REPORT NO. 2011-135
MARCH 2011

NEW COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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(2) Faculty Senate chair.
(3) Positions remained vacant from January 7, 2010, to March 28, 2010.

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

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

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

NEW COLLEGE OF FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether New College of Florida and its officers with administrative and stewardship responsibilities for College operations had:

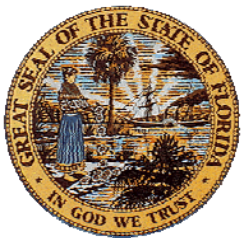
- **Presented the College's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



AUDITOR GENERAL
STATE OF FLORIDA

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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 32. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements of the blended component unit represents 4 percent of the total assets and 80 percent of the total liabilities reported for New College of Florida. The financial statements of the discretely presented component unit represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the College discontinued reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds on the College's statement of net assets during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

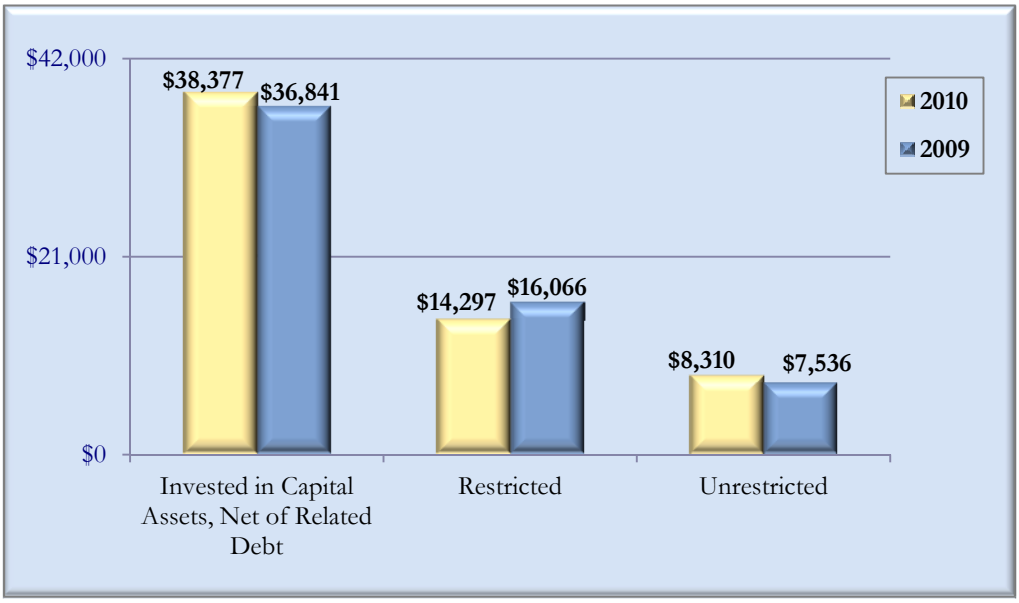
David W. Martin, CPA
March 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled $102.6 million at June 30, 2010. This balance reflects a $3.2 million, or 3.2 percent, increase from the 2008-09 fiscal year, resulting primarily from increases in investments, capital assets, and other noncurrent assets associated with the Development Corporation's interest rate swap. While assets grew, liabilities increased in the amount of $2.6 million, or 6.7 percent, totaling $41.6 million at June 30, 2010, compared to $39 million at June 30, 2009. The primary reason for the increase in liabilities was due to an increase in other noncurrent liabilities associated with the Development Corporation's interest rate swap. As a result, the College's net assets increased by $0.5 million, reaching a year-end balance of $61 million. Net assets increased primarily due to increases from tuition and fees and sales and services of auxiliary enterprises. The College's net assets by category for the fiscal years ended June 30, 2010, and June 30, 2009, are shown in the following table:



The College's revenues totaled $32.3 million for the 2009-10 fiscal year, representing an 8.8 percent decrease compared to the 2008-09 fiscal year. The decrease was mainly due to a reduction in capital and State appropriations from the State. The College's expenses totaled $32.4 million for the 2009-10 fiscal year, representing a decrease of 2.3 percent compared to the 2008-09 fiscal year due mainly to a decrease in operating expenses relating to services and supplies.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements and notes thereto, encompass the College and its component units. These component units include: New College Foundation, Inc. (Foundation), and New College of Florida Development Corporation (Development Corporation). Based upon the application of the criteria for determining component units, the Development Corporation is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit. Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit. MD&A information regarding the Development Corporation component unit can be found in it's separately issued audit report.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Net assets, the difference between total assets and total liabilities, is one indicator of the College's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the College's financial condition. The following summarizes the College's assets, liabilities, and net assets at June 30:

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

	2010	2009
Assets		
Current Assets	$ 29,953	$ 31,643
Capital Assets, Net	67,754	65,218
Other Noncurrent Assets	4,869	2,551
Total Assets	102,576	99,412
Liabilities		
Current Liabilities	5,870	6,314
Noncurrent Liabilities	35,722	32,655
Total Liabilities	41,592	38,969
Net Assets		
Invested in Capital Assets, Net of Related Debt	38,377	36,841
Restricted	14,297	16,066
Unrestricted	8,310	7,536
Total Net Assets	$ 60,984	$ 60,443

Current assets at June 30, 2010, totaled $29.9 million, compared to $31.6 million at June 30, 2009, reflecting a decrease of $1.7 million, or 5.3 percent. The primary reason for the decrease was a $3.2 million decrease in the amount due from the State relating to Public Education Capital Outlay projects. This decrease was partially offset by an increase in investments of $1.6 million.

Total capital assets of $67.8 million increased by $2.5 million and are comprised primarily of buildings, furniture and equipment, land, and construction in progress. The amount is net of accumulated depreciation totaling $31.4 million.

Other noncurrent assets increased by $2.3 million primarily due to resources associated with the Development Corporation's interest rate swap. This increase was partially offset by a decrease in restricted cash and cash equivalents of $1.8 million.

Liabilities at June 30, 2010, totaled $41.6 million, compared to $39 million for June 30, 2009. This represents a $2.6 million increase. The increase is primarily due to a $3.6 million increase in other noncurrent liabilities associated with the recording of the fair value of the interest rate swap of the Development Corporation. This increase was partially offset by a decrease in bonds and certificates of participation payable.

In summary, New College of Florida's net assets of $61 million at June 30, 2010, included $38.4 million invested in capital assets, net of related debt, $14.3 million in restricted expendable net assets, and $8.3 million in unrestricted net assets.

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

The statement of revenues, expenses, and changes in net assets presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The adjustment to beginning net assets reflects the change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds (see note 2). It was determined that these are not debt of the College.

The following summarizes the College's activity for the 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Operating Revenues	$ 8,835	$ 8,023
Operating Expenses	(30,814)	(31,432)
Operating Loss	(21,979)	(23,409)
Net Nonoperating Revenues	19,355	18,747
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,624)	(4,662)
Other Revenues, Expenses, Gains, or Losses	2,583	6,916
Net Increase (Decrease) In Net Assets	(41)	2,254
Net Assets, Beginning of Year	60,443	58,189
Adjustments to Beginning Net Assets (1)	582	
Net Assets, Beginning of Year, as Restated	61,025	58,189
Net Assets, End of Year	$ 60,984	$ 60,443

Note: (1) Due to a change in reporting State University System Capital Improvement Trust Fund Revenuse Bonds. See note 2 to the financial statements.

Operating Revenues

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

equal or similar value. The following summarizes the operating revenues by source that were used to fund operating activities during the 2009-10 and 2008-09 fiscal years:

Operating Revenues
(In Thousands)

	2009-10	2008-09
Net Tuition and Fees	$ 1,690	$ 1,182
Grants and Contracts	1,833	1,776
Sales and Services of Educational Departments		1
Sales and Services of Auxiliary Enterprises	5,113	4,831
Other	199	233
Total Operating Revenues	$ 8,835	$ 8,023

Total operating revenues increased by $0.8 million in the 2009-10 fiscal year due primarily to an increase in net tuition and fees. This increase was due to increased enrollment and increased tuition and fee rates.

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2009-10 and 2008-09 fiscal years:

Operating Expenses
(In Thousands)

	2009-10	2008-09
Compensation and Employee Benefits	$ 19,490	$ 19,153
Services and Supplies	6,048	7,305
Utilities and Communications	1,297	1,412
Scholarships, Fellowships, and Waivers	1,136	979
Depreciation	2,843	2,583
Total Operating Expenses	$ 30,814	$ 31,432

Total operating expenses for the 2009-10 fiscal year were $30.8 million as compared to $31.4 million for the 2008-09 fiscal year, which is a $0.6 million or a 2 percent decrease. The decrease is mainly due to a decrease in services and supplies of $1.3 million. The decrease in supplies and services was the result of a reduction in repair and renovation costs related to Public Education Capital Outlay (PECO) construction projects. Compensation and employee benefits accounted for 63.3 percent of total operating expenses and increased 1.8 percent over the 2008-09 fiscal year. The increase was primarily the result of annual salary increases.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2009-10	2008-09
State Appropriations	$ 15,421	$ 17,191
Federal and State Student Financial Aid	3,365	2,874
State Appropriated American Recovery and Reinvestment Act Funds	1,232	
Annual Subsidy from Foundation	135	217
Net Investment Income	693	176
Other Nonoperating Revenues	75	5
Interest on Capital Asset-Related Debt	(1,459)	(1,529)
Other Nonoperating Expenses	(107)	(187)
Net Nonoperating Revenues	$ 19,355	$ 18,747

Net nonoperating revenues during the 2009-10 fiscal year increased by $0.6 million. The increase was due mainly to $1.2 million of funding from State appropriated American Recovery and Reinvestment Act funds, a $0.5 million increase in Federal and State student financial aid, a $0.5 million increase in investment income, and a $0.2 million reduction in interest on capital asset-related debt and other nonoperating expenses. This was partially offset by a $1.8 million decrease in State appropriations.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2009-10	2008-09
Capital Appropriations	$ 2,576	$ 6,875
Capital Grants, Contracts, Donations, and Fees	7	41
Total	$ 2,583	$ 6,916

Total other revenue for the 2009-10 fiscal year decreased by $4.3 million compared to the prior fiscal year and was primarily due to a decrease in capital appropriations revenue related to PECO.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The following summarizes cash flows for the 2009-10 and 2008-09 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	$ (18,736)	$ (20,513)
Noncapital Financing Activities	20,097	20,015
Capital and Related Financing Activities	(1,960)	359
Investing Activities	(1,438)	2,183
Net Increase (Decrease) in Cash and Cash Equivalents	(2,037)	2,044
Cash and Cash Equivalents, Beginning of Year	2,794	750
Cash and Cash Equivalents, End of Year	$ 757	$ 2,794

The major sources of cash from operating activities included auxiliary enterprise revenues of $5.1 million; Federal and nongovernmental grants of $1.8 million; and net student tuition and fees of $1.7 million. Included in the total cash used for operating activities were payments to employees of $18.9 million; payments to suppliers for goods and services of $7.3 million; and payments to students for scholarships of $1.1 million.

The major sources of cash provided by noncapital financing activities were State appropriations of $16.7 million (including $1.2 million of State appropriated ARRA funds) and $3.4 million in Federal and State student financial aid. These two sources represent 99.8 percent of the total cash flows provided in this category.

Cash flows from capital and related financing activities included $5.5 million in State capital appropriations for infrastructure and maintenance. Major cash outlays included $5.9 million for the purchase of capital assets and $1.5 million for interest payments on asset-related debt.

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

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had $99.2 million in capital assets, less accumulated depreciation of $31.4 million, for net capital assets of $67.8 million. Depreciation charges for the current fiscal year totaled $2.8 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2010	2009
Land	$ 4,562	$ 4,562
Buildings	56,654	55,687
Construction in Progress	3,150	2,749
Computer Software	56	65
Infrastructure	2,029	537
Furniture and Equipment	1,172	1,454
Library Resources	131	164
Capital Assets, Net	$ 67,754	$ 65,218

During the 2009-10 fiscal year, the Legislature approved and appropriated $2.6 million to the College's capital budget. The appropriations were primarily for utilities, infrastructure, renovations, and roof replacements. Additional information about the College's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2010, were incurred on the construction of the new Academic Building and renovations to the Hamilton Center which were funded through PECO appropriations. The College's major capital commitment at June 30, 2010, is as follows:

	Amount (In Thousands)
Total Committed	$14,382
Completed to Date	(3,150)
Balance Committed	$11,232

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

DEBT ADMINISTRATION

As of June 30, 2010, the College had $29.7 million in outstanding certificates of participation. Overall, the College's long-term debt decreased $0.8 million, from the prior fiscal year. The primary reason for the decrease is due to the prior period adjustment of $0.6 million for reporting of State University System Capital Improvement Trust Fund Revenue Bonds (see note 2 to the financial statements). The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Thousands)

	2010	2009
Bonds Payable	$	$ 586
Certificates of Participation Payable	29,701	29,873
Total	$ 29,701	$ 30,459

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The State and national economic downturn continues to impact the College. State and capital appropriations for the 2009-10 fiscal year totaled $18 million and together are the largest source of funding. The level of recurring State support included in the budget the Florida Legislature adopted for the 2009-10 fiscal year was about the same as 2008-09. With little or no additional funding from the State, the College continues to look for ways to conserve resources and cut costs and has implemented tuition increases to enhance its revenue resources. These tuition increases together with increases in student fees have helped provide much needed funding enabling the College to maintain its quality programs. During the 2009-10 fiscal year, the College received Federal stimulus funds of $1.2 million (State appropriated ARRA funds) which will need to be replaced by July 1, 2011, by either new funding sources or by reducing expenses.

The College received a total of $1 million from the New College Foundation, Inc. (Foundation), during the 2009-10 fiscal year, comprised of $0.4 million in student aid and $0.6 million in other program support. Included in the $0.6 million of other program support is $0.5 million to subsidize faculty personnel costs. These moneys are used to ensure that the College maintains its low student-to-faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the College. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the College if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition fees.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 432,881	$ 52,627
Restricted Cash and Cash Equivalents		2,705,506
Investments	12,188,425	16,377
Accounts Receivable, Net	346,736	1,984,981
Loans and Notes Receivable, Net		1,167,383
Due from State	16,842,104	
Other Current Assets	143,288	4,500
Total Current Assets	29,953,434	5,931,374
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	323,893	
Investments		24,450,005
Restricted Investments	824,736	
Depreciable Capital Assets, Net	60,042,585	1,075,227
Nondepreciable Capital Assets	7,711,497	1,026,310
Other Noncurrent Assets	3,720,363	
Total Noncurrent Assets	72,623,074	26,551,542
TOTAL ASSETS	$ 102,576,508	$ 32,482,916
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 353,184	$ 36,568
Construction Contracts Payable	330,670	
Salaries and Wages Payable	1,081,835	
Deferred Revenue	3,557,661	
Other Current Liabilities	101,822	
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	305,000	
Estimated Arbitrage Rebate Payable	39,351	
Compensated Absences Payable	100,346	
Total Current Liabilities	5,869,869	36,568

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	$ 29,395,799	$
Estimated Arbitrage Rebate Payable	4,372	
Notes Payable		1,460,000
Compensated Absences Payable	1,882,768	
Other Postemployment Benefits Payable	851,000	
Other Noncurrent Liabilities	3,588,259	1,474,291
Total Noncurrent Liabilities	35,722,198	2,934,291
TOTAL LIABILITIES	41,592,067	2,970,859
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	38,377,176	2,101,537
Restricted for Nonexpendable:		
Endowment		42,415,529
Restricted for Expendable:		
Capital Projects	13,828,224	
Other	468,486	1,781,275
Unrestricted	8,310,555	(16,786,284)
TOTAL NET ASSETS	60,984,441	29,512,057
TOTAL LIABILITIES AND NET ASSETS	$102,576,508	$ 32,482,916

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $4,936,957	$ 1,690,485	$
Federal Grants and Contracts	820,827	
Nongovernmental Grants and Contracts	1,012,230	
Sales and Services of Auxiliary Enterprises	5,112,538	
Gifts and Donations		1,635,988
Other Operating Revenues	198,532	3,971
Total Operating Revenues	8,834,612	1,639,959
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	19,490,117	
Services and Supplies	6,048,271	
Utilities and Communications	1,297,155	
Scholarships, Fellowships, and Waivers	1,135,379	
Depreciation	2,842,971	
Other Operating Expenses		3,096,491
Total Operating Expenses	30,813,893	3,096,491
Operating Loss	(21,979,281)	(1,456,532)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	15,420,971	
Federal and State Student Financial Aid	3,365,525	
State Appropriated American Recovery and Reinvestment Act Funds	1,231,589	
Annual Subsidy from Foundation	134,873	
Net Investment Income	693,060	2,792,002
Other Nonoperating Revenues	74,873	650
Interest on Capital Asset-Related Debt	(1,459,426)	
Other Nonoperating Expenses	(106,503)	
Net Nonoperating Revenues	19,354,962	2,792,652
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,624,319)	1,336,120
Capital Appropriations	2,576,222	
Capital Grants, Contracts, Donations, and Fees	6,760	
Increase (Decrease) in Net Assets	(41,337)	1,336,120
Net Assets, Beginning of Year	60,442,938	28,175,937
Adjustments to Beginning Net Assets	582,840	
Net Assets, Beginning of Year, Restated	61,025,778	28,175,937
Net Assets, End of Year	$ 60,984,441	$ 29,512,057

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, 2010

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 1,695,211
Grants and Contracts	1,840,107
Sales and Services of Auxiliary Enterprises	5,104,545
Other Operating Receipts	42,194
Payments to Employees	(18,944,165)
Payments to Suppliers for Goods and Services	(7,338,422)
Payments to Students for Scholarships and Fellowships	(1,135,379)
Net Cash Used by Operating Activities	(18,735,909)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	15,463,413
Federal and State Student Financial Aid	3,365,525
State Appropriated American Recovery and Reinvestment Act Funds	1,231,589
Other Nonoperating Receipts	36,789
Net Cash Provided by Noncapital Financing Activities	20,097,316
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	5,484,141
Capital Grants, Contracts, Donations, and Fees	70,947
Purchase or Construction of Capital Assets	(5,884,102)
Principal Paid on Capital Debt and Leases	(175,000)
Interest Paid on Capital Debt and Leases	(1,456,935)
Net Cash Used by Capital and Related Financing Activities	(1,960,949)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(1,727,620)
Investment Income	289,678
Net Cash Used by Investing Activities	(1,437,942)
Net Decrease in Cash and Cash Equivalents	(2,037,484)
Cash and Cash Equivalents, Beginning of Year	2,794,258
Cash and Cash Equivalents, End of Year	$ 756,774

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (21,979,281)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,842,971
Change in Assets and Liabilities:	
Receivables, Net	(46,757)
Other Assets	(94,158)
Accounts Payable	101,162
Salaries and Wages Payable	65,627
Deposits Payable	(1,000)
Compensated Absences Payable	133,326
Deferred Revenue	(104,799)
Other Postemployment Benefits Payable	347,000
NET CASH USED BY OPERATING ACTIVITIES	$ (18,735,909)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains on investments were recognized as an increase in investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 403,328

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), a not-for-profit corporation and direct-support organization (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) is included within the College reporting entity as a discretely presented component unit. This organization is authorized to fund, in whole or in part, academic and other programs of New College of Florida by grants that may be negotiated annually. An annual audit of the Foundation's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the College Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the College Controller's Office.

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

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

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

The College's discretely presented component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations. The blended component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activities consist of instruction, 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 on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

- Buildings – 15 to 50 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 15 years
- Library Resources – 5 to 10 years
- Computer Software – 7 years

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

2. ADJUSTMENT TO BEGINNING NET ASSETS

The College's beginning net assets was increased by $582,840 to record a change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years the liability for these bonds was reported on the College's statement of net assets. It has subsequently been determined that these bonds are not debt of the College. Although proceeds from the bonds were provided to the College for capital projects, the College is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from capital improvement fees collected by all Florida universities and remitted in total to the Florida Department of Education.

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

3. 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 College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase and construct capital or other restricted assets, are classified as restricted.

The College's investments at June 30, 2010, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$12,970,232
State Board of Administration Florida PRIME	934
State Board of Administration Fund B Surplus Funds Trust Fund	41,995
Total College Investments	$ 13,013,161

External Investment Pools

Special Purpose Investment Account. The College reported investments at fair value totaling $12,970,232 at June 30, 2010, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Florida PRIME Investment Pool. At June 30, 2010, the College reported investments at fair value totaling $934 in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME investment pool, administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2010. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Fund B Surplus Funds Trust Fund. On December 4, 2007, the SBA restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2010, the College reported investments at fair value of $41,995 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

Investments held by the College's discretely presented component unit at June 30, 2010, are reported at fair value as follows:

Investment Type	Amount
United States Government Obligations	$ 4,897,765
Common Stock	9,928,887
Mutual Funds	4,756,803
Corporate Bonds	9,281
Other	4,873,646
Total Component Unit Investments	$ 24,466,382

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, and various sales and services provided to students and third parties. As of June 30, 2010, the College reported the following amounts as accounts receivable:

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Description	Amount
Student Tuition and Fees	$ 13,804
Contracts and Grants	227,137
Auxiliary Services	133,175
Total Accounts Receivable	374,116
Less: Allowance for Uncollectible Accounts	27,380
Accounts Receivable, Net	$ 346,736

Allowance for Uncollectible Receivables. An allowance for uncollectible student accounts is reported based upon 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 $27,380 at June 30, 2010.

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

5. DUE FROM STATE

This amount includes Public Education Capital Outlay and Capital Improvement Fee Trust Fund allocations due from the State to the College for construction of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 4,561,975	$	$	$ 4,561,975
Construction in Progress	2,749,486	3,936,717	3,536,681	3,149,522
Total Nondepreciable Capital Assets	$ 7,311,461	$ 3,936,717	$ 3,536,681	$ 7,711,497
Depreciable Capital Assets:				
Buildings	$ 79,923,788	$ 3,005,693	$	$ 82,929,481
Infrastructure and Other Improvements	564,883	1,600,828		2,165,711
Furniture and Equipment	5,465,512	346,791	56,202	5,756,101
Library Resources	450,490	26,430		476,920
Computer Software	114,265	6,470		120,735
Total Depreciable Capital Assets	86,518,938	4,986,212	56,202	91,448,948
Less, Accumulated Depreciation:				
Buildings	24,237,311	2,038,122		26,275,433
Infrastructure and Other Improvements	28,244	108,286		136,530
Furniture and Equipment	4,011,537	621,705	49,270	4,583,972
Library Resources	286,455	58,944		345,399
Computer Software	49,115	15,914		65,029
Total Accumulated Depreciation	28,612,662	2,842,971	49,270	31,406,363
Total Depreciable Capital Assets, Net	$ 57,906,276	$ 2,143,241	$ 6,932	$ 60,042,585

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

7. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the College had not yet received approval from the Florida Department of Education, as of June 30, 2010, to spend the funds, and student tuition and fees, and contracts and grants revenue received prior to fiscal year-end related to subsequent account periods. As of June 30, 2010, the College reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	$ 3,461,211
Student Tuition and Fees	58,835
Contracts and Grants	37,615
Total Deferred Revenue	$ 3,557,661

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include certificates of participation payable, estimated arbitrage rebate payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities (an interest rate swap). Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 586,232	$	$ 586,232	$	$
Certificates of Participation Payable	29,873,307	2,492	175,000	29,700,799	305,000
Estimated Arbitrage Rebate Payable	114,670		70,947	43,723	39,351
Compensated Absences Payable	1,849,788	237,825	104,499	1,983,114	100,346
Other Postemployment Benefits Payable	504,000	400,000	53,000	851,000	
Other Noncurrent Liabilities		3,588,259		3,588,259	
Total Long-Term Liabilities	$ 32,927,997	$ 4,228,576	$ 989,678	$ 36,166,895	$ 444,697

Note: (1) The College recorded an adjustment to beginning net assets to recognize a change in the reporting of Bonds Payable for State University System Capital Improvement Trust Fund Revenue Bonds totaling $582,840, which was net of deferred changes of $3,392. See note 2.

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

As a condition of the financing arrangement, the College entered into a Master Ground and Operating Lease Agreement with the New College of Florida Property Corporation which assigned all of its interest in the lease to the Development Corporation. The property covered by the Master Ground Lease together with

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

the improvement thereon is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The Lease will terminate on the date the certificates and any related obligations are paid in full. Revenues from student housing are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the COPS.

Principal and interest payment requirements on the COPS outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	$ 305,000	$ 1,214,112	$ 1,519,112
2012	485,000	1,197,918	1,682,918
2013	495,000	1,177,828	1,672,828
2014	605,000	1,155,278	1,760,278
2015	715,000	1,128,217	1,843,217
2016-2020	4,100,000	5,161,900	9,261,900
2021-2025	5,110,000	4,222,180	9,332,180
2026-2030	6,360,000	3,050,605	9,410,605
2031-2035	7,910,000	1,593,875	9,503,875
2036-2037	3,680,000	152,520	3,832,520
Subtotal	29,765,000	20,054,433	49,819,433
Less: Discounts	(64,201)		(64,201)
Total	$ 29,700,799	$ 20,054,433	$ 49,755,232

Other Noncurrent Liabilities. Other noncurrent liabilities is the liability for an interest rate swap agreement. To protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPS were issued. The intention of the swap was to effectively change the variable interest rate on the COPS to a synthetic fixed rate of 4.10 percent. The details of the swap are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counter Party Credit Rating
$29,765,000	4-07-06	7-01-16	4.10%	(1)	BBB+

Note: (1) Determined weekly by the remarketing agent. Rate is based on the SIFMA swap index.

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

Fair Value: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2010. The negative fair value may be countered by reductions in total interest payments required under the variable-rate COPS, creating lower synthetic interest rates. Because the coupons on the Development Corporation variable-rate COPS adjust to changing interest rates, the COPS do not have corresponding fair value increases. The fair value estimate is provided to the Development Corporation by a financial

institution known to be a high value participant in this market. The Development Corporation has requested the fair value of its swap be determined, although it has no intention of selling the agreement and has the ability to hold and meet the swap obligation. At June 30, 2010, the negative fair value of the swap agreement held by the Development Corporation was $3,588,259.

Credit Risk: As of June 30, 2010, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

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

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

Estimated Arbitrage Rebate Payable. The estimated arbitrage rebate payable of $43,723 is for the Development Corporation's COPS. In August 2010, a payment of 90 percent was paid to the Internal Revenue Service.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' regulations, College regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2010, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $1,983,114. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

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Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employees' retirement system or another entity.

Funding Policy. Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 12 retirees received postemployment healthcare benefits. The College provided required contributions of $53,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $82,000.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 235,000
Amortization of Unfunded Actuarial Accrued Liability	147,000
Interest on Normal Cost and Amortization	15,000
Annual Required Contribution	397,000
Interest on Net OPEB Obligation	19,000
Adjustment to Annual Required Contribution	(16,000)
Annual OPEB Cost (Expense)	400,000
Contribution Toward the OPEB Cost	(53,000)
Increase in Net OPEB Obligation	347,000
Net OPEB Obligation, Beginning of Year	504,000
Net OPEB Obligation, End of Year	$ 851,000

NEW COLLEGE OF FLORIDA
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JUNE 30, 2010

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	309,000	18.1%	253,000
2008-09	327,000	23.2%	504,000
2009-10	400,000	13.3%	851,000

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $4,409,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,409,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $13,286,081 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates were 10.32 percent and 8.84 percent for the first two years, respectively, for all retirees in the Preferred Provided Option (PPO) Plan, and 10 percent for the first two years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 7 percent in the third year grading identically to 5.10 percent over

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JUNE 30, 2010

70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class in which reemployed.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $511,262, $545,875, and $572,808, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 27 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled $82,153.

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

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

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

There were 127 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled $783,181, and employee contributions totaled $324,883.

10. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2010, are as follows:

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JUNE 30, 2010

Project Description	Total Committed	Completed to Date	Balance Committed
New Academic Building	$ 11,282,974	$ 2,083,491	$ 9,199,483
Hamilton Center Black Box Theatre	1,299,746	100,161	1,199,585
CFA HVAC Mechanical Renovation Infrastructure	593,221	435,705	157,516
Archeology Lab Building	414,847	240,627	174,220
NCDC-Hamilton Center	277,235	15,779	261,456
Pritzker Re-roofing	143,371	131,726	11,645
Heiser Strobic Fans	131,872	2,250	129,622
Iserman Felsman HVAC Renovations	117,072	75,248	41,824
Sculpture Studio	99,000	45,050	53,950
Spectrometer	22,548	19,485	3,063
Total	$ 14,381,886	$ 3,149,522	$ 11,232,364

11. OPERATING LEASE COMMITMENTS

The College leased land under an operating lease, which will expire in 2056. The leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from the lease agreement are contingent upon future appropriations. The lease is between New College of Florida and the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments under this lease as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Amount
2011	$ 85,471
2012	85,471
2013	85,471
2014	85,471
2015	85,471
2016-2020	427,355
2021-2025	427,355
2026-2030	427,355
2031-2035	427,355
2036-2040	427,355
2041-2045	427,355
2046-2050	427,355
2051-2055	427,355
2056	85,471
Total Minimum Payments Required	$ 3,931,666

NEW COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the College participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2009-10 fiscal year, for property losses, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $40 million for named wind and flood through February 14, 2010, and increased to $58.75 million starting February 15, 2010. For perils other than named wind and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $100,000 per person, and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research 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 assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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JUNE 30, 2010

Functional Classification	Amount
Instruction	$ 8,298,547
Research	607,965
Academic Support	2,292,734
Student Services	3,059,845
Institutional Support	5,163,891
Operation and Maintenance of Plant	3,855,354
Scholarships and Fellowships	1,135,379
Depreciation	2,842,971
Auxiliary Enterprises	3,557,207
Total Operating Expenses	$ 30,813,893

NEW COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
7/1/2007	$	$ 3,427,000	$ 3,427,000	0%	$ 12,645,227	27.1%
7/1/2009	$	$ 4,409,000	$ 4,409,000	0%	$ 13,286,081	33.2%

Note: (1) The entry-age cost actuarial method was used to estimate the actuarial accrued liability.

NEW COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009, unfunded actuarial liability of $4,409,000 was significantly higher than the July 1, 2007, liability of $3,427,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumptions, and changes in the rates of decrement and mortality, and the amortization factor.

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

We have audited the basic 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, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the blended and discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Respectfully submitted,

David W. Martin, CPA
March 10, 2011