



MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015, 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.

Auditors' 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 auditors' 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, 2016 and 2015, 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 10, 2016

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 5,391,621	7,453,659
Student receivables, net (note 5)	547,682	583,067
Contributions receivable, net (note 6)	1,673,772	1,634,847
Investments, at fair value (notes 3 and 4)	21,723,001	21,688,582
Other assets	1,078,123	1,584,271
Funds held by trustees (notes 3, 4 and 7)	7,883,739	8,115,032
Plant assets, net (note 8)	<u>67,934,220</u>	<u>69,485,224</u>
Total assets	<u>\$ 106,232,158</u>	<u>110,544,682</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,137,453	4,512,182
Interest payable	1,010,755	1,064,505
Deferred revenue	2,237,612	2,291,043
Asset retirement obligation	564,855	546,559
Long-term debt (net of bond issuance costs of \$1,308,484 in 2016 and \$1,420,011 in 2015) (note 7)	<u>38,951,516</u>	<u>40,989,989</u>
Total liabilities	<u>45,902,191</u>	<u>49,404,278</u>
Commitments and contingencies (note 13)		
Net assets (note 14):		
Unrestricted	38,505,280	38,061,541
Temporarily restricted (note 9)	8,342,548	9,724,435
Permanently restricted (note 9)	<u>13,482,139</u>	<u>13,354,428</u>
Total net assets	<u>60,329,967</u>	<u>61,140,404</u>
Total liabilities and net assets	<u>\$ 106,232,158</u>	<u>110,544,682</u>

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:								
Tuition and fees	\$ 53,655,472	—	—	53,655,472	50,026,171	—	—	50,026,171
Less student aid	(15,747,440)	—	—	(15,747,440)	(13,674,766)	—	—	(13,674,766)
	37,908,032	—	—	37,908,032	36,351,405	—	—	36,351,405
State grants/appropriations	382,059	—	—	382,059	354,480	—	—	354,480
Federal grants	127,102	—	—	127,102	126,719	—	—	126,719
Investment return, net (notes 3 and 14)	3,468	(136,163)	—	(132,695)	16,777	79,851	—	96,628
Contributions	1,376,983	722,967	127,711	2,227,661	588,871	589,573	1,445,528	2,623,972
Auxiliary enterprises	14,013,072	—	—	14,013,072	11,812,302	—	—	11,812,302
Other	252,198	—	—	252,198	223,591	—	—	223,591
Net assets released from restrictions (note 9)	1,968,691	(1,968,691)	—	—	1,998,621	(1,998,621)	—	—
Total revenue, gains, and other support	56,031,605	(1,381,887)	127,711	54,777,429	51,472,766	(1,329,197)	1,445,528	51,589,097
Expenses (note 10):								
Instruction	19,828,216	—	—	19,828,216	18,372,755	—	—	18,372,755
Academic support	3,746,748	—	—	3,746,748	3,771,839	—	—	3,771,839
Student services	8,934,233	—	—	8,934,233	8,482,696	—	—	8,482,696
Institutional support	10,781,591	—	—	10,781,591	10,519,998	—	—	10,519,998
Auxiliary enterprises	12,297,078	—	—	12,297,078	9,699,294	—	—	9,699,294
Total expenses	55,587,866	—	—	55,587,866	50,846,582	—	—	50,846,582
Increase (decrease) in net assets	443,739	(1,381,887)	127,711	(810,437)	626,184	(1,329,197)	1,445,528	742,515
Net assets at beginning of year	38,061,541	9,724,435	13,354,428	61,140,404	37,435,357	11,053,632	11,908,900	60,397,889
Net assets at end of year	\$ 38,505,280	8,342,548	13,482,139	60,329,967	38,061,541	9,724,435	13,354,428	61,140,404

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (810,437)	742,515
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(127,711)	(1,445,528)
Depreciation in fair value of investments	506,657	291,694
Depreciation in fair value of funds held by trustees	4,130	11,733
Depreciation and amortization of plant assets	4,056,339	3,791,144
Amortization of bond issuance costs	111,527	111,527
Changes in assets and liabilities:		
Student receivables, net	35,385	19,963
Contributions receivable	(154,563)	478,957
Other assets	506,148	541,130
Accounts payable and accrued expenses	(1,398,972)	458,279
Interest payable	(53,750)	(51,626)
Deferred revenue	(53,431)	647,044
Asset retirement obligation	18,296	(26,470)
Net cash provided by operating activities	2,639,618	5,570,362
Cash flows from investing activities:		
Purchase of plant assets	(2,505,335)	(2,470,954)
Change in accounts payable related to capital improvements	24,243	1,698
Proceeds from sale of investments	4,886,958	11,024,811
Purchase of investments	(5,428,034)	(11,928,154)
Decrease (increase) in funds held by trustees	227,163	(77,199)
Net cash used in investing activities	(2,795,005)	(3,449,798)
Cash flows from financing activities:		
Contributions restricted for long-term investment	127,711	1,445,528
Decrease (increase) in permanently restricted contributions receivable	115,638	(545,443)
Payments on long-term debt	(2,150,000)	(2,065,000)
Net cash used in financing activities	(1,906,651)	(1,164,915)
Net (decrease) increase in cash and cash equivalents	(2,062,038)	955,649
Cash and cash equivalents at beginning of year	7,453,659	6,498,010
Cash and cash equivalents at end of year	\$ 5,391,621	7,453,659
Supplemental disclosure:		
Interest paid	\$ 2,075,263	2,180,638

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

(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 5 years for library books. Maintenance and repair expenditures are charged to expense as incurred.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015.

(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) 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, 2016 and 2015.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

(3) Investments and Funds Held by Trustees

The College's investments consist of the following at June 30:

	2016		2015	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 714,157	714,157	409,807	409,807
Common stocks:				
U.S. mid and large cap	8,215,137	8,483,160	7,921,346	8,443,610
U.S. small cap	1,100,075	1,169,183	906,233	1,002,516
International equity	4,943,095	4,516,749	4,688,702	4,613,073
Fixed income:				
U.S. fixed income	2,709,294	2,642,802	2,945,566	2,829,018
International fixed income	1,163,538	1,054,285	1,521,970	1,429,859
Other equity:				
Real estate	1,000,029	1,081,925	971,531	981,791
Absolute return	1,687,132	1,492,199	1,675,450	1,493,886
Commodities	631,315	568,541	609,554	485,022
Total	<u>\$ 22,163,772</u>	<u>21,723,001</u>	<u>21,650,159</u>	<u>21,688,582</u>

Funds held by trustees at June 30 consist of the following:

	2016		2015	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 3,273,357	3,273,357	3,511,122	3,511,122
Common stocks:				
U.S. equity	60,186	93,287	60,186	91,880
International equity	32,488	27,761	32,488	32,787
Fixed income:				
U.S. fixed income	4,469,363	4,470,428	4,464,771	4,459,949
International fixed income	22,659	18,906	22,837	19,294
Total	<u>\$ 7,858,053</u>	<u>7,883,739</u>	<u>8,091,404</u>	<u>8,115,032</u>

At June 30, 2016 and 2015, the majority of funds held by trustees were in the debt service reserve fund.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

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

	2016	2015
Dividends and interest (net of investment management fees of \$107,634 and \$112,166 for 2016 and 2015, respectively)	\$ 378,092	400,055
Depreciation in fair value of investments	(506,657)	(291,694)
Depreciation in fair value of funds held by trustees	(4,130)	(11,733)
Total investment return (loss), net	\$ (132,695)	96,628

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, 2016 and 2015.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

(5) Student Receivables

Student receivables comprise the following at June 30:

	2016	2015
Student accounts receivable	\$ 813,404	830,297
Allowance	(265,722)	(247,230)
	547,682	583,067
Student loans receivable	4,396	4,396
Allowance	(4,396)	(4,396)
Total student receivables, net	\$ 547,682	583,067

(6) Contributions Receivable

Contributions receivable at June 30 are expected to be collected as follows:

	2016	2015
Less than one year	\$ 855,462	488,040
One year to five years	1,063,342	1,370,483
Greater than five years	33,500	110,000
	1,952,304	1,968,523
Less discount to present value (at rates ranging from 0.77% to 4.71%)	(258,564)	(325,397)
Allowance	(19,968)	(8,279)
Contributions receivable, net	\$ 1,673,772	1,634,847

(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 4.25% 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.

Interest expense was \$2,021,512 and \$2,129,011 for the years ended June 30, 2016 and 2015, respectively.

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Notes to Financial Statements

June 30, 2016 and 2015

The Loan Agreement contains certain financial covenants. The College is in compliance with these financial covenants at June 30, 2016.

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:			
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
2020	2,595,000	1,628,200	4,223,200
2021	2,690,000	1,502,563	4,192,563
Thereafter	27,900,000	6,765,156	34,665,156
	<u>\$ 40,260,000</u>	<u>15,452,995</u>	<u>55,712,995</u>

(8) Plant Assets

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

	<u>2016</u>	<u>2015</u>
Buildings and building improvements	\$ 87,317,711	85,869,418
Furniture and equipment	14,660,815	12,672,719
Leasehold improvements	92,884	—
Library books	2,259,804	2,172,581
	104,331,214	100,714,718
Less accumulated depreciation	54,691,616	50,635,277
	49,639,598	50,079,441
Construction in progress	200,034	1,311,195
Land	18,094,588	18,094,588
	<u>\$ 67,934,220</u>	<u>69,485,224</u>

Construction in progress in 2016 consists of various renovations and upgrades being performed throughout the College with an estimated cost to complete of approximately \$1,100,000 for the elevator modernization, which will primarily be completed in fiscal year 2017.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Time-restricted contributions	\$ 45,892	45,892
Academic program support	1,716,940	1,697,915
Scholarships	5,937,611	7,286,543
Acquisition of plant assets	642,105	694,085
	<u>\$ 8,342,548</u>	<u>9,724,435</u>

Net assets were released from restrictions during 2016 and 2015 by incurring expenses satisfying the restricted purposes as follows:

	<u>2016</u>	<u>2015</u>
Academic program support	\$ 445,062	513,055
Scholarships	1,439,616	1,410,566
Acquisition of plant assets	84,013	75,000
	<u>\$ 1,968,691</u>	<u>1,998,621</u>

Permanently restricted net assets at June 30, 2016 and 2015 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 \$1,972,564 and \$1,652,781 of fundraising expenses in 2016 and 2015, respectively.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2016 and 2015

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>
2016:						
Direct expenses	\$ 14,724,141	3,577,546	7,443,196	10,458,350	6,661,000	42,864,233
Operations and maintenance	2,727,012	90,303	818,316	177,403	2,721,221	6,534,255
Depreciation and amortization	2,217,647	73,636	621,490	134,732	1,120,361	4,167,866
Interest	159,416	5,263	51,231	11,106	1,794,496	2,021,512
	<u>\$ 19,828,216</u>	<u>3,746,748</u>	<u>8,934,233</u>	<u>10,781,591</u>	<u>12,297,078</u>	<u>55,587,866</u>
2015:						
Direct expenses	\$ 13,386,990	3,606,521	7,034,680	10,206,085	4,710,070	38,944,346
Operations and maintenance	2,715,448	89,944	809,598	175,512	2,080,052	5,870,554
Depreciation and amortization	2,102,425	69,831	584,463	126,704	1,019,248	3,902,671
Interest	167,892	5,543	53,955	11,697	1,889,924	2,129,011
	<u>\$ 18,372,755</u>	<u>3,771,839</u>	<u>8,482,696</u>	<u>10,519,998</u>	<u>9,699,294</u>	<u>50,846,582</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, 2016 and 2015 amounted to \$1,643,460 and \$1,603,082, 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, 2016 and 2015.

(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 \$3,857,251 and \$3,855,480, respectively, in 2016, and \$2,144,514 and \$2,256,330, respectively, in 2015, and are included in auxiliary enterprises in the accompanying statements of activities.

On July 7, 2015 the College entered into a one-year licensing agreement with Educational Housing Services (EHS) for 25 student beds for the 2015-2016 academic year, which expired on May 27, 2016. This one-year commitment of the licensing agreement amounts to \$358,677.

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Notes to Financial Statements

June 30, 2016 and 2015

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 had provided a security deposit letter of credit (LOC) in the amount of \$1,700,000. Cash and cash equivalents of \$1,700,000 served as collateral relating to the LOC. The LOC expired on August 26, 2015. On June 22, 2016, the College provided a \$623,203 LOC for a two month rent deposit as required in the lease. The building was completed on time (August 2015) and the lease began August 13, 2015. The building contains 272 student beds, of which 73 beds are sublicensed to Cooper Union for the first lease year. The College occupies the building for nine months each lease year (August through May, academic term).

The future minimum lease payments are as follows:

Year ending June 30:	
2017	\$ 3,627,216
2018	3,699,761
2019	3,773,756
2020	3,849,232
2021	3,926,216
Thereafter	<u>16,519,765</u>
	<u>\$ 35,395,946</u>

(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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Notes to Financial Statements

June 30, 2016 and 2015

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:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2014	\$ —	5,954,872	11,908,900	17,863,772
Investment income, net	—	331,591	—	331,591
Net depreciation (realized and unrealized)	(604)	(251,740)	—	(252,344)
Contributions	—	—	1,445,528	1,445,528
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(664,637)	—	(664,637)
Endowment net assets at June 30, 2015	(604)	5,370,086	13,354,428	18,723,910
Investment income, net	—	301,593	—	301,593
Net depreciation (realized and unrealized)	(3,225)	(437,755)	—	(440,980)
Contributions	—	—	127,711	127,711
Appropriation of endowment assets for expenditure/net assets released from restriction	—	(641,751)	—	(641,751)
Endowment net assets at June 30, 2016	<u>\$ (3,829)</u>	<u>4,592,173</u>	<u>13,482,139</u>	<u>18,070,483</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 was a deficiency of \$3,829 as of June 30, 2016, and \$604 as of June 30, 2015.

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Notes to Financial Statements

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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 AC World ex US index, fixed income taxable compared to Barclays Aggregate Index, commodities compared to Bloomberg Commodity Index, absolute return compared to HFRI Fund of Funds Index, and real estate compared to FTSE NAREIT 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, 2016 through November 10, 2016, which was the date the financial statements were issued, and has concluded that there are no other subsequent events required to be disclosed.