



**MARYMOUNT MANHATTAN COLLEGE**

Financial Statements

June 30, 2008 and 2007

(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, 2008 and 2007 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, 2008 and 2007, 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.

KPMG LLP

November 14, 2008

# MARYMOUNT MANHATTAN COLLEGE

## Balance Sheets

June 30, 2008 and 2007

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 14,497,011	14,555,900
Student receivables, net (note 4)	1,204,486	905,774
Contributions receivable, net (note 5)	8,263,024	8,826,900
Investments, at fair value (note 3)	14,336,485	15,140,491
Other assets	1,138,034	1,177,600
Funds held by trustees (notes 3 and 6)	8,496,830	8,523,593
Bond issuance costs	2,151,559	2,251,628
Plant assets, net (note 7)	59,928,086	58,994,305
Total assets	\$ 110,015,515	110,376,191
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,624,575	2,910,793
Interest payable	1,574,734	1,606,584
Deferred revenue	1,138,843	1,115,258
Asset retirement obligation	472,983	511,225
Long-term debt (note 6)	51,165,000	52,390,000
Total liabilities	56,976,135	58,533,860
Commitments and contingencies (note 12)		
Net assets:		
Unrestricted	32,719,173	32,659,541
Temporarily restricted (note 8)	11,093,640	11,746,653
Permanently restricted (note 8)	9,226,567	7,436,137
Total net assets	53,039,380	51,842,331
Total liabilities and net assets	\$ 110,015,515	110,376,191

See accompanying notes to financial statements.

**MARYMOUNT MANHATTAN COLLEGE**

Statements of Activities

Years ended June 30, 2008 and 2007

	<b>2008</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenue, gains, and other support:				
Tuition and fees	\$ 37,094,095	—	—	37,094,095
Less student aid	(7,116,769)	—	—	(7,116,769)
	29,977,326	—	—	29,977,326
State grants/appropriations	374,661	—	—	374,661
Federal grants	110,133	—	—	110,133
Investment return, net (note 3)	(499,622)	38,976	—	(460,646)
Contributions	1,362,543	1,260,475	1,790,430	4,413,448
Auxiliary enterprises	7,936,255	—	—	7,936,255
Other	122,827	—	—	122,827
Net assets released from restrictions (note 8)	1,952,464	(1,952,464)	—	—
Total revenue, gains, and other support	41,336,587	(653,013)	1,790,430	42,474,004
Expenses (note 9):				
Instruction	13,567,740	—	—	13,567,740
Academic support	3,836,690	—	—	3,836,690
Student services	5,602,378	—	—	5,602,378
Institutional support	9,412,545	—	—	9,412,545
Auxiliary enterprises	8,857,602	—	—	8,857,602
Total expenses	41,276,955	—	—	41,276,955
Increase (decrease) in net assets	59,632	(653,013)	1,790,430	1,197,049
Net assets at beginning of year	32,659,541	11,746,653	7,436,137	51,842,331
Net assets at end of year	\$ 32,719,173	11,093,640	9,226,567	53,039,380

See accompanying notes to financial statements.

2007			
Unrestricted	Temporarily restricted	Permanently restricted	Total
35,527,410	—	—	35,527,410
(6,653,120)	—	—	(6,653,120)
28,874,290	—	—	28,874,290
421,681	—	—	421,681
385,092	—	—	385,092
2,897,927	999	—	2,898,926
1,515,677	6,508,849	571,705	8,596,231
7,694,156	—	—	7,694,156
148,357	—	—	148,357
1,617,279	(1,617,279)	—	—
43,554,459	4,892,569	571,705	49,018,733
13,077,009	—	—	13,077,009
3,702,518	—	—	3,702,518
5,147,975	—	—	5,147,975
10,017,249	—	—	10,017,249
8,450,573	—	—	8,450,573
40,395,324	—	—	40,395,324
3,159,135	4,892,569	571,705	8,623,409
29,500,406	6,854,084	6,864,432	43,218,922
32,659,541	11,746,653	7,436,137	51,842,331

# MARYMOUNT MANHATTAN COLLEGE

## Statements of Cash Flows

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,197,049	8,623,409
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(1,790,430)	(571,705)
Contributions restricted for construction of plant	—	(1,401,748)
Depreciation (appreciation) in fair value of investments	2,055,207	(1,363,933)
Depreciation (appreciation) in fair value of funds held by trustee	105,096	(187,041)
Depreciation and amortization	2,640,378	2,620,286
Amortization of bond issuance costs	100,069	100,080
Changes in assets and liabilities:		
(Increase) decrease in student receivables, net	(298,712)	359,637
Decrease (increase) in contributions receivable	1,418,720	(2,860,004)
Decrease in other assets	39,566	282,838
Decrease in accounts payable and accrued expenses	(174,412)	(38,946)
Decrease in interest payable	(31,850)	(107,158)
Decrease in asset retirement obligation	(38,242)	(18,440)
Increase in deferred revenue	23,585	156,885
Net cash provided by operating activities	<u>5,246,024</u>	<u>5,594,160</u>
Cash flows from investing activities:		
Purchase of plant assets	(3,574,159)	(2,267,573)
(Decrease) increase in construction costs payable	(111,806)	510,469
Proceeds from sale of investments	11,454,146	3,355,404
Purchase of investments	(12,705,347)	(4,172,414)
(Increase) decrease in funds held by trustees	(78,333)	17,188
Net cash used in investing activities	<u>(5,015,499)</u>	<u>(2,556,926)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,790,430	571,705
Contributions restricted for construction of plant	—	1,401,748
Increase in permanently restricted contributions receivable	(854,844)	(1,179,016)
Payments on long-term debt	(1,225,000)	(1,175,000)
Net cash used in financing activities	<u>(289,414)</u>	<u>(380,563)</u>
Net (decrease) increase in cash and cash equivalents	(58,889)	2,656,671
Cash and cash equivalents at beginning of year	<u>14,555,900</u>	<u>11,899,229</u>
Cash and cash equivalents at end of year	<u>\$ 14,497,011</u>	<u>14,555,900</u>
Supplemental disclosure:		
Interest paid	\$ 3,181,320	3,320,289

See accompanying notes to financial statements.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### (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-free 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.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

**(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**

For the purposes of the statements of cash flows, 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, 2008 and 2007, respectively.

**(f) Investments**

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

**(g) Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

**(h) Recently Adopted Accounting Standard**

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosures. The College adopted FIN 48 effective July 1, 2007. There was no significant impact to the College's financial statements as a result of the adoption of FIN 48.

**(i) Recently Issued Accounting Standard not yet Adopted**

In August 2008, FASB Staff Position No. FAS 117-1 (FSP), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted UPMIFA, and therefore, the College will not have to reclassify its net assets until such time. However, for the year ending June 30, 2009, the College will have to adopt certain disclosure requirements of the FSP.



# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### (3) Investments

The College's investments consist of the following at June 30, 2008 and 2007:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 1,984,097	1,984,097	1,092,180	1,092,180
Common stocks	7,838,761	7,227,095	8,111,624	9,976,890
Mutual funds – fixed income	5,137,795	5,125,293	4,343,306	4,071,421
Total	<u>\$ 14,960,653</u>	<u>14,336,485</u>	<u>13,547,110</u>	<u>15,140,491</u>

Funds held by trustees at June 30, 2008 and 2007 consist of the following:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 3,972,120	3,970,540	3,898,110	3,980,548
Fixed income	4,519,458	4,526,290	4,508,080	4,543,045
Total	<u>\$ 8,491,578</u>	<u>8,496,830</u>	<u>8,406,190</u>	<u>8,523,593</u>

Return on investments, cash and cash equivalents, and funds held by trustee for the years ended June 30, 2008 and 2007 consist of the following:

	2008	2007
Dividends and interest (net of investment management fees of \$27,805 and \$21,194 for 2008 and 2007, respectively)	\$ 1,699,657	1,347,952
(Depreciation) appreciation in fair value of investments	(2,055,207)	1,363,933
(Depreciation) appreciation in fair value of funds held by trustee	(105,096)	187,041
Total investment return, net	<u>\$ (460,646)</u>	<u>2,898,926</u>

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 sheet.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### (4) Student Receivables

Student receivables comprise the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Student accounts receivable	\$ 1,558,166	1,253,252
Allowance	(353,680)	(347,478)
	1,204,486	905,774
Student loans receivable	153,519	153,519
Allowance	(153,519)	(153,519)
Total student receivables, net	\$ <u>1,204,486</u>	<u>905,774</u>

### (5) Contributions Receivable

Contributions receivable at June 30, 2008 and 2007 are expected to be collected as follows:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 3,859,693	2,802,194
One to five years	4,775,143	6,581,751
More than five years	717,715	517,715
	9,352,551	9,901,660
Less discount to present value (at rates ranging from 3.20% – 6.75%)	(1,089,527)	(1,074,760)
Contributions receivable, net	\$ <u>8,263,024</u>	<u>8,826,900</u>

Included in gross contributions receivable at June 30, 2008 and 2007 is approximately \$5 million and \$7 million, respectively, due from three donors.

### (6) Long-Term Debt

Long-term debt at June 30, 2008 and 2007 consists of Dormitory Authority of the State of New York Insured Revenue Bonds (the 1999 Revenue Bonds), Series 1999 with interest ranging from 4.100% to 6.375% per annum, payable semiannually through 2029.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Fiscal year:			
2009	\$ 1,270,000	3,116,131	4,386,131
2010	1,325,000	3,047,681	4,372,681
2011	1,385,000	2,969,288	4,354,288
2012	1,460,000	2,885,856	4,345,856
2013	1,525,000	2,803,769	4,328,769
Thereafter	44,200,000	26,368,347	70,568,347
	<u>\$ 51,165,000</u>	<u>41,191,072</u>	<u>92,356,072</u>

On December 1, 1999, tax-exempt Insured Revenue Bonds for \$57 million were issued by the Dormitory Authority of the State of New York (DASNY) and have been used to finance the College's acquisition, construction, and equipping of the first 33 floors of a 45-story residential building located at 231-235 East 55th Street for housing and recreational space for students, and provided funds for the advance refunding of all outstanding New York City Industrial Development Agency, Civic Facility Revenue Bonds Series 1993.

Approximately \$55.5 million of the proceeds, net of related costs, was initially deposited into various funds held by a trustee consisting of: (1) the Construction Fund; (2) the Debt Service Fund; (3) the Debt Service Reserve Fund; (4) the Capitalized Interest Fund; and (5) the Building and Equipment Reserve Fund. Approximately \$5.6 million was used to advance refund the outstanding 1993 Revenue Bonds. Amounts expended for the purchase of land and construction costs paid from the Construction Fund through June 30, 2008 aggregated approximately \$41.3 million. The 1999 Revenue Bonds are secured by the revenues and pledged revenues of the College, as defined in the loan agreement. In addition, the 1999 Revenue Bonds are insured by Asset Guaranty Insurance Company. The financial guaranty insurance policy is noncancelable and provides for the prompt payment of principal and interest on the 1999 Revenue Bonds in the event sufficient payments are not made on their due dates.

Interest expense on the 1999 Revenue Bonds was \$3,149,470 and \$3,213,168 for the years ended June 30, 2008 and 2007, respectively.

The loan agreement contains certain financial covenants. The College is in compliance with these financial covenants at June 30, 2008.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### (7) Plant Assets

Plant assets at June 30, 2008 and 2007 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

	<u>2008</u>	<u>2007</u>
Buildings and building improvements	\$ 61,297,722	60,453,410
Equipment	7,284,927	6,917,879
Library books	<u>1,532,891</u>	<u>1,419,255</u>
	70,115,540	68,790,544
Less accumulated depreciation	<u>27,888,545</u>	<u>25,248,167</u>
	42,226,995	43,542,377
Construction in progress	3,275,260	1,026,097
Land	<u>14,425,831</u>	<u>14,425,831</u>
	<u>\$ 59,928,086</u>	<u>\$ 58,994,305</u>

Included in plant assets is \$3,493,573 in 2008 and 2007, respectively, of capitalized interest costs, net of related interest income, relating to the 1999 Revenue Bonds.

### (8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Time-restricted contributions	\$ 1,740,581	2,685,000
Academic program support	2,121,866	2,299,914
Scholarships	5,010,209	4,548,991
Acquisition of plant assets	<u>2,220,984</u>	<u>2,212,748</u>
	<u>\$ 11,093,640</u>	<u>\$ 11,746,653</u>

Net assets were released from restrictions during 2008 and 2007 by incurring expenses satisfying the restricted purposes as follows:

	<u>2008</u>	<u>2007</u>
Academic program support	\$ 491,655	162,175
Scholarships	460,809	445,305
Time restricted	1,000,000	1,000,000
Acquisition of plant assets	<u>—</u>	<u>9,799</u>
	<u>\$ 1,952,464</u>	<u>\$ 1,617,279</u>

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

Permanently restricted net assets at June 30, 2008 and 2007 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 \$1,833,574 and \$1,894,720 of fund-raising expenses in 2008 and 2007, 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:

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
2008:						
Expense allocations	\$ 10,567,138	3,336,591	5,352,327	8,412,344	3,193,109	30,861,509
Operations and maintenance	1,694,892	282,482	141,241	564,964	1,841,950	4,525,529
Depreciation and amortization	1,081,863	180,309	90,156	360,621	1,027,498	2,740,447
Interest	223,847	37,308	18,654	74,616	2,795,045	3,149,470
	<u>\$ 13,567,740</u>	<u>3,836,690</u>	<u>5,602,378</u>	<u>9,412,545</u>	<u>8,857,602</u>	<u>41,276,955</u>
2007:						
Expense allocations	\$ 10,113,294	3,208,566	4,900,999	9,029,344	2,823,728	30,075,931
Operations and maintenance	1,667,834	277,972	138,986	555,945	1,745,122	4,385,859
Depreciation and amortization	1,067,982	177,997	88,998	355,994	1,029,395	2,720,366
Interest	227,899	37,983	18,992	75,966	2,852,328	3,213,168
	<u>\$ 13,077,009</u>	<u>3,702,518</u>	<u>5,147,975</u>	<u>10,017,249</u>	<u>8,450,573</u>	<u>40,395,324</u>

### (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, 2008 and 2007 amounted to approximately \$1,267,000 and \$1,186,000, 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, 2008.

# MARYMOUNT MANHATTAN COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### **(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 \$2,323,921 and \$2,817,912, respectively, in 2008, and \$2,187,884 and \$2,507,440, respectively, in 2007.

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 \$4,876,179.