MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Marymount Manhattan College:

We have audited the accompanying financial statements of Marymount Manhattan College (the College), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Marymount Manhattan College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 7, 2013

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2013 and 2012

Assets	**2013**	**2012**
Cash and cash equivalents	$ 8,036,271	11,178,424
Student receivables, net (note 5)	903,625	485,260
Contributions receivable, net (note 6)	1,965,861	2,507,965
Investments (notes 3 and 4)	18,094,175	16,251,046
Other assets	1,854,064	2,025,366
Funds held by trustees (notes 3, 4 and 7)	7,471,535	7,332,856
Bond issuance costs (note 7)	1,688,297	1,799,825
Plant assets, net (note 8)	72,134,627	70,067,794
Total assets	$ 112,148,455	111,648,536
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 4,535,996	3,775,153
Interest payable	1,138,631	1,159,632
Deferred revenue	1,092,940	1,474,084
Asset retirement obligation	552,100	530,191
Long-term debt (note 7)	45,975,000	47,375,000
Total liabilities	53,294,667	54,314,060
Commitments and contingencies (note 13)		
Net assets (note 14):		
Unrestricted	35,976,096	35,170,400
Temporarily restricted (note 9)	11,168,885	10,573,172
Permanently restricted (note 9)	11,708,807	11,590,904
Total net assets	58,853,788	57,334,476
Total liabilities and net assets	$ 112,148,455	111,648,536

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue, gains, and other support:								
Tuition and fees	$ 47,400,093	—	—	47,400,093	46,003,803	—	—	46,003,803
Less student aid	(10,575,608)	—	—	(10,575,608)	(9,922,842)	—	—	(9,922,842)
	36,824,485	—	—	36,824,485	36,080,961	—	—	36,080,961
State grants/appropriations	297,300	—	—	297,300	292,741	—	—	292,741
Federal grants	131,293	—	—	131,293	129,216	—	—	129,216
Investment return, net (notes 3 and 14)	201,376	1,507,985	—	1,709,361	(5,393)	(340,276)	—	(345,669)
Contributions	577,716	1,200,716	117,903	1,896,335	587,185	590,645	118,664	1,296,494
Auxiliary enterprises (note 13)	9,139,423	—	—	9,139,423	9,078,958	—	—	9,078,958
Other	347,163	—	—	347,163	207,974	—	—	207,974
Net assets released from restrictions (note 9)	2,112,988	(2,112,988)	—	—	2,893,980	(2,893,980)	—	—
Total revenue, gains, and other support	49,631,744	595,713	117,903	50,345,360	49,265,622	(2,643,611)	118,664	46,740,675
Expenses (note 10):								
Instruction	17,531,243	—	—	17,531,243	17,397,975	—	—	17,397,975
Academic support	3,878,050	—	—	3,878,050	3,715,043	—	—	3,715,043
Student services	8,545,223	—	—	8,545,223	8,428,006	—	—	8,428,006
Institutional support	10,193,462	—	—	10,193,462	10,440,672	—	—	10,440,672
Auxiliary enterprises	8,678,070	—	—	8,678,070	8,474,583	—	—	8,474,583
Total expenses	48,826,048	—	—	48,826,048	48,456,279	—	—	48,456,279
Increase (decrease) in net assets	805,696	595,713	117,903	1,519,312	809,343	(2,643,611)	118,664	(1,715,604)
Net assets at beginning of year	35,170,400	10,573,172	11,590,904	57,334,476	34,361,057	13,216,783	11,472,240	59,050,080
Net assets at end of year	$ 35,976,096	11,168,885	11,708,807	58,853,788	35,170,400	10,573,172	11,590,904	57,334,476

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Increase (decrease) in net assets	$	1,519,312	(1,715,604)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Contributions restricted for long-term investment		(117,903)	(118,664)
(Appreciation) depreciation in fair value of investments		(1,445,688)	652,443
(Appreciation) depreciation in fair value of funds held by trustees		(6,289)	2,214
Depreciation and amortization		3,360,233	3,344,249
Loss on the disposition of equipment		190,355	—
Amortization of bond issuance costs		111,528	109,148
Changes in assets and liabilities:			
Student receivables, net		(418,365)	44,253
Contributions receivable		418,565	918,143
Other assets		171,302	(711,465)
Accounts payable and accrued expenses		143,721	257,557
Interest payable		(21,001)	(22,499)
Deferred revenue		(381,144)	59,058
Asset retirement obligation		21,909	19,727
Net cash provided by operating activities		3,546,535	2,838,560
Cash flows from investing activities:			
Purchase of plant assets		(5,617,425)	(3,639,926)
Change in accounts payable related to capital improvements		617,122	258,000
Proceeds from sale of investments		16,442,967	769,122
Purchase of investments		(16,840,404)	(1,186,901)
(Increase) decrease in funds held by trustees		(132,390)	83,404
Net cash used in investing activities		(5,530,130)	(3,716,301)
Cash flows from financing activities:			
Contributions restricted for long-term investment		117,903	118,664
Decrease in permanently restricted contributions receivable		123,539	52,950
Payments on long-term debt		(1,400,000)	(1,500,000)
Net cash used in financing activities		(1,158,558)	(1,328,386)
Net decrease in cash and cash equivalents		(3,142,153)	(2,206,127)
Cash and cash equivalents at beginning of year		11,178,424	13,384,551
Cash and cash equivalents at end of year	$	8,036,271	11,178,424
Supplemental disclosure:			
Interest paid	$	2,298,263	2,341,763

See accompanying notes to financial statements.

(1) Nature of Operations

Marymount Manhattan College (the College) is an urban, independent, undergraduate liberal arts college. The mission of the College is to educate a socially and economically diverse population by fostering intellectual achievement and personal growth and by providing opportunities for career development. The College is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the College are described below:

(a) Financial Statement Presentation

The College prepares its financial statements on the accrual basis of accounting. Net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the College and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the College, but permit the College to expend all or part of the income derived therefrom.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net assets, are reported as net assets released from restrictions.

(b) Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenues in the period received at their net present value discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(c) Depreciation and Amortization of Plant Assets

Depreciation is recorded using the straight-line method over the estimated useful lives ranging from 40 to 50 years for buildings, 20 years for building renovations/improvements, 7 years for furniture, 3 years for equipment, and 10 years for library books. Maintenance and repair expenditures are charged to expense as incurred.

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(d) Bond Issuance Costs

Costs incurred for the issuance of bonds are deferred and amortized over the life of the related debt.

(e) Cash Equivalents

The College considers all highly liquid debt instruments purchased with initial maturities of three months or less to be cash equivalents, with the exception of those, which are held as part of the College's long-term investment portfolio. Cash equivalents primarily consist of money market funds at June 30, 2013 and 2012.

(f) Investments

Investments are reported at fair value based upon quoted market prices. Investment transactions are recorded on a trade-date basis.

(g) Deferred Revenues

Deferred revenues consist primarily of student tuition and fee payments that are received for academic periods subsequent to the fiscal year-end.

(h) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include the estimated net realizable value of receivables, functional allocation of expenses and conditional asset retirement obligation. Actual results could differ from those estimates.

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(3) Investments and Funds Held by Trustees

The College's investments consist of the following at June 30, 2013 and 2012:

		2013		2012	
		Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$	395,772	395,772	1,425,569	1,425,569
Common stocks:					
U.S. large cap		6,443,758	6,759,975	4,976,089	4,996,197
U.S. mid cap		—	—	1,019,715	1,103,034
U.S. small cap		758,043	787,728	310,000	349,553
International equity		3,500,124	3,377,954	3,186,814	2,623,690
Fixed income:					
U.S. fixed income		3,361,499	3,289,066	5,186,234	5,282,713
Foreign fixed income		965,914	916,454	—	—
Mutual funds:					
Foreign exchange		—	—	483,293	470,290
Real estate		579,000	522,977	—	—
Absolute return		1,529,000	1,381,673	—	—
Commodities		539,609	518,576	—	—
Exchange-traded fund		180,000	144,000	—	—
Total	$	18,252,719	18,094,175	16,587,714	16,251,046

Funds held by trustees at June 30, 2013 and 2012 consist of the following:

		2013		2012	
		Cost	Fair value	Cost	Fair value
Cash equivalents	$	2,708,786	2,708,786	2,659,503	2,704,842
Common stocks:					
U.S. equity		146,145	173,189	99,562	23,197
International equity		55,207	53,843	37,411	8,116
Fixed income:					
U.S. fixed income		4,518,837	4,513,748	4,512,913	4,550,204
Foreign fixed income		23,677	21,969	21,695	46,497
Total	$	7,452,652	7,471,535	7,331,084	7,332,856

At June 30, 2013 and 2012, the majority of funds held by trustees were in the debt service reserve fund.

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Return on investments, cash and cash equivalents, and funds held by trustees for the years ended June 30, 2013 and 2012 consist of the following:

		2013	2012
Dividends and interest (net of investment management fees of $80,004 and $46,894 for 2013 and 2012, respectively)	$	257,384	308,988
Appreciation (depreciation) in fair value of investments		1,445,688	(652,443)
Appreciation (depreciation) in fair value of funds held by trustees		6,289	(2,214)
Total investment return, net	$	1,709,361	(345,669)

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

(4) Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The College uses three levels of inputs to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3: Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy does not necessarily correspond to the College's perceived risk of that instrument.

Classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the balance sheet date, and if the interest can be redeemed in the near term, the investment is classified in Level 2. There were no Level 2 or Level 3 investments as of June 30, 2013 and 2012.

The following table presents the fair value hierarchy for the College's financial assets measured at fair value on a recurring basis as of June 30, 2013 and 2012:

	2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Cash and cash equivalents	$ 395,772	395,772	—	—
Equities:				
Domestic	7,547,703	7,547,703	—	—
International	3,377,954	3,377,954	—	—
Fixed income:				
Domestic	3,289,066	3,289,066	—	—
International	916,454	916,454	—	—
Mutual funds:				
Real estate	522,977	522,977	—	—
Absolute return	1,381,673	1,381,673	—	—
Commodities	518,576	518,576	—	—
Exchange-traded fund	144,000	144,000	—	—
Total investments	18,094,175	18,094,175	—	—
Funds held by trustees:				
Cash and cash equivalents	2,708,786	2,708,786	—	—
Equities:				
Domestic	173,189	173,189	—	—
International	53,843	53,843	—	—
Fixed income:				
Domestic	4,513,748	4,513,748	—	—
International	21,969	21,969	—	—
Total funds held by trustees	7,471,535	7,471,535	—	—
Total assets	$ 25,565,710	25,565,710	—	—

(Continued)

		2012		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Cash and cash equivalents	$ 1,425,569	1,425,569	—	—
Equities:				
Domestic	6,448,784	6,448,784	—	—
International	2,623,690	2,623,690	—	—
Fixed income:				
Domestic	5,282,713	5,282,713	—	—
Mutual funds:				
Foreign exchange	470,290	470,290	—	—
Total investments	16,251,046	16,251,046	—	—
Funds held by trustees:				
Cash and cash equivalents	2,659,503	2,659,503	—	—
Equities:				
Domestic	104,560	104,560	—	—
International	33,016	33,016	—	—
Fixed income:				
Domestic	4,514,642	4,514,642	—	—
International	21,135	21,135	—	—
Total funds held by trustees	7,332,856	7,332,856	—	—
Total assets	$ 23,583,902	23,583,902	—	—

(5) Student Receivables

Student receivables comprise the following at June 30, 2013 and 2012:

	2013	**2012**
Student accounts receivable	$ 1,166,340	657,602
Allowance	(262,715)	(172,342)
	903,625	485,260
Student loans receivable	66,737	153,519
Allowance	(66,737)	(153,519)
Total student receivables, net	$ 903,625	485,260

(6) Contributions Receivable

Contributions receivable at June 30, 2013 and 2012 are expected to be collected as follows:

		2013	2012
Less than one year	$	1,092,791	1,888,410
One year to five years		1,174,055	1,028,425
		2,266,846	2,916,835
Less discount to present value (at rates ranging from 1.00% to 5.25%)		(290,875)	(332,656)
Allowance		(10,110)	(76,214)
Contributions receivable, net	$	1,965,861	2,507,965

(7) Long-Term Debt

In 2009, tax-exempt Insured Revenue Bonds for $49,275,000 (the Series 2009 Bonds) were issued by the Dormitory Authority of the State of New York (DASNY). The bond proceeds were used to refund previously issued DASNY Series 1999 Bonds (1999 Bonds), make a deposit to the Debt Service Reserve Fund, and pay the costs of issuance of the Series 2009 Bonds. The Series 1999 Bonds were used to acquire and construct a condominium unit consisting of a mezzanine and the first 33 floors of a 46-story residential condominium located in midtown Manhattan for use as a student dormitory. The Series 2009 Bonds have interest rates ranging from 3% to 5.25%, payable semiannually through 2029. The Series 2009 Bonds are secured by a pledge of tuition and fee revenue of the College as defined in the Loan Agreement dated as of August 11, 1999, as amended and restated on December 22, 2009.

As of June 30, 2013 and 2012, the estimated fair value of the Series 2009 Bonds was $47,803,152 and $50,419,000, respectively. The fair value of bonds payable is based on rates currently available for instruments with similar maturities and credit quality. The bonds are classified as Level 2 in the fair value hierarchy.

Interest expense was $2,277,263 and $2,319,263 for the years ended June 30, 2013 and 2012, respectively.

The Loan Agreement contains certain financial covenants. The College is in compliance with these covenants at June 30, 2013.

Maturities and interest for the next five fiscal years and thereafter are as follows for the Series 2009 Bonds:

		Principal	Interest	Total debt service
Fiscal year:				
2014	$	1,500,000	2,254,763	3,754,763
2015		2,065,000	2,180,638	4,245,638
2016		2,150,000	2,075,263	4,225,263
2017		2,235,000	1,965,638	4,200,638
2018		2,330,000	1,851,513	4,181,513
Thereafter		35,695,000	11,635,844	47,330,844
	$	45,975,000	21,963,659	67,938,659

(8) Plant Assets

Plant assets at June 30, 2013 and 2012 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

		2013	2012
Buildings and building improvements	$	75,030,513	74,673,939
Furniture and equipment		10,343,917	10,371,142
Library books		2,030,017	1,928,690
		87,404,447	86,973,771
Less accumulated depreciation		43,118,381	39,951,546
		44,286,066	47,022,225
Construction in progress		13,422,730	8,619,738
Land		14,425,831	14,425,831
	$	72,134,627	70,067,794

In August 2010, the College purchased a four-story townhouse on 71st Street, which underwent extensive renovations during the 2011-2013 fiscal years. Starting in the 2013-2014 fiscal year, the building will be placed into service and used for faculty offices.

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(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

		2013	2012
Time-restricted contributions	$	46,044	46,044
Academic program support		1,965,115	2,079,881
Scholarships		7,916,486	7,341,963
Acquisition of plant assets		1,241,240	1,105,284
	$	11,168,885	10,573,172

Net assets were released from restrictions during 2013 and 2012 by incurring expenses satisfying the restricted purposes as follows:

		2013	2012
Academic program support	$	502,284	348,769
Scholarships		1,610,704	2,344,504
Acquisition of plant assets		—	200,707
	$	2,112,988	2,893,980

Permanently restricted net assets at June 30, 2013 and 2012 are restricted to investment in perpetuity, with investment return available primarily to support scholarships.

(10) Expenses

The statements of activities present expenses in the functional categories of instruction, academic support, student services, institutional support, and auxiliary enterprises, as recommended by the National Association of College and University Business Officers. Institutional support includes $1,566,639 and $1,896,950 of fund-raising expenses in 2013 and 2012, respectively.

The following table presents the allocation of operations and maintenance, depreciation and amortization, and interest expense among the functional expense categories based on management's best estimate of each function's proportionate share.

		Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
2013:							
Direct expenses	$	13,060,946	3,730,454	7,108,627	9,882,024	3,269,013	37,051,064
Operations and maintenance		2,612,071	86,243	839,427	181,979	2,115,883	5,835,603
Depreciation and amortization		1,678,653	55,424	539,460	116,949	1,271,633	3,662,119
Interest		179,573	5,929	57,709	12,510	2,021,541	2,277,262
	$	17,531,243	3,878,050	8,545,223	10,193,462	8,678,070	48,826,048
2012:							
Direct expenses	$	12,985,036	3,569,341	7,009,843	10,133,230	3,330,438	37,027,888
Operations and maintenance		2,559,858	84,519	822,648	178,341	2,010,366	5,655,732
Depreciation and amortization		1,670,195	55,145	536,742	116,360	1,074,955	3,453,397
Interest		182,886	6,038	58,773	12,741	2,058,824	2,319,262
	$	17,397,975	3,715,043	8,428,006	10,440,672	8,474,583	48,456,279

(11) Retirement Plan

Employees of the College are covered under a defined contribution money-purchase retirement plan whereby the contributions are made directly to each individual participant's annuity accounts maintained by Teachers Insurance and Annuity Association – College Retirement Equities Fund. The cost of the plan is funded as accrued. Effective July 1, 2000, the College makes contributions equal to 10% of eligible employees' gross earnings. Employees become eligible after one year of service. The College's contributions to the plan for the years ended June 30, 2013 and 2012 amounted to $1,638,746 and $1,666,400, respectively.

(12) Air Rights Sale

The air rights associated with the College's facilities were sold in December 1986 under an agreement that provided for receipt of $2,100,000 at the time of the sale and contingent payments of amounts based upon subsequent sales of condominium units by the purchaser. The College is entitled to a percentage of the proceeds from sales of units equal to 10%. No units have been sold as of June 30, 2013 and 2012.

(13) Lease Commitments

The College entered into operating leases in connection with student housing, which it sublets to students with no commitments beyond one year. The rental revenues and expenses relating to these operating leases amounted to $2,426,930 and $2,769,041, respectively, in 2013, and $2,538,099 and $2,821,943, respectively, in 2012, and are included in auxiliary enterprises in the accompanying statements of activities.

In December 2011, the College entered into a two-year licensing agreement for 98 individual rooms (housing for 202 students) the first year and 59 individual rooms (housing for 122 students) with

Educational Housing Services. The remaining one-year commitment of the licensing agreement amounts to $2,137,617.

On December 13, 2012, the College entered into a ten-year student housing lease agreement with Cooper and 6th Property LLC for a building to be constructed at 35-39 Cooper Square in New York City. The developer anticipates the building to be ready by August 2015 and the lease will begin in fiscal 2016. The building will contain 272 student beds. The base rent over the term of the lease is approximately $38,900,000.

(14) Endowment Funds

The College is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) and has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the College deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

The College classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, where applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA. Such amounts recorded as temporarily restricted net assets are released from restriction when the College appropriates them, the donor-stipulated purpose has been fulfilled, and/or the required time period has elapsed.

The College has no board-designated endowments. The following table represents the net assets classes and changes in endowment funds for the years ended June 30, 2013 and 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2011	$ —	4,159,573	11,472,240	15,631,813
Investment income, net	—	286,309	—	286,309
Net depreciation (realized and unrealized)	(9,242)	(619,108)	—	(628,350)
Contributions	—	—	118,664	118,664
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(607,225)	—	(607,225)
Endowment net assets at June 30, 2012	(9,242)	3,219,549	11,590,904	14,801,211

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income, net	$ 9,242	203,927	—	213,169
Net appreciation (realized and unrealized)	—	1,296,531	—	1,296,531
Contributions	—	—	117,903	117,903
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(571,616)	—	(571,616)
Endowment net assets at June 30, 2013	$ —	4,148,391	11,708,807	15,857,198

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowments funds may fall below the level that the donor or NYPMIFA requires the College to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. There were no deficiencies as of June 30, 2013.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of a blended benchmark consisting of 40% Lehman Brothers Aggregate Intermediate, 38% S&P 500, 7% Russell Mid Cap, 7% Russell 2000, and 8% EAFE Performance with JP Morgan for the first part of the fiscal year (July through December). For the second part of the fiscal year (January through June), the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of a blended benchmark based on policy allocation; large cap equity compared to S&P 500 Index, small cap equity compared to Russell 2000 index, international equity compared to MSCI EAFE index, fixed income taxable compared to Barclays Intermediate Gov/Cr Index, commodities compared to CRB Continuous Commodity Index, absolute return compared to HFRI Fund of Funds Index, real estate compared to FTSE NAREIT Index, and private equity compared to Wilshire 5000 Index.

(c) Spending Policy

The College has a spending policy that permits the use of total return at a rate (spending rate) of 5% of the prior 60-month average fair value investment balance of endowment funds unless otherwise explicitly stipulated by the donor.

(Continued)

(15) Subsequent Events

The College evaluated subsequent events after the balance sheet date of June 30, 2013 through November 7, 2013, which was the date the financial statements were issued, and has concluded that there are no other subsequent events required to be disclosed.