



MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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.



Emphasis of Matter

As discussed in note 2(k) to the financial statements, in fiscal 2020, the College adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

KPMG LLP

December 9, 2020

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 17,858,445	9,682,379
Student receivables, net (note 5)	771,305	1,081,808
Contributions receivable, net (note 6)	14,965,172	430,113
Investments, at fair value (notes 3 and 4)	28,668,840	28,631,653
Other assets	910,927	833,650
Funds held by trustees (notes 3, 4 and 7)	8,385,255	8,357,453
Plant assets, net (note 8)	62,179,590	62,850,517
Total assets	\$ 133,739,534	111,867,573
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,708,794	4,349,648
Interest payable	784,906	843,293
Deferred revenue	1,496,787	2,471,190
Asset retirement obligation	614,289	609,617
Paycheck Protection Program refundable advance (note 17)	6,555,593	—
Long-term debt (net of bond issuance cost of \$862,376 in 2020 and \$973,903 in 2019) (note 7)	29,727,624	32,211,097
Total liabilities	45,887,993	40,484,845
Commitments and contingencies (note 12)		
Net assets (notes 9 and 13):		
Without donor restrictions	46,506,527	44,939,215
With donor restrictions	41,345,014	26,443,513
Total net assets	87,851,541	71,382,728
Total liabilities and net assets	\$ 133,739,534	111,867,573

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues:						
Tuition and fees (net of student aid of \$22,092,001 in 2020 and \$22,058,170 in 2019)	\$ 41,066,941	—	41,066,941	45,166,984	—	45,166,984
State grants/appropriations	456,774	—	456,774	474,036	—	474,036
Federal grants	212,106	—	212,106	211,046	—	211,046
Investment return, net (notes 3 and 13)	250,589	(223,399)	27,190	406,282	606,920	1,013,202
Contributions	588,743	2,064,176	2,652,919	673,563	1,277,529	1,951,092
Auxiliary enterprises	9,831,988	—	9,831,988	14,352,642	—	14,352,642
Other	211,951	—	211,951	278,049	—	278,049
Net assets released from restrictions (note 9)	1,311,356	(1,311,356)	—	1,913,115	(1,913,115)	—
Total operating revenues	53,930,448	529,421	54,459,869	63,475,717	(28,666)	63,447,051
Operating expenses (note 10):						
Instruction	22,996,179	—	22,996,179	21,979,246	—	21,979,246
Academic support	4,270,093	—	4,270,093	4,263,173	—	4,263,173
Student services	11,632,783	—	11,632,783	11,762,673	—	11,762,673
Institutional support	10,235,379	—	10,235,379	11,728,147	—	11,728,147
Auxiliary enterprises	12,798,702	—	12,798,702	12,826,754	—	12,826,754
Total operating expenses	61,933,136	—	61,933,136	62,559,993	—	62,559,993
Change in net assets from operating activities	(8,002,688)	529,421	(7,473,267)	915,724	(28,666)	887,058
Nonoperating activities:						
Contributions	—	15,004,452	15,004,452	—	990,211	990,211
Gain on the sale of real property (note 15)	9,570,000	—	9,570,000	—	—	—
Investment return, net (notes 3 and 13)	—	(26,194)	(26,194)	—	34,785	34,785
Other nonoperating activities, net (note 10)	(606,178)	—	(606,178)	(388,441)	—	(388,441)
Net assets released from restrictions (note 9)	606,178	(606,178)	—	388,441	(388,441)	—
Change in net assets from nonoperating activities	9,570,000	14,372,080	23,942,080	—	636,555	636,555
Change in net assets	1,567,312	14,901,501	16,468,813	915,724	607,889	1,523,613
Net assets at beginning of year	44,939,215	26,443,513	71,382,728	44,023,491	25,835,624	69,859,115
Net assets at end of year	\$ 46,506,527	41,345,014	87,851,541	44,939,215	26,443,513	71,382,728

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 16,468,813	1,523,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment and capital	(955,720)	(490,594)
Net realized and unrealized investment losses (gains)	770,067	(337,272)
Depreciation (appreciation) in fair value of funds held by trustees	26,601	(38,522)
Depreciation and amortization of plant assets	3,902,441	3,905,783
Amortization of bond issuance costs	111,527	111,527
Changes in assets and liabilities:		
Student receivables, net	1,198,834	(242,592)
Contributions receivable	(14,642,025)	912,199
Other assets	(77,272)	(128,819)
Accounts payable and accrued expenses	1,719,736	(1,356,685)
Interest payable	(58,387)	(53,338)
Deferred revenue	(974,403)	(671,913)
Asset retirement obligation	4,672	17,074
Net cash provided by operating activities	7,494,884	3,150,461
Cash flows from investing activities:		
Purchase of plant assets	(3,231,514)	(1,799,799)
Change in accounts payable related to capital improvements	(248,923)	475,339
Proceeds from sale of investments	18,846,310	5,021,273
Purchase of investments	(19,398,974)	(6,006,539)
Increase in funds held by trustees	(3,365)	4,391
Net cash used in investing activities	(4,036,466)	(2,305,335)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital	955,720	490,594
Decrease in permanently restricted contributions receivable	106,966	333,734
Paycheck Protection Program – refundable advance	6,555,593	—
Payments on long-term debt	(2,595,000)	(2,510,000)
Net cash provided by (used in) financing activities	5,023,279	(1,685,672)
Net increase (decrease) in cash and cash equivalents	8,481,697	(840,546)
Cash, cash equivalents, and restricted cash at beginning of year	14,473,966	15,314,512
Cash, cash equivalents, and restricted cash at end of year	\$ 22,955,663	14,473,966
Reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such accounts shown above:		
Cash and cash equivalents	\$ 17,858,445	9,682,379
Restricted cash included in investments	1,470,623	1,216,030
Restricted cash included in funds held by trustee	3,626,595	3,575,557
Cash, cash equivalents and restricted cash	\$ 22,955,663	14,473,966
Supplemental disclosure:		
Interest paid	\$ 1,628,200	1,739,936

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(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

(i) Basis of Presentation

In accordance with U.S. generally accepted accounting principles (GAAP), the College has prepared its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

(ii) Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purpose. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. At this time there are no Board designated net assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The College reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the College to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See note 9 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(iii) Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the College's ongoing activities. Nonoperating activities are limited to resources that generate return from investment funds and contributions not related to the College's ongoing operating activities, and other activities considered to be of a more unusual or nonrecurring nature.

(iv) Nature of Goods and Services

The College accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the College will collect substantially all of the consideration to which it is entitled.

<u>Products and services</u>	<u>Nature, timing of satisfaction of performance obligations, and significant payment terms</u>
Tuition and fees	<p>Consists of the following:</p> <p>Tuition – provides a variety of educational services to the customers of the College (students). Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p> <p>Fees – ancillary charges to students for the educational services provided that is not considered to be tuition. Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p>
Auxiliary enterprises	<p>Consists of the following:</p> <p>Housing services – provides a variety of housing accommodations in support of the educational needs of the College. Student housing contracts are for a one year term. Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p> <p>Food Services – Provides food services to the College community through a cafeteria and café. Food service revenue is recognized at a point in time sale.</p>

(b) Contributions

Contributions, which include promises to give, are recognized as revenues in the period received at their net present value discounted using a risk-adjusted rate as long as they are unconditional in which there is no right of return of the assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement.

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Notes to Financial Statements

June 30, 2020 and 2019

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 barriers 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 3 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 or included in funds held by trustees. Cash equivalents primarily consist of money market funds at June 30, 2020 and 2019.

(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 the 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 or uncertain tax positions at June 30, 2020 and 2019.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(k) New Accounting Pronouncements Adopted in Fiscal Year 2020

The College adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016 18, *Statement of Cash Flows (Topic 230): Restricted Cash*, in 2020. The ASU requires that the statement of cash flows include restricted cash and restricted cash equivalents when reconciling the beginning and ending cash amounts. The presentation for 2019 has been reclassified to conform with this ASU.

(3) Investments and Funds Held by Trustees

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 1,470,623	1,470,623	1,216,029	1,216,030
Common stocks:				
U.S. mid- and large-cap	10,956,978	11,842,792	9,554,114	11,435,102
U.S. small-cap	1,626,643	1,613,701	1,206,375	1,259,420
International equity	5,395,624	5,234,964	5,677,557	6,059,382
Fixed income:				
U.S. fixed income	3,264,600	3,400,910	3,456,817	3,434,097
International fixed income	1,117,851	971,506	1,056,728	963,143
High-yield fixed income	575,025	483,205	501,122	482,458
Other equity:				
Real estate	1,509,918	1,379,880	1,147,934	1,177,608
Absolute return	1,991,752	1,708,030	2,076,281	1,793,578
Commodities	588,895	563,229	788,786	810,835
Total	\$ <u>28,497,909</u>	<u>28,668,840</u>	<u>26,681,743</u>	<u>28,631,653</u>

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 3,626,595	3,626,595	3,575,557	3,593,842
Common stocks:				
U.S. equity	97,276	153,755	87,864	150,837
International equity	71,988	71,207	59,852	59,438
Fixed income:				
U.S. fixed income	4,514,592	4,516,787	4,518,091	4,538,084
International fixed income	21,360	16,911	18,496	15,252
Total	\$ <u>8,331,811</u>	<u>8,385,255</u>	<u>8,259,860</u>	<u>8,357,453</u>

At June 30, 2020 and 2019, the majority of funds held by trustees were in the debt service reserve fund.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Dividends and interest (net of investment management fees of \$148,884 and \$137,873 for 2020 and 2019, respectively)	\$ 797,664	672,193
(Depreciation) appreciation in fair value of investments	(770,067)	337,272
(Depreciation) appreciation in fair value of funds held by trustees	<u>(26,601)</u>	<u>38,522</u>
Total investment return, net	<u>\$ 996</u>	<u>1,047,987</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 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 or published 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 or published 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, 2020 and 2019.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(5) Student Receivables, Net

Student receivables, net comprise the following at June 30:

	2020	2019
Student accounts receivable	\$ 1,272,705	1,510,393
Allowance	(501,400)	(428,585)
Total student receivables, net	\$ 771,305	1,081,808

(6) Contributions Receivable, Net

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

	2020	2019
Less than one year	\$ 353,280	292,080
One year to five years	15,023,500	268,500
	15,376,780	560,580
Less discount to present value (at rates ranging from 0.77% to 4.71%)	(402,251)	(121,110)
Allowance	(9,357)	(9,357)
Contributions receivable, net	\$ 14,965,172	430,113

Gross contributions receivable as of June 30, 2020 consist of approximately 95% of the total amount which is primarily from 1 donor.

(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 \$1,628,200 and \$1,739,936 for the years ended June 30, 2020 and 2019, respectively.

The College is in compliance with its financial covenants at June 30, 2020.

See note 16 for further details as to the refunding of this debt subsequent to June 30, 2020.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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:			
2021	\$ 2,690,000	1,502,563	4,192,563
2022	2,890,000	1,363,063	4,253,063
2023	2,905,000	1,218,188	4,123,188
2024	3,215,000	1,065,188	4,280,188
2025	2,765,000	915,688	3,680,688
Thereafter	<u>16,125,000</u>	<u>2,203,031</u>	<u>18,328,031</u>
	<u>\$ 30,590,000</u>	<u>8,267,721</u>	<u>38,857,721</u>

(8) Plant Assets, Net

Plant assets, net 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>2020</u>	<u>2019</u>
Buildings and building improvements	\$ 91,396,904	90,518,571
Furniture and equipment	19,421,492	17,775,131
Leasehold improvements	92,884	92,884
Library books	<u>2,462,124</u>	<u>2,426,326</u>
	113,373,404	110,812,912
Less accumulated depreciation	<u>70,483,668</u>	<u>66,581,227</u>
	42,889,736	44,231,685
Construction in progress	1,195,266	524,244
Land	<u>18,094,588</u>	<u>18,094,588</u>
Plant assets, net	<u>\$ 62,179,590</u>	<u>62,850,517</u>

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes:

	2020	2019
With donor restrictions:		
Donor-restricted endowments:		
Scholarships	\$ 16,028,593	16,925,670
Program	5,114,526	4,340,350
Time and purpose restriction:		
Scholarships	3,078,595	2,407,014
Program	1,919,412	2,224,470
Other	15,203,888	546,009
Total net assets with donor restrictions	\$ 41,345,014	26,443,513

Net assets with donor restrictions that are restricted to investment in perpetuity (corpus) at June 30, 2020 and 2019 were \$15,545,002 and \$14,589,283 respectively, with investment return available primarily to support scholarships and programs.

Net assets were released from restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purposes as follows:

	2020	2019
Academic program support	\$ 694,633	588,909
Scholarships	1,147,238	1,599,834
Acquisition of plant assets	75,663	112,813
	\$ 1,917,534	2,301,556

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(10) Expenses

Operating expenses for the years ended June 30, 2020 and 2019 are as follows:

	<u>Compensation and benefits</u>	<u>Materials and supplies</u>	<u>Services and other</u>	<u>Interest, depreciation, and amortization</u>	<u>Total</u>
2020:					
Instruction	\$ 19,171,228	202,975	1,574,071	2,047,905	22,996,179
Academic support	2,953,034	289,206	960,238	67,615	4,270,093
Student services	6,640,339	1,493,922	2,840,397	658,125	11,632,783
Institutional support	6,695,902	602,884	2,793,922	142,671	10,235,379
Auxiliary enterprises	1,101,396	327,044	8,702,798	2,667,464	12,798,702
	<u>\$ 36,561,899</u>	<u>2,916,031</u>	<u>16,871,426</u>	<u>5,583,780</u>	<u>61,933,136</u>
2019:					
Instruction	\$ 17,847,182	330,306	1,724,140	2,077,618	21,979,246
Academic support	2,864,331	347,893	982,353	68,596	4,263,173
Student services	6,676,740	1,553,056	2,865,203	667,674	11,762,673
Institutional support	7,257,173	896,724	3,429,505	144,745	11,728,147
Auxiliary enterprises	803,521	94,006	9,183,952	2,745,275	12,826,754
	<u>\$ 35,448,947</u>	<u>3,221,985</u>	<u>18,185,153</u>	<u>5,703,908</u>	<u>62,559,993</u>

The college allocates maintenance of plant, interest, and depreciation to the Instruction, Academic Support and Libraries, Student Services, Institutional Support and Auxiliary Enterprises on a square footage basis. Institutional support includes \$1,598,383 and \$2,056,834 of fundraising expenses in fiscal years 2020 and 2019, respectively. Non-operating activities, net were (\$606,178) in 2020 and (\$388,441) in 2019. Included in net nonoperating activities in 2020 were amounts received due to the COVID-19 pandemic (see note 17).

(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 (see note 16). Employees become eligible after one year of service. The College's contributions to the plan for the years ended June 30, 2020 and 2019 amounted to \$2,059,001 and \$1,976,897, respectively.

(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 \$2,364,251 and \$3,848,998, respectively, in 2020, and \$3,557,727 and \$3,779,047, respectively, in 2019, and are included in auxiliary enterprises in the accompanying statements of activities.

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On December 13, 2012, the College entered into a ten-year student housing lease agreement with Cooper and 6th Property LLC for a new building at 35–39 Cooper Square in New York City. In connection with the Cooper Square lease, the College provided on June 22, 2016 a \$623,203 letter of credit (LOC) for a two-month rent deposit as required in the lease. The building contains 253 student beds and 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:	
2021	\$ 3,919,238
2022	3,997,971
2023	4,078,280
2024	4,181,082
2025	<u>4,021,851</u>
	<u>\$ 20,198,422</u>

(13) 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 endowment net assets (a) the original value of gifts restricted in perpetuity; (b) the original value of subsequent gifts to the endowment; and (c) accumulations of investment returns to the endowment made in accordance with the direction of the applicable donor gift instrument, where applicable. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA. Such amounts recorded as net assets with donor restrictions are released from restriction when the College appropriates the amount for expenditure, 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 changes in endowment funds for the years ended June 30:

	<u>With donor restrictions</u>
Endowment net assets at June 30, 2018	\$ 20,941,561
Investment income, net	404,243
Net appreciation (realized and unrealized)	237,462
Contributions	490,594
Appropriation of endowment assets for expenditure/net assets released from restriction	<u>(807,840)</u>
Endowment net assets at June 30, 2019	21,266,020
Investment income, net	363,376
Net depreciation (realized and unrealized)	(612,969)
Contributions	955,720
Appropriation of endowment assets for expenditure/net assets released from restriction	<u>(829,028)</u>
Endowment net assets at June 30, 2020	<u>\$ 21,143,119</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 net assets with donor restrictions. There were 6 funds that were underwater at June 30, 2020 with an original gift value of approximately \$1.1 million and a total deficiency of \$66,163. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions. There were no underwater endowments at June 30, 2019.

(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.

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(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.

(14) Liquidity and Availability of Resources

The following schedule reflects the financial assets as of June 30, 2020 and 2019, reduced by the amounts not available for general use within one year of the balance sheet date because of contractual or donor imposed restrictions.

	2020	2019
Cash and cash equivalents	\$ 17,858,445	9,682,379
Student receivables, due within one year	771,305	1,081,808
Contributions receivable, due in one year	353,280	292,080
Investments	28,668,840	28,631,653
	47,651,870	39,687,920
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Endowment return restricted for scholarships and program	(5,597,974)	(6,676,737)
Restricted by donors in perpetuity (corpus)	(15,545,002)	(14,589,283)
Restricted by contractual obligations	(655,852)	(834,649)
Total amounts unavailable for general expenditures within one year	(21,798,828)	(22,100,669)
Add endowment payout	910,508	881,832
Total financial asset resources	26,763,550	18,469,083
Liquidity resources:		
Revolving line of credit facility	5,000,000	5,000,000
Total financial asset and liquidity resources available to management for general expenditures within one year	\$ 31,763,550	23,469,083

The College considers all expenditures related to its ongoing mission-related activities except for plant assets funded by donor contributions as well as the conduct of services undertaken to support those activities to be general expenditures.

The College maintains a revolving line of credit of \$5,000,000 which it could draw upon to manage cash needs. The College does not intend to utilize this line of credit in fiscal year 2021.

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(15) Air Rights

In December 1986, the air rights associated with the College's facilities were sold to a purchaser under an agreement that provided for receipt of \$2.1 million at the time of the sale and contingent payment(s) of amounts based upon subsequent sale of the building as condominium units or a sale of the entire apartment building by the purchaser. The College was entitled to either 10% of the condominium unit sales or to 6% of the proceeds from sale of entire apartment building. In July 2019 the entire apartment building was sold and a payment was made to the College for 6% of the sale price, which amounted to approximately \$9.57 million.

(16) Subsequent Events

In August 2020, the College temporarily suspended the College-paid 10% retirement employer contribution to the Tax-Deferred Annuity (TDA) Retirement Program to address the financial impact of the COVID-19 pandemic. This suspension affected all employees who were currently active in the program. The current plan is to reinstate the College-paid contributions in the first pay cycle after May 31, 2021.

In September 2020, the College closed on a refinancing transaction for its 55th Street Residence Hall condominium unit (the Unit) in order to (i) raise the capital necessary to retire the existing bonds issued by the Dormitory Authority of the State of New York (the "DASNY"), (ii) improve liquidity, and (iii) fund capital investments.

The College transferred ownership of the Unit to a wholly owned special purpose entity (the "MMC SPE"). The MMC SPE entered into a triple net, 25-year ground lease of the Unit (the "Ground Lease") with a not-for-profit intermediary that has experience in institutional transactions (the "NFP Intermediary"). The Ground Lease term is 25 years, with a 23-year extension option.

In lieu of making monthly rent payments to the MMC SPE, the NFP Intermediary has made a lump-sum prepayment of all rent due for the initial term of the Ground Lease upon execution of the Ground Lease. The funds for this lump-sum payment came from a loan that was made by a lender to the NFP Intermediary, which loan was secured by the College's credit and a mortgage upon the Unit. MMC SPE will continue to pay to the condominium board all condominium common charges and other amounts payable with respect to the Unit under the condominium documents.

The NFP Intermediary subleased the Unit to the College for an initial term of 12.9 years (the "Operating Lease"), which Operating Lease will contain options to extend the term for up to the duration of the term of the Ground Lease. The Operating Lease, like the Ground Lease, is a triple net lease, so that the College will continue to operate and control the Unit as if the NFP Intermediary were not a part of the structure. At the end of the initial 12.9-year term of the Operating Lease, the College will either (a) extend the term of the sublease, (b) pay off the loan encumbering the Unit and collapse the structure, or (c) permit the NFP Intermediary to sublet the Unit to a third party with the College backstopping any rent shortfall.

The College evaluated additional subsequent events after the balance sheet date of June 30, 2020 through December 9, 2020, which was the date the financial statements were issued, and has concluded that there are no other subsequent events required to be disclosed.

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(17) COVID-19

The spread of the coronavirus (COVID-19) around the world has caused significant volatility in the U.S. and international economies and markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the College is unable to determine if it will have a material impact on its operations in fiscal year 2021 and beyond.

During the year ended June 30, 2020, the College was awarded certain funding under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The College was awarded \$1,701,441 in Higher Education Emergency Relief Fund (HEERF) grants to provide student emergency financial aid grants, and college aid to cover lost revenue for refunds to students for room, board and certain fees, as well as eligible expenses attributable to the effects of COVID-19. The College recognized both revenue and related expenses of \$696,160 in HEERF grants for the student and institutional shares during the year ended June 30, 2020. The remaining awarded amount will be recognized in fiscal year 2021.

Paycheck Protection Program

On May 8, 2020, the College received a refundable advance in the amount of \$6,555,593 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act, provides a cash advance to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business, subject to certain adjustments.

The PPP advance is payable over two years at an interest rate of 1% per annum, with a deferral of payments of interest and principal for the first ten months of the loan. Thereafter, principal and interest are payable in eighteen equal monthly installments.

The advance and accrued interest are forgivable to the extent the proceeds are used for eligible purposes, which include payroll, benefits, rent and utilities incurred during either an eight week or 24 week period, at the borrower's election. The amount of forgiveness can be reduced if the borrower terminates employees or reduces compensation during the relevant measurement period.

Through June 30, 2020, the College has used substantially all of the proceeds for purposes consistent with the PPP and expects that the PPP advance will be forgiven in fiscal year 2021 in accordance with the current program provisions. However, that determination will be made after the College submits its application for forgiveness.