

**THE BROOKLYN COLLEGE
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2010

THE BROOKLYN COLLEGE FOUNDATION, INC.

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Independent Auditor's Report

Board of Trustees The Brooklyn College Foundation, Inc.

We have audited the accompanying balance sheet of The Brooklyn College Foundation, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of The Brooklyn College Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated August 3, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 Brooklyn College Foundation, Inc.'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 audit provides 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 Brooklyn College Foundation, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb + Troper LLP

October 4, 2010

THE BROOKLYN COLLEGE FOUNDATION, INC.

BALANCE SHEET

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 4,135,884	\$ 1,323,338
Investments (includes \$1,030,418 in 2010 and \$966,981 in 2009 held for split-interest agreements) (Notes 2 and 3)	54,826,238	49,976,977
Contributions receivable (net of allowance of \$400,000 in 2010 and 2009) (Note 4)	14,294,554	12,563,216
Beneficial interest in remainder trusts (Note 3)	814,495	734,780
Beneficial interest in life insurance	131,877	114,720
Prepaid expenses and other assets	131,221	18,904
Collectibles	<u>3,222,820</u>	<u>3,205,320</u>
Total assets	<u>\$ 77,557,089</u>	<u>\$ 67,937,255</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 102,079	\$ 112,238
Annuity obligations (Note 3)	<u>462,056</u>	<u>652,652</u>
Total liabilities	<u>564,135</u>	<u>764,890</u>
Net assets (deficit) (Exhibit B)		
Unrestricted		
Operating	2,120,670	2,956,842
Endowments - deficit funding (Note 6)	(4,434,705)	(8,129,189)
Board-designated	1,442,309	
Collectibles	<u>3,222,820</u>	<u>3,205,320</u>
Total unrestricted net assets (deficit)	2,351,094	(1,967,027)
Temporarily restricted (Note 6)	41,123,732	28,750,231
Permanently restricted (Note 6)	<u>33,518,128</u>	<u>40,389,161</u>
Total net assets	<u>76,992,954</u>	<u>67,172,365</u>
Total liabilities and net assets	<u>\$ 77,557,089</u>	<u>\$ 67,937,255</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES
IN NET ASSETS

YEAR ENDED JUNE 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Revenues, gains, losses and other support					
Contributions, grants, legacies and bequests	\$ 782,213	\$ 8,585,462	\$ 1,959,800	\$ 11,327,475	\$ 4,595,430
Investment income (loss) (Note 2)	4,458,578	143,664	38,209	4,640,451	(8,093,364)
Change in value of split-interest agreements	29,047	2,156	108,671	139,874	(6,572)
Change in value of beneficial interest in remainder trust		79,715		79,715	(150,964)
Change in value of beneficial interest in life insurance		17,157		17,157	
Special events	\$ 413,315				
Less direct costs of special events	(65,398)	347,917		347,917	131,449
Donated collectibles	17,500	112,700		130,200	
Donated services (Note 8)	517,851			517,851	514,850
Donated occupancy (Note 8)	67,538			67,538	82,475
Miscellaneous income	1,005	2,550		3,555	10,361
Net assets released from restrictions (Note 6)	4,862,306	(4,862,306)			
Total revenues, gains, losses and other support	11,083,955	4,081,098	2,106,680	17,271,733	(2,916,335)
Expenses (Exhibit C)					
Program service - scholarships and awards	5,206,715			5,206,715	6,318,820
Supporting services					
Management and general	869,010			869,010	840,503
Fund raising	1,375,419			1,375,419	1,362,429
Total supporting services	2,244,429			2,244,429	2,202,932
Total expenses	7,451,144			7,451,144	8,521,752
Changes in net assets before other changes	3,632,811	4,081,098	2,106,680	9,820,589	(11,438,087)
Reclassifications (Note 6)	685,310	8,292,403	(8,977,713)		
Change in net assets (Exhibit C)	4,318,121	12,373,501	(6,871,033)	9,820,589	(11,438,087)
Net assets - beginning of year	(1,967,027)	28,750,231	40,389,161	67,172,365	78,610,452
Net assets - end of year	\$ 2,351,094	\$ 41,123,732	\$ 33,518,128	\$ 76,992,954	\$ 67,172,365

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

(With Summarized Financial Information
for the Year Ended June 30, 2009)

	Program Service - Scholarships and Awards	Management and General	Fund Raising	Direct Cost of Special Events	Total	
					2010	2009
Salaries and benefits	\$ 3,184,841	\$ 541,796	\$ 816,751	\$	\$ 1,358,547	\$ 1,472,545
Scholarships and awards	1,400,000				3,184,841	4,582,193
Capital project	65,480	967	10,449		1,400,000	1,050,000
Conferences and travel	65,759		16,884		76,896	101,385
Meetings	374,742		937		82,643	93,265
Supplies	53,968		37,940		375,679	386,208
Printing and publications	580		52,687		91,908	86,015
Postage	20,929				53,267	60,605
Maintenance and repairs	40,416		81,847		20,929	8,468
Miscellaneous		151,587	357,924		122,263	144,863
Consulting and professional fees		36,235			509,511	362,294
Insurance					36,235	35,786
Entertainment				\$ 65,398	65,398	19,599
Office and computer expenses		70,887			70,887	55,650
Investment fees		32,926			32,926	52,077
Occupancy		67,538			67,538	82,475
Total expenses	5,206,715	901,936	1,375,419	65,398	7,549,468	8,593,428
Less expenses deducted directly from revenues on the statement of activities						
Investment fees		(32,926)			(32,926)	(52,077)
Direct cost of special events				(65,398)	(65,398)	(19,599)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 5,206,715	\$ 869,010	\$ 1,375,419	\$ -	\$ 7,451,144	\$ 8,521,752

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BROOKLYN COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 9,820,589	\$ (11,438,087)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Contributions restricted for long-term investment	(1,959,800)	(687,129)
Contributions restricted for annuity agreements	(15,420)	
Realized loss (gain) on sale of investments	(1,064,995)	1,659,764
Unrealized loss (gain) on investments	(2,633,716)	7,431,475
Change in value of split-interest agreements	(139,874)	6,572
Change in value of beneficial interest in remainder trust	(79,715)	150,964
Donated collectibles	(17,500)	
Donated stock	(3,115,410)	(75,117)
Decrease (increase) in assets		
Contributions receivable	(1,417,787)	740,654
Beneficial interest in life insurance	(17,157)	(16,955)
Prepaid expenses and other receivables	(112,317)	13,470
Decrease in liabilities		
Accounts payable and accrued expenses	(10,159)	(65,119)
Net cash used by operating activities	<u>(763,261)</u>	<u>(2,279,508)</u>
Cash flows from investing activities		
Purchase of investments	(26,899,832)	(16,723,410)
Proceeds from sales of investments	<u>28,864,692</u>	<u>16,276,211</u>
Net cash provided (used) by investing activities	<u>1,964,860</u>	<u>(447,199)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	1,646,249	1,296,622
Proceeds from contributions restricted for annuity obligations	30,000	
Payments to annuitants	<u>(65,302)</u>	<u>(65,144)</u>
Net cash provided by financing activities	<u>1,610,947</u>	<u>1,231,478</u>
Net change in cash and cash equivalents	2,812,546	(1,495,229)
Cash and cash equivalents - beginning of year	<u>1,323,338</u>	<u>2,818,567</u>
Cash and cash equivalents - end of year	<u>\$ 4,135,884</u>	<u>\$ 1,323,338</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Brooklyn College Foundation, Inc. (the Foundation), located in Brooklyn, New York is incorporated under the laws of the State of New York as a nonprofit corporation to assist Brooklyn College by developing an ongoing and increasing base of support from alumni and friends of the College. The Foundation is supported primarily by contributions and investment income.

The Board of Trustees of the Foundation manages all funds held in trust by the Foundation in accordance with its act of incorporation. The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes; however, it pays unrelated business income tax on the income from certain limited partnerships. The Internal Revenue Service has classified the Foundation as an organization that is not a private foundation.

Significant Accounting Policies

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting.

FASB Accounting Standards Codification

In July 2009, the FASB released FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)Significant Accounting Policies (continued)Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities when acquired of three months or less.

Investments

Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the statement of activities and investment portfolio on the balance sheet.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for Doubtful Accounts and Bad Debts Expense

Contributions receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the contributions receivable by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end.

Beneficial Interest in Remainder Trusts

The beneficial interest in remainder trusts is recorded at its present value based on actuarial valuation.

Beneficial Interest in Life Insurance

The beneficial interest in life insurance is recorded based on the cash surrender value of life insurance policy.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)Significant Accounting Policies (continued)Collectibles

Donated collectibles, which consist of artwork and historical collections, are recorded at appraised value at the time of donation.

Revenue Recognition

All revenues are considered to be available for unrestricted use unless specifically restricted by donors.

Investment income is recognized when earned.

Contributions

Unconditional contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services and Occupancy

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Donated occupancy is recognized based on the fair value of the rental. The time expended by members of the Board of Trustees and other volunteers is not recognized as contributions in the financial statements.

Net Assets

Unrestricted net assets represent funds available for any purpose in performing objectives of the Foundation. Board-designated funds represent unrestricted funds which may, from time to time, be designated by Board action for specific purposes. The board-designated funds include the funds that have been designated for the purchase of property. Endowments - deficit funding include amounts funded by unrestricted net assets for market losses in the endowment funds.

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Reclassifications

During 2010, certain net assets were reclassified between net asset classes in accordance with donor agreements. Additionally, certain expenses have been reclassified to conform to the current year's presentation.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)Significant Accounting Policies (continued)Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010.

Money market - Valued at the closing price reported on the active market on which the individual securities are traded.

Domestic and international equity - Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income funds - Valued at the net asset value (NAV) of shares held at year end.

Partnerships, hedge funds and limited liability company - Valued at the NAV of shares held at year end as determined by the investment managers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting for Uncertainty in Income Taxes

Effective January 1, 2009, the Foundation adopted the provision pertaining to uncertain tax positions (ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassification

Certain 2009 expenses were reclassified to conform to the current year's presentation.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)Subsequent Events

Subsequent events have been evaluated through October 4, 2010, which is the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The fair values of investments on a cumulative basis are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market	\$ 12,746,988	\$ -	\$ -	\$ 12,746,988
Domestic equity	17,667,109	-	-	17,667,109
International equity	6,064,679	-	-	6,064,679
Fixed income funds	15,304,661	-	-	15,304,661
Partnerships, hedge funds and limited liability company	-	-	3,042,801	3,042,801
	<u>\$ 51,783,437</u>	<u>\$ -</u>	<u>\$ 3,042,801</u>	<u>\$ 54,826,238</u>

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - INVESTMENTS (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2010:

	<u>Partnerships</u>	<u>Hedge Funds</u>	<u>Limited Liability Company</u>	<u>Total</u>
Balance, beginning of year	\$ 4,522,597	\$ 884,589		\$ 5,407,186
Redemptions	(4,420,894)	(884,589)		(5,305,483)
Purchases			\$ 2,837,778	2,837,778
Dividends			35,037	35,037
Unrealized gain			85,075	85,075
Investment fees			(16,792)	(16,792)
Balance, end of year	<u>\$ 101,703</u>	<u>\$ -</u>	<u>\$ 2,941,098</u>	<u>\$ 3,042,801</u>

Investment income for the year ended June 30, 2010 consists of the following:

Interest and dividends	\$ 974,666
Realized gain on sale of investments	1,064,995
Unrealized gain on investments	2,633,716
Less investment management fees	<u>(32,926)</u>
	<u>\$ 4,640,451</u>

NOTE 3 - SPLIT-INTEREST AGREEMENTS

The Foundation manages two custodial trusts known as the Blum Fund and Schwartzman Fund, of which the Foundation is the trustee and remainderman.

The Foundation also administers a Charitable Gift Annuity Program, which is regulated by the State of New York Insurance Department and managed by the Foundation. The Foundation is the remainderman of the annuities.

The total fair market value of the assets held for split-interest agreements is \$1,030,418 at June 30, 2010. The discount rates used to determine the present value of the split-interest agreements range between 3.4% and 8%.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 3 - SPLIT-INTEREST AGREEMENTS (continued)

Additionally, the Foundation is the remainderman of charitable remainder trusts for which it is not the trustee.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable have been discounted over the payment period using 5% - 6% discount rates at the time of the contribution. Contributions receivable are due as follows:

2011	\$ 9,183,249
2012	1,403,639
2013	2,020,000
2014	1,450,000
2015	<u>1,475,000</u>
	15,531,888
Less allowance for doubtful accounts	(400,000)
Less discount to present value	<u>(837,334)</u>
	<u>\$ 14,294,554</u>

Four pledges totaling approximately \$12,880,050 represent a significant portion of the total outstanding contributions balance at June 30, 2010.

NOTE 5 - CONCENTRATIONS

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with a major financial institution in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - NET ASSETS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of:

Programmatic support	\$ 3,558,989
Scholarships	788,967
Professorships	383,960
Internships	<u>130,390</u>
	<u>\$ 4,862,306</u>

Temporarily restricted net assets at June 30, 2010 are available for the following purposes:

Programmatic support	\$ 21,096,237
Scholarships	4,169,721
Professorships	408,065
Internships	753,191
Time restrictions	<u>14,696,518</u>
	<u>\$ 41,123,732</u>

Endowment

The Foundation's endowment funds are established to provide (i) scholarships, fellowships, prizes and other assistance to students of Brooklyn College; (ii) awards, prizes, and subventions to Brooklyn College faculty and staff or other persons for outstanding achievements or services to Brooklyn College; (iii) funds for the library, academic departments, and for the administration of Brooklyn College; (iv) support for the establishment, maintenance, building, improvement, operation and support of recreational rooms, places, and buildings of Brooklyn College; and (v) support for the functioning and operation of the curricular and extra-curricular activities of Brooklyn College and its related and associated agencies.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - NET ASSETS (continued)

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies 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 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA.

Return Objectives, Strategies Employed and Spending Policy

The primary investment objective of the Endowment is to attain an average nominal total return of 8% over a full market cycle. This nominal rate of return equates to the long-term inflation rate of 3% plus the Endowment's required annual spend rate of 5% of earnings. In order to achieve this rate of return, some investment risk must be taken in the management of the Endowment. The most effective way to establish appropriate risk levels for the Endowment is through net asset allocation (i.e., cash, fixed income, credit investments, long-only equities, alternative assets/hedge funds, private equity and real assets). A strategic long-term asset allocation has been adopted for the Endowment. Over time, the Endowment's allocation to specific asset classes should remain within the percentage ranges that are part of the long-term strategic asset allocation. The overall asset allocation strategy shall be to construct a diversified investment portfolio that should enhance long-term total return while avoiding undue risk or concentration in any single asset class.

Funds with Deficiencies

During the prior year, the Foundation incurred losses in the endowment fund, which were absorbed by the unrestricted net assets to maintain the endowment funds at historical value. The deficit funding is shown in the unrestricted net assets.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 6 - NET ASSETS (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

Investments to be held in perpetuity totaled \$33,518,128 in 2010. The income is expendable for the following purposes:

Programmatic support	\$ 12,204,699
Scholarships	16,487,178
Professorships	3,869,408
Internships	<u>956,843</u>
	\$ <u>33,518,128</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ (8,129,189)	\$ 3,781,748	\$ 40,389,161
Interest and dividends		143,270	38,209
Unrealized and realized gain	3,009,174		
Change in the value split- interest agreements			108,671
Contributions			1,959,800
Reclassifications	<u>685,310</u>	<u> </u>	<u>(8,977,713)</u>
Endowment net assets, end of year	\$ <u>(4,434,705)</u>	\$ <u>3,925,018</u>	\$ <u>33,518,128</u>

The deficit in "Unrestricted" includes amounts funded by the unrestricted net assets for market losses in the endowment funds.

During 2010, certain net assets were reclassified from permanently restricted to temporarily restricted net assets in accordance with donor agreements.

NOTE 7 - PENSION

The Brooklyn College Foundation has a 401(k) pension plan for its employees. For the year ended June 30, 2010, the expense was \$43,880.

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THE BROOKLYN COLLEGE FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010****NOTE 8 - RELATED-PARTY TRANSACTIONS**

The Foundation receives donated space for its offices from Brooklyn College. Additionally, the President, Vice President for Finance and Administration, Vice President for Institutional Advancement, Assistant Vice President for Finance, Budget and Planning/Comptroller, the Director of Finance and Planning of Brooklyn College and Development Associate provide professional services to the Foundation. The personnel services totaled \$517,851 and the office space totaled \$67,538 for the year ended June 30, 2010.

During 2010, there were no related-party transactions.

NOTE 9 - COMMITMENTS

The board has committed \$500,000 to purchase a property in Brooklyn, New York.