



MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2014 and 2013, 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, 2014 and 2013, 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 20, 2014

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 6,498,010	8,036,271
Student receivables, net (note 5)	603,030	903,625
Contributions receivable, net (note 6)	1,568,361	1,965,861
Investments, at fair value (note 3)	21,076,933	18,094,175
Other assets	2,125,401	1,854,064
Funds held by trustees (notes 3 and 6)	8,049,566	7,471,535
Bond issuance costs (note 7)	1,531,538	1,688,297
Plant assets, net (note 8)	70,805,414	72,134,627
Total assets	\$ 112,258,253	112,148,455
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,052,205	4,535,996
Interest payable	1,116,131	1,138,631
Deferred revenue	1,643,999	1,092,940
Asset retirement obligation	573,029	552,100
Long-term debt (note 7)	44,475,000	45,975,000
Total liabilities	51,860,364	53,294,667
Commitments and contingencies (note 13)		
Net assets (note 14):		
Unrestricted	37,435,357	35,976,096
Temporarily restricted (note 9)	11,053,632	11,168,885
Permanently restricted (note 9)	11,908,900	11,708,807
Total net assets	60,397,889	58,853,788
Total liabilities and net assets	\$ 112,258,253	112,148,455

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2014 and 2013

	2014			2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:								
Tuition and fees	\$ 46,815,261	—	—	46,815,261	47,400,093	—	—	47,400,093
Less student aid	(11,043,555)	—	—	(11,043,555)	(10,575,608)	—	—	(10,575,608)
	<u>35,771,706</u>	<u>—</u>	<u>—</u>	<u>35,771,706</u>	<u>36,824,485</u>	<u>—</u>	<u>—</u>	<u>36,824,485</u>
State grants/appropriations	288,768	—	—	288,768	297,300	—	—	297,300
Federal grants	115,663	—	—	115,663	131,293	—	—	131,293
Investment return, net (notes 3 and 14)	387,389	2,462,666	—	2,850,055	201,376	1,507,985	—	1,709,361
Contributions	1,076,475	625,871	200,093	1,902,439	577,716	1,200,716	117,903	1,896,335
Auxiliary enterprises	8,296,183	—	—	8,296,183	9,139,423	—	—	9,139,423
Other	481,788	—	—	481,788	347,163	—	—	347,163
Net assets released from restrictions (note 9)	3,203,790	(3,203,790)	—	—	2,112,988	(2,112,988)	—	—
Total revenue, gains, and other support	<u>49,621,762</u>	<u>(115,253)</u>	<u>200,093</u>	<u>49,706,602</u>	<u>49,631,744</u>	<u>595,713</u>	<u>117,903</u>	<u>50,345,360</u>
Expenses (note 10):								
Instruction	18,044,197	—	—	18,044,197	17,531,243	—	—	17,531,243
Academic support	3,724,530	—	—	3,724,530	3,878,050	—	—	3,878,050
Student services	8,635,905	—	—	8,635,905	8,545,223	—	—	8,545,223
Institutional support	10,131,611	—	—	10,131,611	10,193,462	—	—	10,193,462
Auxiliary enterprises	7,626,258	—	—	7,626,258	8,678,070	—	—	8,678,070
Total expenses	<u>48,162,501</u>	<u>—</u>	<u>—</u>	<u>48,162,501</u>	<u>48,826,048</u>	<u>—</u>	<u>—</u>	<u>48,826,048</u>
Increase (decrease) in net assets	1,459,261	(115,253)	200,093	1,544,101	805,696	595,713	117,903	1,519,312
Net assets at beginning 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
Net assets at end of year	<u>\$ 37,435,357</u>	<u>11,053,632</u>	<u>11,908,900</u>	<u>60,397,889</u>	<u>35,976,096</u>	<u>11,168,885</u>	<u>11,708,807</u>	<u>58,853,788</u>

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 1,544,101	1,519,312
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(200,093)	(117,903)
Appreciation in fair value of investments	(2,530,307)	(1,445,688)
Depreciation (appreciation) in fair value of funds held by trustees	3,292	(6,289)
Depreciation and amortization of plant assets	3,751,055	3,360,233
Loss on the disposition of equipment	—	190,355
Amortization of bond issuance costs	156,759	111,528
Changes in assets and liabilities:		
Student receivables, net	300,595	(418,365)
Contributions receivable	191,734	418,565
Other assets	(271,337)	171,302
Accounts payable and accrued expenses	(443,712)	143,721
Interest payable	(22,500)	(21,001)
Deferred revenue	551,059	(381,144)
Asset retirement obligation	20,929	21,909
Net cash provided by operating activities	3,051,575	3,546,535
Cash flows from investing activities:		
Purchase of plant assets	(2,421,842)	(5,617,425)
Change in accounts payable related to capital improvements	(40,079)	617,122
Proceeds from sale of investments	13,532,309	16,442,967
Purchase of investments	(13,984,760)	(16,840,404)
Increase in funds held by trustees	(581,323)	(132,390)
Net cash used in investing activities	(3,495,695)	(5,530,130)
Cash flows from financing activities:		
Contributions restricted for long-term investment	200,093	117,903
Decrease in permanently restricted contributions receivable	205,766	123,539
Payments on long-term debt	(1,500,000)	(1,400,000)
Net cash used in financing activities	(1,094,141)	(1,158,558)
Net decrease in cash and cash equivalents	(1,538,261)	(3,142,153)
Cash and cash equivalents at beginning of year	8,036,271	11,178,424
Cash and cash equivalents at end of year	\$ 6,498,010	8,036,271
Supplemental disclosure:		
Interest paid	\$ 2,254,763	2,298,263

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2014 and 2013

(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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Notes to Financial Statements

June 30, 2014 and 2013

(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, 2014 and 2013.

(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.

(i) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

(j) Income taxes

The College accounts for uncertainties in income taxes recognized in its financial statements using a threshold of more likely than not of being sustained. Income generated from activities unrelated to the College's exempt purpose is subject to tax. The College did not have any material unrelated business income tax liability at June 30, 2014 and 2013.

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Notes to Financial Statements

June 30, 2014 and 2013

(3) Investments and Funds Held by Trustees

The College's investments consist of the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 104,335	104,335	395,772	395,772
Common stocks:				
U.S. mid and large cap	7,294,558	8,212,293	6,443,758	6,759,975
U.S. small cap	831,027	966,326	758,043	787,728
International equity	4,027,198	4,332,628	3,500,124	3,377,954
Fixed income:				
U.S. fixed income	3,167,838	3,100,071	3,361,499	3,289,066
Foreign fixed income	1,016,029	1,003,939	965,914	916,454
Other equity:				
Real estate	1,009,000	1,040,186	579,000	522,977
Absolute return	1,728,178	1,666,197	1,529,000	1,381,673
Commodities	609,554	650,958	719,609	662,576
Total	<u>\$ 19,787,717</u>	<u>21,076,933</u>	<u>18,252,719</u>	<u>18,094,175</u>

Funds held by trustees at June 30, 2014 and 2013 consist of the following:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 3,202,537	3,202,537	2,708,786	2,708,786
Common stocks:				
U.S. equity	160,646	221,392	146,145	173,189
International equity	60,532	67,431	55,207	53,843
Fixed income:				
U.S. fixed income	4,542,114	4,540,648	4,518,837	4,513,748
Foreign fixed income	18,900	17,558	23,677	21,969
Total	<u>\$ 7,984,729</u>	<u>8,049,566</u>	<u>7,452,652</u>	<u>7,471,535</u>

At June 30, 2014 and 2013, the majority of funds held by trustees were in the debt service reserve fund.

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Notes to Financial Statements

June 30, 2014 and 2013

Return on investments, cash and cash equivalents, and funds held by trustees for the years ended June 30, 2014 and 2013 consist of the following:

	2014	2013
Dividends and interest (net of investment management fees of \$113,392 and \$80,004 for 2014 and 2013, respectively)	\$ 323,040	257,384
Appreciation in fair value of investments	2,530,307	1,445,688
(Depreciation) appreciation in fair value of funds held by trustees	(3,292)	6,289
Total investment return, net	\$ 2,850,055	1,709,361

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 those 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.

All investments and funds held by trustees are classified as Level 1 in the fair value hierarchy as of June 30, 2014 and 2013.

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Notes to Financial Statements

June 30, 2014 and 2013

(5) Student Receivables

Student receivables comprise the following at June 30, 2014 and 2013:

	2014	2013
Student accounts receivable	\$ 853,446	1,166,340
Allowance	(250,416)	(262,715)
	603,030	903,625
Student loans receivable	66,737	66,737
Allowance	(66,737)	(66,737)
Total student receivables, net	\$ 603,030	903,625

(6) Contributions Receivable

Contributions receivable at June 30, 2014 and 2013 are expected to be collected as follows:

	2014	2013
Less than one year	\$ 1,166,150	1,092,791
One year to five years	613,833	1,174,055
	1,779,983	2,266,846
Less discount to present value (at rates ranging from 1.00% to 5.25%)	(207,127)	(290,875)
Allowance	(4,495)	(10,110)
Contributions receivable, net	\$ 1,568,361	1,965,861

(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, 2014 and 2013, the estimated fair value of the Series 2009 Bonds was \$48,469,043 and \$47,803,152, 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.

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Notes to Financial Statements

June 30, 2014 and 2013

Interest expense was \$2,232,263 and \$2,277,263 for the years ended June 30, 2014 and 2013, respectively.

The Loan Agreement contains certain financial covenants. The College is in compliance with these financial covenants at June 30, 2014.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Fiscal year:			
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
2019	2,510,000	1,739,925	4,249,925
Thereafter	<u>33,185,000</u>	<u>9,895,919</u>	<u>43,080,919</u>
	\$ <u><u>44,475,000</u></u>	<u><u>19,708,896</u></u>	<u><u>64,183,896</u></u>

(8) Plant Assets

Plant assets at June 30, 2014 and 2013 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

	<u>2014</u>	<u>2013</u>
Buildings and building improvements	\$ 85,073,431	75,030,513
Furniture and equipment	12,158,339	10,343,917
Library books	<u>2,119,557</u>	<u>2,030,017</u>
	99,351,327	87,404,447
Less accumulated depreciation	<u>46,869,436</u>	<u>43,118,381</u>
	52,481,891	44,286,066
Construction in progress	228,935	13,422,730
Land	<u>18,094,588</u>	<u>14,425,831</u>
	\$ <u><u>70,805,414</u></u>	<u><u>72,134,627</u></u>

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

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Notes to Financial Statements

June 30, 2014 and 2013

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Time-restricted contributions	\$ 45,892	46,044
Academic program support	2,366,296	1,965,115
Scholarships	7,938,054	7,916,486
Acquisition of plant assets	703,390	1,241,240
	\$ 11,053,632	11,168,885

Net assets were released from restrictions during 2014 and 2013 by incurring expenses satisfying the restricted purposes as follows:

	2014	2013
Academic program support	\$ 556,434	502,284
Scholarships	2,093,279	1,610,704
Acquisition of plant assets	554,077	—
	\$ 3,203,790	2,112,988

Permanently restricted net assets at June 30, 2014 and 2013 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 \$1,484,847 and \$1,566,639 of fund-raising expenses in 2014 and 2013, respectively.

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Notes to Financial Statements

June 30, 2014 and 2013

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.

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
2014:						
Direct expenses	\$ 13,337,326	3,558,600	7,211,324	9,822,777	2,594,951	36,524,978
Operations and maintenance	2,515,144	83,043	808,278	175,226	1,915,755	5,497,446
Depreciation and amortization	2,015,692	77,075	559,732	121,344	1,133,971	3,907,814
Interest	176,035	5,812	56,571	12,264	1,981,581	2,232,263
	<u>\$ 18,044,197</u>	<u>3,724,530</u>	<u>8,635,905</u>	<u>10,131,611</u>	<u>7,626,258</u>	<u>48,162,501</u>
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	2,115,882	5,835,602
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	2,021,542	2,277,263
	<u>\$ 17,531,243</u>	<u>3,878,050</u>	<u>8,545,223</u>	<u>10,193,462</u>	<u>8,678,070</u>	<u>48,826,048</u>

(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, 2014 and 2013 amounted to \$1,604,051 and \$1,638,746, 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, 2014 and 2013.

(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 \$1,460,608 and \$2,165,725, respectively, in 2014, and \$2,426,930 and \$2,769,041, respectively, in 2013, and are included in auxiliary enterprises in the accompanying statements of activities.

In February 2014, the College entered into a one-year licensing agreement with Educational Housing Services (EHS) for 136 student beds and one Resident Director Bed for the 2014-2015 academic year. This

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Notes to Financial Statements

June 30, 2014 and 2013

one-year commitment of the licensing agreement amounts to \$1,874,475. In August 2014, the College entered into two additional licensing agreements with EHS and The School of Visual Arts (SVA) for more student beds for the 2014-2015 academic year. These commitments of the licensing agreements amount to \$76,032 (six student beds) for EHS and \$304,200 (twenty-six student beds) for SVA.

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. In connection with the Cooper Square lease, the College has provided a security deposit letter of credit (LOC) in the amount of \$1,700,000. Cash and cash equivalents of \$1,700,000 serve as collateral relating to the LOC. 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.

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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 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2012	\$ (9,242)	3,219,549	11,590,904	14,801,211
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
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment income, net	\$ —	277,751	—	277,751
Net appreciation (realized and unrealized)	—	2,184,915	—	2,184,915
Contributions	—	—	200,093	200,093
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(656,185)	—	(656,185)
Endowment net assets at June 30, 2014	<u>\$ —</u>	<u>5,954,872</u>	<u>11,908,900</u>	<u>17,863,772</u>

(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, 2014 and 2013.

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(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 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 DJ UBS 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.

(15) Subsequent Events

The College evaluated subsequent events after the balance sheet date of June 30, 2014 through November 20, 2014, which was the date the financial statements were issued, and has concluded that there are no other subsequent events required to be disclosed.