net Position (1)	(26)	-
Net Position, End of Year	$ 31,188	$ 34,604

(1) Due to the elimination of Furniture and Equipment from the 2020-21 fiscal year, for electronic parts in patrol vehicles.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2021-22 and 2020-21 fiscal years:

Operating Revenues
For the Fiscal Years

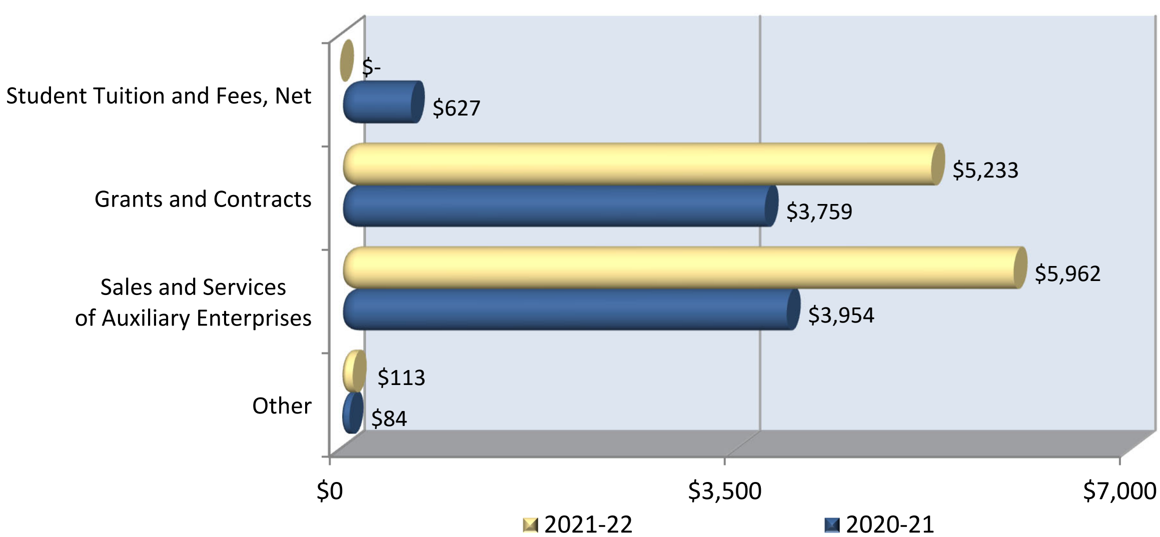
(In Thousands)

	2021-22	2020-21
Student Tuition and Fees, Net	$ -	$ 627
Grants and Contracts	5,233	3,759
Sales and Services of Auxiliary Enterprises	5,962	3,954
Other	113	84
Total Operating Revenues	$ 11,308	$ 8,424

The following chart presents the University's operating revenues for the 2021-22 and 2020-21 fiscal years:

Operating Revenues

(In Thousands)



Total operating revenues increased by $2.9 million in the 2021-22 fiscal year due primarily to increases in sales and services of auxiliary enterprises and Federal, State, and nongovernmental grants and contracts, offset by a decrease in net student tuition and fees.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2021-22 and 2020-21 fiscal years:

Operating Expenses
For the Fiscal Years

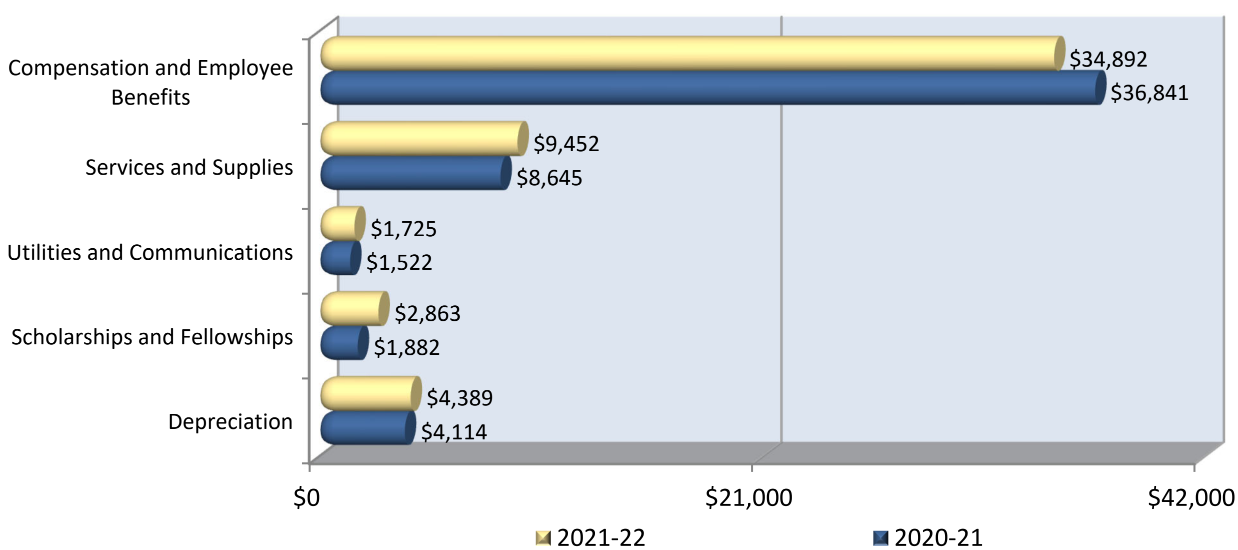
(In Thousands)

	2021-22	2020-21
Compensation and Employee Benefits	$ 34,892	$ 36,841
Services and Supplies	9,452	8,645
Utilities and Communications	1,725	1,522
Scholarships and Fellowships	2,863	1,882
Depreciation	4,389	4,114
Total Operating Expenses	$ 53,321	$ 53,004

The following chart presents the University's operating expenses for the 2021-22 and 2020-21 fiscal years:

Operating Expenses

(In Thousands)



Total operating expenses for the 2021-22 fiscal year were $53.3 million as compared to $53 million for the 2020-21 fiscal year, which is a $0.3 million, or 0.1 percent increase. The increase is due to increases in scholarships and fellowships of $1 million, services and supplies of $0.8 million, depreciation expense of $0.3 million and utilities and communications of $0.2 million, offset almost in its entirety by a decrease in compensation and employee benefits of $1.9 million. The compensation and employee benefits decrease is primarily due to a reduction in the accrual for pension expenses.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, noncapital grants, contracts, and donations, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Noncapital Appropriations	$ 35,598	$ 35,375
Federal and State Student Financial Aid	3,114	3,396
Noncapital Grants, Contracts and Donations	1,562	1,400
Investment Loss	(497)	(558)
Other Nonoperating Revenues	459	1,312
Interest on Capital Asset-Related Debt	(1,050)	(1,131)
Other Nonoperating Expenses	(670)	(1,353)
Net Nonoperating Revenues	$ 38,516	$ 38,441

The nonoperating revenues increased less than $0.1 million during the 2021-22 fiscal year. Although the change in this category is minimal, it is worth noting the decrease of $0.7 million in expenses related to reimbursements to students for reasons related to the COVID-19 pandemic, a $0.1 million improvement in investment loss, a $0.2 million increase in non-recurring State noncapital appropriations, and a $0.2 million increase in noncapital grants, contracts and donations, offset by a $0.9 million reduction in the use of Coronavirus Aid, Relief, and Economic Security Act and carry forward funds to cover for losses related to the COVID-19 pandemic, $0.3 million decrease in Federal and State student financial aid, and a $0.1 million decrease in interest expense.

Other Revenues

This category is composed of State capital appropriations. The following summarizes the University's other revenues for the 2021-22 and 2020-21 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Capital Appropriations	$ 107	$ 133
Total	$ 107	$ 133

Total other revenue for the 2021-22 fiscal year remained virtually unchanged compared to the prior fiscal year.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2021-22 and 2020-21 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2021-22	**2020-21**
Cash Provided (Used) by:		
Operating Activities	$ (38,998)	$ (37,027)
Noncapital Financing Activities	40,123	40,108
Capital and Related Financing Activities	(3,921)	(2,945)
Investing Activities	1,980	(294)
Net Decrease in Cash and Cash Equivalents	(816)	(158)
Cash and Cash Equivalents, Beginning of Year	2,510	2,668
Cash and Cash Equivalents, End of Year	$ 1,694	$ 2,510

Major sources of funds came from State noncapital appropriations ($35.6 million), sales and services of auxiliary enterprises ($5.7 million), grants and contracts ($5 million), Federal and State student financial aid ($3.1 million), and noncapital grants, contracts and donations ($1.6 million). Major uses of funds were for payments made to and on behalf of employees totaling $35.9 million; payments to suppliers totaling $11.1 million; payments to students for scholarships and fellowships totaling $2.9 million; and purchase or construction of capital assets totaling $1.9 million. Changes in cash and cash equivalents were the result of the following factors:

- The increase of almost $2 million in net cash used by operations was primarily due to increases in payments to employees by $3.1 million, distribution of scholarship and fellowships to students by $1 million, payments to suppliers by $0.7 million and a reduction in net student tuition and fees by $0.6 million, offset by increases in sales and services of auxiliary enterprises by $1.7 million, grants and contracts received by $1.3 million, and other operating receipts of $0.3 million.
- The net cash provided by noncapital financing activities remained virtually unchanged from the prior fiscal year primarily due to decreases in Federal and State student financial aid of $0.3 million and net other receipts and expenses of $0.1 million, offset by an increase in noncapital grants, contracts, and donations of $0.2 million, and nonrecurring State appropriations of $0.2 million.

- The increase of $1 million in net cash used by capital and related financing activities was primarily due to increases of $0.9 million used for the purchase or construction of capital assets and $0.1 million decrease in State capital appropriations.
- The decrease of $2.3 million in net cash used by investing activities was due to a $2.5 million increase in net proceeds from sales and maturities of investments, offset by a $0.2 million decrease in investment income.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the University had $142.3 million in capital assets, less accumulated depreciation of $71 million, for net capital assets of $71.3 million. Depreciation charges for the current fiscal year totaled $4.4 million, which includes almost $0.1 million related to the right-to-use land lease amortization from the implementation of GASB Statement No. 87, *Leases*. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2022	**2021**
Land	$ 4,562	$ 4,562
Works of Art and Historical Treasures	77	77
Construction in Progress	521	678
Buildings	59,552	61,964
Infrastructure and Other Improvements	3,956	3,819
Furniture and Equipment	632	895
Right-to-Use Lease Assets	2,024	-
Computer Software	9	7
Capital Assets, Net	$ 71,333	$ 72,002

Additional information about the University's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2022, were incurred for the Bay Front Dock, Caples HVAC and Renovations, and Career Engagement and Opportunity Space Expansion. The University's construction commitments at June 30, 2022, are as follows:

	Amount (In Thousands)
Total Committed	$ 4,640
Completed to Date	521
Balance Committed	$ 4,119

Additional information about the University's construction commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2022, the University had $21.1 million in outstanding certificates of participation payable, representing a decrease of $1 million or 4.5 percent, and an increase in right-to-use leases payable of $2 million from the prior fiscal year.

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida, as well as to student enrollment levels. State noncapital and capital appropriations for the 2021-22 fiscal year totaled $35.6 million and are the largest sources of funding. The level of recurring State noncapital support included in the budget the Florida Legislature adopted for the 2022-23 fiscal year is $31.9 million or $3.7 million (10.4 percent) less than the level that was funded in the 2021-22 fiscal year. This includes reductions in base funding of $4.1 million and $0.1 million in risk management insurance support, offset by an increase of $0.4 million in lottery revenue distribution. Due to concerted efforts to attract new students and retain existing students, the University expects to maintain current levels of student enrollment resulting in revenue from student tuition and fees to be similar to the 2021-22 fiscal year. Amounts that can be charged for student tuition and fees are still expected to remain unchanged by the Florida Legislature.

The University received a total of $3.8 million from the Foundation, during the 2021-22 fiscal year, including $1 million in scholarships and $2.2 million in other program support. Included in the $2.2 million of other program support is $0.5 million to subsidize faculty and other personnel costs. These funds are used to support the University's low student to faculty ratio, a feature that has been crucial in attracting students and increasing enrollment at the University. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the University if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Controller's Office, New College of Florida, 5800 Bay Shore Road, Sarasota, Florida 34243-2109.

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NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2022

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,693,510	$ 6,593,350
Investments	17,431,472	-
Accounts Receivable, Net	960,770	301,100
Due from State	156,363	-
Due from Component Unit	527,469	-
Other Current Assets	425,617	40,710
Total Current Assets	21,195,201	6,935,160
Noncurrent Assets:		
Investments	-	39,606,062
Restricted Investments	595,506	-
Accounts Receivable, Net	-	275,419
Depreciable Capital Assets, Net	64,149,018	730,718
Nondepreciable Capital Assets	5,159,899	421,832
Right-to-Use Land Lease, Net	2,024,396	-
Total Noncurrent Assets	71,928,819	41,034,031
Total Assets	93,124,020	47,969,191
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	5,707,276	-
Pensions	5,330,534	-
Total Deferred Outflows of Resources	11,037,810	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	660,546	448,503
Construction Contracts Payable	203,055	-
Salary and Wages Payable	1,616,008	-
Deposits Payable	528	-
Due to University	-	527,469
Unearned Revenue	150,496	626,153
Other Current Liabilities	176,074	-
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	1,020,000	-
Note Payable	-	7,938
Right-to-Use Land Lease Payable	32,286	-
Compensated Absences Payable	327,659	-
Other Postemployment Benefits Payable	357,306	-
Net Pension Liability	18,603	-
Total Current Liabilities	4,562,561	1,610,063

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	20,095,698	-
Note Payable	-	321,954
Right-to-Use Land Lease Payable	2,011,894	-
Compensated Absences Payable	2,690,017	-
Other Postemployment Benefits Payable	20,064,647	-
Net Pension Liability	6,157,763	-
Other Noncurrent Liabilities	-	391,170
Total Noncurrent Liabilities	51,020,019	713,124
Total Liabilities	55,582,580	2,323,187
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	7,734,181	-
Pensions	9,657,103	-
Gift Annuities and Charitable Remainder Unitrust	-	165,882
Total Deferred Inflows of Resources	17,391,284	165,882
NET POSITION		
Net Investment in Capital Assets	48,173,435	822,658
Restricted for Nonexpendable:		
Endowment	-	35,390,768
Restricted for Expendable:		
Capital Projects	723,322	-
Other	411,223	7,406,607
Unrestricted	(18,120,014)	1,860,089
TOTAL NET POSITION	$ 31,187,966	$ 45,480,122

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

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NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees	$ 5,949,231	$ -
Tuition Scholarship Allowance	(5,949,231)	-
Federal Grants and Contracts	2,203,616	-
State and Local Grants and Contracts	56,859	-
Nongovernmental Grants and Contracts	2,972,394	-
Sales and Services of Auxiliary Enterprises ($3,904,092 Pledged for Housing Facility Revenue Certificates of Participation)	5,962,721	-
Gift and Donations	-	2,362,377
Other Operating Revenues	112,968	98,429
Total Operating Revenues	11,308,558	2,460,806
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	34,891,921	-
Services and Supplies	9,452,289	-
Utilities and Communications	1,725,041	-
Scholarships and Fellowships	2,863,033	-
Depreciation	4,388,944	-
Other Operating Expenses	-	5,173,148
Total Operating Expenses	53,321,228	5,173,148
Operating Loss	(42,012,670)	(2,712,342)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	35,598,168	-
Federal and State Student Financial Aid	3,114,369	-
Noncapital Grants, Contracts, and Donations	1,561,682	-
Investment Loss	(496,701)	(7,180,864)
Other Nonoperating Revenues	458,820	46,196
Interest on Capital Asset-Related Debt	(1,049,998)	-
Other Nonoperating Expenses	(670,340)	-
Net Nonoperating Revenues (Expenses)	38,516,000	(7,134,668)
Loss Before Other Revenues	(3,496,670)	(9,847,010)
State Capital Appropriations	106,898	-
Contributions to Permanent Endowments	-	42,825
Decrease in Net Position	(3,389,772)	(9,804,185)
Net Position, Beginning of Year	34,604,278	55,284,307
Adjustments to Beginning Net Position	(26,540)	-
Net Position, Beginning of Year, as Restated	34,577,738	55,284,307
Net Position, End of Year	$ 31,187,966	$ 45,480,122

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

NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2022

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ (686)
Grants and Contracts	4,961,887
Sales and Services of Auxiliary Enterprises	5,650,422
Other Operating Receipts	226,632
Payments to Employees	(35,923,289)
Payments to Suppliers for Goods and Services	(11,050,172)
Payments to Students for Scholarships and Fellowships	(2,863,033)
Net Cash Used by Operating Activities	(38,998,239)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	35,568,838
Federal and State Student Financial Aid	3,114,369
Noncapital Grants, Contracts and Donations	1,561,036
Federal Direct Loan Program Receipts	813,842
Federal Direct Loan Program Disbursements	(813,842)
Other Nonoperating Receipts	458,819
Other Nonoperating Disbursements	(580,683)
Net Cash Provided by Noncapital Financing Activities	40,122,379
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	57,960
Purchase or Construction of Capital Assets	(1,912,409)
Principal Paid on Capital Debt and Leases	(1,019,035)
Interest Paid on Capital Debt and Leases	(1,047,506)
Net Cash Used by Capital and Related Financing Activities	(3,920,990)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	39,926,391
Purchases of Investments	(38,106,711)
Investment Income	160,726
Net Cash Provided by Investing Activities	1,980,406
Net Decrease in Cash and Cash Equivalents	(816,444)
Cash and Cash Equivalents, Beginning of Year	2,509,954
Cash and Cash Equivalents, End of Year	$ 1,693,510

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (42,012,670)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,388,944
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(535,169)
Other Assets	(153,781)
Accounts Payable	281,468
Salaries and Wages Payable	(602,641)
Compensated Absences Payable	(66,102)
Unearned Revenue	64,338
Other Postemployment Benefits Payable	1,538,781
Net Pension Liability	(12,466,118)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(181,817)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(515,189)
Deferred Outflows of Resources Related to Pensions	1,980,073
Deferred Inflows of Resources Related to Pensions	9,281,644
NET CASH USED BY OPERATING ACTIVITIES	$ (38,998,239)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (657,428)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Annual Comprehensive Financial Report by discrete presentation.

Blended Component Unit. Although it is legally separate from the University, the New College of Florida Development Corporation (Development Corporation) is included within the University's reporting entity as a blended component unit, based on the application of the criteria for determining component units. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes and as a direct-support organization of the University. The Development Corporation was established to secure, hold, invest, and administer property and to make expenditures for the exclusive benefit of the University. Due to the substantial economic relationship between the Development Corporation and the University, the financial activities of the Development Corporation are included in the University's financial statements. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the University's Controller's Office. Condensed financial statements for the University's blended component unit are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) is included within the University's reporting entity as a discretely presented component unit. This legally separate, not-for-profit, corporation is organized and operated exclusively to fund, in whole or in part, academic programs of the University by providing supplemental resources from private gifts and bequests, and grants that may be negotiated annually. The Foundation is governed by a separate board. Florida Statutes authorize the Foundation to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University.

An annual audit of the Foundation financial statements is conducted by independent certified public accountants. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller. Audited financial statements can be obtained from the Controller's Office, New College of Florida, 5800 Bay Shore Rd., Sarasota, Florida 34243-2109.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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 University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

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

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Deposit Insurance Corporation, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets. University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property and $100,000 for new buildings and other building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 9 to 50 years
- Infrastructure and Other Improvements – 20 years

- Furniture and Equipment – 3 to 15 years
- Library Resources – 5 to 10 years
- Computer Software – 7 years

Noncurrent Liabilities. Noncurrent liabilities include amounts of certificates of participation payable, compensated absences payable, other postemployment benefits (OPEB) payable, net pension liability, and other noncurrent liabilities (an interest rate swap) that are not scheduled to be paid within the next fiscal year. Certificates of participation payable are reported net of unamortized discounts. The University amortizes debt discounts over the life of the debt using the straight-line method.

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Leases. The University determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the University's control of the right-to-use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the university will exercise that option. The University recognized payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than a hundred thousand dollars over the life of the lease as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

2. Reporting Change

Governmental Accounting Standards Board Statement No. 87. The University implemented GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use, an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University only participates as lessee in current lease contracts. This change is reflected in Note 9. and Note 12. There was no effect to beginning net position.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $26,540 due to the elimination of Furniture and Equipment for electronic parts in patrol vehicles from the 2020-21 fiscal year.

4. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (21,996,622)
Auxiliary Funds	3,876,608
Total	$ (18,120,014)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2022, are investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

External Investment Pools.

The University reported investments at fair value totaling $18,026,978 at June 30, 2022, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities (Level 3 inputs). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 years, and fair value factor of 0.9479 at June 30, 2022. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Component Unit Investments.

Investments held by the University's discretely presented component unit at June 30, 2022, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual Funds				
Equities	$ 29,108,722	$ 29,108,722	$ -	$ -
Bonds	4,394,035	4,394,035	-	-
Total investments by fair value level	$ 33,502,757	$ 33,502,757	$ -	$ -
Investments measured at the net asset value (NAV)				
Private Equity and Other Investments	6,103,305			
Total investments measured at NAV	6,103,305			
Total investments measured at fair value	$ 39,606,062			

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, and various sales and services provided to students and third parties. As of June 30, 2022, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 33,627
Contracts and Grants	527,888
Auxiliary Services	439,875
Other	1,938
Total Accounts Receivable	1,003,328
Less: Allowance for Uncollectible Accounts	42,558
Accounts Receivable, Net	$ 960,770

Allowance for Doubtful Receivables. Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $42,558 at June 30, 2022.

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

7. Due From State

The amount $156,363 due from State consists of $124,860 from Capital Improvement Fee Trust Fund due from the State to the University for construction of University facilities, $31,250 in State contracts and grants pending at year-end, and $253 in sales tax overpayments to be claimed from the State.

8. Due From Component Unit

The amount due from component unit of $527,469 consists of $539,581 owed to the University by the Foundation for payroll for the fourth quarter and reimbursements for expenses paid for by University sources that are Foundation expenses, and the University owes the Foundation $12,112 as a result of receiving an overpayment for scholarship support.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 4,561,975	$ -	$ -	$ 4,561,975
Works of Art and Historical Treasures	76,840	-	-	76,840
Construction in Progress	678,011	445,618	602,545	521,084
Total Nondepreciable Capital Assets	$ 5,316,826	$ 445,618	$ 602,545	$ 5,159,899
Depreciable Capital Assets:				
Buildings	$ 119,090,095	$ 1,051,387	$ -	$ 120,141,482
Infrastructure and Other Improvements	7,202,724	522,571	-	7,725,295
Furniture and Equipment	6,510,947	236,969	174,446	6,573,470
Right-to-Use Lease Assets (1)	-	2,083,216	-	2,083,216
Library Resources	484,367	-	-	484,367
Computer Software	111,363	10,000	-	121,363
Total Depreciable Capital Assets	133,399,496	3,904,143	174,446	137,129,193
Less, Accumulated Depreciation:				
Buildings	57,126,156	3,462,921	-	60,589,077
Infrastructure and Other Improvements	3,383,704	385,294	-	3,768,998
Furniture and Equipment	5,615,691	473,940	147,905	5,941,726
Library Resources	484,367	-	-	484,367
Right-to-Use Lease Assets (1)	-	58,820	-	58,820
Computer Software	104,822	7,969	-	112,791
Total Accumulated Depreciation	66,714,740	4,388,944	147,905	70,955,779
Total Depreciable Capital Assets, Net	$ 66,684,756	$ (484,801)	$ 26,541	$ 66,173,414

(1) Right-to-Use Lease Assets were added due to implementation of GASB Statement No. 87, *Leases*. Beginning balance was not restated.

10. Unearned Revenue

Unearned revenue at June 30, 2022, includes contracts and grants revenue and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2022, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 67,500
Student Tuition and Fees	82,996
Total Unearned Revenue	$ 150,496

11. Deferred Outflow / Inflow of Resources

The University's blended component unit (Development Corporation) entered into an interest rate swap agreement in connection with its $30 million certificates of participation issuance to manage the risk of rising interest rates on its variable rate-based debt. For the 2020-21 fiscal year, deferred outflows of resources included the effect of deferring accumulated decreases in fair value of hedging derivatives related to this interest rate swap agreement. The interest rate swap expired on April 1, 2022, and it was not renewed, therefore there is no effect in the deferred outflow of resources in the 2021-22 fiscal year. The other noncurrent liabilities section of Note 12. below includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of pension resources were $5,330,534 and total deferred inflows of resources related to pensions were $9,657,103 for the fiscal year ended June 30, 2022. Note 13. includes a complete discussion of defined benefit pension plans.

The deferred outflows and inflows related to OPEB are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Total deferred outflows of OPEB resources were $5,707,276 and total deferred inflows of resources related to OPEB were $7,734,181 for the fiscal year ended June 30, 2022. Note 12. below includes a complete discussion of OPEB.

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2022, include certificates of participation payable, right-to-use land lease payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities (an interest rate swap). Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certifications of Participation Payable	$ 22,093,206	$ 2,492	$ 980,000	$ 21,115,698	$ 1,020,000
Right-to-Use Land Leases Payable (1)	-	2,083,216	39,036	2,044,180	32,286
Compensated Absences Payable	3,083,778	359,258	425,360	3,017,676	327,659
Other Postemployment Benefits Payable	18,883,172	2,593,544	1,054,763	20,421,953	357,306
Net Pension Liability	18,642,484	4,330,088	16,796,206	6,176,366	18,603
Other Noncurrent Liabilities	696,318	-	696,318	-	-
Total Long-Term Liabilities	$ 63,398,958	$ 9,368,598	$ 19,991,683	$ 52,775,873	$ 1,755,854

(1) Right-to-Use Land Leases Payable were added due to implementation of GASB Statement No. 87, *Leases*. Beginning balance was not restated.

<u>Certificates of Participation Payable</u>. On April 7, 2006, the Development Corporation issued variable rate Certificates of Participation (COPs), Series 2006, in the amount of $30,110,000. The proceeds were used to finance the acquisition, construction, and equipping of five new residence halls containing approximately 200 new student beds, the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), comprising the Pei complex, and renovation and improvement to the Hamilton Center, the student activities center.

In April of 2012, the Development Corporation, through resolution of the Board, restructured the existing variable rate COPs as allowed under the master trust indenture. The existing COPs were restructured as a non-bank qualified tax-exempt variable facility (New College of Florida Development Corporation, Series 2012 Conversion), with an interest rate equal to 77 percent of the sum of the 30-day London

Interbank Offered Rate (LIBOR) plus 185 basis points. The revised agreement was for 10 years, which expired in April of 2022. The existing maturity and principal payment requirements pursuant to the original 2006 debt issuance were not restructured.

With the enactment of the Federal Tax Cuts and Jobs Act, the Development Corporation's tax-exempt variable facility did not have the same value as it did prior to this act due to the corporate maximum tax rate being reduced to 21 percent from 35 percent. As such, SunTrust, as Trustee, adjusted the interest rate on the swap, effective April 1, 2018, to be 77 percent of the 30-day LIBOR, fixed at 3.30 percent, plus 93.584 percent of 1.85 percent equaling 1.7313 percent. The sum of these two components provided a total effective fixed interest of 5.0313 percent.

Effective April 1, 2022, the Development Corporation restructured the existing variable rate COPs as allowed under the master trust indenture. The existing COPs were restructured as a non-bank qualified tax-exempt plain refinancing with a fixed interest rate of 3.33 percent. The existing maturity and principal payment requirements were not modified.

As a condition of the financing arrangement, the University entered into a Master Ground and Operating Lease Agreement with the Development Corporation. The property covered by the Master Ground lease together with the improvement thereon is leased back by the University to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The lease will terminate on the date the certificates and any related obligations are paid in full. Revenues from student resident facilities are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the long-term debt and any operating costs. During the 2021-22 fiscal year, student housing revenue totaled $3,904,092.

Principal and interest payment requirements on the COPs outstanding as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	1,020,000	678,821	1,698,821
2024	1,065,000	643,731	1,708,731
2025	1,115,000	607,017	1,722,017
2026	1,160,000	568,764	1,728,764
2027	1,220,000	528,637	1,748,637
2028-2032	6,935,000	1,977,312	8,912,312
2033-2037	8,635,000	671,953	9,306,953
Subtotal	21,150,000	5,676,235	26,826,235
Less: Discounts	(34,302)	-	(34,302)
Total	$ 21,115,698	$ 5,676,235	$ 26,791,933

Right-to-Use Land Lease Payable. The University follows GASB Statement No. 87, *Leases*. Land is leased from an external party for various terms under long-term, non-cancelable agreements. The lease expires on November 30, 2056. Currently, the payments are made in monthly installments of $8,322, with an implicit interest rate of 3.33 percent. The University does not have any leases featuring payments tied to an index or market rate, or any leases subject to a residual value guarantee. See Note 9. for right-to-use assets and the associated accumulated depreciation. Future commitments for remaining leases payable as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 99,867	$ 32,286	$ 67,581
2024	99,868	33,378	66,490
2025	99,868	34,507	65,361
2026	99,868	35,674	64,194
2027	99,868	36,880	62,988
2028-2032	499,339	203,969	295,370
2033-2037	499,339	240,865	258,474
2038-2042	499,339	284,435	214,904
2043-2047	499,339	335,887	163,452
2048-2052	499,339	396,646	102,693
2053-2057	441,083	409,653	31,430
Total Minimum Lease Payments	$ 3,437,117	$ 2,044,180	$ 1,392,937

Other Noncurrent Liabilities. Other noncurrent liabilities are the liability for an interest rate swap agreement. To protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPs were issued. The intention of the swap was to effectively change the variable interest rate on the COPs to a synthetic fixed rate. In April of 2022, the existing swap agreement expired and was not renewed as part of a restructured COPs with a fixed interest rate. As of June 30, 2022, there is no liability related to the swap, compared to $0.7 million at June 30, 2021.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2022, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $3,017,676. The current portion of the compensated absences liability, $327,659, is the amount expected to be paid in the coming fiscal year and is based on actual payouts for the last three years calculated as a percentage of those years' compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. For the 2021-22 fiscal year, 27 retirees and beneficiaries received postemployment healthcare benefits.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $20,421,953 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020, updated to July 1, 2021, using the actuarial assumptions in the table below. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.19 percent, which was an increase of 0.01 from its proportionate share reported as of July 1, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary increases	Varies by FRS Class
Discount rate	2.18 percent
Healthcare cost trend rates	
PPO Plan	7.95 percent for 2022, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
HMO Plan	6.02 percent for 2022, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Standard & Poor’s (S&P) Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the PUB-2010 mortality tables with fully generational improvement with Scale MP-2018.

While an experience study had not been completed for the OPEB Plan, the actuarial assumptions that determined the total OPEB liability for the OPEB Plan were based on certain results of the most recent experience study for the FRS Plan.

The following changes have been made since the prior valuation:

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.
- Retirement – Retirement rates were updated based on those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, with certain adjustments made to reflect the difference in the underlying populations. 60 percent of the Florida Division of State Group Insurance (DSGI) employees are assumed to become eligible for the Deferred Retirement Option Program (DROP), while the remaining 40 percent are assumed to participate in plans which do not offer DROP benefits. Rates were previously those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change decreased the Total OPEB Liability by about 7 percent as of the valuation date.
- Termination – Termination rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of the FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 3 percent as of the valuation date.
- Disability – Disability rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.5 percent as of the valuation date.
- Salary Scale – Salary increase rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.2 percent as of the valuation date.
- Active Medical Plan Election Rate – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement at a rate of 47 percent. For those who are not currently covered under the health plan, 3.7 percent are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43 percent. Previously, the overall participation rate was 50 percent. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8 percent decrease in the Total OPEB Liability as of the valuation date.

Sensitivity of the University’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University’s proportionate share of the total OPEB liability, as well as what the University’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18 percent) or 1 percentage point higher (3.18 percent) than the current rate:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
University's proportionate share of the total OPEB liability	$25,436,575	$20,421,953	$16,584,308

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$15,882,052	$20,421,953	$26,655,357

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2022, the University recognized OPEB expense of $1,205,432. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 970,693
Change of assumptions or other inputs	2,196,387	6,763,488
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	3,147,232	-
Transactions subsequent to the measurement date	363,657	-
Total	$ 5,707,276	$ 7,734,181

Of the total amount reported as deferred outflows of resources related to OPEB, $363,657 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30		Amount
2023	$	(680,490)
2024		(680,490)
2025		(680,490)
2026		(300,304)
2027		(120,738)
Thereafter		71,950
Total	$	(2,390,562)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2022, the University's proportionate share of the net pension liabilities totaled $6,176,366. Note 13. includes a complete discussion of defined benefit pension plans.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $581,430 for the fiscal year ended June 30, 2022.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer (1)**
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk	3.00	25.89
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled $1,608,778 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $2,686,296 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.035561875 percent, which was an increase of 0.000535892 from its proportionate share measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of $254,600. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 460,435	$ -
Change of assumptions	1,838,097	-
Net difference between projected and actual earnings on FRS Plan investments	-	9,371,810
Changes in proportion and differences between University contributions and proportionate share of contributions	675,063	70,901
University FRS contributions subsequent to the measurement date	1,608,778	-
Total	$ 4,582,373	$ 9,442,711

The deferred outflows of resources totaling $1,608,778, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ (1,027,827)
2024	(1,259,603)
2025	(1,795,764)
2026	(2,421,768)
2027	35,846
Total	$ (6,469,116)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.2%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2021 valuation was unchanged from the previous valuation.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability	$12,013,293	$2,686,296	$(5,110,029)

Pension Plan Fiduciary Net Position. Detailed information about the FRS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2022, the University reported a payable of $117,737 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2022.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $177,053 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $3,490,070 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.028452038 percent, which was an increase of 0.000100250 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the University recognized pension expense of $326,830. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 116,787	$ 1,462
Changes in assumptions	274,241	143,800
Net difference between projected and actual earnings on HIS Plan investments	3,638	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	176,442	69,130
University HIS contributions subsequent to the measurement date	177,053	-
Total	$ 748,161	$ 214,392

The deferred outflows of resources totaling $177,053, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ 125,116
2024	54,225
2025	66,727
2026	67,285
2027	36,413
Thereafter	6,950
Total	$ 356,716

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2021 valuation was updated from 2.21 percent to 2.16 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 2.16 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
University's proportionate share of the net pension liability	$4,034,859	$3,490,070	$3,043,737

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Annual Comprehensive Financial Report.

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2021-22 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $531,731 for the fiscal year ended June 30, 2022.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.34 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $1,154,301, and employee contributions totaled $629,828 for the 2021-22 fiscal year.

15. Construction Commitments

The University's construction commitments at June 30, 2022, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Caples Mansion Phase 2	$ 2,185,911	$ 6,705	$ 2,179,206
CEO Space Expansion	1,002,300	293,483	708,817
Library Water Intrusion	462,155	16,565	445,590
4 Winds Café Renovations	417,737	29,851	387,886
Access Control Replacement	400,000	10,482	389,518
College Hall Renovations	104,874	96,598	8,276
Subtotal	4,572,977	453,684	4,119,293
Other Projects (1)	67,400	67,400	-
Total	$ 4,640,377	$ 521,084	$ 4,119,293

(1) Individual projects with a current balance committed of less than $100,000 at June 30, 2022.

16. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2021-22 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $57.5 million for named windstorm and flood through February 14, 2022, and decreased to $56.3 million starting February 15, 2022. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $167.5 million through February 14, 2022, and increased to $168.7 million starting February 15, 2022; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

17. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 14,181,956
Research	1,387,004
Academic Support	3,522,038
Student Services	5,787,027
Institutional Support	11,716,068
Operation and Maintenance of Plant	4,632,760
Scholarships and Fellowships	2,863,033
Auxiliary Enterprises	4,842,398
Depreciation	4,388,944
Total Operating Expenses	$ 53,321,228

18. Blended Component Unit

The University has one blended component unit as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component unit:

Condensed Statement of Net Position

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Assets:				
Due From University / Blended CU	$ 1,742,639	$ -	$ (1,742,639)	$ -
Other Current Assets	1,698,821	21,195,201	(1,698,821)	21,195,201
Capital Assets, Net	-	71,333,313	-	71,333,313
Other Noncurrent Assets	18,134,060	595,506	(18,134,060)	595,506
Total Assets	21,575,520	93,124,020	(21,575,520)	93,124,020
Deferred Outflows of Resources	-	11,037,810	-	11,037,810
Liabilities:				
Due To University / Blended CU	-	1,742,639	(1,742,639)	-
Other Current Liabilities	1,196,074	3,366,487	-	4,562,561
Noncurrent Liabilities	20,095,697	50,757,203	(19,832,881)	51,020,019
Total Liabilities	21,291,771	55,866,329	(21,575,520)	55,582,580
Deferred Inflows of Resources	-	17,391,284	-	17,391,284
Net Position:				
Net Investment in Capital Assets	-	48,173,435	-	48,173,435
Restricted - Expendable	283,749	850,796	-	1,134,545
Unrestricted	-	(18,120,014)	-	(18,120,014)
Total Net Position	$ 283,749	$ 30,904,217	$ -	$ 31,187,966

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

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Operating Revenues	$ 1,083,804	$ 10,224,754	$ -	$ 11,308,558
Depreciation Expense	-	(4,388,944)	-	(4,388,944)
Other Operating Expenses	(23,683)	(48,908,601)	-	(48,932,284)
Operating Income (Loss)	1,060,121	(43,072,791)	-	(42,012,670)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	-	40,236,338	-	40,236,338
Interest Revenue (Expense)	(1,060,121)	10,123	-	(1,049,998)
Other Nonoperating Expense	(2,491)	(667,849)	-	(670,340)
Net Nonoperating Revenues (Expenses)	(1,062,612)	39,578,612	-	38,516,000
Other Revenues	-	106,898	-	106,898
Decrease in Net Position	(2,491)	(3,387,281)	-	(3,389,772)
Net Position, Beginning of Year	286,240	34,318,038	-	34,604,278
Adjustments to Beginning Net Position	-	(26,540)	-	(26,540)
Net Position, Beginning of Year, as Restated	286,240	34,291,498	-	34,577,738
Net Position, End of Year	$ 283,749	$ 30,904,217	$ -	$ 31,187,966

Condensed Statement of Cash Flows

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 2,040,121	$ (41,038,360)	$ -	$ (38,998,239)
Noncapital Financing Activities	-	40,122,379	-	40,122,379
Capital and Related Financing Activities	(2,040,121)	(1,880,869)	-	(3,920,990)
Investing Activities	-	1,980,406	-	1,980,406
Net Decrease in Cash and Cash Equivalents	-	(816,444)	-	(816,444)
Cash and Cash Equivalents, Beginning of Year	-	2,509,954	-	2,509,954
Cash and Cash Equivalents, End of Year	$ -	$ 1,693,510	$ -	$ 1,693,510

19. Discretely Presented Component Unit

The University has one discretely presented component unit as discussed in Note 1. This component unit comprises 100 percent of the transactions and account balances of the discretely presented component unit column of the financial statements.

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)	**2017** (1)
University's proportion of the total other postemployment benefits liability	0.19%	0.18%	0.17%	0.16%	0.16%
University's proportionate share of the total other postemployment benefits liability	$ 20,421,953	$ 18,883,172	$ 21,102,038	$ 16,882,000	$ 16,780,000
University's covered-employee payroll	$ 22,305,942	$ 21,022,328	$ 20,086,194	$ 17,432,167	$ 16,540,148
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	91.55%	89.82%	105.06%	96.84%	101.45%

(1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the FRS net pension liability	0.035561875%	0.035025983%	0.035447000%	0.032983616%
University's proportionate share of the FRS net pension liability	$ 2,686,296	$ 15,180,777	$ 12,207,453	$ 9,934,836
University's covered payroll (2)	$ 22,305,842	$ 21,022,328	$ 20,086,194	$ 17,432,167
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	12.04%	72.21%	60.78%	56.99%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of University Contributions – Florida Retirement System Pension Plan

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required FRS contribution	$ 1,608,778	$ 1,354,754	$ 1,163,758	$ 1,099,113
FRS contributions in relation to the contractually required contribution	(1,608,778)	(1,354,754)	(1,163,758)	(1,099,113)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 22,927,507	$ 22,305,842	$ 21,022,328	$ 20,086,194
FRS contributions as a percentage of covered payroll	7.02%	6.07%	5.54%	5.47%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.029416862%	0.028903737%	0.026926709%	0.025391772%	0.019864042%
$ 8,701,310	$ 7,298,216	$ 3,477,946	$ 1,549,271	$ 3,419,486
$ 16,540,148	$ 15,940,855	$ 15,302,021	$ 14,276,629	$ 13,288,324
52.61%	45.78%	22.73%	10.85%	25.73%
83.89%	84.88%	92.00%	96.09%	88.54%

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 940,007	$ 765,793	$ 704,864	$ 656,496	$ 556,188
(940,007)	(765,793)	(704,864)	(656,496)	(556,188)
$ -	$ -	$ -	$ -	$ -
$ 17,432,167	$ 16,540,148	$ 15,940,855	$ 15,302,021	$ 14,276,629
5.39%	4.63%	4.42%	4.29%	3.90%

Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the HIS net pension liability	0.028452038%	0.028351788%	0.029248158%	0.028157684%
University's proportionate share of the HIS net pension liability	$ 3,490,070	$ 3,461,707	$ 3,272,576	$ 2,980,241
University's covered payroll (2)	$ 9,980,315	$ 9,844,244	$ 9,786,732	$ 8,933,439
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.97%	35.16%	33.44%	33.36%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required HIS contribution	$ 177,053	$ 167,241	$ 163,378	$ 162,412
HIS contributions in relation to the contractually required HIS contribution	(177,053)	(167,241)	(163,378)	(162,412)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 10,557,053	$ 9,980,315	$ 9,844,244	$ 9,786,732
HIS contributions as a percentage of covered payroll	1.68%	1.68%	1.66%	1.66%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
	0.027024071%	0.026488765%	0.024606111%	0.022834094%	0.020786550%
	$ 2,889,538	$ 3,087,156	$ 2,509,436	$ 2,135,044	$ 1,809,742
	$ 8,350,415	$ 7,904,077	$ 7,215,699	$ 6,641,607	$ 6,011,544
	34.60%	39.06%	34.78%	32.15%	30.10%
	1.64%	0.97%	0.50%	0.99%	1.78%

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
	$ 152,700	$ 143,019	$ 135,772	$ 94,060	$ 78,222
	(152,700)	(143,019)	(135,772)	(94,060)	(78,222)
	$ -	$ -	$ -	$ -	$ -
	$ 8,933,439	$ 8,350,415	$ 7,904,077	$ 7,215,699	$ 6,641,607
	1.71%	1.71%	1.72%	1.30%	1.18%

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond rate index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.

Other changes of assumptions since the prior valuation were updates to retirement, termination, disability and salary scale rates to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, as well as the medical plan election percentages. Refer to Note 12. in the notes to financial statements for further detail.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

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Legislative Auditing Committee

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*

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 the New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
December 20, 2022

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

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

Prior Period Financial Statements

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Mauldin & Jenkins, LLC

Bradenton, Florida
September 23, 2022

Overview of the Financial Statements and Financial Analysis

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

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

Financial Highlights

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

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

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

Statements of Net Position

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

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

Net Position of the Development Corporation

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Changes in Net Position of the Development Corporation

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

Statement of Cash Flows

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

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

Cash Flows of the Development Corporation

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

Capital Assets and Debt Administration

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

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

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

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

Effective April 1, 2022, the Development Corporation restructured the existing variable rate COPS as allowed under the master trust indenture. The existing COPS were restructured as a non-bank qualified tax exempt plain refinancing with an interest rate of 3.330%. The existing maturity and principal payment requirements were not modified.

Factors Impacting Future Periods

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

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

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

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

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

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

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

Requests for Information

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

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

ASSETS	2022	2021
Current assets		
Due from New College of Florida	**$ 176,074**	$ 281,358
Note receivable, current	**1,698,821**	1,666,101
	1,874,895	1,947,459
Other assets		
Note receivable, less current portion	**18,134,060**	18,896,780
Due from New College of Florida	**1,566,565**	1,816,565
	19,700,625	20,713,345
Deferred outflows of resources		
Accumulated decrease in fair value of derivative instruments	**-**	696,318
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 21,575,520**	$ 23,357,122

LIABILITIES AND NET POSITION	2022	2021
Current liabilities		
Accrued interest payable	**$ 176,074**	$ 281,358
Current maturities of long-term debt	**1,020,000**	980,000
	1,196,074	1,261,358
Long-term liabilities		
Long-term debt, net of unamortized discount	**20,095,697**	21,113,206
Derivative instruments, interest rate swap	-	696,318
	20,095,697	21,809,524
TOTAL LIABILITIES	**21,291,771**	23,070,882
NET POSITION		
Restricted	**283,749**	286,240
TOTAL LIABILITIES AND NET POSITION	**$ 21,575,520**	$ 23,357,122

See Notes to Financial Statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

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

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

See Notes to Financial Statements.

NEW COLLEGE OF FLORIDA DEVELOPMENT CORPORATION

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

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

See Notes to Financial Statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Basis of Accounting and Presentation

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

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

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

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

Cash

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

Note Receivable

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

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

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

Due from the College

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

Deferred Outflows of Resources

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

Long-Term Debt

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

Interest Rate Swap

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

Net Position

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

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

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

Net Income from New College of Florida

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

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

Tax Status

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

Use of Estimates

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

Subsequent Events

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

NOTE 2. NOTE RECEIVABLE

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

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

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

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

NOTE 3. LONG-TERM LIABILITIES

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

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

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

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

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

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

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

NOTE 3. LONG-TERM LIABILITIES (CONTINUED)

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

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

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

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

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

NOTE 4. INTEREST RATE SWAP

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

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

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

NOTE 4. INTEREST RATE SWAP (CONTINUED)

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

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

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

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

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

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

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

OTHER INDEPENDENT AUDITOR'S REPORT

MAULDIN & JENKINS
CPAs & ADVISORS

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

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
September 23, 2022

NEW COLLEGE FOUNDATION, INC.
(A Component Unit of New College of Florida)

FINANCIAL STATEMENTS

JUNE 30, 2022

NEW COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS
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CPAs & ADVISORS

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

Report on the Audit of the Financial Statements

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

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

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
October 11, 2022

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, 2022, with comparative information for fiscal years ending 2021 and 2020, 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 Foundation 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 at June 30, 2021 contained total assets of $57,816,203 and liabilities of $2,531,896, resulting in a net position of $55,284,307 at June 30, 2021. Net position increased from July 1, 2020 to June 30, 2021 by 27%.

The Foundation's financial position at June 30, 2022 with total assets of $47,981,303 and liabilities of $2,501,181, resulting in a net position of $45,480,122 at June 30, 2022. Net position decreased from July 1, 2021 to June 30, 2022 by 17.7%.

The Foundation's investments showed a return (net of fees) of approximately 14.9% from July 1, 2020 to June 30, 2021 and (16.2%) from July 1, 2021 to June 30, 2022.

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, deferred inflows of resources and liabilities of $45,480,122. 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, deferred inflows of resources, liabilities and net position at June 30, 2022 and 2021 is presented in the following table:

NET POSITION

	For the years ended	
	June 30, 2022	June 30, 2021
Assets		
Current assets	**$ 6,947,272**	$ 8,352,576
Capital assets, net	**1,152,550**	1,198,010
Other noncurrent assets	**39,881,481**	48,265,617
Total assets	**$ 47,981,303**	$ 57,816,203
Liabilities		
Current liabilities	**$ 1,622,175**	$ 1,281,859
Noncurrent liabilities	**879,006**	1,250,037
Total liabilities	**$ 2,501,181**	$ 2,531,896
Deferred inflows of resources	**$ 165,882**	$ 227,300
Net position		
Invested in capital assets	**$ 822,658**	$ 860,534
Restricted	**42,797,375**	51,319,654
Unrestricted	**1,860,089**	3,104,119
Total net position	**45,480,122**	55,284,307
Total liabilities, deferred inflows and net position	**$ 47,981,303**	$ 57,816,203

Current assets primarily consist of cash, cash equivalents, accounts receivables and investments. Noncurrent assets consist of net capital assets and endowment investments. A review of the Foundation's statement of net position at June 30, 2022 and June 30, 2021, shows that the Foundation's net position decreased by 18% from 2021 to 2022.

LOANS FROM DIRECT BORROWINGS

In fiscal year 2021, the Foundation incurred a $340,000 mortgage debt secured by the real estate purchased on the North side of the New College of Florida campus. The mortgage is at 4.5% for five years, adjusted to 3.25% over the treasury rate for the next five years. The term is ten years and the amortization period is 25 years.

CAPITAL ASSETS

The Foundation capitalizes assets with a value of $1,000 for financial reporting purposes. As of June 30, 2022, there was $1,152,550 invested in capital assets net of accumulated depreciation. Capital assets of the Foundation at June 30, 2022 and 2021 are presented in the following table:

CAPITAL ASSETS

	For the years ended	
Capital assets	**June 30, 2022**	June 30, 2021
Nondepreciable capital assets:		
Real estate	**$ 421,832**	$ 421,832
Total nondepreciable capital assets	**$ 421,832**	$ 421,832
Depreciable capital assets:		
Buildings	**$ 1,520,611**	$ 1,520,611
Equipment	**130,457**	118,280
Total depreciable capital assets	**$ 1,651,068**	$ 1,638,891
Accumulated depreciation	**$ (920,350)**	$ (862,713)
Capital assets, net of depreciation	**$ 1,152,550**	$ 1,198,010

In fiscal year 2021, the Foundation purchased a piece of real estate for $425,000 on the North side of the New College campus. The purchase was a house that was previously a personal residence, and is being converted to office use. As part of the New College of Florida's growth plan, this purchase is strategic. The property is in a row of ten houses. This property is #6, and New College of Florida through the State of Florida, owns #1-4. As part of the strategic growth plan for New College of Florida, lots #1-6 will provide enough of a footprint, in order to build a building to support the future growth of the university. Currently, #6 is rented by New College of Florida to the Foundation through a lease agreement.

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 nonoperating. A summary of the Foundation's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2022 and 2021 is presented in the following table:

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended	
	June 30, 2022	June 30, 2021
Operating revenues		
Contributions	**$ 1,914,399**	$ 5,816,247
Fundraising support and revenue	**447,978**	270,254
Other revenue	**98,429**	54,710
Total operating revenues	**2,460,806**	6,141,211
Less operating expenses	**5,173,148**	4,420,041
Operating income (loss)	**(2,712,342)**	1,721,170
Nonoperating revenues		
Investment income, net	**136,940**	258,766
Unrealized gain (loss) on investments	**(8,875,230)**	3,186,277
Realized gain (loss) on investments	**1,557,426**	6,170,922
Changes in value of trust agreements	**46,196**	(44,072)
Nonoperating income (expense)	**(7,134,668)**	9,571,893
Gain (loss) before additions to permanent endowments	**(9,847,010)**	11,293,063
Additions to permanent endowments	**42,825**	459,195
Increase (decrease) in net position	**(9,804,185)**	11,752,258
Net position, beginning of year	**55,284,307**	43,532,049
Net position, end of year	**$ 45,480,122**	$ 55,284,307
Increase (decrease) in net position	**-17.7%**	27.0%

Operating revenue from fiscal year 2021 to 2022 decreased by $3,680,405. Total gifts, contributions, grants and other income decreased $3,901,848 from 2021 to 2022. The Foundation received $4,005,000 from the realization of an estate gift in 2021. Additions to permanent endowments decreased by $416,370 from 2021 to 2022. Investment income showed a significant decrease of $16,796,829 from 2021 to 2022, which is attributed to general investment market conditions. The Foundation changed investment advisors in November 2021.

In fiscal year 2021, the Foundation received new pledges in the amount of $70,000. The increases in gifts and additions to permanent endowments reflect the accounting of an increase in revenue from pledges receivable. In fiscal year 2022, the Foundation received pledges in the amount of $200,000.

Overall expenses increased by $753,107 from 2021 to 2022. In total, program support increased by $118,793 and scholarship expenses paid to New College of Florida increased by $156,072 from fiscal year 2021 to 2022. 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 increase in spending from 2021 to 2022 is mainly due to the New College of Florida Campus being closed down in March of 2020 through most of fiscal year 2021, due to the COVID-19 pandemic, so the current fiscal year increase is back up to pre-COVID-19 levels.

The Foundation's operating expenses decreased $26,559 from 2021 to 2022. The annual fund campaign initiatives remain a focus of the Foundation. Fundraising expenses increased by $37,080 in fiscal year 2022, mainly due to the return of in person events for fiscal year 2022.

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, 2022 and 2021 is shown in the following table:

CASH FLOWS

	For the years ended	
	June 30, 2022	June 30, 2021
Cash provided (used) by:		
Operating activities	**$ (2,652,969)**	$ 1,935,768
Investing activities	**1,973,323**	(699,428)
Noncapital financing activities	**42,825**	459,195
Capital and related financing	**(19,761)**	(122,097)
Net increase (decrease) in cash and cash equivalents	**(656,582)**	1,573,438
Cash and cash equivalents, beginning of the year	**7,249,932**	5,676,494
Cash and cash equivalents, end of year	**$ 6,593,350**	$ 7,249,932

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, 2022, cash and cash equivalents decreased by $656,582. The decrease is due to a return to normal activities, the general decrease in the investment markets, and along with the realization of a $4,005,000 estate gift in fiscal year 2021. 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 in, 80% Global Equities, 10% Fixed Income, and 10% Cash 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 and dividends. As of June 30, 2022, the Foundation held 84 endowed funds. Of these funds, 18 were in an underwater status as of the end of the fiscal year due to the temporary investment market conditions.

In fiscal year 2021, the Foundation continued an emphasis on revitalizing the planned giving program, including the establishment of a gift annuity program in December 2019. The Foundation has a total of seven charitable gift annuities, along with new bequest intentions. The Foundation remains committed to the $1 million 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 Foundation'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, 2022

ASSETS		
CURRENT ASSETS		
Cash	$	6,593,350
Accounts receivable		12,112
Pledge receivable, net		210,000
Beneficial interest in remainder trusts, net		91,100
Prepaid expenses and other assets		40,710
Total current assets		6,947,272
NONCURRENT ASSETS		
Investments		39,606,062
Pledge receivable, net		275,419
Capital assets, net		1,152,550
Total noncurrent assets		41,034,031
TOTAL ASSETS	$	47,981,303
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	977,614
Gift annuities payable		10,470
Note payable		7,938
Unearned revenue		626,153
Total current liabilities		1,622,175
NONCURRENT LIABILITIES		
Gift annuities payable, net of current portion		76,279
Note payable, net of current portion		321,954
Unearned revenue, net of current portion		314,891
Total noncurrent liabilities		713,124
DEFERRED INFLOWS OF RESOURCES		
Gift annuities and charitable remainder unitrust		165,882
NET POSITION		
Net investment in capital assets		822,658
Restricted, nonexpendable, endowment		35,390,768
Restricted, expendable		7,406,607
Unrestricted		1,860,089
Total net position		45,480,122
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	47,981,303

See Notes to Financial Statements.

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES		
Contributions	$	1,914,399
Fundraising support and revenue		447,978
Other revenue		98,429
Total operating revenues		2,460,806
OPERATING EXPENSES		
Program		
Scholarships and grants		1,694,296
Enhancements for programs		1,169,932
University support		1,319,176
General and administrative		721,381
Fundraising		268,363
Total operating expenses		5,173,148
Operating loss		(2,712,342)
NONOPERATING REVENUES (EXPENSES)		
Investment income, net		136,940
Unrealized loss on investments		(8,875,230)
Realized gain on investments		1,557,426
Changes in value of trust agreements		46,196
		(7,134,668)
Loss before permanent endowment contributions		(9,847,010)
Contributions to permanent endowments		42,825
Change in net position		(9,804,185)
Net position, beginning of the year		55,284,307
Net position, end of the year	$	45,480,122

See Notes to Financial Statements.

NEW COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from private donors	$ 1,962,841
Received from other sources	422,378
Payments to University for programs	(4,120,365)
Payments to suppliers for goods and services	(917,823)
Net cash used in operating activities	(2,652,969)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income, net	136,940
Proceeds from sale of investments	(1,941,253)
Purchase of investments	3,777,636
Net cash provided by investing activities	1,973,323
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Endowment contributions	42,825
Net cash provided by noncapital financing activities	42,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(12,177)
Payments on notes payable	(7,584)
Net cash used in capital and related financing activities	(19,761)
Net change in cash	(656,582)
Cash, beginning of year	7,249,932
Cash, end of year	$ 6,593,350
Reconciliation of operating income to net cash used in operating activities	
Operating loss	$ (2,712,342)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	57,637
Deferred inflow of resources related to gift annuities	(61,418)
Changes in assets and liabilities	
Prepaid expenses and other assets	14,284
Accounts receivable	(12,112)
Pledges receivable	(37,875)
Beneficial interest in remainder trusts	42,679
Accounts payable and other accrued expenses	63,039
Unearned revenue	(6,861)
Net cash used in operating activities	$ (2,652,969)
Noncash investing activities	
Net unrealized loss on investments	$ (8,875,230)

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 net 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 revenues, expenses and changes in net position separate from gains and losses. Investment fees were $310,860 for the year ended June 30, 2022.

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 $161,530 at June 30, 2022 and are recorded in investments on the statement of net position. The related liabilities under trust agreements totaled $86,749 at June 30, 2022.

The present values of payments to beneficiaries under these charitable gift annuities are calculated using an applicable tax discount rate at year-end of 1.2% for the year ended June 30, 2022.

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 $46,196 for the year ended June 30, 2022. 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 acquisition value for donated assets or acquired at nominal cost. The Foundation has a capitalization threshold of $1,000 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, 2022.

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 $71,583 were recognized in the year ended June 30, 2022, 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, deferred inflows of resources 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.

Implemented Accounting Pronouncements

Effective July 1, 2021, the Foundation implemented Governmental Accounting Standards Board Statement 87 (GASB 87), *Leases*. This standard requires the Foundation to recognize a lease liability and an intangible right-to-use lease asset in the financial statements. Upon implementation, management determined there were no material leases that met the definition under GASB 87 that would require recognition in the financial statements.

Subsequent Events

The Foundation has evaluated all subsequent events through October 11, 2022 the date the financial statements were available to be issued.

NOTE 2. COMMITMENTS TO NEW COLLEGE FOR 2021-2022 ACADEMIC YEAR

For the academic year ending June 30, 2022, the Foundation has budgeted to provide direct support to the College as follows:

Academic programs and enhancements	$	772,478
Endowed chairs, professorships and fellowships		259,684
New College library and library association		51,597
Scholarship and student grants		1,125,779
Other		130,000
	$	2,339,538

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, 2022:

Gross amounts due in		
2023	$	210,000
2024		104,000
2025		54,000
2026		49,000
2027-2032		103,754
Total gross pledges		520,754
Less discount to present value		(35,335)
Total	$	485,419

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, 2022.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is shown as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Real estate	$ 421,832	$ -	$ -	$ 421,832
Total capital assets not being depreciated	421,832	-	-	421,832
Capital assets being depreciated:				
Buildings	1,520,611	-		1,520,611
Equipment	118,280	12,177	-	130,457
Total capital assets being depreciated	1,638,891	12,177	-	1,651,068
Less accumulated depreciation for:				
Buildings	(753,952)	(49,156)		(803,108)
Equipment	(108,761)	(8,481)	-	(117,242)
	(862,713)	(57,637)	-	(920,350)
Total capital assets being depreciated, net	776,178	(45,460)	-	730,718
Total capital assets, net	$ 1,198,010	$ (45,460)	$ -	$ 1,152,550

NOTE 5. RESTRICTED NET POSITION

Expendable restricted net position is restricted for scholarships or other similar purposes and totaled $7,406,607 for the year ended June 30, 2022.

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 $35,390,768 for the year ended June 30, 2022.

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, 2022 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 $3,847,244 for the year ended June 30, 2022.

The Foundation received $71,583 of in-kind services for payroll, grounds maintenance and custodial services for the year ended June 30, 2022.

The Foundation provided direct support to the College in the amount of $2,864,228 for the year ended June 30, 2022. Of that amount, approximately $107,365 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, 2022. 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, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Unearned revenue	$ 947,905	$ 547,651	$ (554,512)	$ 941,044	$ 626,153
Gift annuities payable	104,640	-	(17,891)	86,749	10,470
	$ 1,052,545	$ 547,651	$ (572,403)	$ 1,027,793	$ 636,623

NOTE 8. NOTE PAYABLE

During 2021, the Foundation entered into an agreement with a local financial institution to borrow $340,000 to acquire real property in Sarasota, Florida. The note payable is due in 60 monthly payments of $1,902 including interest at 4.50% followed by 59 monthly payments estimated at $1,773 including interest at the prevailing U.S. Treasury Note Yield plus 3.25% with a balloon payment in February 2031 and is secured by certain real property. The balance on the note from a direct borrowing at June 30, 2022 was $329,892.

Aggregate maturities on the long-term debt at June 30, 2022 are as follows:

	Principal	Interest
2023	$ 7,938	$ 14,886
2024	8,268	14,556
2025	8,693	14,131
2026	9,378	13,446
2027	10,366	12,458
2028-2032	285,249	42,369
	$ 329,892	$ 111,846

NOTE 9. 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, 2022, the bank balance was approximately $403,417. Of the bank balance, $153,417 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, 2022, the Florida Treasury Investment Pool carried a credit rating of AA-f by Standard & Poor's and had an effective duration of 2.60. At June 30, 2022, the Foundation had cash equivalents of $6,167,137 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.

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.

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

Investments held by the Foundation are reported at fair value and were as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Net Asset Value	Total at June 30, 2022
Investments					
Cash and cash equivalents	$ 1,199,000	$ -	$ -	$ -	$ 1,199,000
Mutual funds - fixed income	4,394,035	-	-	-	4,394,035
Mutual funds - equities	159,277	-	-	-	159,277
Domestic equities	18,685,324	-	-	-	18,685,324
International equities	9,065,121	-	-	-	9,065,121
Total mutual funds - fixed income	33,502,757	-	-	-	33,502,757
Investments at net asset value					
Alternative foreign equity, private equity and other funds	-	-	-	6,103,305	6,103,305
Total investments	$ 33,502,757	$ -	$ -	$ 6,103,305	$ 39,606,062

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.

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, 2022.

As of June 30, 2022, 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	$ 4,394,035	$ -	$ 225,875	$ 4,168,160	$ -

NOTE 9. 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, 2022, the Foundation's fixed income investments were rated as follows:

		Rating
Fair Value	Duration	Standard & Poor's
$ 4,394,035	5.75	AA+ to AAAA

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 10. 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, 2022:

	Program Services	General and Administrative	Fundraising	Total
Enhancements	$ 1,062,566	$ -	$ -	$ 1,062,566
Lobbyist	107,365	-	-	107,365
Scholarships - College budget	1,117,119	-	-	1,117,119
Grants	577,177	-	-	577,177
Salaries	1,149,240	418,619	152,460	1,720,320
Depreciation	-	57,637	-	57,637
Insurance	-	19,734	-	19,734
Interest	-	15,241	-	15,241
Admin fees	-	1,167	-	1,167
Bank service fees	3,008	18,127	2,673	23,808
990 taxes		86	-	86
Dues and subscriptions	4,706	10,907	20	15,633
Professional services	31,954	10,500	5,497	47,951
Audit fees	-	33,217	-	33,217
In-kind professional services	-	30,562	-	30,562
Postage and shipping	8,371	3,295	-	11,667
Telephone expense	-	1,757	-	1,757
Office supplies	632	8,648	9,096	18,376
Software/software upgrades	9,181	40,977	1,507	51,665
Storage	-	7,726	-	7,726
Equipment	-	-	137	137
Maintenance and repair	-	2,276	-	2,276
Rental	195	6,035	27,825	34,055
Taxes - property	-	672	-	672
Donor cultivation major gifts	25,394	800	50	26,244
Printing	18,662	1,930	5,232	25,824
Utilities - TKC	-	13,062	-	13,062
Promotional expense	3,739	660	1,828	6,226
Development and entertainment	1,140	28	-	1,168
Sponsorship expense	10,000	-	-	10,000
Advertising	15,139	595	1,000	16,734
Catering	3,321	1,441	58,192	62,954
Travel - airfare/training	9,994	-	-	9,994
Travel - lodging	13,707	476	-	14,183
Mileage and toll reimbursement	2,093	1,364	-	3,457
Travel - auto rental	5,464	32	-	5,496
Conference/educational expense	3,236	8,258	92	11,585
Board of Directors expense	-	5,553	2,755	8,308
	$ 4,183,404	$ 721,381	$ 268,363	$ 5,173,148

OTHER INDEPENDENT AUDITOR'S REPORT

MAULDIN & JENKINS
CPAs & ADVISORS

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 component unit of New College of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 11, 2022.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
October 11, 2022

Crowe

Smart decisions. Lasting value.™

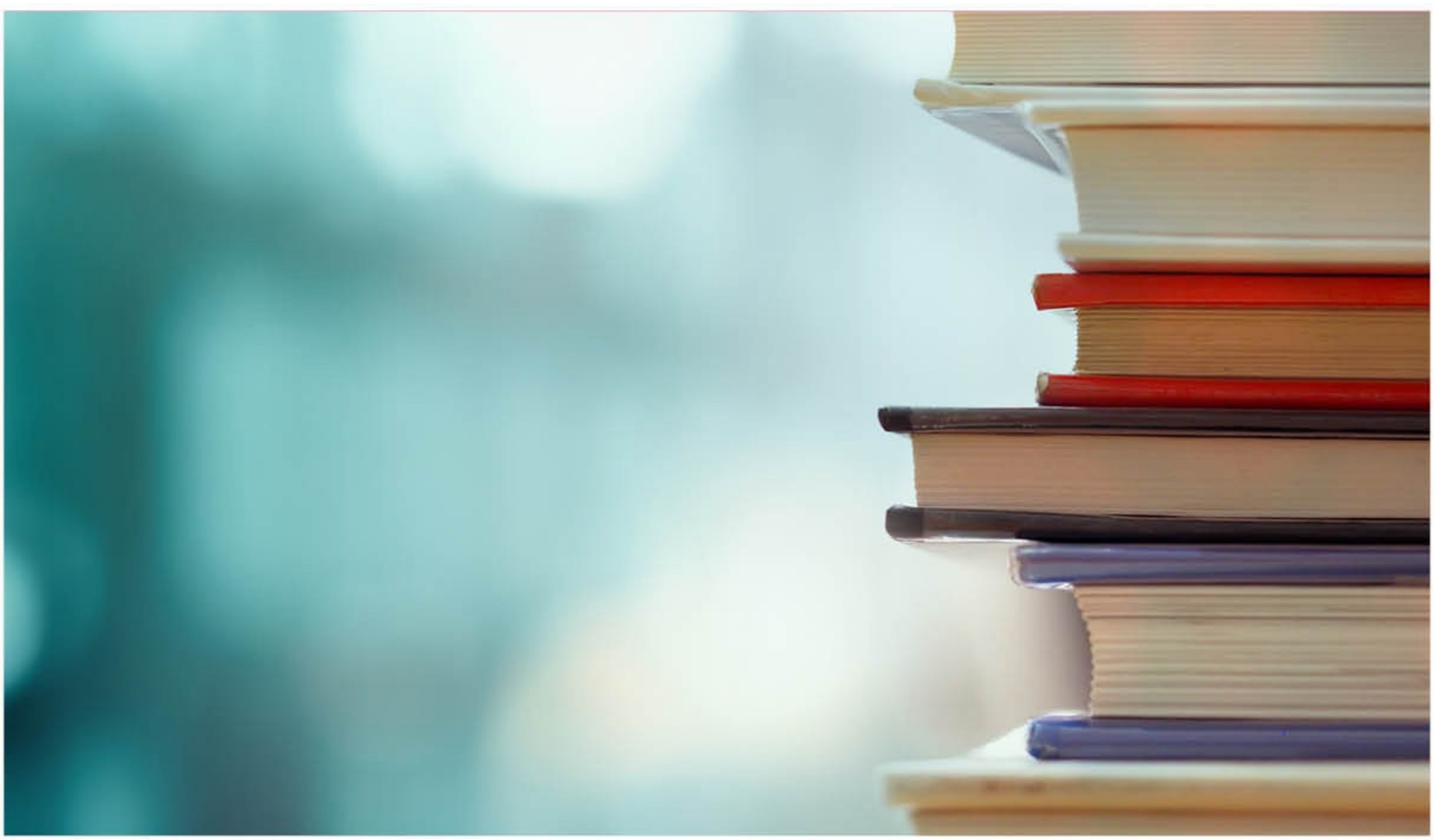
State University System of Florida Board of Governors

Review of Financial Internal Controls for University Support Organizations

New College of Florida

Summary Report

August 12, 2022



Contents

I. Introduction

The State University System of Florida (SUS) Board of Governors (the Board or BOG) engaged Crowe LLP (Crowe) to assess the financial controls for university support organizations across the SUS' twelve universities. A report was prepared for each of the 90 Direct Support Organizations (DSOs) identified for the assessment. DSO-level reports were summarized at the university-level and delivered to university management and the BOG.

This university summary report includes the assessment results for the following New College of Florida (NCF) DSOs. The classification of each DSO is included in italic font after each name[1].

1. New College of Florida Development Corporation (Development Corp.) **|** *Capital Asset Management and Development*
2. New College of Florida Foundation, Inc. (NCF Foundation) | *Foundation*

The objective was to assess if financial controls over DSO's financial processes and records protect the organization from theft or malfeasance and if duties were properly segregated among employees with proper oversight and monitoring activities.

The scope of the assessment included policies and procedures, segregation of duties, system access controls, management review and approval requirements, account reconciliations, monitoring practices, and exception reporting. Crowe also reviewed entity-level controls and governance components including board composition, audit charters, culture and ethics, conflicts of interest disclosures, and emphasis on financial accountability. Compliance with established policies and procedures and State and University regulations and policies was also included, as was the selection and oversight of the independent financial statement auditors.

The appliable functions reviewed for these DSO's included:

- Accounts Payable
- Accounts/ Pledges Receivable
- Capital Asset Management
- Cash Management
- Corporate Governance
- Contract Management
- Debt Service / Loans Payable
- Investment Management
- Journal Entries
- Payroll
- Procurement
- Related Party Transactions
- Revenue and Billing

Not all functions were applicable to each DSO. See DSO-level reports for the specific functions reviewed for each entity.

[1] DSO classifications include Alumni, Athletics, Capital Asset Management / Development, Foundation, Healthcare, Museum / Preservation, Professional Organization, and Research.

Results of Procedures

Crowe reviewed key controls and completed procedures which resulted in the identification of exceptions where internal controls did not function or were not performed as designed. The exceptions were organized into the following categories of observations:

- Management Responsiveness
- Completeness, Timeliness, Accuracy
- Segregation of Duties
- Supporting Documentation

Disclosures

The assessment was executed in accordance with AICPA Consulting Standards. Because these services do not constitute an audit, review, or examination in accordance with standards established by the American Institute of Certified Public Accountants, Crowe does not express an opinion on any deliverables. Crowe has no obligation to perform any services beyond those listed in this Statement of Work. If Crowe were to perform additional services, other matters might come to Crowe's attention that would be reported to New College of Florida on behalf of the State University System of Florida (SUS) Board of Governors (BOG) or (Client). It is understood that Crowe will prepare a report reflecting the findings of the services outlined in the Statement of Work for use by the Client. Crowe makes no representations as to the adequacy of these services for Client's purposes. Crowe makes no warranties, express or implied, and Crowe specifically disclaims all other express and implied warranties, including any implied warranties of merchantability, fitness for a particular purpose, or non-infringement.

Crowe Services and work product are intended for the benefit and use of Client. This engagement was not planned or conducted in contemplation of reliance by any other party or with respect to anyone who receives the deliverables and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. Crowe's report or deliverables will indicate the purpose of the project, will describe the intended use of the reports and deliverables, and the intended users of the report and deliverables. The working papers for this engagement are the property of Crowe and constitute confidential information.

Client management is responsible for the results of the services, including findings, conclusions, and recommendations. Client management will be responsible for evaluating the findings, results, the risk rating of the findings, and conclusions arising from services. Client management will be responsible for reporting internal control deficiencies as soon as they are identified within the organization, to the appropriate level of Client management, and for promptly reporting significant matters to the Audit Committee.

II. Procedures Performed

The project was divided into four phases. The procedures performed for each phase are included in this section.

Phase 1: Planning

At the onset of the project, Crowe held a kick-off meeting with the universities' Chief Financial Officers (CFO) and Chief Audit Executives (CAE) to review the assessment objectives and scope, and to discuss the approach. Crowe requested the CFO or CAE from each university to provide a single point of contact for each of their respective DSOs.

Crowe issued an introductory letter and materials request to each DSO contact, including an internal control questionnaire (ICQ) to obtain the information Crowe would need to begin work. Two sessions were held in November 2021 with the DSO and University Contacts to review the ICQs and to demonstrate how to navigate Crowe's Secure Information Exchange portal (i.e., this was the secure software used throughout the engagement to obtain and transmit information safely).

Phase 2: Risk Controls Assessment and Key Control Identification

Crowe performed the following activities as part of the Risk Controls Assessment and Key Control Identification:

- Reviewed DSO management's ICQ responses and documentation of key risks and controls by functional area.
- Assessed controls and identified gaps or weaknesses.
- Defined gaps where management had not implemented practices or procedures to address associated risks.
- Met with DSO management to confirm Crowe's understanding and the factual accuracy of the conclusions and discussed the planned approach for testing key controls for each function.
- Management was given opportunities to provide clarifying information and supporting documentation to resolve potential observations.

Phase 3: Key Control Testing

Crowe performed the following activities as part of Key Control Testing:

- Crowe performed limited testing on key controls and noted where controls did not operate as intended to mitigate the associated risk.
- The testing results were discussed with DSO management to confirm their factual accuracy.
- Management was given opportunities to provide clarifying information and supporting documentation to resolve exceptions.

Phase 4: Reporting

Crowe submitted a Summary of Observations which included exceptions from control testing and other issues identified. An exit meeting with each DSO was held to review the Summary of Observations. Crowe provided a minimum of two weeks for management to clarify and resolve any remaining observations prior to issuing the draft The remainder of this document contains a summary of NCF DSO assessment results.

III. Results

A summary of Crowe's results is included in the tables below. Detailed observations have been included in the DSO-level reports.

Key Observations
This is not a comprehensive list, but notable or "key" observations are listed which Crowe believes warrant University management's attention. These observations do not necessarily represent university-wide trends or concerns.

NCF Foundation

1. The Foundation did not respond to information and documentation requests timely during the assessment. Requests were submitted and discussed with the Foundation on November 29th, 2021. Crowe completed testing procedures based on the available information and issued a summary of results on January 14th, 2022. On January 27th and February 4th, 2022, the Foundation's Chief Audit Executive provided the remaining information originally requested.

   Documentation should be maintained and be readily available for review so management decisions can be made promptly and audits can be performed. The inability to produce documentation timely may increase the risk that key functions are not operating efficiently or according to established policies and procedures.

   Due to the number of items which were available but not provided timely, we believe further monitoring of the Foundation's operations and financial controls may be necessary.

2. The Foundation had inadequate segregation of duties and review and approval processes in the Receivables function due to the following:

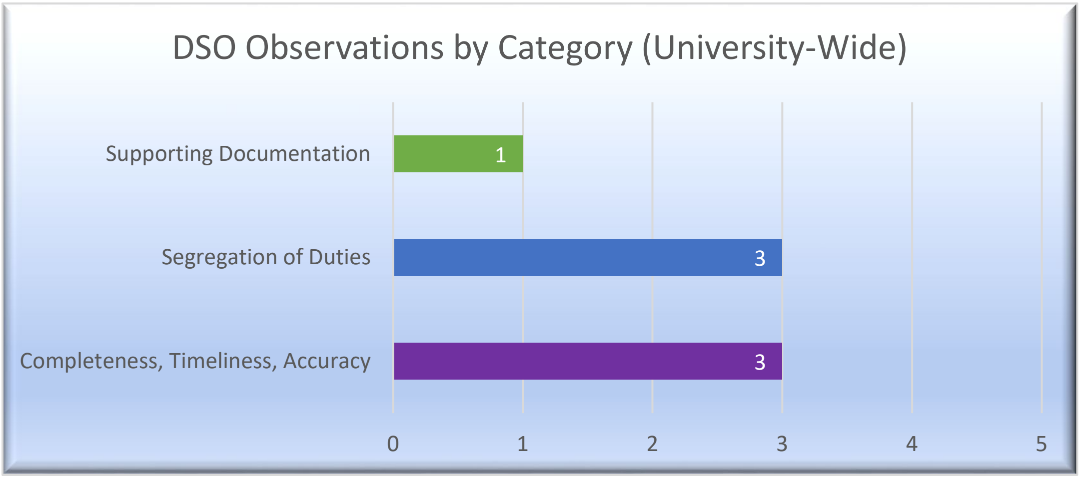
   a. The Director of Finance & Compliance circumvented standard procedures to correct a Pledges Receivable balance rather than completing the account reconciliation as support for an adjusting journal entry.

   b. The Database Manager had control over the entry and approval of donor contributions, gift receipts, and donor profiles (names, addresses, etc.), and had the ability to transfer entries from the donor database (Raiser's Edge) to the financial system of record (Financial Edge).

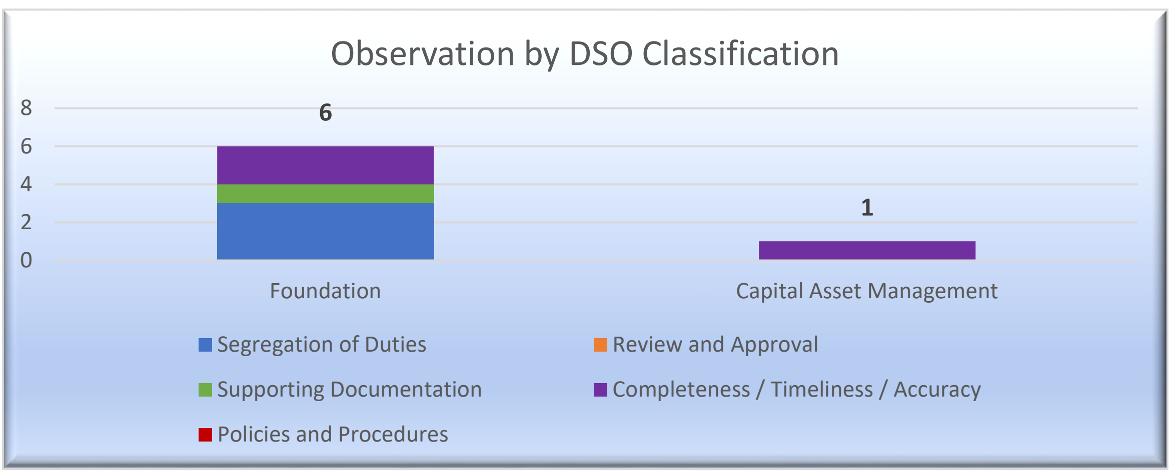
3. The Foundation had inadequate segregation of duties in the Capital Asset Management function because the Director of Finance & Compliance had the ability to prepare and post capital asset reclassification journal entries to the general ledger.

Crowe did not identify key observations for the NCF Development Corp.

Observations by Category
The following graph is a university-wide illustration of the number of observations by category. The greatest number of observations across the two DSOs were noted due to a lack of segregation of duties and completeness, timeliness and accuracy.

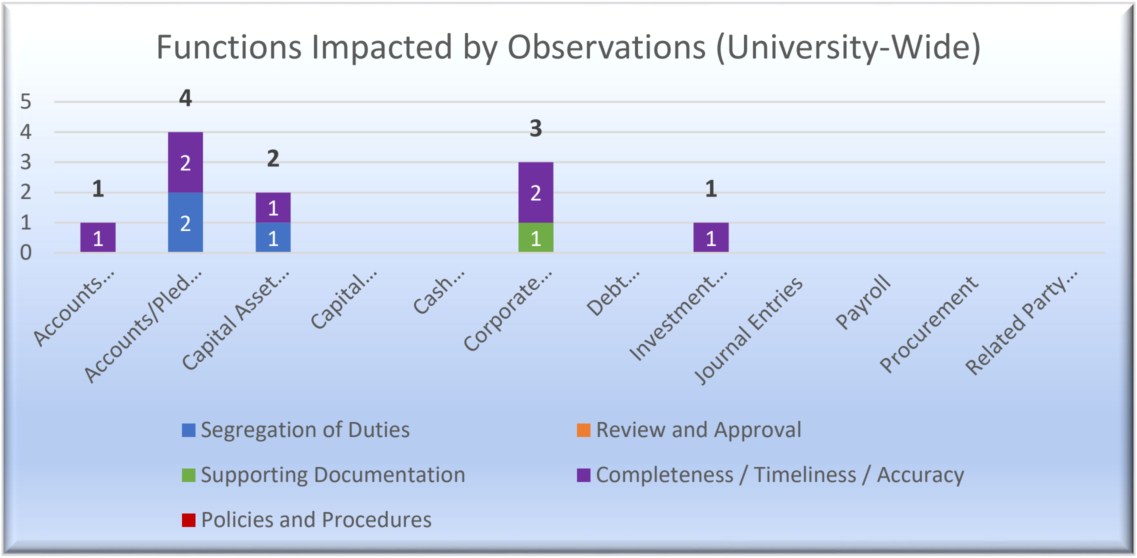


Observations by DSO Classification
The following graph shows the categories of observations noted during the assessment and details the number of observations within each DSO Classification. The greatest number of observations were noted in the Foundation.



Functions Impacted by Observations[2]
The graph below shows the functions assessed during the review and indicates the number of observations by functional area. The greatest number of observations were noted in Corporate Governance and Accounts Receivable.

[2] An observation may impact multiple functions (e.g., One observation for the lack of review and approvals may have been noted for AP, Cash, and Payroll) but an observation will be tied to a single entity or DSO classification. The “Observations by Category” and “Observations by DSO Classification” graphs tally the number of observations, and the “Functions Impacted by Observations” tally the number of functions; therefore the total impacted functions may not agree to the number of observations.



University-Level Opportunities
The assessment results indicated opportunities for the University to strengthen controls within its Foundation. Crowe noted three concerns with segregation of duties in two of the Foundation's functional areas. While it may be challenging for DSOs with relatively few personnel to completely separate roles and responsibilities, we recommend that the University and DSO management collaborate on ways to combine business process redesign with system workflow and other functionality to prevent one person from controlling the input, custody, and output of a function. The updated processes should be documented in the DSO's policies and procedures.

NEW COLLEGE OF FLORIDA
INTERNAL AUDIT DEPARTMENT

NEW COLLEGE FOUDNATION

CROWE FINDINGS AND CORRECTIVE ACTIONS
FOLLOW-UP REPORT

NEW COLLEGE OF FLORIDA
DEVELOPMENT CORPORATION &
NEW COLLEGE FOUNDATION

November 28, 2022

November 28, 2022

Pat Okker, President, New College of Florida
Maryanne Young, VP of Advancement, Executive Director of NCF Foundation
Ron McDonough, Director of Finance & Compliance, NCF Foundation
Chris Kinsley, VP for Finance & Administration, New College of Florida

Re: New College Foundation – Internal Control Audit and Crowe Audit Report Follow-up

President Okker:

As a result of the discovery of a material fraud loss at the University of South Florida Medical Services Direct Support Organization, the State University System of Florida (SUS) Board of Governors determined an internal control audit should be conducted for all Direct Support Organizations (DSOs) supporting SUS universities. Crowe was selected by the Board of Governors to conduct the audit for all DSOs systemwide. Crowe recently completed the internal control audit for the New College of Florida (NCF) Foundation, and reported six internal control observations as detailed in Attachment A. At the request of the SUS Board of Governor's Inspector General and Director or Compliance, the respective Chief Audit Executive at each SUS university has been asked to provide a status report of corrective actions for each of the Crowe observations.

Below please find a report detailing each Crowe observation, my Status Update, and Management's Response.

Crowe Reported Findings with Corrective Action Status Update

Crowe Finding for the New College of Florida (NCF) Development Corporation

1. The NCF Development Corporation 2020-2022 annual budget was approved after the start of the fiscal year.

   Status Update: The NCF Development Corporation Board of Directors postponed its 2020-2021 annual meeting to allow university management to focus on addressing the challenges of the pandemic. Both the 2021-2022 and 2022-2023 annual meeting were held at their regularly scheduled dates and the annual budgets for those fiscal years were approved prior to the start of the fiscal year.

Crowe Findings for the New College Foundation

2. The Director of Finance & Compliance circumvented standard procedures to correct a Pledges Receivable balance rather than completing the account reconciliation as support for an adjusting journal entry.

   Status Update: Because the VP of Advancement previously approved the incomplete reconciliations, starting in November 2022 the reconciliations are being reviewed and approved by a senior member of the university's Office of Finance. The review includes the confirmation reconciliation balances agree with supporting statements and system reports, the reconciliation was performed in a timely basis (i.e. within 30 days), and reconciling items are cleared in a timely manner.

3. The Database Manager had control over the entry and approval of donor contributions, gift receipts, and donor profiles (names, addresses, etc.), and had the ability to transfer entries from the donor database (Raiser's Edge) to the financial system of record (Financial Edge).

   Status Update: The Database Manager continues to have administrator/full access to the donor database maintained on the Raiser's Edge. The Database Manager also continues to have operational duties involving the occasional processing of donor payment receipts. The Database Manager's duties also include adjusting donor account balances and processing credit card activity including refunds. While it is understandable that Crowe noted the customary segregation of information system administrative duties from operational duties was not in place due to the small number of finance personnel, the Foundation has made a concerted effort to implement compensating controls and keep other payment processing duties segregated from the information system administration duties. More specifically, all incoming payments are received directly by other personnel and logged for later reconciliation to payments recorded in the Raiser's Edge system by the Database Manager. In addition, once all payment receipts are entered, both the Associate Director of Finance and Director of Finance reconcile those entries to the payment receipt log and total funds deposited and received from the credit card merchant. While the segregation of duties is not ideal, Foundation management has applied compensating controls which significantly reduce the fraud risk involved with the processing of donor contributions and gift receipts. To further reduce the fraud risk, effective November 7, 2022, management performs an independent review of all activity processed by the Database Manager when acting as the emergency back-up for the processing donor receipts.

4. The Foundation had inadequate segregation of duties in the Capital Asset Management function because the Director of Finance & Compliance had the ability to prepare and post capital asset reclassification journal entries to the general ledger.

   Status Update: While the Director of Finance and Compliance continues to have the ability to independently prepare and post capital asset, as well as all other, manual general ledger entries, effective November 2022, a senior member of the university's Office of Finance is performing a month review of all manual general ledger activity. The review includes the request of supporting documentation for unexpected activity over $5K.

5. Review of budget-to-actual variances were not documented.

   Status Update: The Director of Finance and Compliance sends a quarterly budget to actual report to the Board of Directors Finance Committee members via email. However, the variance report compares year-to-date actual expenses to the total annual budget. As a result, there are material unexplained budget variances that are difficult to evaluate. In addition, revenue variances and incurred deficits are not discussed. As of December 21, 2022, the Director of Finance and Compliance will be adding a variance explanation to the quarterly report which will explain all material year-to-date budget variances.

6. Two Pledge Receivable and two Accounts Receivable reconciliations were not performed timely.

   Status Update: Because the VP of Advancement previously approved the untimely reconciliations, starting with the October 2022 reconciliations, a senior member of the university's Office of Finance will also review and approve all reconciliations. The review will include the confirmation reconciliation balances agree with supporting statements and system reports, the reconciliation was performed in a timely basis (i.e. within 30 days), and reconciling items are cleared in a timely manner.

Respectfully,

Alexander G. Tzoumas, CIA, CISA, CFE, CRMA, CDPSE
Chief Audit Executive & Chief Compliance Officer, NCF

TO:	Institutional Data Administrators
FROM:	Julie Leftheris, Inspector General and Director of Compliance
THROUGH:	Jason Jones, Chief Data Officer
SUBJECT:	Direct Support Organizations Financial Controls Review, Follow-up
DUE DATE:	**December 9, 2022**

In June 2021, the Board of Governors directed that a financial review be conducted on all university direct support organizations to assess any deficiencies and provide opportunities to improve internal accounting controls within these organizations. The university system hired the CPA firm Crowe, LLP, to conduct the assessment, which concluded in August 2022.

From the individual DSO reports that the Crowe firm issued, we compiled the attached spreadsheet of each university's DSO adverse findings. The findings are separated by functional areas (Cash Management, Entity-level Controls, etc.) and control deficiency (Policies and Procedures, Segregation of Duties, etc.).

We ask that each university chief audit executive provide the corrective actions status and estimated completion date, if applicable, in the spreadsheet's designated columns as well as any additional comments as applicable. Florida Gulf Coast University is exempt from this data request as its DSOs did not have any adverse findings.

The corrective actions information collected will be summarized and presentation to the Board of Governors during the January 24-25, 2023, Audit and Compliance Committee meeting.

The completed spreadsheet should be submitted through the Data Request System at https://prod.flbog.net:4445/pls/apex/f?p=760 no later than **December 9, 2022.**

Any questions regarding this request should be directed to the Inspector General and Director of Compliance, Julie Leftheris at (850) 245-9247 or Julie.leftheris@flbog.edu; or the Compliance and Audit Specialist, Lori Clark at (850) 245-9703 or lori.clark@flbog.edu.

Thank you.

C: University Board of Trustees Chairs
Presidents
CAVP
CAFA
SUS Chief Audit Executives
Lori Clark, Compliance and Audit Specialist

State University System of Florida			
University Support Organizations In			
FAMU Crowe Report Findings Cor			
DSO	**Area**	**Control Deficiency**	**Finding**
FAMU National Alumni Association	Cash Management	Segregation of Duties	The Treasurer collects and records cash, and reconciles cash accounts
FAMU National Alumni Association	Journal Entries	Segregation of Duties	The Treasurer prepares and approves their own journal entries and reconciliations
FAMU National Alumni Association	Procurement	Segregation of Duties	The Treasurer prepared and approved their own expense reimbursement request.
FAMU National Alumni Association	Entity-Level Controls	Review and Approval	The financial system user access review was not documented.
FAMU National Alumni Association	Corporate Governance	Policies and Procedures	No documented policies or requirements for the following: Board Conflict of interest disclosure, Board training and orientation requirements, or record retention.
FAMU Rattler Boosters Club	Accounts Payable	Segregation of Duties	A lack of adequate segregation of duties and oversight resulted in disbursements being issued without proper approval.
FAMU Rattler Boosters Club	Cash Management	Segregation of Duties	A lack of adequate segregation of duties and oversight in managing donor contributions resulted in Boosters' officers using personal bank accounts to deposit donor contributions, late deposits to the Foundation's bank account, and omission of donor restrictions on contribution records.
FAMU Rattler Boosters Club	Revenue and Billing	Segregation of Duties	A lack of adequate segregation of duties and oversight in managing donor contributions resulted in Boosters' officers using personal bank accounts to deposit donor contributions, late deposits to the Foundation's bank account, and omission of donor restrictions on contribution records.

FAMU Rattler Boosters Club	Corporate Governance	Segregation of Duties	A lack of adequate segregation of duties and oversight in managing donor contributions resulted in Boosters' officers using personal bank accounts to deposit donor contributions, late deposits to the Foundation's bank account, and omission of donor restrictions on contribution records.
FAMU Rattler Boosters Club	Corporate Governance	Policies and Procedures	The Boosters do not have a written code of ethics, or a procurement policy.
FAMU Rattler Boosters Club	Procurement	Policies and Procedures	The Boosters do not have a written code of ethics, or a procurement policy.
FAMU Foundation	Accounts Payable	Review and Approval	Account reconciliations review and approval were not documented.
FAMU Foundation	Accounts Receivable	Review and Approval	Account reconciliations review and approval were not documented.
FAMU Foundation	Cash Management	Review and Approval	Account reconciliations review and approval were not documented.
FAMU Foundation	Capital Asset Management	Review and Approval	The Capital Assets general ledger balance did not have documented support.
FAMU Foundation	Procurement	Review and Approval	There was no supervisory review and approval of monthly credit card reconciliations.
FAMU Foundation	Investment Management	Review and Approval	The endowment management system access review was not documented
FAMU Foundation	Accounts Receivable	Supporting Documentation	Account receivable reconciliations did not include adequate supporting documentation.
FAMU Foundation	Accounts Payable	Completeness/Timeliness/Accuracy	Account reconciliations were not performed timely.
FAMU Foundation	Accounts Receivable	Completeness/Timeliness/Accuracy	Account reconciliations were not performed timely.
FAMU Foundation	Capital Asset Management	Completeness/Timeliness/Accuracy	Account reconciliations were not performed timely.

Board of Governors
ternal Control Review
rective Action Status

Corrective Actions Status	If Not Completed, Estimated Completion Date	Additional Comments

State Uni		
University		
FAU Cro		
DSO	**Area**	**Control Deficiency**
FAU Clinical Practice Organization	Journal Entries	Segregation of Duties
FAU Finance Corporation	Accounts Receivable	Supporting Documentation
FAU Finance Corporation	Payroll	Supporting Documentation
FAU Finance Corporation	Investment Management	Supporting Documentation
FAU Finance Corporation	Accounts Receivable	Review and Approval
FAU Finance Corporation	Capital Asset Management	Review and Approval
FAU Finance Corporation	Debt Services	Review and Approval
FAU Finance Corporation	Payroll	Review and Approval
FAU Finance Corporation	Related Party Transactions	Review and Approval
FAU Finance Corporation	Journal Entries	Review and Approval
FAU Research Corp	Journal Entries	Segregation of Duties
FAU Research Corp	Accounts Payable	Completeness/Timeliness/ Accuracy
FAU Research Corp	Accounts Receivable	Completeness/Timeliness/ Accuracy
FAU Research Corp	Cash Management	Completeness/Timeliness/ Accuracy
FAU Research Corp	Investment Management	Completeness/Timeliness/ Accuracy
Harbor Branch Oceanographic Institute	Contract Management	Contract Compliance

Harbor Branch Oceanographic Institute	Procurement	Supporting Documentation
Harbor Branch Oceanographic Institute	Cash Management	Segregation of Duties
University Foundation Inc.	Debt Services	Review and Approval
University Foundation Inc.	Accounts Receivable	Review and Approval
University Foundation Inc.	Payroll	Review and Approval
University Foundation Inc.	Related Party Transactions	Supporting Documentation

versity System of Florida Board of Governors		
Support Organizations Internal Control Review		
we Report Findings Corrective Action Status		
Finding	**Corrective Actions Status**	**If Not Completed, Estimated Completion Date**
Journal entries were prepared and posted by the same individual.		
Management did not document account reconciliations.		
Management did not document account reconciliations.		
Management did not document account reconciliations.		
Management did not document review and approvals for account reconciliations.		
Management did not document review and approvals for account reconciliations.		
Management did not document review and approvals for account reconciliations.		
Management did not document review and approvals for account reconciliations.		
Management did not document review and approvals for account reconciliations.		
Journal entries were not properly approved.		
There are inadequate segregation of duties within the journal entry function. In addition, journal entries tested were not properly reviewed.		
Bank and investment account reconciliations were not reviewed timely.		
Bank and investment account reconciliations were not reviewed timely.		
Bank and investment account reconciliations were not reviewed timely.		
Bank and investment account reconciliations were not reviewed timely.		
Hours billed by the Interim Executive Director were less than the minimum hours required by contract.		

Expense reimbursements and credit card payments were not supported by the required documentation, prior approval, or business purpose.		
Cash management and several financial accounting functions did not have adequate segregation of duties.		
Annual loan amortization reconciliations were not performed.		
CEO approval was not documented for donor solicitation proposals.		
CFO review was not documented for monthly payroll account reconciliations.		
Foundation board members did not complete a fiscal year 2021 conflict-of-interest form.		

Additional Comments

State University System of Florida Board				
University Support Organizations Internal C				
FGCU Crowe Report Findings Corrective A				
DSO	Area	Control Deficiency	Finding	Corrective Actions Status

No Adverse F

of Governors

Control Review

Action Status

If Not Completed, Estimated Completion Date	Additional Comments

indings

DSO	Area	Control Deficiency
FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.	Procurement	Review and Approval
FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.	Cash Management	Supporting Documentation
FIU Foundation, Inc.	Accounts Payable	Review and Approval
FIU Foundation, Inc.	Cash Management	Review and Approval
Research Foundation	Cash Management	Review and Approval

State University System of Florida Board of Gover	
University Support Organizations Internal Control R	
FIU Crowe Report Findings Corrective Action Sta	
Finding	**Corrective Actions Status**
An approved P-Card purchase was made by an individual who was not listed as an authorized card user.	
HCN management did not produce contract payment schedules or other documentation to support amounts reported on HCN's Gifts from a Foreign Source payment schedules of contracts.	
Invoice approval did not follow Foundation practices: All Foundation invoices require review and approval by the Accountant and Supervisor; Foundation invoices exceeding $1,000 require review and approval by the Controller. Foundation invoices exceeding $25,000 require approval by the CEO.	
Bank account reconciliation review and approval not documented.	
Monthly bank account reconciliations review and approvals were not documented.	

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If Not Completed, Estimated Completion Date	Additional Comments

State University System of Flor			
University Support Organization			
FL Poly Crowe Report Findings			
DSO	**Area**	**Control Deficiency**	**Finding**
FL Poly Foundation	Journal Entries	Segregation of Duties	Journal entries and reconciliation reviews were prepared and posted by the same individual.
FL Poly Foundation	Accounts Receivable	Segregation of Duties	Journal entries and reconciliation reviews were prepared and posted by the same individual.
FL Poly Foundation	Cash Management	Segregation of Duties	Journal entries and reconciliation reviews were prepared and posted by the same individual.
FL Poly Foundation	Investment Management	Segregation of Duties	Journal entries and reconciliation reviews were prepared and posted by the same individual.

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s Internal Control Review

Corrective Action Status

Corrective Actions Status	If Not Completed, Estimated Completion Date	Additional Comments

DSO	Area	Control Deficiency
FSU Florida Medical Practice Plan, Inc.	Procurement	Review and Approval
FSU Florida Medical Practice Plan, Inc.	Procurement	Review and Approval
FSU Florida Medical Practice Plan, Inc.	Accounts Receivable	Supporting Documentation
FSU Florida Medical Practice Plan, Inc.	Cash Management	Completeness/Timeliness/ Accuracy
FSU Florida Medical Practice Plan, Inc.	Journal Entries	Completeness/Timeliness/ Accuracy
FSU Florida Medical Practice Plan, Inc.	Procurement	Policies and Procedures
FSU Alumni Association, Inc.	Procurement	Review and Approval
FSU Alumni Association, Inc.	Related Party Transactions	Review and Approval
FSU Foundation, Inc.	Accounts Payable	Review and Approval
FSU International Programs Association, Inc.	Procurement	Completeness/Timeliness/ Accuracy
FSU International Programs Association, Inc.	Journal Entries	Segregation of Duties
FSU International Programs Association, Inc.	Capital Asset Management	Segregation of Duties

FSU International Programs Association, Inc.	Corporate Governance	Policies and Procedures
FSU International Programs Association, Inc.	Entity-Level Controls	Policies and Procedures
FSU Magnet Research and Development, Inc.	Accounts Payable	Review and Approval
FSU Magnet Research and Development, Inc.	Investment Management	Review and Approval
FSU Magnet Research and Development, Inc.	Journal Entries	Segregation of Duties
FSU Real Estate Foundation, Inc.	Procurement	Review and Approval
FSU Real Estate Foundation, Inc.	Related Party Transactions	Review and Approval
FSU John & Mable Ringling Museum of Art Foundation, Inc.	Accounts Payable	Review and Approval
FSU John & Mable Ringling Museum of Art Foundation, Inc.	Investment Management	Review and Approval
FSU John & Mable Ringling Museum of Art Foundation, Inc.	Corporate Governance	Review and Approval
FSU Seminole Boosters, Inc.	Accounts Receivable	Review and Approval
FSU Seminole Boosters, Inc.	Accounts Payable	Completeness/Timeliness/ Accuracy
FSU Seminole Boosters, Inc.	Capital Construction	Policies and Procedures
FSU Seminole Boosters, Inc.	Corporate Governance	Policies and Procedures
FSU Seminole Boosters, Inc.	Entity-Level Controls	Policies and Procedures

State University System of Florida Board of Governors		
University Support Organizations Internal Control Review		
FSU Crowe Report Findings Corrective Action Status		
Finding	**Corrective Actions Status**	**If Not Completed, Estimated Completion Date**
P-Card purchases approved for items specifically prohibited under the University's Procurement Manual.		
Required Pre-approval Form not completed for Graduate Medicine Education (GME) program P-card purchases.		
Insufficient documentation maintained for accounts receivable reconciliations.		
Monthly bank account reconciliations not performed timely nor in accordance with the controls described by the CFO.		
Journal entry posted prior to the disbursement request authorization and final payment approval.		
FMPP's P-card policy does not clearly establish purchasing limits or restrictions for cardholders.		
Contract review and approval was not documented.		
Approval of related party transactions was not documented.		
Approval of quarterly Accounts Payable reconciliations was not documented.		
Company purchase card reconciliations were not prepared timely.		
There is a lack of proper segregation of duties within the journal entries and capital asset management function. The CFO prepares and posts journal entries to the general ledger. Additionally, the CFO prepares capital asset depreciation reconciliations and posts capital asset depreciation journal entries to the general ledger.		
There is a lack of proper segregation of duties within the journal entries and capital asset management function. The CFO prepares and posts journal entries to the general ledger. Additionally, the CFO prepares capital asset depreciation reconciliations and posts capital asset depreciation journal entries to the general ledger.		

Management has no written policies and procedures for monitoring system user access controls.		
Management has no written policies and procedures for monitoring system user access controls.		
Invoices did not receive required approvals prior to payment.		
Investment account reconciliation review and approvals were not completed.		
There is a lack of proper segregation of duties within the Journal Entry function. In addition, journal entry approvals were not documented.		
Contract review and approval was not documented.		
Approval of related party transactions was not documented.		
An employee reimbursement request was approved without a documented business purpose.		
Investment account reconciliations were not performed.		
Executive management review of the July 2021 budget-to-actual report was not completed.		
Review and approvals were not documented for account reconciliations		
Late payments were issued for amounts due to the FSU Athletics Association.		
Management does not have written procurement policies or procedures. They do not have standard practices for competitive selection or for executing contracts with vendors.		
There are no written procedures and management does not document their review of system user access controls.		
There are no written procedures and management does not document their review of system user access controls.		

Additional Comments

State University System of Florida Board of Governors University Support Organizations Internal Control Review NCF Crowe Report Findings Corrective Action Status						
DSO	**Area**	**Control Deficiency**	**Finding**	**Corrective Actions Status**	**If Not Completed, Estimated Completion Date**	**Additional Comments**
NCF Development Corporation	Corporate Governance	Completeness/Timeliness/Accuracy	The annual budget approved after the start of the fiscal year.	Completed		
New College Foundation, Inc.	Accounts Receivable	Segregation of Duties	The Director of Finance & Compliance circumvented standard procedures to correct a Pledge Receivable balance rather than completing the account reconciliation as support for an adjusting journal entry.	Completed		
New College Foundation, Inc.	Accounts Receivable	Segregation of Duties	The Database Manager has the ability to create and update donor profiles, and to enter and approve donor contributions. Contribution entries are transferred to the financial system through an automated system interface.	Completed		
New College Foundation, Inc.	Capital Asset Management	Segregation of Duties	The Director of Finance and Compliance prepared and posted journal entries to reclassify expenses as capital assets.	Completed		
New College Foundation, Inc.	Corporate Governance	Supporting Documentation	Review of budget-to-actual variances were not documented.	Pending	1/31/2023	Waiting for next quarterly budget variance report to test corrective actions.
New College Foundation, Inc.	Accounts Receivable	Completeness/Timeliness/Accuracy	Two Pledge Receivable and two Accounts Payable reconciliations were not performed timely.	Pending	12/31/2022	Implementing a new university Finance department review of Foundation monthly reconciliations starting in December 2022.

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DSO	**Area**	**Control Deficiency**
UCF Central Florida Clinical Practice Organization, Inc.	Accounts Payable	Review and Approval
UCF Central Florida Clinical Practice Organization, Inc.	Procurement	Review and Approval
UCF Athletics Association, Inc.	Payroll	Completeness/Timeliness /Accuracy
UCF Athletics Association, Inc.	Accounts Receivable	Review and Approval
UCF Athletics Association, Inc.	Cash Management	Review and Approval
UCF Foundation, Inc.	Investment Management	Completeness/Timeliness /Accuracy
Limbitless Solutions	Accounts Payable	Completeness/Timeliness /Accuracy

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NF Crowe Report Findings Corrective Action Status

Finding	Corrective Actions Status	If Not Completed, Estimated Completion Date
Management did not document review and approval of account reconciliations.		
Management did not document review and approval of account reconciliations.		
Account reconciliations were not performed timely.		
Management did not document the preparation or review for account reconciliations.		
Management did not document the preparation or review for account reconciliations.		
Investment account reconciliations were not performed timely.		
Invoices were paid late.		

Additional Comments

DSO	Area	Control Deficiency
UF Citrus Research and Development Foundation Inc.	Procurement	Policies and Procedures
Faculty Associates, Inc.	Cash Management	Review and Approval
Florida 4H Club Foundation, Inc.	Cash Management	Completeness/Timeliness/ Accuracy
Florida 4H Club Foundation, Inc.	Procurement	Review and Approval
Florida Foundation Seed Producers, Inc.	Payroll	Review and Approval
UF Florida Development Corporation	Procurement	Review and Approval
UF Jacksonville Physicians, Inc.	Journal Entries	Review and Approval
UF Jacksonville Physicians, Inc.	Capital Asset Management	Segregation of Duties

State University System of Florida Board of Governors
University Support Organizations Internal Control Review
UF Crowe Report Findings Corrective Action Status

Finding	Corrective Actions Status	If Not Completed, Estimated Completion Date
P-Card invoice payment review and approval was not documented.		
Management did not provide documentation to support when cash reconciliations were reviewed or approved.		
Cash account reconciliations were not performed timely.		
Contracts were not executed by authorized individuals.		
Management did not document when payroll reconciliations were completed or reviewed.		
A contract was not executed by an authorized individual.		
Journal entry review and approval was not documented.		
Journal entries were prepared and posted by the same individual.		

Additional Comments

DSO	Area	Control Deficiency
UNF Financing Corporation	Accounts Payable	Segregation of Duties
UNF Financing Corporation	Cash Management	Segregation of Duties
UNF Financing Corporation	Debt Services	Segregation of Duties
UNF Financing Corporation	Journal Entries	Segregation of Duties
UNF Financing Corporation	Cash Management	Completeness/Timeliness/Accuracy
UNF Museum of Contemporary Art Jacksonville	Journal Entries	Segregation of Duties
UNF Museum of Contemporary Art Jacksonville	Accounts Receivable	Review and Approval
UNF Museum of Contemporary Art Jacksonville	Cash Management	Completeness/Timeliness/Accuracy
UNF Museum of Contemporary Art Jacksonville	Investment Management	Completeness/Timeliness/Accuracy
UNF Training and Services Institute	Journal Entries	Segregation of Duties
UNF Training and Services Institute	Accounts Receivable	Segregation of Duties

State University System of Florida Board of Governors
University Support Organizations Internal Control Review
UNF Crowe Report Findings Corrective Action Status

Finding	Corrective Actions Status	If Not Completed, Estimated Completion Date
Account reconciliations were prepared and reviewed by the same individual.		
Journal entries were prepared and posted by the same individual.		
Journal entries were prepared and posted by the same individual.		
Journal entries were prepared and posted by the same individual.		
Account reconciliations were not performed timely.		
Journal Entries prepared and posted by the same individual.		
Segregation of Duties for Receivables Reconciliation.		
Account reconciliations were not performed timely.		
Account reconciliations were not performed timely.		
Journal Entries are prepared and posted by the same individual.		
Journal Entries are prepared and posted by the same individual.		

Additional Comments

DSO	Area	Control Deficiency
USF University Medical Service Association (UMSA)	Cash Management	Completeness/Timeliness/Accuracy
USF University Medical Service Association (UMSA)	Payroll	Completeness/Timeliness/Accuracy
USF University Medical Service Association (UMSA)	Investment Management	Completeness/Timeliness/Accuracy
USF Health Sciences Center Self-insurance Program	Journal Entries	Segregation of Duties
USF Health Professions Conferencing Corporation	Procurement	Completeness/Timeliness/Accuracy
USF Sun Dome, Inc.	Accounts Payable	Completeness/Timeliness/Accuracy
USF Sun Dome, Inc./Vinik Sports Group (SDI contractor)	Accounts Receivable	Review and Approval
USF Sun Dome, Inc./Vinik Sports Group (SDI contractor)	Cash Management	Review and Approval
USF Sun Dome, Inc./Vinik Sports Group (SDI contractor)	Payroll	Review and Approval

State University System of Florida Board of Governors		
University Support Organizations Internal Control Review		
USF Crowe Report Findings Corrective Action Status		
Finding	**Corrective Actions Status**	**If Not Completed, Estimated Completion Date**
Account reconciliations were not performed timely.		
Account reconciliations were not performed timely.		
Account reconciliations were not performed timely.		
Journal entries were prepared and approved by the same individual.		
P-Card account reconciliations were not completed timely.		
Invoices were paid late for the Vinik Sports Group (VSG, a contractor of the SDI) and the Sun Dome, Inc. DSO.		
Management did not document the preparation date, review, or approval for account reconciliations.		
Management did not document the preparation date, review, or approval for account reconciliations.		
Management did not document the preparation date, review, or approval for account reconciliations.		

Additional Comments

State University System of Fl			
University Support Organizatio			
UWF Crowe Report Findings			
DSO	**Area**	**Control Deficiency**	**Finding**
West Florida Historic Preservation, Inc.	Cash Management	Completeness/Timeliness/Accuracy	Cash account reconciliations were not performed timely.
West Florida Historic Preservation, Inc.	Corporate Governance	Completeness/Timeliness/Accuracy	Board member conflict-of-interest forms were not completed timely.

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ons Internal Control Review

Corrective Action Status

Corrective Actions Status	If Not Completed, Estimated Completion Date	Additional Comments

NEW COLLEGE OF FLORIDA
INTERNAL AUDIT DEPARTMENT

MANAGEMENT CONSULTING ENGAGEMENT

NCF FOUNDATION INVESTMENT AND BUDGET PROCESS CONTROL EVALUATION

December 23, 2022

New College
THE HONORS COLLEGE of Florida

December 23, 2022

Pat Okker, President, New College of Florida
Maryanne Young, VP of Advancement, Executive Director of NCF Foundation
Ron McDonough, Director of Finance & Compliance, NCF Foundation
Chris Kinsley, VP for Finance & Administration, New College of Florida

Re: Management Consulting Engagement - NC Foundation Investment and Budget Process Control Evaluation

President Okker:

We have completed an evaluation of internal controls over New College Foundation (Foundation) investments and operating budgets. The scope of our evaluation includes controls over the deposit, management, and withdrawal endowment and non-endowment funds into Investment Policy compliant investments. The document also covers the fees charged by the investment company and Foundation, periodic evaluation of the Investment Policy, and cost of funds required to obtain new donations for investment. Lastly, in conjunction with the Crowe internal control findings follow-up, we evaluated the development, approval, and oversight of the Foundation's operating budget. At management's request, the results of the follow-up on the internal control findings identified by Crowe are presented in a separate report. Our internal control observations made during the follow-up activities which were not reported by Crowe are included in this report.

Our evaluation identified the potential for internal control and regulatory compliance enhancements as detailed below. As would be expected, the limited number of Foundation operational and finance personnel have made it challenging to maintain a strong control environment. As such, additional support is essential from the university to effectively segregate duties, bring additional finance expertise, and help assure compliance with Board of Governor regulations. Foundation Investment Committee also appears to be challenged with the balancing the need to generate sufficient returns on endowment investments to cover growing Foundation operational expenses, against the risk of endowment principal loss from higher risk investments. In light of the present operating deficit and fiscal year 2021-22 decline in the endowment fund market value, the Foundation would benefit from additional involvement by the university's CFO and Board of Trustees.

In reviewing management's responses, we noted the management does not appear to understand the difference between an independent financial statement audit and a System and Organization Control (SOC) evaluation. As indicated in the financial statement audit by KPMG, "Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements." Unlike a financial statement audit, the objective of an independent SOC evaluation is to report on the effectiveness of an organization's internal controls and safeguards they have in place while providing independent and actionable feedback; financial statement auditors use them to reduce audit procedures, and sophisticated users of service organizations push for them as confirmation that systems are secure and data is protected. Management does not agree that an independent SOC report from Rothschild & Co, the endowment fund investment management firm, is necessary in light of the financial statement audit. Absent an independent SOC report, the systems managing the Foundation endowment fund have a higher risk of compromise and failure.

We would like to recognize the university's VP of Finance and Administration willingness to aid the Foundation in the cycling of control activities including finance account reconciliations as well as the budget variance analysis and its presentation to the Board of Trustees for approval.

We will continue to work with the NCF VP of Finance and Administration and the NC Foundation Director of Finance and Compliance to move remediation efforts forward and provide an update on our progress in the summer of 2023.

Investment and Budget Management Observations

1. The endowment portfolio investment manager has performed below established performance goals while executing to the Foundation Investment Policy which endorses higher risk investment strategies.

   A. During the period from December 1, 2020 through August 31, 2022, the Rothschild & Co management of the Foundation endowment fund experienced a cumulative unrealized investment loss of roughly $500K, or 1.18% of the fund. During the same period, cumulative US Consumer Price Index showed inflation was 13.25% (as per Rothschild Performance Update pg. 16 attached). Investment manager expectations are outlined in the Investment Policy Statement. The Performance Goals and Measurement section of the policy state: "During any shorter period (e.g., upon the change of an investment manager and thereafter until an initial five-year period has been achieved by the new investment manager), the total return of the portfolio will be expected to meet the goals listed below.
      - Equal or exceed the rate of inflation plus the spending rate"

      When the cumulative -1.18% return is compared to the cumulative 13.25% rate of inflation plus the annual 5.5% spending rate, as of August 31, 2022 Rothschild has performed below Investment Policy expectations.

   B. The Investment Philosophy section of the policy states: "Additionally, risk greater than that of stable long-term low risk securities is expected to be necessary in order to preserve the purchasing power of the Fund and to support the annual distribution rate of the Spending Policy. It is appropriate to pursue riskier investment strategies if such strategies are in the Foundation's best interest."

   Recommendations:

   We recommend the university's Board of Trustees appoint a committee to evaluate the Foundation's Investment Policy Statement with the support of whatever state auxiliary endowment investment expert(s) deemed appropriate.

   Management's Response:

   The Foundation Board will fully cooperate and be supportive of any oversight activity of the College Board of Trustees, and would welcome an evaluation by qualified investment professionals should the Trustees determine that this is in the best interest of the College. That said, given the unprecedented change in global markets, as will be further detailed in this response, the Foundation Chair commits that the Investment Committee will review its current investment policy and consider revisions. Management appreciates the opportunity to respond with additional background information. Management was working with a date of January 24, 2023 for this to be presented to the Board of Trustees and sincerely regret any appearance of delay.

The Investment Committee used the extant CPI+5.5% spending rate as a return objective during the RFP period, fully anticipating that CPI would probably rise during the tenure of the next Portfolio Manager.

To that end, Management would like to reference the Mandate on p. 4 of the Rothschild 9/20/22 report:

- **Investment objective:** To preserve the real purchasing power of the Fund and to provide a stable source of perpetual financial support to the operating budget
- **Return objective:** US CPI inflation + 5.5% (the spending rate)
- **Risk profile:** We have assessed the Foundation to have a high-risk profile
- **Portfolio strategy:** We believe that an Equity Risk portfolio strategy is suitable for the Foundation and its return objective
- **Time horizon:** Long term--greater than 10 years

In addition, there are specific Investment Guidelines and Restrictions

- The portfolio is subject to a Risk Budget, which is a cap on the maximum level of volatility as a measure of risk. This is set at 120% of the historic volatility of the Risk Framework, which is compromised (sic) of the following asset allocation: Global Equities 80%, Fixed Income 10%, Cash 10%.
- There are various guidelines and restrictions covering concentration, liquidity and permitted investments. Concentration limits include max 7% in a single security and max 5% per issuer for cash deposits.
- Full detail of the investment restrictions are outlined in the Investment Policy Statement provided November 2020

To provide a bit of context for the (1.18%) cumulative performance since inception Management provides the following from p. 16 of the Rothschild performance report:

Performance (net of fees) to 31st August 2022

	Portfolio	Inflation	SPX*	AGG*	60/40*
Cumulative since inception	(1.18%)	13.25%	7.99%	(14.54%)	(1.35%)
2022 Year to Date	(14.48%)	5.41%	(17.02%)	(11.72%)	(14.66%)
2021	13.69%	7.10%	26.89%	(3.48%)	13.80
2020 (since 1st Dec. 2020)	1.65%	0.32%	2.56%	0.33%	2.62%

*SPX (S&P 500), AGG (Barclay's Bond Index) and 60/40 (60% stocks, 40% bonds) taken from Nasdaq Dorsey Wright website whose prices are provided by Thomson-Reuters. Management offers them for comparison.

Previous USA Inflation Rate*

October 2022 to November 2022
-0.101%

Month-to-Month USA Inflation Rate

October 2022
7.745%

Recent inflation rates for USA

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2022	7.480%	7.871%	8.542%	8.259%	8.582%	9.060%	8.525%	8.263%	8.202%	7.745%	7.110%		
2021	1.400%	1.676%	2.620%	4.160%	4.993%	5.391%	5.365%	5.251%	5.390%	6.222%	6.809%	7.036%	4.698%
2020	2.487%	2.335%	1.539%	0.329%	0.118%	0.646%	0.986%	1.310%	1.371%	1.182%	1.175%	1.362%	1.234%
2019	1.551%	1.520%	1.863%	1.996%	1.790%	1.648%	1.811%	1.750%	1.711%	1.764%	2.051%	2.285%	1.812%
2018	2.071%	2.212%	2.360%	2.463%	2.801%	2.872%	2.950%	2.699%	2.277%	2.522%	2.177%	1.910%	2.443%

***Sourse: RI CPI website**

Management would like to further note:
1. That the Federal Reserve is actively raising rates and "may" have seen them peak on a monthly basis in June of 2022.

2. That bond coupon rates (nominal 10-year US Treasury yield) peaked on September 30, 1981 at 15.84% and have come down steadily for the last 40 years until the Fed raises, resulting in the most volatile bond market in almost 40 years.

Management appreciates the unusual environment of the 2020's and would like to point out that the Foundation monies exist in perpetuity, and that a judgement of performance before even 5 years is not consistent with the 10-year Mandate to achieve our objective of CPI + 5.5%.

Given this unusual environment, the Investment Committee will review its current investment policy and consider revisions.

2. While Rothschild & Co has an independent audit of their financial statements, the firm only provides an internally performed assessment of the design and effectiveness of their business process and IT controls in lieu of an independent service organization's System and Organization Controls (SOC) evaluation. We also noted the company's Internal Control Environment report was not reviewed by Foundation management and the Foundation Audit Committee each year. Absent an independent SOC evaluation and Foundation management review, the Foundation is at risk that Rothschild & Co could experience a higher interruption in its provision of services, loss of historic data, provide inaccurate investment portfolio information, and/or be unable to provide information required to detect portfolio data manipulation or unauthorized investment change.

Recommendations:

After Foundation management's review and approval, we recommend the Foundation's Audit Committee and Board of Trustee's Audit and Compliance Committee assess and approve the Rothschild Internal Control Environment report annually to confirm there is reasonably assurance the company is capable of performing investment management services as agreed.

Management's Response:

Agree. The Foundation's Audit Committee will review the Internal Control Environment report on an annual basis. Rothschild & Co Wealth Management UK is subject to external audits for financial accounts and the safeguarding of client assets. As part of their year-end audit, KPMG perform substantial testing around their processes and controls. They test the design and operating effectiveness of controls put in place and ensure they operate as outlined in their Control Environment report.

Most operations within Rothschild & Co Wealth Management UK are outsourced to Rothschild & Co Bank AG, Zurich, who are subject to external audit by KPMG, which covers the control environment. Their organizational structure is detailed in the Control Environment report.

The results of the 2021 audit by KPMG, presented to the board of Rothschild & Co Wealth Management, confirmed that there were no control deficiencies identified and no audit adjustments required.

They've shared an annual report which is produced for the Group, as well as the audited accounts for Wealth Management UK. The Group report has a section on internal control, risk management and accounting procedures that may be useful. The appointment of KPMG as the auditors is also detailed within both reports.

Management agrees to review the Rothschild Internal Control Environment report annually and has already made provisions with Rothschild to do so.

3. Foundation has not adhered to State University System Board of Governors (SUSBOG) budget approval requirements. SUSBOG regulation 9.011, *University Direct Support Organizations and Health Services Support Organizations*, last amended 11-8-18, and NCF regulation 3-7001, *Direct Support Organizations*, created 6-22-22, require the Board of Trustees approval of the operating budgets of all DSOs. The SUSBOG regulation also requires "significant changes in planned expenditures in the approved budget be reported to the university board of trustees as soon as practicable but not later than the deadline established by the board of trustees." We were not able to locate a reference in the Board of Trustee meeting minutes where the Foundation's operating budget was presented for NCF Board of Trustee approval.

   Recommendation:

   In order to enhance regulatory compliance and allow an opportunity for the Board of Trustees to provide oversight, we recommend the Foundation submit its current annual fiscal year budget as well as prior year's budget to actual surpluses or deficits for the university's Board of Trustees review and approval. The presentation should breakout in-kind goods and services being covered by the university, including university personnel who will provide ongoing services, the square footage of the areas in University buildings that will continue to be used by Foundation employees, the IT system and grounds services being provided, and the value of such resource use to the university. The Foundation should also provide the Board of Trustees with affirmation the University resources provided were only used for the purposes approved by the Board of Trustees.

Management's Response:

Agree. The Foundation is completely supportive of this recommendation, and Foundation staff assisted the College with the drafting of BOT Regulation 7001 which was approved by the College Board of Trustees in June of 2022. The new regulation requires review and approval of the Foundation annual budget by the Board of Trustees. We have submitted the Foundation Budget to the Vice-President of Finance and Administration and our understanding is that the Board of Trustees will take up this matter at the January Trustee meeting. The Foundation Executive Director will work with College staff to develop a format for the presentation of the additional information suggested, while noting that Foundation employees are housed entirely within Keating Center, which is a Foundation owned facility. The primary use of College space by the Foundation is to support fundraising for the College, such as the annual Clambake event.

4. While the Foundation prepares an annual budget, the budget does not detail the amount of expenses or revenues projected to be incurred each month or quarter. As a result, the monthly and quarterly budget to actual expense variance analysis compares the annual budget amounts for each line item and against actual expenses and revenue incurred for the month or quarter. The resulting variances do not provide insight into actual expenses or revenues that are incurred above or below the planned levels. As a result, the Finance Committee and Foundation management cannot rely on the monthly variance analysis to readily identify inordinate expense or revenue variances from the approved budget until the end of the year when remedial action would be more limited.

   Excluding university In-kind gifts, the Foundation's FY 2022 operating expenses of $2,249,513 exceeded revenues of $1,609,166 by $640,347, or 40%. 2022 FY operating expenses of $2,249,513 were $222,513, or 11%, higher than the Board of Director approved expense budget of $2,027,000. The largest budget expense overages included $127,298 in salaries, $57,637 in unbudgeted depreciation, and $41,168 in professional fees. 2022 FY operating revenues of $1,609,166 were $106,947, or 6%, below the Board of Director approved revenue budget of $1,716,113. The largest budgeted revenue overages included $64,000 from the clambake event and $47,466 from unbudgeted property rental income. The largest budgeted revenue shortfalls included $109,858 in unrestricted contributions, $46,106 in grant funding, $32,720 in interest income, and $30,000 in pledges. As a result of deficit spending, the Foundation used its reserves to cover short term budget deficits.

   The FY 2023 Budget approved by the Foundation Board of Directors projects annual revenues will increase by 27% to $2,177,462 while expenses will increase by 7% to $2,177,462.

   Recommendation:

   In order to allow the respective governing bodies to fully understand the Foundation's ongoing financial performance, we recommend the Foundation Board of Directors receive a quarterly budget to actual variance report with detailed explanations of all variances greater than 10% of the respective budget line amounts. We further recommend that budget report include disclosure of operating deficits excluding In-Kind gifts donated by the university which are not included in the annual budget proposal and approval. On an annual basis, the same information should be provided to the NCF Board of Trustees when considering approval of the annual budget proposal.

   Management's Response:

   Agree. The Foundation is committed to full and open budget transparency, and welcomes suggestions as to how it can improve in this area. The current practice of the foundation is that the Finance chair and the Board chair receive monthly reports. The Finance committee receives quarterly reports. The Director of Finance speaks with the Finance chair on a monthly basis to review and discuss. In addition, the Foundation's Executive Director has begun a dialogue with the College's CFO/VP for Finance and Administration to develop an improved budget format that may assist the various oversight bodies in their review of the Foundation's budget.

5. The Foundation does not adequately segregate duties and effectively perform reconciliation reviews.

   A. The Director of Finance and Compliance (Director) is authorized to make both receipt deposits to, and payments from, a number of Foundation bank accounts. The Director is also responsible for the performance of the monthly reconciliations for bank and investment accounts and has the ability to independently process general ledger entries in the Financial Edge system to adjust bank and investment account balances. The Director is also responsible for the monthly budget variance analysis. While the reconciliation of the bank and investment accounts are presently reviewed by the Vice President for College Advancement, who has a strong working knowledge of the Foundation fundraising activities, their finance and accounting background is limited.

   Recommendation:

   We recommend a manager from the University's Finance Department, who does not have Financial Edge system access or bank account authorization, perform a monthly review of all manual general ledger transactions and material bank and investment account reconciliations.

   Management's Response:

   Agree. Beginning in December 2022, the University's Finance and Accounting department initiated the recommended reconciliation, and will continue to do so on a monthly basis.

6. The Director of Finance and Compliance does not calculate and report the costs of fundraising by dividing the cost of funds associated with fundraising by the funds raised. Instead, the reported cost of fundraising is derived by dividing total functional costs by costs associated with fundraising. Using the Director of Finance and Compliance's approach, the 2021-2022 FY cost of fundraising was reported to the President as 19.1%; however, the 19.1% essentially represented the percentage of functional costs applied toward fundraising.

   Recommendation:

   We recommend the cost of fundraising percentage reported by the Foundation be calculated based on the actual funds raised during the period and the costs directly incurred to raise those funds.

   Management's Response:

   Agree. The Foundation adheres to the principals and guidelines outlined by CASE for our fundraising practices. The director of finance was using a method that is more conservative and is a practice that a number of SUS foundations use. The Executive Director of the foundation has instructed the director of finance to calculate based on total commitments in the fiscal year and the costs incurred to raise the commitments. Please see the following revised document.

FY Year	Administrative Costs	Fundraising (Events) Costs	Total Costs	Dollars Raised per VSE Report	Cost of a Dollar Raised %	Cost of a Dollar Raised	Cost of a Dollar Raised- as previously Reported ***
Fiscal Year 2022	$ 721,381	$ 268,363	$ 989,744	$ 9,818,884	10.08	$ 0.10	Will be reported in March 2023
Fiscal Year 2021	$ 747,911	$ 231,198	$ 979,109	$ 9,193,826	10.65	$ 0.11	$ 0.16
Fiscal Year 2020	$ 670,690	$ 300,318	$ 971,008	$ 3,999,510	24.28	$ 0.24	$ 0.15
Fiscal Year 2019	$ 712,917	$ 253,710	$ 966,627	$ 5,068,981	19.07	$ 0.19	$ 0.14
Fiscal Year 2018	$ 582,251	$ 236,731	$ 818,982	$ 3,611,319	22.68	$ 0.23	$ 0.103

Cost Per dollar raised = Fundriasing per FY Financial Statements/FY Total raised per VSE Report

*** Reported by the Director of Finance to the Annual SUS Foundation Business Officers Conference, per cost % method.

Respectfully,

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