

**THE BROOKLYN COLLEGE
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2011

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, 2011, and the related statements of activities and changes in net assets, functional expenses, 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 Brooklyn College Foundation, Inc.'s June 30, 2010 financial statements and, in our report dated October 4, 2010, 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, 2011, 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.

A handwritten signature in black ink that reads "Loeb & Troper LLP".

October 11, 2011

THE BROOKLYN COLLEGE FOUNDATION, INC.

BALANCE SHEET

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,931,268 | \$ 4,135,884 |
| Investments (includes \$977,865 in 2011 and \$1,030,418 in 2010 held for split-interest agreements) (Notes 2 and 3) | 62,706,745 | 54,826,238 |
| Contributions receivable (net of allowance of \$400,000 in 2011 and 2010) (Note 4) | 13,109,987 | 14,294,554 |
| Beneficial interest in remainder trusts (Note 3) | 937,575 | 814,495 |
| Beneficial interest in life insurance | 143,534 | 131,877 |
| Prepaid expenses | 25,842 | 131,221 |
| Artwork and collections | 3,436,220 | 3,222,820 |
| Investment in real estate | 5,865,034 | |
| Total assets | <u>\$ 89,156,205</u> | <u>\$ 77,557,089</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 266,036 | \$ 102,079 |
| Annuity obligations (Note 3) | 460,279 | 462,056 |
| Total liabilities | <u>726,315</u> | <u>564,135</u> |
| Net assets (deficit) (Exhibit B) | | |
| Unrestricted | | |
| Operating | 1,319,087 | 2,120,670 |
| Endowments - deficit funding (Note 5) | | (4,434,705) |
| Board-designated | 2,136,890 | 1,442,309 |
| Artwork and collections | 3,436,220 | 3,222,820 |
| Investment in real estate | 5,865,034 | |
| Total unrestricted net assets | 12,757,231 | 2,351,094 |
| Temporarily restricted (Note 5) | 45,103,403 | 41,123,732 |
| Permanently restricted (Note 5) | 30,569,256 | 33,518,128 |
| Total net assets | <u>88,429,890</u> | <u>76,992,954</u> |
| Total liabilities and net assets | <u>\$ 89,156,205</u> | <u>\$ 77,557,089</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BROOKLYN COLLEGE FOUNDATION, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES AND CHANGES
IN NET ASSETS

YEAR ENDED JUNE 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|-----------------------------------------------------------|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| | | | | 2011 | 2010 |
| Revenues, gains, losses and other support | | | | | |
| Contributions, grants, legacies and bequests | \$ 902,837 | \$ 6,508,935 | \$ 1,488,272 | \$ 8,900,044 | \$ 11,327,475 |
| Investment income (Note 2) | 6,419,906 | 2,362,256 | (15,504) | 8,766,658 | 4,640,451 |
| Change in value of split-interest agreements | (32,014) | 2,074 | 3,523 | (26,417) | 139,874 |
| Change in value of beneficial interest in remainder trust | | 123,080 | | 123,080 | 79,715 |
| Change in value of beneficial interest in life insurance | | 11,657 | | 11,657 | 17,157 |
| Special events | \$ 434,804 | | | | |
| Less direct costs of special events | (68,642) | 360,042 | 6,120 | 366,162 | 347,917 |
| Donated artwork and collections | 213,400 | | | 213,400 | 130,200 |
| Donated services (Note 7) | 545,128 | | | 545,128 | 517,851 |
| Donated occupancy (Note 7) | 67,538 | | | 67,538 | 67,538 |
| Miscellaneous income | 15 | 744 | | 759 | 3,555 |
| Net assets released from restrictions (Note 5) | 9,601,723 | (9,601,723) | | | |
| Total revenues, gains, losses and other support | 18,078,575 | (586,857) | 1,476,291 | 18,968,009 | 17,271,733 |
| Expenses (Exhibit C) | | | | | |
| Program service - scholarships and awards | 4,960,867 | | | 4,960,867 | 5,206,715 |
| Supporting services | | | | | |
| Management and general | 1,012,199 | | | 1,012,199 | 869,010 |
| Fund raising | 1,558,007 | | | 1,558,007 | 1,375,419 |
| Total supporting services | 2,570,206 | | | 2,570,206 | 2,244,429 |
| Total expenses | 7,531,073 | | | 7,531,073 | 7,451,144 |
| Changes in net assets before other changes | 10,547,502 | (586,857) | 1,476,291 | 11,436,936 | 9,820,589 |
| Reclassifications (Note 5) | (141,365) | 4,566,528 | (4,425,163) | | |
| Change in net assets (Exhibit C) | 10,406,137 | 3,979,671 | (2,948,872) | 11,436,936 | 9,820,589 |
| Net assets - beginning of year | 2,351,094 | 41,123,732 | 33,518,128 | 76,992,954 | 67,172,365 |
| Net assets - end of year (Exhibit A) | \$ 12,757,231 | \$ 45,103,403 | \$ 30,569,256 | \$ 88,429,890 | \$ 76,992,954 |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BROOKLYN COLLEGE FOUNDATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2011

EXHIBIT C

(With Summarized Financial Information
 for the Year Ended June 30, 2010)

| | Program Service - Scholarships and Awards | Management and General | Fund Raising | Direct Cost of Special Events | Total |
|-----------------------------------------------------------------------------------|----------------------------------------------------|------------------------------|-----------------|-------------------------------------|--------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Salaries and benefits | \$ 4,104,804 | \$ 645,000 | \$ 972,662 | \$ | \$ 1,617,662 |
| Scholarships and awards | 250,000 | | | | 4,104,804 |
| Capital project | 85,356 | 3,966 | 20,886 | | 250,000 |
| Conferences and travel | 77,171 | | 9,801 | | 110,208 |
| Meetings | 341,853 | | 1,625 | | 86,972 |
| Supplies | 6,725 | | | | 343,478 |
| Advertising | 18,593 | | | | 6,725 |
| Printing and publications | 119 | | 117,234 | | 135,827 |
| Postage | 14,713 | | 31,123 | | 31,242 |
| Maintenance and repairs | 61,533 | | 77,755 | | 14,713 |
| Miscellaneous | | 184,110 | 326,921 | | 139,288 |
| Consulting and professional fees | | 35,737 | | | 511,031 |
| Insurance | | | | | 35,737 |
| Entertainment | | 75,848 | | \$ 68,642 | 68,642 |
| Office and computer expenses | | 30,212 | | | 75,848 |
| Investment fees | | 67,538 | | | 30,212 |
| Occupancy | | | | | 67,538 |
| Total expenses | 4,960,867 | 1,042,411 | 1,558,007 | 68,642 | 7,629,927 |
| Less expenses deducted directly from revenues on the statement of activities | | | | | |
| Investment fees | | (30,212) | | | (30,212) |
| Direct cost of special events | | | | (68,642) | (68,642) |
| Total expenses reported by function on the statement of activities (Exhibit B) | \$ 4,960,867 | \$ 1,012,199 | \$ 1,558,007 | \$ - | \$ 7,531,073 |
| | | | | | \$ 7,451,144 |

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, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets (Exhibit B) | \$ 11,436,936 | \$ 9,820,589 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Contributions restricted for long-term investment | (1,488,272) | (1,959,800) |
| Contributions restricted for annuity agreements | (19,632) | (15,420) |
| Realized gain on sale of investments | (1,683,294) | (1,064,995) |
| Unrealized gain on investments | (6,243,901) | (2,633,716) |
| Change in value of split-interest agreements | 26,417 | (139,874) |
| Change in value of beneficial interest in remainder trust | (123,080) | (79,715) |
| Donated artwork and collections | (213,400) | (17,500) |
| Donated stock | (1,959,315) | (3,115,410) |
| Decrease (increase) in assets | | |
| Contributions receivable | 1,431,220 | (1,417,787) |
| Beneficial interest in life insurance | (11,657) | (17,157) |
| Prepaid expenses | 105,379 | (112,317) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | 163,957 | (10,159) |
| Net cash provided (used) by operating activities | <u>1,421,358</u> | <u>(763,261)</u> |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (5,865,034) | |
| Purchase of investments | (16,710,445) | (26,899,832) |
| Proceeds from sales of investments | <u>18,716,448</u> | <u>28,864,692</u> |
| Net cash provided (used) by investing activities | <u>(3,859,031)</u> | <u>1,964,860</u> |
| Cash flows from financing activities | | |
| Proceeds from contributions restricted for investment in endowment | 1,241,619 | 1,646,249 |
| Proceeds from contributions restricted for annuity obligations | 40,000 | 30,000 |
| Payments to annuitants | <u>(48,562)</u> | <u>(65,302)</u> |
| Net cash provided by financing activities | <u>1,233,057</u> | <u>1,610,947</u> |
| Net change in cash and cash equivalents | (1,204,616) | 2,812,546 |
| Cash and cash equivalents - beginning of year | <u>4,135,884</u> | <u>1,323,338</u> |
| Cash and cash equivalents - end of year | <u>\$ 2,931,268</u> | <u>\$ 4,135,884</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, 2011

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.

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.

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.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Investment in Real Estate

Investment in real estate represents property that will eventually be transferred to Brooklyn College for use in its programs. The investment in real estate is valued based on the purchase price of the real estate.

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-adjusted 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. Interest is not charged or recorded on outstanding receivables.

Allowance for Doubtful Accounts and Bad Debt 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, a review of payments subsequent to year end, historical information and other factors.

Beneficial Interest in Remainder Trusts

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

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Significant Accounting Policies (continued)Beneficial Interest in Life Insurance

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

Artwork and Collections

Donated 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, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts 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 and changes in net assets 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.

Functional allocation of expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Unrestricted net assets include funds having no restriction as to use or purpose by donors. 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 - excess (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 restricted 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.

Advertising

It is the policy of the Foundation to expense advertising costs as incurred.

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, 2010, from which the summarized information was derived.

Reclassifications

During 2011, certain net assets were reclassified between net asset classes in accordance with donor agreements.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Significant Accounting Policies (continued)Fair Value Measurements and Disclosures

Fair Value Measurements and Disclosures 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.

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, 2011 as compared to those used at June 30, 2010.

Money market, domestic and international equities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held by the Foundation at the end of the year.

Limited partnership and limited liability company - Valued at the NAV of shares held at year end as determined by the investment managers.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Significant Accounting Policies (continued)Fair Value Measurements and Disclosures (continued)

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.

Uncertainty in Income Taxes

The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2008 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent Events

Subsequent events have been evaluated through October 11, 2011, which is the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The following table sets forth by level and type, as of June 30, 2011, the investments within the fair value hierarchy:

| | <u>Quoted Prices in Active Markets (Level 1)</u> | <u>Significant Unobservable Inputs (Level 3)</u> | <u>Total</u> |
|------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|----------------------|
| Money market | \$ 29,172 | | \$ 29,172 |
| Mutual funds - domestic equities | 19,395,877 | | 19,395,877 |
| Mutual funds - international equities | 6,804,788 | | 6,804,788 |
| Mutual funds - fixed income | 32,637,646 | | 32,637,646 |
| Limited partnership and limited liability company | _____ | \$ 3,839,262 | 3,839,262 |
| | <u>\$ 58,867,483</u> | <u>\$ 3,839,262</u> | <u>\$ 62,706,745</u> |

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - INVESTMENTS (continued)

Investment income for the year ended June 30, 2011 consists of the following:

| | |
|--------------------------------------|---------------------|
| Interest and dividends | \$ 869,675 |
| Realized gain on sale of investments | 1,683,294 |
| Unrealized gain on investments | 6,243,901 |
| Less investment management fees | <u>(30,212)</u> |
| | <u>\$ 8,766,658</u> |

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, 2011:

| | Limited Partnership | Limited Liability Company | Total |
|----------------------------|--------------------------------|------------------------------------------|---------------------|
| Balance, beginning of year | \$ 101,703 | \$ 2,941,098 | \$ 3,042,801 |
| Redemptions | (39,432) | (29,348) | (68,780) |
| Purchases | | 213,633 | 213,633 |
| Dividends | | 57,246 | 57,246 |
| Unrealized gain | | 328,038 | 328,038 |
| Realized gain | <u> </u> | <u>266,324</u> | <u>266,324</u> |
| Balance, end of year | <u>\$ 62,271</u> | <u>\$ 3,776,991</u> | <u>\$ 3,839,262</u> |

The limited partnership is in liquidation. The balance of \$62,271 represents cash that is being paid on a quarterly basis.

For the limited liability company, the investment manager employs a value-oriented investment strategy using strict valuation and fundamental analysis. They target stocks that are selling at a deep discount to their historical price/earnings ratios on a project earnings basis, and have above-average historical growth rates and balance sheet strength. Portfolios contain 35 to 50 issues, fairly equally weighted. Representation of a single issue within a portfolio usually does not exceed 5%; representation of a particular industry does not exceed 25%.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - INVESTMENTS (continued)

The investments have redemption requirements as follows:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|------------------------------|---------------------|---------------------------------|---------------------------------|-------------------------------------|
| Limited liability company | \$ <u>3,776,991</u> | None | Monthly | 10 days |

NOTE 3 - SPLIT-INTEREST AGREEMENTS

The Foundation 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 \$977,865 at June 30, 2011. The discount rates used to determine the present value of the split-interest agreements range between 2.6% and 6%.

Additionally, the Foundation is the remainderman of charitable remainder trusts for which it is not the trustee. As of June 30, 2011, the balance was \$937,575.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable have been discounted over the payment period using 3.75% - 6% discount rates at the time of the contribution. Contributions receivable are due as follows:

| | |
|--------------------------------------|----------------------|
| 2012 | \$ 8,538,795 |
| 2013 | 1,700,450 |
| 2014 | 1,787,600 |
| 2015 | 1,755,000 |
| 2016 | <u>305,000</u> |
| | 14,086,845 |
| Less allowance for doubtful accounts | (400,000) |
| Less discount to present value | <u>(576,858)</u> |
| | \$ <u>13,109,987</u> |

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - CONTRIBUTIONS RECEIVABLE (continued)

Six pledges at gross totaling approximately \$13,110,942 before discounting represent a significant portion of the total outstanding contributions balance at June 30, 2011.

NOTE 5 - NET ASSETS

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

| | |
|----------------------|---------------------|
| Programmatic support | \$ 2,622,117 |
| Scholarships | 951,584 |
| Professorships | 228,239 |
| Assistantships | 29,909 |
| Internships | 42,514 |
| Fellowships | 318,313 |
| Capital acquisitions | <u>5,409,047</u> |
| | <u>\$ 9,601,723</u> |

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

| | |
|----------------------|----------------------|
| Programmatic support | \$ 21,519,997 |
| Scholarships | 6,319,535 |
| Professorships | 460,444 |
| Assistantships | 35,387 |
| Internships | 263,725 |
| Time restrictions | <u>16,504,315</u> |
| | <u>\$ 45,103,403</u> |

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - NET ASSETS (continued)

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.

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.

Effective September 17, 2010, New York State modified its laws governing the management and investment of charitable gifts by adopting the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - NET ASSETS (continued)

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 spending 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 estate). 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

As of June 30, 2011, the Foundation had 51 individual endowments with deficiencies totaling \$238,730.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

Investments to be held in perpetuity totaled \$30,569,256 in 2011. The income is expendable for the following purposes:

| | |
|-----------------------------|----------------------|
| Programmatic support | \$ 9,767,048 |
| Scholarships | 14,788,071 |
| Professorships | 3,869,408 |
| Internships and fellowships | <u>2,144,729</u> |
| | <u>\$ 30,569,256</u> |

In addition, there is \$6,287,274 of unappropriated earnings within temporarily restricted net assets.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2011

| | <u>Unrestricted Endowments - Excess Funding</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|-----------------------------------------------|---------------------------------------------------------|-----------------------------------|-----------------------------------|
| Endowment net assets, beginning of year | \$ (4,434,705) | \$ 3,925,018 | \$ 33,518,128 |
| Interest and dividends | | 696,144 | |
| Unrealized and realized gain/(loss) | 4,434,705 | 1,666,112 | (15,504) |
| Change in value split- interest agreements | | | 3,523 |
| Contributions | | | 1,488,272 |
| Reclassifications | <u> </u> | <u> </u> | <u>(4,425,163)</u> |
| Endowment net assets, end of year | \$ <u> -</u> | \$ <u>6,287,274</u> | \$ <u>30,569,256</u> |

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

During 2011, certain net assets were reclassified from permanently restricted to temporarily restricted net assets in accordance with donor agreements.

NOTE 6 - PENSION

The Brooklyn College Foundation has a 401(k) pension plan for its employees. For the year ended June 30, 2011, the expense was \$52,580.

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THE BROOKLYN COLLEGE FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011****NOTE 7 - 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 Deputy Comptroller of Brooklyn College and the Development Associate provide professional services to the Foundation. The professional services totaled \$545,128 and the office space totaled \$67,538 for the year ended June 30, 2011.

During 2011, there were no other related-party transactions.

NOTE 8 - CONCENTRATIONS

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

NOTE 9 - COMMITMENTS

As of June 30, 2011, the Foundation has a commitment to fund the building of the Brooklyn College Performing Arts Center for \$11.8 million.