The New School

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

THE NEW SCHOOL
A UNIVERSITY

Office of Finance & Business
80 Fifth Avenue, New York, NY 10011
www.newschool.edu

THE NEW SCHOOL

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of The New School prepared the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America and is responsible for their integrity, objectivity, and fair presentation.

The management of The New School maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization, and financial records are reliable for preparing financial statements. This system of control provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or detected within a timely period. Key elements in this system include the communication of written policies and procedures, selection and training of qualified personnel, and organizational arrangements that provide an appropriate division of responsibility. Management believes that, as of and for the years ended June 30, 2011 and 2010, The New School's system of internal control was adequate to accomplish these objectives.

The New School's Board of Trustees addresses its oversight responsibility for the financial statements through its Audit and Risk Committee, which is composed of Trustees and others who are independent of The New School's management. The Audit and Risk Committee meets regularly with the university's management and independent auditor to review matters relating to financial reporting, auditing and internal control. The independent auditor has full and free access to the Audit and Risk Committee.

The independent accounting firm of KPMG LLP was engaged to audit, in accordance with auditing standards generally accepted in the United States of America, the financial statements of The New School. The auditor was given unrestricted access to all financial records and related data including meeting minutes of all Board of Trustees and its committees. All representations made to the independent auditor by university management during its audits were true and accurate to the best of our knowledge and belief. KPMG's report follows.

Craig Becker

Frank Barletta
Chief Financial Officer and Senior Vice President for Finance & Business

Craig Becker
Vice President & Treasurer

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
The New School:

We have audited the accompanying balance sheets of The New School (the University) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New School as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 25, 2011

THE NEW SCHOOL

Balance Sheets

June 30, 2011 and 2010

(Dollars in thousands)

Assets		2011	2010
Cash and cash equivalents	$	2,434	2,488
Student accounts receivable, net (note 3)		8,384	7,777
Contributions receivable, net (note 4)		38,863	42,079
Investments (note 5)		309,268	285,557
Deferred charges and other assets (note 8)		20,449	12,913
Funds held by bond trustees (note 7)		284,527	6,975
Student loans receivable (note 3)		4,376	4,751
Land, buildings, and equipment (notes 6 and 8)		273,539	236,273
Total assets	$	941,840	598,813
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 8, 16, and 18)	$	54,757	39,887
Deferred revenue		11,346	11,270
Federal Perkins student loan advances		3,774	3,852
Long-term debt (note 8)		440,258	147,977
Total liabilities		510,135	202,986
Commitments and contingencies (notes 5, 8, 9 ,16, and 18)			
Net assets (notes 10 and 11):			
Unrestricted		237,911	228,795
Temporarily restricted		119,590	95,356
Permanently restricted		74,204	71,676
Total net assets		431,705	395,827
Total liabilities and net assets	$	941,840	598,813

See accompanying notes to financial statements.

THE NEW SCHOOL

Statements of Activities

Years ended June 30, 2011 and 2010

(Dollars in thousands)

	2011				2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:								
Student tuition and fees	$ 318,735	—	—	318,735	298,782	—	—	298,782
Scholarship allowance (note 13)	(81,021)	—	—	(81,021)	(72,614)	—	—	(72,614)
Net tuition and fees	237,714	—	—	237,714	226,168	—	—	226,168
Contributions	1,207	14,312	—	15,519	2,504	12,074	—	14,578
Grants and contracts	7,281	—	—	7,281	5,575	—	—	5,575
Endowment return appropriated for operations (notes 5 and 11)	4,762	5,371	—	10,133	6,283	4,296	—	10,579
Other investment income (note 5)	2,442	—	—	2,442	1,545	21	—	1,566
Auxiliary activities	28,299	—	—	28,299	27,528	—	—	27,528
Other income	3,954	—	—	3,954	2,938	—	—	2,938
Net assets released from restrictions (note 12)	17,461	(17,461)	—	—	17,169	(17,169)	—	—
Total operating revenues	303,120	2,222	—	305,342	289,710	(778)	—	288,932
Operating expenses (note 14):								
Instruction and departmental research	111,706	—	—	111,706	103,353	—	—	103,353
Sponsored research and public services	9,337	—	—	9,337	8,735	—	—	8,735
Academic support	59,265	—	—	59,265	53,958	—	—	53,958
Student services	19,685	—	—	19,685	18,460	—	—	18,460
Auxiliary activities	26,674	—	—	26,674	25,775	—	—	25,775
Institutional support	69,638	—	—	69,638	65,592	—	—	65,592
Total operating expenses	296,305	—	—	296,305	275,873	—	—	275,873
Change in net assets from operating activities	6,815	2,222	—	9,037	13,837	(778)	—	13,059
Nonoperating activities:								
Contributions for capital and endowment	—	2,748	3,758	6,506	—	12,127	2,794	14,921
Adjustment of contributions receivable	—	(3,171)	(1,230)	(4,401)	—	(2,069)	(2,249)	(4,318)
Grants for capital projects	—	972	—	972	—	1,903	—	1,903
Endowment return (notes 5 and 11)	17,711	17,151	—	34,862	11,400	6,829	—	18,229
Endowment return used for operations (notes 5 and 11)	(4,762)	(5,371)	—	(10,133)	(6,283)	(4,296)	—	(10,579)
Other, net (note 16)	(1,021)	56	—	(965)	(219)	22	(1,245)	(1,442)
Net assets released for capital expenditures (note 12)	738	(738)	—	—	255	(255)	—	—
Reclassification in accordance with ASC 958-205 (note 11)	(10,365)	10,365	—	—	—	—	—	—
Change in net assets from nonoperating activities	2,301	22,012	2,528	26,841	5,153	14,261	(700)	18,714
Change in net assets	9,116	24,234	2,528	35,878	18,990	13,483	(700)	31,773
Net assets – beginning of year	228,795	95,356	71,676	395,827	209,805	81,873	72,376	364,054
Net assets – end of year	$ 237,911	119,590	74,204	431,705	228,795	95,356	71,676	395,827

See accompanying notes to financial statements.

THE NEW SCHOOL

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Dollars in thousands)

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	35,878	31,773
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		12,724	12,521
Provision for uncollectible student receivables		2,579	2,123
Adjustment of contributions receivable		4,401	4,318
Amortization of net bond premiums and deferred charges		128	83
Net realized and unrealized gains on investments		(33,563)	(18,324)
Contributions and grants restricted for:			
Investment in endowment		(3,758)	(2,794)
Investment in capital projects		(3,720)	(14,030)
Changes in operating assets and liabilities:			
Student accounts receivable		(3,186)	(2,467)
Contributions receivable		(4,978)	1,752
Other assets		(903)	(1,037)
Accounts payable and accrued expenses		13,053	3,698
Deferred revenue		76	540
Net cash provided by operating activities		18,731	18,156
Cash flows from investing activities:			
Purchase of investments		(244,782)	(307,856)
Proceeds from sales of investments		254,634	311,657
Purchase of fixed assets		(49,990)	(29,195)
Change in accrued expenses for fixed assets		1,817	177
Student loans issued		(504)	(606)
Student loans collected		879	706
Net cash used in investing activities		(37,946)	(25,117)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, including net discount of $5,132		295,923	—
Cost of issuance of long-term debt		(6,923)	—
Principal payments on long-term debt		(3,480)	(4,055)
Change in funds held by bond trustees		(277,552)	699
Change in contributions receivable restricted for endowment		2,640	478
Change in contributions receivable restricted for capital projects		1,153	(7,180)
Contributions restricted for endowment		3,758	2,794
Contributions restricted for capital projects		3,720	14,030
Change in Federal Perkins student loan advances		(78)	—
Net cash provided by financing activities		19,161	6,766
Net change in cash and cash equivalents		(54)	(195)
Cash and cash equivalents – beginning of year		2,488	2,683
Cash and cash equivalents – end of year	$	2,434	2,488
Supplemental information – interest paid	$	7,137	7,237

See accompanying notes to financial statements.

(1) The University

The New School (the university) was founded in 1919 by a group of scholars, journalists, and civic leaders who imagined an educational venue where they could freely discuss their ideas, and where dialogue could take place between intellectuals and the public. Originally devoted to exploring the pressing social, political, and economic problems of the day, the university has since expanded its focus to embrace the arts and culture. Today the university offers bachelors and masters programs in the visual and performing arts in addition to bachelors, masters, doctorate and certificate programs in the liberal arts, social sciences, and management and urban policy.

The university comprises seven schools, each with its own history and program offerings. The seven schools are: The New School for Public Engagement; The New School for Social Research; Parsons The New School for Design; Eugene Lang College The New School for Liberal Arts; Mannes College The New School for Music; The New School for Drama; and The New School for Jazz and Contemporary Music.

The university is accredited by the Middle States Association of Colleges and Schools.

The university derives its revenues principally from student tuition and fees, government appropriations, grants and contracts, gifts, and investment earnings. Additional support is generated through auxiliary activities carried out by the university, such as dining services, student health services, and residence facilities. The university spends these resources to meet its instructional and educational mission.

(2) Summary of Significant Accounting Policies

Net Asset Classifications

The university's financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. While the underlying accounts of the university are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the university and to reflect how the university manages resources, the accompanying financial statements present the financial position, activities, and cash flows of the university as a whole. University resources are classified and reported in the accompanying financial statements within separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the university to use the income from the resources for either specified or unspecified purposes.

Temporarily restricted net assets contain donor-imposed restrictions that permit the university to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the university.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The university's Board of Trustees has designated a portion of the unrestricted net assets for long-term investment (quasi-endowment).

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Cash Equivalents

Cash equivalents consist of money market funds and highly liquid financial instruments with an initial maturity of three months or less, except for those held by the university's investment managers as part of their long-term investment strategies.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if acquired by gift, at appraised value at date of donation. Costs of building alterations are capitalized. Costs of repairs and maintenance are expensed.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

	Estimated useful life
Buildings	40 – 50 years
Building improvements	15 – 30 years
Leasehold improvements	Lease term
Furniture and equipment	5 years
Computer equipment	3 years

The university expenses the cost of library books upon acquisition.

Art Collection

The university's art collection consists of works of art, including prints, paintings, photographs, and sculptures that are held for the purposes of public exhibition, education, and research. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed by the university's curators.

The art collection, which was acquired through purchases and contributions since the university's inception, is not recognized as an asset in the balance sheet. Purchases of collection items are recorded as expenses and contributed collection items are not reported as contributions. Proceeds from sales are reflected as increases in unrestricted net assets.

Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Pledges to be paid in future years are discounted to present value using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions is estimated based upon prior collection history and analysis of past due amounts.

Split Interest Agreements

The university is the beneficiary of several split interest arrangements that require the instruments be recorded as revenue and net assets at the present value of the university's interest.

At June 30, 2011 and 2010, assets associated with split interest gifts approximate $1,699 and $1,642, respectively, including a life estate interest of $1,100 at each year end.

Fair Value of Financial Instruments

At June 30, 2011 and 2010, the carrying values of the university's cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximated their fair values. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

Government Grants and Contracts

Government grants and contracts, except for capital project grants, are accounted for as exchange transactions and revenue is reported as earned.

Deferred Revenue

Deferred revenue includes tuition and student deposits related to programs applicable to the next fiscal year and grants received in advance of incurring related expenses.

Advertising Costs

Advertising expenses reflected in the statements of activities totaled $4,591 and $3,885 for fiscal years 2011 and 2010, respectively.

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include valuation of investments at fair value and estimated net realizable value of receivables. Actual results could differ from those estimates.

Income Taxes

The university is exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been recorded in the accompanying financial statements. The university is also exempt from New York income taxes under the related state provisions. Management believes that the university will continue to be exempt from taxes and that the university has taken no significant uncertain tax positions. Donations to the university qualify for deduction as charitable contributions.

(Dollars in thousands)

Operations

The statements of activities present the changes in net assets, distinguishing between operating and nonoperating activities. Operating activities principally include all revenue and expenses that relate to the university's educational programs, research, training, and supporting activities. Operating revenues include the investment return pursuant to the university's spending policy and earned on working capital funds. Operating revenues also include all contributions, except those intended for capital or endowment purposes.

The university has defined nonoperating activities principally to include endowment investment return net of amounts distributed to support operations in accordance with the endowment spending policy (note 11), endowment and capital contributions, net assets released from restrictions for capital expenditure, and activity related to annuity and unitrust agreements. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

(3) Student Accounts and Loans Receivable

Student accounts and loans receivable consisted of the following at June 30, 2011 and 2010:

		2011	2010
Student accounts receivable:			
Student accounts receivable	$	15,228	12,941
Less allowance for uncollectible accounts		(6,844)	(5,164)
	$	8,384	7,777
Student loans receivable:			
Student loans (Perkins loans)	$	5,979	6,182
Less allowance for uncollectible loans		(1,603)	(1,431)
	$	4,376	4,751

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2011 and 2010:

		2011	2010
Amounts expected to be collected:			
In one year or less	$	19,357	19,655
In one year to five years		27,225	29,382
In more than five years		1,414	5,300
		47,996	54,337
Less allowance for uncollectible amounts		(7,553)	(8,939)
Less discount to present value (at rates ranging from 1.32% to 5.69%)		(1,580)	(3,319)
	$	38,863	42,079

At June 30, 2011 and 2010, the amounts receivable from ten donors represent approximately 83% and 80% of the gross receivable, respectively.

The university receives intentions to give (principally bequests) and conditional promises, which at June 30, 2011 totaled approximately $9,407, which are recognized when the university has an irrevocable right to such bequest or when the related conditions are met.

(5) Investments

Investments, at fair value, consisted of the following at June 30, 2011 and 2010:

		2011	2010
Endowment investments:			
Cash and cash equivalents	$	872	2,438
Public Equity		69,343	55,101
Fixed Income		47,985	70,470
Hedge Funds		58,692	39,857
Private Equity		17,818	9,325
Real assets		28,266	17,929
		222,976	195,120
Operating and other investments:			
Cash and cash equivalents		30,330	18,647
Public equity		191	174
Fixed Income		54,671	70,516
Real estate		1,100	1,100
		86,292	90,437
Total investments	$	309,268	285,557

Investments are reported at fair value based upon quoted market prices, except for the estimated fair values of hedge funds, certain fixed income funds and private equity which, as a practical expedient, are based on Net Asset Values (NAVs) provided by the fund managers. These values are reviewed and evaluated by university management. The reported value may differ significantly from the values that would have been reported had a ready market for these investments existed.

In addition to traditional equities and fixed income securities, the university holds shares or units in alternative investment funds involving fixed income, hedged, private equity, and real asset strategies. Information with respect to investment strategies, redemption terms, and funding commitments for these investments follows:

Fixed Income –Fixed income includes investment grade and high yield funds. It is comprised of a limited liability partnership, which invests primarily in domestic middle market companies, a global multi-sector strategy fund, with a selection of undervalued securities, as well as a bond fund composed of shorter-duration U.S. government, agencies and instrumentality obligations. The redemption periods for these fixed income funds range from daily to annually. The remaining commitment to the fixed income limited liability partnership is $500 as of June 30, 2011.

Hedge Funds – Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Hedged strategies generally seek to benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. The university's hedge funds are mostly long/short but also include event-driven, relative value, and multi-strategy. The redemption periods for these hedge funds range from monthly to annually.

Private Equity – Private equity funds employ buyout and venture capital strategies and may focus on investments in turn-around situations. Positions focus on the purchase, development, improvement, and management of companies that are not publically traded on a stock exchange. These investments are made through limited partnerships which have a limited existence, generally ten years. Under the terms of the agreements, the university is obligated to remit additional funding periodically as capital calls are exercised by the manager. Distributions are made to investors through the liquidation of the underlying assets. Remaining commitments to funds in this category total $5,165 as of June 30, 2011.

Real Assets – The university's real assets are composed of commodities and real estate. The commodity position is held in two investment strategies, one to mirror the price of gold and the other is a fund of futures, swaps and equities, in agriculture, energy, and metals. The real estate investment is a limited partnership. The investment strategy includes the purchase and management of global residential, commercial, and industrial real estate with value attempted to be realized through both improved operations and gains on eventual sale. Remaining commitments to fund the limited partnership is $747 as of June 30, 2011.

(Dollars in thousands)

Investment return on endowment, operating, and other investments; funds held by the bond trustees; and cash equivalents, and its classification in the statements of activities, was as follows:

		2011		
		Unrestricted	Temporarily restricted	Total
Dividends and interest	$	3,292	1,036	4,328
Realized gains		1,611	1,857	3,468
Change in unrealized position		15,526	14,569	30,095
Less custodial and advisory fees		(276)	(311)	(587)
Total investment return	$	20,153	17,151	37,304
Investment return has been allocated as follows:				
Operations, pursuant to the university's endowment spending policy	$	4,762	5,371	10,133
Operations, other		2,442	—	2,442
Excess return on endowment		12,949	11,780	24,729
Total investment return	$	20,153	17,151	37,304

		2010		
		Unrestricted	Temporarily restricted	Total
Dividends and interest	$	1,467	415	1,882
Realized (losses) gains		(82)	105	23
Change in unrealized position		11,808	6,493	18,301
Less custodial and advisory fees		(248)	(163)	(411)
Total investment return	$	12,945	6,850	19,795
Investment return has been allocated as follows:				
Operations, pursuant to the university's endowment spending policy	$	6,283	4,296	10,579
Operations, other		1,545	21	1,566
Excess return on endowment		5,117	2,533	7,650
Total investment return	$	12,945	6,850	19,795

Assets which the university reports at fair value on a recurring basis are investments and funds held by bond trustee (see note 7). The inputs used to determine the fair values of these assets are delineated within a FASB-defined fair value hierarchy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Dollars in thousands)

The three levels of the fair value hierarchy are as follows:

Level 1 – valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the university has the ability to access at measurement date.

Level 2 – valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – valuation inputs are unobservable inputs for the assets or liabilities.

With respect to those investments reported at estimated fair value based upon NAVs provided by investment managers, classification in Level 2 or 3 is based on the university's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2.

Investments at June 30, 2011 and 2010 are summarized in the following tables by their classification in the fair value hierarchy:

	2011					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption/ liquidation**	**Days Notice**
Cash and cash equivalents	$ 31,202	—	—	31,202	Daily	Daily
Equities:						
Domestic	19,741	6,449	—	26,190	Daily to semi-annually	1 to 75
International	12,141	11,591	—	23,732	Daily to semi-annually	1 to 75
Emerging Markets	—	19,612	—	19,612	Monthly	30
Total Equities	31,882	37,652	—	69,534		
Fixed Income:						
Investment Grade	11,699	6,234	—	17,933	Daily to annually	1 to 60
US Government-backed	69,763	—	—	69,763	Daily	Daily
High Yield	5,395	9,565	—	14,960	Daily to annually	1 to 60
Total Fixed Income	86,857	15,799	—	102,656		
Hedge Funds:						
Long/short	—	43,637	—	43,637	Quarterly to semi-annually	45 to 60
Relative Value	—	7,482	—	7,482	Monthly	60
Event Driven	—	—	37	37	No redemptions	Illiquid
Multi-strategy	—	—	7,536	7,536	Semi-annually to annually	60
Total Hedge Funds	—	51,119	7,573	58,692		
Private Equity	—	—	17,818	17,818	No redemptions	Illiquid
Real Assets:						
Real Estate	—	—	3,290	3,290	No redemptions	Illiquid
Commodities	6,225	19,851	—	26,076	Daily to monthly	1 to 30
Total Real Assets	6,225	19,851	3,290	29,366		
Total	$ 156,166	124,421	28,681	309,268		

(Dollars in thousands)

		2010					
		Level 1	Level 2	Level 3	Total	Redemption/ liquidation	Days Notice
Cash and cash equivalents	$	21,086	—	—	21,086	Daily	Daily
Equities:							
Domestic		11,471	4,705	—	16,176	Daily to semi-annually	1 to 75
International		11,219	9,012	—	20,231	Daily to semi-annually	1 to 75
Emerging Markets		3,088	15,779	—	18,867	Daily to monthly	1 to 30
Total Equities		25,778	29,496	—	55,274		
Fixed Income:							
Investment Grade		10,077	5,403	—	15,480	Daily to annually	1 to 60
US Government-backed		112,371	—	—	112,371	Daily	Daily
High Yield		4,644	8,490	—	13,134	Daily to annually	1 to 60
Total Fixed Income		127,092	13,893	—	140,985		
Hedge Funds:							
Long/short		—	39,463	—	39,463	Quarterly to semi-annually	45 to 60
Relative Value		—	28	—	28	Monthly	60
Event Driven		—	—	366	366	No redemptions	Illiquid
Total Hedge Funds		—	39,491	366	39,857		
Private Equity		—	—	9,325	9,325	No redemptions	Illiquid
Real Assets:							
Real Estate		—	—	2,997	2,997	No redemptions	Illiquid
Commodities		5,189	10,844	—	16,033	Daily to monthly	1 to 30
Total Real Assets		5,189	10,844	2,997	19,030		
Total	$	179,145	93,724	12,688	285,557		

Investments at June 30, 2011 and 2010 are summarized in the following tables by their investment liquidity profile:

		2011			2010		
		Endowment	Operations	Total	Endowment	Operations	Total
Daily	$	70,971	85,192	156,163	89,837	89,337	179,174
Monthly		62,161	—	62,161	34,539	—	34,539
Quarterly		22,982	—	22,982	25,499	—	25,499
Semi-annually		32,247	—	32,247	27,680	—	27,680
Annual		14,570	—	14,570	5,977	—	5,977
Illiquid		20,045	1,100	21,145	11,588	1,100	12,688
Total	$	222,976	86,292	309,268	195,120	90,437	285,557

(Dollars in thousands)

The following table presents the activity for the fiscal years ended June 30, 2011 and 2010 for investments classified as Level 3 within the fair value hierarchy:

		Hedge Funds	Private equity	Real assets	Total
Beginning balance, June 30, 2009	$	7,112	6,646	3,381	17,139
Purchases		—	1,787	51	1,838
Sales		(5,990)	(580)	—	(6,570)
Net realized gains		—	139	27	166
Net unrealized (losses) gains		(756)	1,333	(462)	115
Ending value, June 30, 2010		366	9,325	2,997	12,688
Purchases		7,500	5,117	293	12,910
Sales		(305)	(1,699)	—	(2,004)
Net realized (losses) gains		(587)	461	(170)	(296)
Net unrealized gains		599	4,614	170	5,383
Ending value, June 30, 2011	$	7,573	17,818	3,290	28,681

(6) Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at June 30, 2011 and 2010:

		2011	2010
Land and air rights	$	52,913	47,176
Buildings and building improvements		191,296	186,601
Leasehold improvements		55,533	50,484
Furniture and equipment		15,408	19,914
Equipment held under capital leases		—	3,658
Construction in progress		60,793	28,420
		375,943	336,253
Less accumulated depreciation		(102,404)	(99,980)
Total land, buildings, and equipment – net	$	273,539	236,273

Construction in progress relates principally to the University Center construction project.

(Dollars in thousands)

(7) Funds Held by Bond Trustees

Construction ($234,845 at June 30 2011), capitalized interest ($42,541 at June 30, 2011), and debt service funds, held by the bond trustees consisted of the following at June 30, 2011 and 2010:

		2011	2010
Cash and cash equivalents	$	20,945	6,959
U.S. Treasury securities		263,582	16
	$	284,527	6,975

The assets held at June 30, 2011 and 2010 reported at fair value are classified as Level 1 in the fair value hierarchy.

(8) Long-Term Debt

Long-term debt consisted of the following at June 30, 2011 and 2010:

Description	Maturity date	Interest rate		2011 Principal balance	2010 Principal balance
Dormitory Authority of the State of New York Revenue Bonds:					
Series 2010	July 1, 2050	5.00% – 6.00%	$	301,055	—
Series 2006	July 1, 2046	4.00 – 5.00		69,915	70,665
Series 2005	July 1, 2026	4.00 – 5.00		18,190	19,925
Series 2001	July 1, 2041	3.00 – 5.00		19,545	19,820
Series 1999	July 1, 2033	3.75 – 5.00		33,005	33,725
				441,710	144,135
Less unamortized discount				(8,137)	(1,074)
Add unamortized premium				6,685	4,916
			$	440,258	147,977

In November 2010, the university entered into a loan agreement with the Dormitory Authority of the State of New York (the Dormitory Authority) to issue $301,055 in tax-exempt serial and term bonds to finance the construction of The University Center, which is an academic building and a 608-bed dormitory on top of the academic floors, located at 65 Fifth Avenue. The Serial Bonds, with interest rates ranging from 5.00% to 5.25%, are due in varying annual installments commencing in fiscal 2014 and maturing in 2025. Term bonds, with interest rates ranging from 5.25% to 6.00%, are due in 2030, 2040, 2043, and 2050. The university executed a mortgage on 65 Fifth Avenue as collateral for the loan. Payment of the principal and interest on $56,590 of Series 2010 maturing in July 2043 is insured by a financial guaranty insurance policy.

In November 2006, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of $72,495 to finance the acquisition of a student residence facility at 300 West 20th Street, renovations and improvements to existing facilities, and to pay the cost of termination of an interest rate exchange agreement entered into with respect to the bonds. The university pledged tuition revenues, executed a mortgage on property located at 55 West 13th Street as well and 2 West 13th Street, and granted the Dormitory Authority a security interest in certain fixtures, furnishings, and equipment therein as collateral for the loan.

In June 2005, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of $21,870 to advance refund other bonds. The net proceeds, along with amounts previously held in escrow, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the tax-exempt bonds issued under loan agreements with the New York City Industrial Development Agency in September 1994 and June 1995 and under a loan agreement with the Dormitory Authority in April 1997 were defeased. The university pledged tuition revenues and executed a mortgage on property located at 55 West 13th Street, as well as 66, 68, and 70 Fifth Avenue as collateral for the loan.

In October 2001, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of $21,500 to finance the acquisition and renovation of a student residence facility at 118 West 13th Street. The university pledged tuition and fee revenues and executed a mortgage on its property located at 118 West 13th Street land and building as collateral for the loan.

In May 1999, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of $42,500. A portion of the proceeds was used to prepay $5,568 of taxable debt issued by the Student Loan Marketing Association in 1996 and 1997. The remaining proceeds were used to finance the acquisition, renovations, and improvements to new and existing facilities and equipment. The university pledged tuition revenues and executed mortgages on property located at 22-26 East 14th Street and its 72 Fifth Avenue Condominium interest as collateral for the loan.

Loan agreements with the Dormitory Authority require the university to meet certain covenant conditions as a prerequisite to incurring additional long-term debt or refinancing existing debt. Additionally, the loan agreements require the university to maintain an asset maintenance ratio in which a percentage of unrestricted net assets, excluding net investment in plant, plus temporarily restricted net assets (spendable net assets) to total long-term debt outstanding must be at least 40%. At June 30, 2011, spendable net assets were 55% of long-term debt. At June 30, 2010, spendable net assets were 159% of long-term debt.

(Dollars in thousands)

The loan agreements for all bond series except Series 2010 also require that the percentage of the maximum annual scheduled debt service in any year to unrestricted revenues not exceed 10%. For the years ended June 30, 2011 and 2010, the percentages were 9.0% and 3.7%, respectively.

Unamortized bond issuance costs, which are included in the balance sheets as prepaid expenses and other assets, were $12,098 and $5,441 at June 30, 2011 and 2010, respectively. Amortization expense for issuance costs for the years ended June 30, 2011 and 2010 was $266 and $180, respectively.

For the years ended June 30, 2011 and 2010, interest expense totaled $7,057 and $7,145, respectively. Interest expense, net of interest income of $1,433, totaling $9,336 was capitalized to construction projects for the year ended June 30, 2011. There was no capitalized interest in fiscal 2010. At June 30, 2011 and 2010, interest payable included in accounts payable and accrued liabilities was $12,745 and $3,488, respectively.

The aggregate fair value of long-term debt was estimated to be approximately $458,000 and $153,000 at June 30, 2011 and 2010, respectively.

At June 30, 2011, aggregate principal maturities of long-term debt for each of the next five fiscal years and thereafter are as follows:

Fiscal year ending June 30:		
2012	$	3,635
2013		3,805
2014		3,970
2015		4,590
2016		4,785
Thereafter		420,925
	$	441,710

(9) Unsecured Line of Credit

The university established a $25,000 unsecured line of credit with Bank of America, N.A. in May 2011, renewable annually. No borrowings were made in fiscal year 2011. Amounts borrowed under the credit line are payable within one year with interest payable at a rate equal to LIBOR plus 0.7%. The LIBOR rate is one, two, three or six months as selected by the university. The loan will automatically convert to a prime rate if the university does not select a LIBOR duration at least three business days prior to the date of borrowing.

(Dollars in thousands)

(10) Net Assets

Net assets consisted of the following at June 30, 2011 and 2010:

	2011	2010
Unrestricted net assets:		
For operations and designated activities	$ 19,050	36,613
Board-designated endowment funds	101,053	96,911
Net investment in plant	117,808	95,271
	237,911	228,795
Temporarily restricted net assets:		
Scholarships and departmental activities (includes $41,726 and $19,581 of endowment appreciation in 2011 and 2010, respectively)	69,074	46,475
Building construction and equipment	48,789	47,210
Split-interest agreements	1,727	1,671
	119,590	95,356
Permanently restricted net assets:		
Faculty support, student financial aid, and other purposes	74,204	71,676
Total net assets	$ 431,705	395,827

(11) Endowment

The university's endowment is composed of 277 individual funds established for a variety of purposes, including scholarships, professorships, faculty development, lectures, and research programs. The endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The university has interpreted New York's September 2010 enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), referred to as "NYPMIFA," as allowing the appropriation for expenditure or accumulation of an endowment fund as the university determines it 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. The university continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments.

In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Endowment duration and preservation
- Purpose/mission of the institution and endowment
- General economic conditions
- Effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- The university's total resources
- The university's investment policy

NYPMIFA allows spending from underwater endowments, unless precluded by donors, but requires that the university consider alternatives to spending such funds in addition to the aforementioned criteria.

The university's individual endowment funds are pooled for investment purposes. The investment portfolio is managed to achieve a prudent long-term return. The university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The university targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets are invested to provide a real total return that preserves the purchasing power of the endowment, while generating an income stream to support the academic activities of the university. Actual returns may vary from this goal in any given year.

The university's endowment spending policy is designed to provide a sustainable and predictable flow of funds to support annual operations. The spending policy is intended to balance current spending needs and to preserve the endowment's future purchasing power. The university applies a 5% spending rate to a three-year moving average of endowment investment funds. The Board sets the spending rate. The purpose of using a moving average is to smooth out any wide fluctuations in the market value. Endowment earnings in excess of the spending rate are added back to the principal of the endowment investments.

In accordance with the spending rate, $10,133 and $10,579 of endowment investment return was made available in fiscal 2011 and 2010, respectively, to support operations of the university.

In August 2008, Accounting Standards Codification (ASC) 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("ASC 958-205"), was adopted by FASB. ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization subject to an enacted version of UPMIFA and requires that net appreciation, if any, on an individual endowment fund be classified as temporarily restricted until appropriated by the organization's governing body. Accordingly, following NYPMIFA's enactment, the university reclassified $10,365 of its unrestricted net assets to temporarily restricted net assets.

(Dollars in thousands)

The following tables present net asset value of the university's endowment, inclusive of pledges, as of and for the years ended June 30, 2011 and 2010:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (397)	41,726	74,204	115,533
Board-designated endowment funds	101,450	—	—	101,450
Total endowment net assets	$ 101,053	41,726	74,204	216,983

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 8,617	19,581	71,676	99,874
Board-designated endowment funds	88,294	—	—	88,294
Total endowment net assets	$ 96,911	19,581	71,676	188,168

Included in the permanently restricted net assets are $813 and $734 in contributions receivable at June 30, 2011 and 2010, respectively.

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ 96,911	19,581	71,676	188,168
Net asset reclassification based on ASC 958-205 implementation	(10,365)	10,365	—	—
Dividends and interest, net of investment fees of $587	641	724	—	1,365
Net investment gain	17,070	16,427	—	33,497
Contributions, net	—	—	2,528	2,528
Appropriation for expenditure	(4,762)	(5,371)	—	(10,133)
Transfer to board-designated funds	1,558	—	—	1,558
Endowment net assets, at June 30, 2011	$ 101,053	41,726	74,204	216,983

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ 89,950	17,048	72,376	179,374
Dividends and interest net of investment fees of $411	377	247	—	624
Net investment gain	11,023	6,582	—	17,605
Contributions, net	—	—	545	545
Appropriation for expenditure	(6,283)	(4,296)	—	(10,579)
Transfer to board-designated funds and other	1,844	—	(1,245)	599
Endowment net assets, at June 30, 2010	$ 96,911	19,581	71,676	188,168

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the university to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, the deficiencies of this nature that are reported in unrestricted net assets totaled $397 and $1,748 at June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation from other endowment funds for certain programs that was deemed prudent by the university's Board; the university generally suspends spending endowed funds if spending appropriations, as determined under the spending policy, exceed the accumulated appreciation.

(Dollars in thousands)

(12) Net Assets Released From Restrictions

Net assets were released from donor restrictions due to the passage of time or by incurring costs satisfying the restricted purposes specified by the donors for fiscal years 2011 and 2010 as follows:

		2011	2010
Scholarships and departmental activities	$	15,278	15,152
Payments received on pledges		2,183	2,017
Net assets released from restrictions – operating activities		17,461	17,169
Net asset released for capital expenditures – nonoperating activities		738	255
Net assets released from restrictions	$	18,199	17,424

(13) Scholarship Allowance

Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the university as follows:

		2011	2010
University support	$	74,496	65,689
Sponsored support		6,525	6,925
	$	81,021	72,614

University support includes tuition discounts, financial aid, and merit scholarships awarded to students from unrestricted operating resources. Sponsored support includes financial aid and scholarships funded from restricted and external sources, including federal grant programs and private giving.

(Dollars in thousands)

(14) Functional Classification of Expenses

Expenses are classified on a functional basis with allocation of costs among the functional categories for fiscal years 2011 and 2010 as follows:

	2011				
Functional expenses	**Before allocation**	**Interest**	**Operation and maintenance of plant**	**Depreciation**	**After allocation**
Instruction and departmental research	$ 93,842	1,630	12,551	3,683	111,706
Sponsored research, training, and public services	7,832	80	1,035	390	9,337
Academic support	43,771	1,434	10,536	3,524	59,265
Student services	16,853	162	2,023	647	19,685
Auxiliary activities	21,511	2,287	1,211	1,665	26,674
Institutional support	55,473	1,464	9,886	2,815	69,638
Operation and maintenance of plant	37,242	—	(37,242)	—	—
Depreciation	12,724	—	—	(12,724)	—
Interest	7,057	(7,057)	—	—	—
Total	$ 296,305	—	—	—	296,305

	2010				
Functional expenses	**Before allocation**	**Interest**	**Operation and maintenance of plant**	**Depreciation**	**After allocation**
Instruction and departmental research	$ 87,105	1,815	10,686	3,747	103,353
Sponsored research, training, and public services	7,220	81	1,004	430	8,735
Academic support	39,470	1,257	9,738	3,493	53,958
Student services	16,671	169	1,226	394	18,460
Auxiliary activities	20,692	2,309	1,226	1,548	25,775
Institutional support	51,992	1,514	9,177	2,909	65,592
Operation and maintenance of plant	33,057	—	(33,057)	—	—
Depreciation	12,521	—	—	(12,521)	—
Interest	7,145	(7,145)	—	—	—
Total	$ 275,873	—	—	—	275,873

(15) Fundraising Expenses

Fundraising expenses of $5,557 and $5,612, for the years ended June 30, 2011 and 2010, respectively, are included in institutional support in the accompanying statements of activities. For the purpose of disclosing fundraising expenses, the university includes only those fundraising costs incurred by its development office.

(16) Retirement and Postretirement Health Benefit Plans

Retirement Plans

The university has a defined contribution retirement plan which covers substantially all employees except certain union employees and which is funded through direct payments to the Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund for the purchase of various types of investment contracts. For each eligible employee, the university's contribution is determined as a percentage of salary, taking into account age and length of accrued service. Contributions to certain union retirement plans are based on rates required by union contracts. Retirement contributions paid by the university under these plans and charged to expense for fiscal years 2011 and 2010 were $11,633 and $10,521, respectively.

Postretirement Health Plans

The university provides certain health care benefits for past and future nonunion full-time employees who have or will retire at 65 years of age with 10 or more years of service. This benefit pays up to $1,500 per fiscal year for the Medicare Supplement Parts A, B, and D coverage for each eligible person.

The university funds its postretirement benefits costs on a pay-as-you-go basis. As of June 30, 2011 and 2010, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was $2,064 and $1,880, respectively. Net periodic benefit cost was $237 and $189 and benefits paid were $30 and $28 in fiscal years 2011 and 2010, respectively.

As of June 30, 2011, a net credit of $23 has not yet been recognized as a component of net periodic benefit cost. The net credit consisted of $19 prior service cost, $31 transition obligation, and $27 net actuarial loss.

In fiscal years 2011 and 2010, the net credit and charge of $(23) and $197, respectively, are recorded as other than net periodic postretirement benefit costs and are included in other, net in nonoperating activities.

It is estimated that $19 of the prior service cost, $31 of the transition obligation, and $46 of the actuarial gain will be included as components of net periodic benefit cost in fiscal year 2012.

(Dollars in thousands)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending June 30:		
2012	$	81
2013		93
2014		104
2015		117
2016		130
2017 – 2020		832
	$	1,357

The expected employer contribution for fiscal year 2012 is $81.

No annual rate of increase in the per capita cost of covered health care benefits was assumed because there is a maximum benefit limit of $1,500 per year per employee.

(17) Related Party Transactions

Members of the university's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the university requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the university. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the university and ensure compliance with relevant conflict of interest laws.

During fiscal 2010, the Board of Trustees approved the engagement of two service firms, associated with trustees, in connection with the University Center construction project. Consistent with the policy discussed above, the decision to engage each of the firms was based on a review and discussion without participation of the interested trustees, with the assistance of real estate consultants and outside counsel, and a determination that such engagement was in the best interest of and provided substantial benefit to the university. Total amounts paid to the two firms during fiscal years 2011 and 2010 were $2,400 and $4,100, respectively.

During fiscal 2011, the university engaged an investment banking firm associated with a trustee to assist with the issuance of tax exempt debt. The firm was selected on the basis of a competitive bidding process. Its selection was deemed at arms length and in the best interest of the university. Total amounts paid to this firm were $731 in fiscal 2011.

(Dollars in thousands)

(18) Commitments and Contingencies

The university leases dormitory, classroom, office, student center, and theater space under various leases expiring through the year 2035. Rent expense is recognized on a straight-line basis over the term of the leases. The excess of rent expense accrued on a straight-line basis over rental payments is included in accounts payable and accrued liabilities in the balance sheets and totaled $10,928 and $9,313 at June 30, 2011 and 2010, respectively. Rental expense under operating leases for fiscal years 2011 and 2010 was $23,921 and $22,447, respectively.

Minimum rental commitments under noncancelable operating leases for each of the next five fiscal years and thereafter are estimated to be paid as follows:

Year ending June 30:		
2012	$	25,984
2013		26,004
2014		21,584
2015		20,847
2016		20,376
Thereafter		208,327
	$	323,122

At June 30, 2011, construction commitments were approximately $287,000.

Amounts received and expended by the university under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, would not have a material effect on the financial position, changes in net assets, and cash flows of the university.

In the normal course of its operations, the university is a party to various legal proceedings and complaints, most of which are covered by insurance. While it is not feasible to predict the ultimate outcome of such matters, management of the university is not aware of any claims or contingencies that would have a material adverse effect on the university's financial position.

(19) Subsequent Events

In October 2011, the university issued $35,480 of Series 2011 tax-exempt serial and term bonds through the Dormitory Authority to refinance a portion of the outstanding Series 1999 and Series 2001 issues. The serial bonds, with interest rates ranging from 0.95% to 4.33%, are due in varying annual installments commencing in fiscal 2013 through fiscal 2027. Term bonds, with interest rates ranging from 3.85% to 4.65%, are due in fiscal 2024, 2026, and 2032. The Series 1999 and Series 2001 issues are secured by mortgages on 72 Fifth Avenue, 22-26 East 14th Street, and 118 West 13th Street. The university executed revised mortgages on these properties so that this collateral is shared on a pro-rata basis among the Series 2011 bonds and the remaining outstanding Series 1999 and 2001 bonds.

In conjunction with the preparation of the financial statements, the university evaluated subsequent events after the balance sheet date of June 30, 2011 through October 25, 2011, which is the date the financial statements were issued, and has concluded that there are no subsequent events for disclosure except as noted above.

THE NEW SCHOOL

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