

YORK COLLEGE FOUNDATION

Financial Statements
for year ended
June 30, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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 22, 2017

YORK COLLEGE FOUNDATION

Statement of Financial Position

	June 30	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (note 2)	\$ 2,428,261	\$ 1,203,487
Investments (note 2)	248,718	1,118,753
Unconditional promises to give, net of discount and allowance for doubtful accounts (notes 2 and 4)	136,794	338,390
Accounts receivable	6,610	-
Donated artwork (note 5)	115,000	115,000
Other assets	4,069	164
Total assets	<u>\$ 2,939,452</u>	<u>\$ 2,775,794</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ <u>12,051</u>	\$ <u>101,000</u>
Net assets (note 2)		
Unrestricted	667,435	441,314
Temporarily restricted	799,782	828,768
Permanently restricted (note 9)	<u>1,460,184</u>	<u>1,404,712</u>
Total net assets	<u>2,927,401</u>	<u>2,674,794</u>
Total liabilities and net assets	<u>\$ 2,939,452</u>	<u>\$ 2,775,794</u>

See notes to financial statements

YORK COLLEGE FOUNDATION

Statement of Activities
Year Ended June 30

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support								
Contributions - individuals, corporations and foundations	\$ 68,117	\$ 162,172	\$ 17,369	\$ 247,658	\$ 48,999	\$ 286,898	\$ 126,111	\$ 462,008
Donated services (note 6)	379,697	-	-	379,697	325,277	-	-	325,277
Fundraising events	370,916	-	-	370,916	93,371	-	-	93,371
Investment return (note 3)	858	57,424	38,103	96,385	731	(12,379)	(8,213)	(19,861)
Net assets released from restrictions	248,582	(248,582)	-	-	303,412	(303,412)	-	-
Total revenue, gains and other support	<u>1,068,170</u>	<u>(28,986)</u>	<u>55,472</u>	<u>1,094,656</u>	<u>771,790</u>	<u>(28,893)</u>	<u>117,898</u>	<u>860,795</u>
Expenses								
Program services								
Scholarships	97,820	-	-	97,820	111,574	-	-	111,574
Support of York College	617,370	-	-	617,370	566,259	-	-	566,259
Total program services	<u>715,190</u>	<u>-</u>	<u>-</u>	<u>715,190</u>	<u>677,833</u>	<u>-</u>	<u>-</u>	<u>677,833</u>
Supporting services								
Fundraising events	112,238	-	-	112,238	43,792	-	-	43,792
Management and general	14,621	-	-	14,621	39,854	-	-	39,854
Total supporting services	<u>126,859</u>	<u>-</u>	<u>-</u>	<u>126,859</u>	<u>83,646</u>	<u>-</u>	<u>-</u>	<u>83,646</u>
Total expenses	<u>842,049</u>	<u>-</u>	<u>-</u>	<u>842,049</u>	<u>761,479</u>	<u>-</u>	<u>-</u>	<u>761,479</u>
Change in net assets	226,121	(28,986)	55,472	252,607	10,311	(28,893)	117,898	99,316
Net assets, beginning of year	<u>441,314</u>	<u>828,768</u>	<u>1,404,712</u>	<u>2,674,794</u>	<u>431,003</u>	<u>857,661</u>	<u>1,286,814</u>	<u>2,575,478</u>
Net assets, end of year	<u>\$ 667,435</u>	<u>\$ 799,782</u>	<u>\$ 1,460,184</u>	<u>\$ 2,927,401</u>	<u>\$ 441,314</u>	<u>\$ 828,768</u>	<u>\$ 1,404,712</u>	<u>\$ 2,674,794</u>

YORK COLLEGE FOUNDATION

Statement of Cash Flows

	Year Ended June 30	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 252,607	\$ 99,316
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized (gain) loss on investments	(92,702)	24,982
Provision for bad debts	-	20,000
Change in certain accounts		
Unconditional promises to give	201,596	85,553
Accounts receivable	(6,610)	-
Other assets	(3,905)	41
Accounts payable and accrued expenses	(88,949)	80,559
Net cash provided by operating activities	<u>262,037</u>	<u>310,451</u>
Cash flows from investing activities		
Net (increase) in investments	(3,139)	(4,705)
Proceeds from redemption of investments	<u>965,876</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>962,737</u>	<u>(4,705)</u>
Increase in cash and cash equivalents	1,224,774	305,746
Cash and cash equivalents, beginning of year	<u>1,203,487</u>	<u>897,741</u>
Cash and cash equivalents, end of year	<u>\$ 2,428,261</u>	<u>\$ 1,203,487</u>

See notes to financial statements

YORK COLLEGE FOUNDATION

Notes to Financial Statements
June 30, 2017

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, 2017

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, 2017 and 2016 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):

	2017		2016	
	Level 2	Total	Level 2	Total
At Fair Value:				
CUNY Investment Pool (cost: 2016 -\$892,615)	\$ -	\$ -	\$ 870,349	\$ 870,349
At Cost:				
Money market		146,862		146,569
Certificates of deposit		101,856		101,835
Total Investments		\$ 248,718		\$ 1,118,753

The fair value of the Foundation's share in the CUNY Investment Pool (the "Investment Pool") at June 30, 2016 was 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 was 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 was 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, 2017

The Investment Pool was comprised of the following investments at June 30, 2016:

Commingled funds	57.17%
Mutual funds	25.31%
Hedge funds	11.89%
Variable annuity funds	5.36%
Private equity	0.27%
	<u>100.00%</u>

In June 2017, the Foundation sold its investments in the CUNY investment pool. The proceeds are included in the Foundation's checking account at June 30, 2017.

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, the Foundation's allowance for doubtful accounts totaled \$20,000. The allowance and related unconditional promise to give were written off during the year ended June 30, 2017.

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, 2017.

The Foundation's tax returns for all years since 2014 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, 2017**j. Reclassification**

Certain information in the 2016 financial statements has been reclassified to conform to the 2017 presentation.

k. 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 22, 2017.

Note 3 - Investment return

Investments in the Investment Pool comprised 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>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,683	\$ 5,121
Realized gains	70,436	5,835
Net unrealized gain (loss)	<u>22,266</u>	<u>(30,817)</u>
Total investment return	\$ <u>96,385</u>	\$ <u>(19,861)</u>

Note 4 - Unconditional promises to give

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

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 54,587	\$ 167,086
Due one year to five years	76,654	183,054
Due after five years	<u>15,000</u>	<u>22,500</u>
	146,241	372,640
Less discount	9,447	14,250
Less allowance for doubtful accounts	<u>-</u>	<u>20,000</u>
Net unconditional promises to give	\$ <u>136,794</u>	\$ <u>338,390</u>

Unconditional promises to give which are due after one year are discounted using the weighted-average rate of 1.87% 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, 2017

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 included in the unrestricted net assets of the accompanying 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 \$379,697 and \$325,277 for the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Scholarships	\$ 254,440	\$ 419,240
Community and departmental programs	402,192	321,802
Investment return	143,150	87,726
Totals	<u>\$ 799,782</u>	<u>\$ 828,768</u>

During fiscal 2017 and 2016, temporarily restricted net assets were released from restrictions by incurring expenses for the following donor restricted purposes:

	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Community and departmental programs	\$ 150,762	\$ 196,009
Scholarships	95,820	104,403
Investment return appropriation	2,000	3,000
	<u>\$ 248,582</u>	<u>\$ 303,412</u>

YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)
June 30, 2017

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

	<u>2017</u>	<u>2016</u>
Professorship (A)	\$ 585,261	\$ 547,158
Scholarships (B)	<u>874,923</u>	<u>857,554</u>
Totals	\$ <u>1,460,184</u>	\$ <u>1,404,712</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 of \$750,000 is attained and the earnings of the ACFE 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 June 2015, a member of the Board of Trustees made a pledge to contribute a total of \$16,000 to be paid over 3 years (2016 – 2018), of which \$7,250 has been received through June 30, 2017. The net present value of the cash payments to be received over the next year of \$8,584 has been included in unconditional promises to give.

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 ten years (2016 – 2025), of which \$6,280 has been received through June 30, 2017, 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 eight years of \$39,125 has been included in unconditional promises to give. 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 eight years. Contribution revenue related to the cash surrender value of the insurance policy will be recognized at the end of the whole-term life insurance policy terms, if all premium payments have been made.

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 \$56,010 was received through fiscal 2017 and \$10,430 will be paid over two years (2017 – 2018). The net present value of the cash payments to be received over the next two years of \$10,295 has been included in unconditional promises to give.

YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)
June 30, 2017

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 an allowance for doubtful accounts and subsequently written off during the year ended June 30, 2017.

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 2017 and \$79,154 will be paid over six years (2017 – 2022). The net present value of the cash payments to be received over six years of \$74,603 has been included in unconditional promises to give.

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 \$69,471 was received through fiscal 2017 and \$687 will be paid in the next year; \$10,000 from an existing life insurance policy, and a bequest in the amount of \$20,000. 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.

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.

YORK COLLEGE FOUNDATION

Notes to Financial Statements (continued)
June 30, 2017**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.

At July 1, 2015, \$103,105 of permanently restricted investment earnings have been reclassified to temporarily restricted in accordance with donors' original intentions.

The following is a reconciliation of the activity in the endowment funds for the years ended June 30, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2015	\$ 103,105	\$ 1,286,814	\$ 1,389,919
Contributions	-	126,111	126,111
Investment return	(12,379)	(8,213)	(20,592)
Appropriation	(3,000)	-	(3,000)
Balance, June 30, 2016	87,726	1,404,712	1,492,438
Contributions	-	17,369	17,369
Investment return	57,424	38,103	95,527
Appropriation	(2,000)	-	(2,000)
Balance, June 30, 2017	<u>\$ 143,150</u>	<u>\$ 1,460,184</u>	<u>\$ 1,603,334</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, 2017 and 2016.

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 the fiscal 2016 support for York College in the accompanying statement of activities.

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