KPMG

MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2011 and 2010

(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 balance sheets of Marymount Manhattan College (the College) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 13, the College adopted the Accounting Standards Codification 958, Section 205-45, *Reporting Endowment Funds*, for classification of donor-restricted endowment funds due to the enactment of the New York Prudent management of Institutional Funds Act in 2011.

KPMG LLP

November 16, 2011

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	13,384,551	15,323,476
Student receivables, net (note 4)		529,513	1,045,275
Contributions receivable, net (note 5)		3,479,058	6,428,455
Investments, at fair value (note 3)		16,485,709	14,017,145
Other assets		1,313,901	1,273,865
Funds held by trustees (notes 3 and 6)		7,418,474	6,266,174
Bond issuance costs (note 6)		1,908,973	2,018,061
Plant assets, net (note 7)		69,772,117	64,893,834
Total assets	$	114,292,297	111,266,285
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	3,259,596	2,837,489
Interest payable		1,182,131	1,247,538
Deferred revenue		1,415,026	1,409,474
Asset retirement obligation		510,464	483,947
Long-term debt (note 6)		48,875,000	49,275,000
Total liabilities		55,242,217	55,253,448
Commitments and contingencies (note 12)			
Net assets:			
Unrestricted		34,361,057	35,444,476
Temporarily restricted (note 8)		13,216,783	9,455,747
Permanently restricted (notes 8 and 13)		11,472,240	11,112,614
Total net assets		59,050,080	56,012,837
Total liabilities and net assets	$	114,292,297	111,266,285

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:								
Tuition and fees	$ 45,960,089	—	—	45,960,089	43,637,509	—	—	43,637,509
Less student aid	(9,500,248)	—	—	(9,500,248)	(9,117,792)	—	—	(9,117,792)
	36,459,841	—	—	36,459,841	34,519,717	—	—	34,519,717
State grants/appropriations	315,206	—	—	315,206	337,565	—	—	337,565
Federal grants	322,320	200,707	—	523,027	148,911	—	—	148,911
Investment return, net (notes 3 and 13)	208,359	2,065,027	—	2,273,386	1,350,587	—	—	1,350,587
Contributions	487,777	968,430	359,626	1,815,833	2,527,522	974,728	809,493	4,311,743
Auxiliary enterprises	9,009,534	—	—	9,009,534	8,429,469	—	—	8,429,469
Other	200,077	—	—	200,077	180,990	—	—	180,990
Net assets released from restrictions (note 8)	1,948,740	(1,948,740)	—	—	2,959,782	(2,959,782)	—	—
Total revenue, gains, and other support	48,951,854	1,285,424	359,626	50,596,904	50,454,543	(1,985,054)	809,493	49,278,982
Expenses and losses (note 9):								
Expenses:								
Instruction	16,942,045	—	—	16,942,045	16,137,385	—	—	16,137,385
Academic support	3,644,696	—	—	3,644,696	3,711,433	—	—	3,711,433
Student services	7,980,803	—	—	7,980,803	7,692,581	—	—	7,692,581
Institutional support	10,173,776	—	—	10,173,776	10,190,642	—	—	10,190,642
Auxiliary enterprises	8,818,341	—	—	8,818,341	8,624,144	—	—	8,624,144
Total expenses	47,559,661	—	—	47,559,661	46,356,185	—	—	46,356,185
Losses:								
Write-off of bond issuance costs (note 6)	—	—	—	—	(2,001,451)	—	—	(2,001,451)
Increase (decrease) in net assets before net asset reclassification	1,392,193	1,285,424	359,626	3,037,243	2,096,907	(1,985,054)	809,493	921,346
Net asset reclassification of endowment funds for adoption of ASC Subtopic 958-205 (note 13)	(2,475,612)	2,475,612	—	—	—	—	—	—
Decrease (increase) in net assets	(1,083,419)	3,761,036	359,626	3,037,243	2,096,907	(1,985,054)	809,493	921,346
Net assets at beginning of year	35,444,476	9,455,747	11,112,614	56,012,837	33,347,569	11,440,801	10,303,121	55,091,491
Net assets at end of year	$ 34,361,057	13,216,783	11,472,240	59,050,080	35,444,476	9,455,747	11,112,614	56,012,837

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Increase in net assets	$	3,037,243	921,346
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Contributions restricted for long-term investment		(359,626)	(809,493)
Appreciation in fair value of investments		(1,958,692)	(1,073,773)
(Appreciation) depreciation in fair value of funds held by trustee		(17,985)	16,652
Depreciation and amortization		3,164,326	2,915,063
Amortization of bond issuance costs		109,088	104,582
Write-off of bond issuance costs		—	2,001,451
Changes in assets and liabilities:			
Student receivables, net		515,762	(94,793)
Contributions receivable		2,711,342	1,051,198
Other assets		(40,036)	(232,872)
Accounts payable and accrued expenses		422,107	(863,610)
Interest payable		(65,407)	(293,908)
Deferred revenue		5,552	119,648
Asset retirement obligation		26,516	28,532
Net cash provided by operating activities		7,550,190	3,790,023
Cash flows from investing activities:			
Purchase of plant assets		(8,042,609)	(5,459,541)
Decrease in construction costs payable		—	(1,502,192)
Proceeds from sale of investments		8,904,185	15,659,598
Purchase of investments		(9,414,057)	(16,155,310)
(Increase) decrease in funds held by trustees		(1,134,315)	2,067,341
Net cash used in investing activities		(9,686,796)	(5,390,104)
Cash flows from financing activities:			
Contributions restricted for long-term investment		359,626	809,493
Decrease in permanently restricted contributions receivable		238,055	916,992
Payments on long-term debt		(400,000)	(620,000)
Payment of bond issuance costs		—	(2,072,607)
Net cash provided by (used in) financing activities		197,681	(966,122)
Net decrease in cash and cash equivalents		(1,938,925)	(2,566,203)
Cash and cash equivalents at beginning of year		15,323,476	17,889,679
Cash and cash equivalents at end of year	$	13,384,551	15,323,476
Supplemental disclosure:			
Interest paid	$	2,429,670	3,256,887

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.

(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, 2011 and 2010.

(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) Fair Value Hierarchy

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. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(i) 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 valuation of investments at fair value and estimated net realizable value of receivables. Actual results could differ from those estimates.

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(3) Investments

The College's investments consist of the following at June 30, 2011 and 2010:

		2011		2010	
		Cost	**Fair value**	**Cost**	**Fair value**
Cash equivalents	$	369,065	369,065	1,863,031	1,863,031
Common stocks:					
U.S. equity		8,499,381	8,623,121	7,147,114	5,645,256
International equity		968,799	1,006,260	1,370,043	1,237,787
Mutual funds:					
U.S. fixed income		5,905,853	5,996,400	5,294,036	5,271,071
Foreign fixed income		474,070	490,863	—	—
Total	$	16,217,168	16,485,709	15,674,224	14,017,145

Funds held by trustees at June 30, 2011 and 2010 consist of the following:

		2011		2010	
		Cost	**Fair value**	**Cost**	**Fair value**
Cash equivalents	$	2,785,937	2,785,937	1,694,246	1,694,258
Common stocks:					
U.S. equity		21,050	22,400	—	—
International equity		7,682	9,025	—	—
Mutual funds:					
U.S. fixed income		4,544,733	4,548,583	4,855,878	4,562,268
foreign fixed income		50,952	52,529	11,850	9,648
Total	$	7,410,354	7,418,474	6,561,974	6,266,174

At June 30, 2011 and 2010, the majority of funds held by trustees were in the debt service reserve fund.

Return on investments, cash and cash equivalents, and funds held by trustee for the years ended June 30, 2011 and 2010 consist of the following:

		2011	**2010**
Dividends and interest (net of investment management fees of $33,826 and $40,745 for 2011 and 2010, respectively)	$	296,709	293,466
Appreciation in fair value of investments		1,958,692	1,073,773
Appreciation (depreciation) in fair value of funds held by trustee		17,985	(16,652)
Total investment return, net	$	2,273,386	1,350,587

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.

At June 30, 2011, the fair value of the investments and funds held by trustees are classified as Level 1 in the fair value hierarchy.

(4) Student Receivables

Student receivables comprise the following at June 30, 2011 and 2010:

		2011	2010
Student accounts receivable	$	709,104	1,395,426
Allowance		(179,591)	(350,151)
		529,513	1,045,275
Student loans receivable		153,519	153,519
Allowance		(153,519)	(153,519)
Total student receivables, net	$	529,513	1,045,275

(5) Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 are expected to be collected as follows:

		2011	2010
Less than one year	$	2,268,427	4,817,671
One to five years		1,597,356	2,232,881
More than five years		50,000	103,500
		3,915,783	7,154,052
Less discount to present value (at rates ranging from 1.00% – 6.75%)		(436,725)	(725,597)
Contributions receivable, net	$	3,479,058	6,428,455

(6) Long-Term Debt

Long-term debt at June 30, 2009 consisted of Dormitory Authority of the State of New York (DASNY) Insured Revenue Bonds (the Series 1999 Bonds), with interest rates ranging from 4.100% to 6.375% per annum, originally payable semiannually through 2029.

In 2009, tax-exempt Insured Revenue Bonds for $49,275,000 (the Series 2009 Bonds) were issued by 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 3.00% to 5.25%, payable semiannually through 2029. In connection with the refunding, bond issuance costs of $2,001,451 were written off and are shown as a loss in the accompanying 2010 statement of activities.

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.

The fair value of the Series 2009 Bonds was approximately $50.1 million at June 30, 2011.

Interest expense was $2,364,263 and $2,962,978 for the years ended June 30, 2011 and 2010, respectively.

The Loan Agreement contains certain financial covenants. The College is in compliance with these covenants at June 30, 2011.

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:				
2012	$	1,500,000	2,364,263	3,864,263
2013		1,400,000	2,319,263	3,719,263
2014		1,500,000	2,277,263	3,777,263
2015		2,065,000	2,232,263	4,297,263
2016		2,150,000	2,129,013	4,279,013
Thereafter		40,260,000	16,463,756	56,723,756
	$	48,875,000	27,785,821	76,660,821

(7) Plant Assets

Plant assets at June 30, 2011 and 2010 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

		2011	2010
Buildings and building improvements	$	73,209,795	72,557,221
Equipment		9,547,593	8,933,964
Library books		1,820,032	1,757,670
		84,577,420	83,248,855
Less accumulated depreciation		36,607,297	33,481,057
		47,970,123	49,767,798
Construction in progress		7,376,163	700,205
Land		14,425,831	14,425,831
	$	69,772,117	64,893,834

The College completed two significant construction projects. In May 2009, the College began construction on a new, two-tiered dining facility and lounge, The Commons, which opened September 2009. The Commons consists of a fourth floor servery and a third floor dining and lounge area. The Commons is 5,000 square feet and is adjacent to The Lowerre Family Terrace. The Lowerre Family Terrace is a 5,000 square-foot outdoor, urban quadrangle that was unveiled September 2008. Both spaces foster community interaction essential to student-centered learning. In August 2010, the College purchased a four-story townhouse on 71st street, which, after extensive renovation, will be used for faculty offices.

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes:

		2011	2010
Time-restricted contributions	$	45,892	40,921
Academic program support		2,065,722	1,771,309
Scholarships		9,828,429	6,248,670
Acquisition of plant assets		1,276,740	1,394,847
	$	13,216,783	9,455,747

(Continued)

Net assets were released from restrictions during 2011 and 2010 by incurring expenses satisfying the restricted purposes as follows:

		2011	2010
Academic program support	$	261,002	300,381
Scholarships		1,624,389	1,253,651
Time restricted		—	1,100,000
Acquisition of plant assets		63,349	305,750
	$	1,948,740	2,959,782

Permanently restricted net assets at June 30, 2011 and 2010 are restricted to investment in perpetuity, with investment return available primarily to support scholarships.

(9) 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 $2,019,426 and $2,057,595 of fund-raising expenses in 2011 and 2010, 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
2011:							
Direct expenses	$	12,636,457	3,502,538	6,597,140	9,873,813	3,674,736	36,284,684
Operations and maintenance		2,535,716	83,722	814,889	176,659	2,026,314	5,637,300
Depreciation and amortization		1,583,490	52,282	508,878	110,319	1,018,445	3,273,414
Interest		186,382	6,154	59,896	12,985	2,098,846	2,364,263
	$	16,942,045	3,644,696	7,980,803	10,173,776	8,818,341	47,559,661
2010:							
Direct expenses	$	12,031,311	3,575,862	6,373,034	9,904,579	2,990,253	34,875,039
Operations and maintenance		2,458,111	81,160	789,950	171,252	1,998,050	5,498,523
Depreciation and amortization		1,414,284	46,696	454,502	98,531	1,005,632	3,019,645
Interest		233,679	7,715	75,095	16,280	2,630,209	2,962,978
	$	16,137,385	3,711,433	7,692,581	10,190,642	8,624,144	46,356,185

(10) 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 made 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, 2011 and 2010 amounted to approximately $1,570,000 and $1,526,000, respectively.

(11) 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, 2011 and 2010.

(12) 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 $2,805,189 and $3,164,160, respectively, in 2011, and $2,478,782 and $2,548,922, respectively, in 2010 and are included in auxiliary enterprises in the accompanying statements of activities.

In August 2008, the College entered into 35 individual apartment leases on Roosevelt Island for student housing. The individual lease terms are for four years with an option to renew for four additional years. Lease increases are linked to the New York City Rent Control Guidelines for two-bedroom apartments after the second year of the first four-year term of the lease. The four-year value of the apartment leases amounts to $5,027,098.

(13) Endowment Funds

In fiscal 2011, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). In accordance with the accounting guidance associated with the adoption of NYPMIFA, 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 by the College in a manner that is consistent with the standard of prudence prescribed by NYPMIFA.

The College 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.

As a result of the interpretation of ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, 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 to the extent the donor restricted income earned on such endowments to a particular purpose or time, or 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.

(Continued)

The College has no board-designated endowments. The following represents the net assets classes and changes in endowment funds for the years ended June 30, 2011 and 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2009	$ 1,472,733	—	10,303,121	11,775,854
Investment income, net	237,622	—	—	237,622
Net appreciation (realized	1,002,652	—	—	1,002,652
and unrealized)/contributions	—	—	809,493	809,493
Appropriation of endowment assets for expenditure/net assets released from restriction	(303,641)	—	—	(303,641)
Endowment net assets at June 30, 2010	2,409,366	—	11,112,614	13,521,980
Investment income, net	66,246	197,056	—	263,302
Net appreciation (realized	—	1,860,032	—	1,860,032
and unrealized)/contributions	—	—	359,626	359,626
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(373,127)	—	(373,127)
Net asset reclassification for adoption of ASC subtopic 958-205	(2,475,612)	2,475,612	—	—
Endowment net assets at June 30, 2011	$ —	4,159,573	11,472,240	15,631,813

(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 would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. There was no deficiency as of June 30, 2011.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending polices 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.

(Continued)

(c) Spending Policy

The College has a spending policy of appropriating for distribution each year 5% of the investment return on the endowment funds unless otherwise explicitly stipulated by the donor.

(14) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Subtopic 855-10, *Subsequent Events – Overall*, the College evaluated subsequent events after the balance sheet date of June 30, 2011 through November 16, 2011, which was the date the financial statements were issued, and has concluded that there are no subsequent events required to be disclosed.