

YORK COLLEGE FOUNDATION

Financial Statements  
for year ended  
June 30, 2016

Independent Auditors' Report

**To the Board of Trustees  
York College Foundation**

We have audited the accompanying financial statements of York College Foundation which comprise the statement of financial position 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 accounting principles generally accepted in the United States of America; 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 entity'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 entity'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 the 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 York College Foundation 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 accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

September 20, 2016

## YORK COLLEGE FOUNDATION

## Statement of Financial Position

	June 30	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents (note 2)	\$ 1,203,487	\$ 897,741
Investments (note 2)	1,118,753	1,139,030
Unconditional promises to give, net of discount and allowance for doubtful accounts (notes 2 and 4)	338,390	443,943
Donated artwork (note 5)	115,000	115,000
Other assets	164	205
Total assets	<u>\$ 2,775,794</u>	<u>\$ 2,595,919</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 101,000</u>	<u>\$ 20,441</u>
<b>Net assets (note 2)</b>		
Unrestricted	438,314	431,003
Temporarily restricted	744,042	754,556
Permanently restricted (note 9)	<u>1,492,438</u>	<u>1,389,919</u>
Total net assets	<u>2,674,794</u>	<u>2,575,478</u>
Total liabilities and net assets	<u>\$ 2,775,794</u>	<u>\$ 2,595,919</u>

See notes to financial statements

YORK COLLEGE FOUNDATION

Statement of Activities  
Year Ended June 30

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support								
Contributions - individuals, corporations and foundations	\$ 48,999	\$ 286,898	\$ 126,111	\$ 462,008	\$ 193,246	\$ 410,726	\$ 77,771	\$ 681,743
Donated services (note 6)	325,277	-	-	325,277	347,948	-	-	347,948
Fundraising events	93,371	-	-	93,371	246,105	-	-	246,105
Investment return (note 3)	731	-	(20,592)	(19,861)	582	-	(15,250)	(14,668)
Reclassification of net assets - donor agreed change in restrictions (note 9)	-	3,000	(3,000)	-	-	1,500	(1,500)	-
Net assets released from restrictions	300,412	(300,412)	-	-	197,260	(197,260)	-	-
Total revenue, gains and other support	768,790	(10,514)	102,519	860,795	985,141	214,966	61,021	1,261,128
Expenses								
Program services								
Scholarships	111,574	-	-	111,574	54,460	-	-	54,460
Support of York College	566,259	-	-	566,259	549,600	-	-	549,600
Total program services	677,833	-	-	677,833	604,060	-	-	604,060
Supporting services								
Fundraising events	43,792	-	-	43,792	39,681	-	-	39,681
Management and general	39,854	-	-	39,854	25,299	-	-	25,299
Total supporting services	83,646	-	-	83,646	64,980	-	-	64,980
Total expenses	761,479	-	-	761,479	669,040	-	-	669,040
Change in net assets	7,311	(10,514)	102,519	99,316	316,101	214,966	61,021	592,088
Net assets, beginning of year	431,003	754,556	1,389,919	2,575,478	114,902	539,590	1,328,898	1,983,390
Net assets, end of year	\$ 438,314	\$ 744,042	\$ 1,492,438	\$ 2,674,794	\$ 431,003	\$ 754,556	\$ 1,389,919	\$ 2,575,478

See notes to financial statements

## YORK COLLEGE FOUNDATION

## Statement of Cash Flows

	Year Ended June 30	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 99,316	\$ 592,088
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized loss on long-term investments	30,817	25,500
Provision for bad debts	20,000	-
Contribution of donated artwork	-	(92,000)
Change in certain accounts		
Unconditional promises to give, net	85,553	(257,275)
Other assets	41	-
Accounts payable and accrued expenses	80,559	1,691
Net cash provided by operating activities	<u>316,286</u>	<u>270,004</u>
Cash flows from investing activities		
Net (increase) in short-term investments	(315)	(1,038)
(Increase) in long-term investments	<u>(10,225)</u>	<u>(10,250)</u>
Net cash (used) by investing activities	<u>(10,540)</u>	<u>(11,288)</u>
Increase in cash and cash equivalents	305,746	258,716
Cash and cash equivalents, beginning of year	<u>897,741</u>	<u>639,025</u>
Cash and cash equivalents, end of year	<u>\$ 1,203,487</u>	<u>\$ 897,741</u>

See notes to financial statements

## YORK COLLEGE FOUNDATION

Notes to Financial Statements  
June 30, 2016

**Note 1 - Organization and tax status**

On October 6, 1989, the York College Foundation (the "Foundation") was incorporated in compliance with the City University of New York's Bylaws, Section 14.10, adopted by the Board of Trustees of the City University of New York ("CUNY") on June 26, 1989 and authorized by the Board of Trustees in its meeting on March 21, 1990. The purpose of the Foundation is to support and advance the activities and missions of York College (the "College") in its academic, cultural, research and public service programs, and to promote and encourage interest and support for these programs serving the students, faculty, administrative staff, alumni and others in the college community of York College. Although the Foundation is a separate and independent legal entity, it carries out operations which are integrally related to CUNY and, therefore, is presented as a part of CUNY's financial reporting entity.

The Foundation was organized exclusively for charitable, educational, or scientific purposes and shall not carry on any activities not permitted to be carried on by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a publicly supported organization described in Section 509(a) of the Code.

**Note 2 - Summary of significant accounting policies**

The financial statements have been prepared on the accrual basis. Following is a summary of the Foundation's significant accounting policies.

**a. Basis of presentation**

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**b. Use of estimates**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**c. Financial statement presentation**

The Foundation segregates its net assets as follows:

*Unrestricted* - The part of net assets that is neither permanently nor temporarily restricted by externally imposed stipulations.

*Temporarily Restricted* - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by externally imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

*Permanently Restricted* - Net assets resulting from contributions and other inflow of assets whose use by the Foundation is limited by externally imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation's Board of Trustees.

**d. Cash and cash equivalents**

Cash and cash equivalents are comprised of highly liquid instruments, with maturities of three months or less at the time of purchase.

**e. Fair value measurement**

The Foundation measures and reports its investments at fair value, which is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The following are the investments at June 30, 2016 and 2015 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except for those investments recorded at cost, as indicated):

	2016		2015	
	<u>Level 2</u>	<u>Total</u>	<u>Level 2</u>	<u>Total</u>
At Fair Value:				
CUNY Investment Pool				
(cost: 2016 -\$892,615	\$ <u>870,349</u>	\$ 870,349	\$ <u>890,940</u>	\$ 890,940
and 2015 - \$882,389)				
At Cost:				
Money market		146,569		146,275
Certificates of deposit		<u>101,835</u>		<u>101,815</u>
Total Investments		\$ <u>1,118,753</u>		\$ <u>1,139,030</u>

The fair value of the Foundation's share in the CUNY Investment Pool (the "Investment Pool") has been estimated using the Net Asset Value ("NAV") as reported by Investment Pool management. U.S. GAAP provides for the use of a NAV as a "Practical Expedient" for estimating fair value of alternative investments, such as the Investment Pool. The NAV reported by the Investment Pool is used as a practical expedient to estimate the fair value of the Foundation's interest and their classification within Level 2 at June 30, 2016 and 2015 is based upon the Foundation's ability to redeem its interest in the near term and liquidate the underlying portfolios.

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

The Investment Pool is comprised of the following investments at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Commingled funds	57.17%	55.14%
Mutual funds	25.31%	25.56%
Hedge funds	11.89%	13.04%
Variable annuity funds	5.36%	6.26%
Private equity	<u>0.27%</u>	<u>0.00%</u>
	<u>100.00%</u>	<u>100.00%</u>

**f. Revenues**

Contributions, including unconditional promises to give, are recognized as revenue in the period in which the gift is made. Promises to give are recorded at their estimated net realizable value, discounted to present value.

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

**g. Allowance for doubtful accounts**

When necessary, an allowance for doubtful accounts for unconditional promises to give will be established through a provision for bad debts charged to expenses. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing unconditional promises to give and is based on prior bad debt experience. At June 30, 2016, allowance for doubtful accounts totaled \$20,000. Management has determined that no allowances were required at June 30, 2015.

**h. Concentration of credit risk**

A substantial portion of the Foundation's cash is on deposit in a commercial bank account and may periodically exceed Federally insured limits. The Foundation has not experienced any losses on its deposits.

**i. Income taxes**

The Foundation recognizes a tax benefit from an uncertain tax position in its financial statements only if it is more-likely-than-not (i.e., a likelihood of more than 50%) that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Management believes the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2016.

The Foundation's tax returns for all years since 2013 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.



## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016**j. Subsequent events**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 20, 2016.

**Note 3 - Investments return**

Investments in the Investment Pool comprise assets which are pooled and invested by and under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. Investment returns for the years ended June 30, comprised:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 5,121	\$ 6,985
Realized gains	5,835	3,847
Net unrealized (loss)	(30,817)	(25,500)
Total investment return	<u>\$ (19,861)</u>	<u>\$ (14,668)</u>

**Note 4 - Unconditional promises to give**

Unconditional promises to give consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 169,586	\$ 81,154
Due one year to five years	184,334	323,950
Due after five years	18,720	57,500
	<u>372,640</u>	<u>462,604</u>
Less discount	14,250	18,661
Less allowance for doubtful accounts	<u>20,000</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 338,390</u>	<u>\$ 443,943</u>

Unconditional promises to give which are due after one year are discounted using the weighted-average rate of 1.60% per annum. Amortization of the discount is included in contribution revenue.

**Note 5 - Donated artwork**

In January 2015, a former professor of York College donated 10 pieces of artwork which include "Yankee Stadium", "Barbarshop", "Elevated", "Restaurant", "Bodega", "Bayamo I", "Havana Façade", "Trinidad II", "Havana Hallway", and "Havana Façade II". The estimated market value of the collection is \$92,000 and has been included in the unrestricted net assets of the accompanying financial statements.

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

In November 2008, the Foundation received a donation of three pieces of artwork, entitled "Blue Lightning," "Earth Mother" and "Parandole II." Pursuant to the gift agreement, the Foundation agreed to care for and display this artwork for a period of no less than three years from the date of ownership. After such time, the Foundation, in its own discretion, reserved the right to discontinue displaying the Artwork, or otherwise dispose of it. The recorded value of the Artwork of \$23,000 has been transferred from temporarily restricted net assets to unrestricted net assets in the accompanying 2015 financial statements.

In addition, the Foundation is the recipient of a donation of artwork entitled "The Copper Airplane". At which time the artwork is appraised, it will be recorded as an asset in the Foundation's financial statements at its appraised value.

**Note 6 - Donated services**

The Foundation recognizes donations of services if the services received: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation operates on the campus of the College and, as such, utilizes space and certain services made available to it. Donated services and promises to give services that do not meet the above criteria are not recognized. The estimated cost savings of \$325,277 and \$347,948 for the years ended June 30, 2016 and 2015, respectively, have been recorded as donated services and are recognized as both revenues and expenses in the accompanying statement of activities.

**Note 7 - Restrictions on net assets**

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

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 422,240	\$ 430,730
Community and departmental programs	<u>321,802</u>	<u>323,826</u>
Totals	\$ <u>744,042</u>	\$ <u>754,556</u>

During fiscal 2016 and 2015, temporarily restricted net assets were released from restrictions by incurring expenses for the following donor restricted purposes:

	<u>Year Ended</u>	
	<u>2016</u>	<u>2015</u>
Community and departmental programs	\$ 196,009	\$ 119,800
Scholarships	104,403	54,460
Artwork	-	23,000
	\$ <u>300,412</u>	\$ <u>197,260</u>

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Professorship (A)	\$ 567,326	\$ 575,540
Scholarships (B)	925,112	814,379
Totals	<u>\$ 1,492,438</u>	<u>\$ 1,389,919</u>

- (A) In October 2008, the Foundation received a \$500,000 contribution for the establishment of a permanent endowment to be known as the ACFE Fund for the purpose of supporting the ACFE Endowed Professor of Fraud Examination pursuant to the terms of the agreement between the grantor and the Foundation. In addition, the endowment agreement provides that as long as the principal of the ACFE Fund is less than \$750,000, York College will provide supplemental financial support to the Business School's accounting department in an amount equal to 5% of the balance of the endowment at September 1 of each year until the threshold is attained of \$750,000 and the earnings of the Fund will be reinvested and added to the principal. Once the principal has reached the minimum threshold, the income and appreciation of the ACFE Fund will be used as deemed necessary to effectuate the purposes of the gift and York College shall be under no further obligation to provide supplemental financial support for the ACFE professor. After reaching a balance of \$750,000, the Foundation agrees that the principal of the gift shall be preserved in perpetuity and only its income and appreciation will be used for the purposes described in the endowment agreement.
- (B) Consists of endowment corpus that provides investment income primarily for student scholarships.

**Note 8 - Pledge commitments**

In December 2015, Consolidated Edison Company of New York, Inc. made a pledge of \$110,000 to the Foundation, of which \$55,000 was received during fiscal 2016, and \$55,000 will be paid on or before December 31, 2016 and has been included in pledges receivable in the accompanying fiscal 2016 financial statements.

In June 2015, Santander Bank, N.A., made a pledge to contribute \$200,000 to the Foundation to be paid over the next 4 years (2016 – 2019), of which \$80,000 has been received through June 30, 2016. The net present value of the cash payments to be received over the next 3 years of \$116,905 has also been included in the balance of pledges receivable.

Also in June 2015, a member of the Board of Trustees made a pledge to contribute a total of \$16,000 to be paid over the next 3 years (2016 – 2018), of which \$7,250 has been received through June 30, 2016. The net present value of the cash payments to be received over the next 2 years of \$8,584 has been included in pledges receivable.

In May 2015, a former York College student made a pledge to contribute a total of \$150,000 to the Foundation, consisting of \$50,000 in cash to be paid over the next ten years (2016 – 2025), of which \$6,280 has been received through June 30, 2016, and a whole-term life insurance policy valued at \$100,000 of which the Foundation was named owner and beneficiary and the student was named the insured. The net present value of the cash payments to be received over the next nine years of \$38,222 has been included in pledges receivable. The student is to make annual contributions to the Foundation in the amount of the premium payment for the whole life insurance policy, or \$3,780 annually over the next nine years. Contribution revenue related to the cash surrender value of the insurance policy will be recognized in the future when conditions have been met.

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

In January 2014, a family member of a former professor at the College made a pledge to contribute a total of \$66,440 to the Foundation, of which \$40,150 was received through fiscal 2016 and \$26,290 will be paid over the next three years (2016 – 2018). The net present value of the cash payments to be received over the next two years of \$25,816 has been included in pledges receivable.

During fiscal 2013, an alumnus of the College made a pledge to contribute a total of \$100,000 to the Foundation, consisting of a commitment to pay \$25,000 in cash by June 30, 2015, and a \$75,000 bequest. The Foundation had recorded \$25,000 as contribution revenue in fiscal 2013. During fiscal 2015, the donor passed away prior to fulfilling his commitment to make payment of \$25,000. The Foundation has been in contact with the Executor for the donor's estate and is attempting to determine the collectability of this pledge commitment. As of June 30, 2015, in accordance with its policy, the Foundation has written-off \$5,000 of the cash pledge commitment. At June 30, 2016, the remaining \$20,000 was reserved for through a provision for doubtful accounts. In addition, any cash payment related to the bequest will be recognized when received.

In April 2012, an alumnus of the College made a pledge to contribute a total of \$200,000 to the Foundation, of which \$120,846 was received through fiscal 2016 and \$79,154 will be paid over the next seven years (2016 – 2022). The net present value of the cash payments to be received over the next six years of \$74,603 has been included in pledges receivable.

In May 2011, a member of the Board of Trustees made a pledge to contribute a total of \$100,158 to the Foundation, of which \$57,432 was received through fiscal 2016 and \$12,726 will be paid over the next two years (2016 – 2017), \$10,000 from an existing life insurance policy, and a bequest in the amount of \$20,000. The net present value of the payments to be received over the next year of \$12,260 has been included in pledges receivable. Contribution revenue related to the insurance policy and bequest will be recognized in the future when conditions have been met.

**Note 9 - Endowment funds*****Interpretation of Relevant Law***

The Board of Trustees of the Foundation has interpreted New York Prudent Management of Institutional Funds ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment, funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board of Trustees classifies as permanently restricted net assets (a) the original value of the gifts donated 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 at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

## YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)  
June 30, 2016

**Return Objectives and Risk Parameters**

The Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Endowment return objectives are to equal or exceed, on an inflation-adjusted basis, composite benchmark results of approximately 5% over the long-term with a conservative to moderate level of risk. In order to achieve this objective, the Foundation follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board of Trustee's interpretation of law.

**Spending Rate Policy**

The Board of Trustees utilizes a spending rate of 4.5% of the fair value of the endowment funds at the beginning of the fiscal year to determine its annual drawdown from the endowment.

The following is a reconciliation of the activity in the endowment funds for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,389,919	\$ 1,328,898
Contributions	126,111	77,771
Investment return	(20,592)	(15,250)
Transfers (out)	(3,000)	(1,500)
Balance, end of year	<u>\$ 1,492,438</u>	<u>\$ 1,389,919</u>

All of the Foundation's Endowment funds are permanently restricted in nature. There were no cumulative losses absorbed by the Foundation's unrestricted net assets at June 30, 2016 and 2015; cumulative investment returns were sufficient to absorb the investment losses incurred in fiscal 2016 and 2015.

**Note 10 – Related Party Transactions**

During fiscal 2016, the Foundation received a \$75,000 grant from Volunteer Services for Children Foundation to purchase a flight simulator for CUNY Aviation Institute at York College. The flight simulator was acquired and installed in June 2016, and its cost of \$74,590 is included in support for York College in the accompanying statement of activities.

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