

**THE BROOKLYN COLLEGE
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2012

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, 2012, 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, 2011 financial statements and, in our report dated October 11, 2011, 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, 2012, 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

September 27, 2012

THE BROOKLYN COLLEGE FOUNDATION, INC.

BALANCE SHEET

JUNE 30, 2012

(With Summarized Financial Information for June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,565,714	\$ 2,931,268
Investments (includes \$1,001,278 in 2012 and \$977,865 in 2011 held for split-interest agreements) (Notes 2 and 3)	38,435,792	32,137,489
Contributions receivable (net of allowance of \$400,000 in 2012 and 2011) (Note 4)	4,900,490	8,138,795
Prepaid expenses	53,975	25,842
Investment in real estate	5,865,034	5,865,034
Total current assets	<u>53,821,005</u>	<u>49,098,428</u>
Noncurrent assets		
Investments (Note 2 and 3)	26,878,920	30,569,256
Contributions receivable (Note 4)	2,043,454	4,971,192
Beneficial interest in remainder trusts (Note 3)	966,582	937,575
Beneficial interest in life insurance	149,773	143,534
Artwork and collections	3,436,220	3,436,220
Total noncurrent assets	<u>33,474,949</u>	<u>40,057,777</u>
Total assets	<u>\$ 87,295,954</u>	<u>\$ 89,156,205</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,211,042	\$ 266,036
Annuity obligations	80,000	49,459
Total current liabilities	<u>1,291,042</u>	<u>315,495</u>
Noncurrent liabilities		
Annuity obligations	386,032	410,820
Total liabilities	<u>1,677,074</u>	<u>726,315</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	2,015,607	1,319,087
Board-designated	1,622,102	2,136,890
Artwork and collections	3,436,220	3,436,220
Investment in real estate	5,865,034	5,865,034
Total unrestricted net assets	<u>12,938,963</u>	<u>12,757,231</u>
Temporarily restricted (Note 5)	45,800,997	45,103,403
Permanently restricted (Note 5)	26,878,920	30,569,256
Total net assets	<u>85,618,880</u>	<u>88,429,890</u>
Total liabilities and net assets	<u>\$ 87,295,954</u>	<u>\$ 89,156,205</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, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2012	2011
Revenues, gains, losses and other support					
Contributions, grants, legacies and bequests	\$ 1,961,223	\$ 3,297,247	\$ 3,164,626	\$ 8,423,096	\$ 8,900,044
Investment income (Note 2)	(159,378)	892,300	(13,018)	719,904	8,766,658
Change in value of split-interest agreements	(38,443)	1,989	3,391	(33,063)	(26,417)
Change in value of beneficial interest in remainder trust		29,007		29,007	123,080
Change in value of beneficial interest in life insurance		6,239		6,239	11,657
Bad debt loss		(530,628)	(18,868)	(549,496)	
Special events	\$ 476,886				
Less direct costs of special events	(69,684)	380,611	26,591	407,202	366,162
Donated artwork and collections					213,400
Donated services (Note 7)		621,062		621,062	545,128
Donated occupancy (Note 7)		67,538		67,538	67,538
Miscellaneous income		1,288	24,386	25,674	759
Net assets released from restrictions (Note 5)		8,836,023	(8,836,023)		
Total revenues, gains, losses and other support	11,669,924	(5,088,892)	3,136,131	9,717,163	18,968,009
Expenses (Exhibit C)					
Program service - college and student support	9,738,448			9,738,448	4,960,867
Supporting services					
Management and general	1,152,298			1,152,298	1,012,199
Fund raising	1,637,427			1,637,427	1,558,007
Total supporting services	2,789,725			2,789,725	2,570,206
Total expenses	12,528,173			12,528,173	7,531,073
Changes in net assets before other changes	(858,249)	(5,088,892)	3,136,131	(2,811,010)	11,436,936
Reclassifications (Note 5)	1,039,981	5,786,486	(6,826,467)		
Change in net assets (Exhibit D)	181,732	697,594	(3,690,336)	(2,811,010)	11,436,936
Net assets - beginning of year	12,757,231	45,103,403	30,569,256	88,429,890	76,992,954
Net assets - end of year (Exhibit A)	\$ 12,938,963	\$ 45,800,997	\$ 26,878,920	\$ 85,618,880	\$ 88,429,890

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BROOKLYN COLLEGE FOUNDATION, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012
(With Summarized Financial Information
for the Year Ended June 30, 2011)

	Program Service	Supporting Services		Direct Cost of Special Events	Total	
		College and Student Support	Management and General		Fund Raising	2012
Salaries and benefits	\$ 112,085	\$ 737,144	\$ 1,104,873	\$	1,954,102	\$ 1,617,662
Scholarships and awards	3,251,800				3,251,800	4,104,804
Capital project	5,500,000				5,500,000	250,000
Conferences and travel	66,524	208	19,929		86,661	110,461
Meetings	91,295	2,332	12,465		106,092	90,938
Supplies	209,799	40,030	789		250,618	360,389
Advertising	1,922				1,922	6,725
Printing and publications	410,898	985	127,197		539,080	143,566
Postage	188	22,610	55,476		78,274	43,614
Maintenance and repairs	8,065				8,065	14,713
Miscellaneous	85,872	12,858	54,144		152,874	149,275
Consulting and professional fees		207,425	261,964		469,389	511,031
Insurance		35,168			35,168	35,737
Entertainment				\$ 69,684		68,642
Office and computer expenses		26,000	590		26,590	24,620
Investment fees		48,340			48,340	30,212
Occupancy		67,538			67,538	67,538
Total expenses	9,738,448	1,200,638	1,637,427	69,684	12,646,197	7,629,927
Less expenses deducted directly from revenues on the statement of activities						
Investment fees		(48,340)			(48,340)	(30,212)
Direct cost of special events				(69,684)	(69,684)	(68,642)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 9,738,448	\$ 1,152,298	\$ 1,637,427	\$ -	\$ 12,528,173	\$ 7,531,073

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (2,811,010)	\$ 11,436,936
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for long-term investment	(3,164,626)	(1,488,272)
Contributions restricted for annuity agreements	(12,851)	(19,632)
Realized gain on sale of investments	(191,370)	(1,683,294)
Unrealized (gain) loss on investments	487,818	(6,243,901)
Change in value of split-interest agreements	33,063	26,417
Change in value of beneficial interest in remainder trust	(29,007)	(123,080)
Donated artwork and collections		(213,400)
Donated stock	(624,314)	(1,959,315)
Decrease (increase) in assets		
Contributions receivable	5,661,043	1,431,220
Beneficial interest in life insurance	(6,239)	(11,657)
Prepaid expenses	(28,133)	105,379
Increase in liabilities		
Accounts payable and accrued expenses	945,006	163,957
Net cash provided by operating activities	<u>259,380</u>	<u>1,421,358</u>
Cash flows from investing activities		
Purchase of fixed assets		(5,865,034)
Purchase of investments	(11,329,703)	(16,710,445)
Proceeds from sales of investments	9,049,602	18,716,448
Net cash used by investing activities	<u>(2,280,101)</u>	<u>(3,859,031)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	3,669,626	1,241,619
Proceeds from contributions restricted for annuity obligations	35,000	40,000
Payments to annuitants	(49,459)	(48,562)
Net cash provided by financing activities	<u>3,655,167</u>	<u>1,233,057</u>
Net change in cash and cash equivalents	1,634,446	(1,204,616)
Cash and cash equivalents - beginning of year	<u>2,931,268</u>	<u>4,135,884</u>
Cash and cash equivalents - end of year	<u>\$ 4,565,714</u>	<u>\$ 2,931,268</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, 2012

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, 2012****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, 2012

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.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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.

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, 2011, from which the summarized information was derived.

Reclassifications

Certain 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, 2012

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, 2012 as compared to those used at June 30, 2011.

Money market - 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 partnerships 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, 2012

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, 2009 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent Events

Subsequent events have been evaluated through September 27, 2012, 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, 2012, the investments within the fair value hierarchy:

	Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
Money market	\$ 326,526		\$ 326,526
Mutual funds - domestic equities	18,935,412		18,935,412
Mutual funds - international equities	3,809,967		3,809,967
Mutual funds - fixed income	35,689,914		35,689,914
Limited partnerships and limited liability company	<u> </u>	\$ <u>6,552,893</u>	<u>6,552,893</u>
	<u>\$ 58,761,819</u>	<u>\$ 6,552,893</u>	<u>\$ 65,314,712</u>

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - INVESTMENTS (continued)

Investment income for the year ended June 30, 2012 consists of the following:

Interest and dividends	\$ 1,064,692
Realized gain on sale of investments	191,370
Unrealized loss on investments	(487,818)
Less investment management fees	<u>(48,340)</u>
	<u>\$ 719,904</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, 2012:

	<u>Limited Partnerships</u>	<u>Limited Liability Company</u>	<u>Total</u>
Balance, beginning of year	\$ 62,271	\$ 3,776,991	\$ 3,839,262
Redemptions	(10,248)		(10,248)
Purchases	2,750,000		2,750,000
Management fee		(26,926)	(26,926)
Dividends		75,387	75,387
Unrealized gains (losses) relating to instruments still held at the reporting date*	3,877	(272,159)	(268,282)
Realized gain	<u> </u>	<u>193,700</u>	<u>193,700</u>
Balance, end of year	<u>\$ 2,805,900</u>	<u>\$ 3,746,993</u>	<u>\$ 6,552,893</u>

* The amount of total gains (losses) for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$ (268,282)

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - INVESTMENTS (continued)

Included in limited partnerships is the limited partnership which is in liquidation. The balance of \$55,900 represents cash that is being paid on a quarterly basis. \$1,750,000 was cash that was transferred to limited partnership that was not invested at the end of the year.

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%.

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>3,746,993</u>	None	Monthly	10 days

NOTE 3 - CHARITABLE GIFT ANNUITIES AND REMAINDER TRUSTS

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 the charitable gift annuities is \$1,001,278 at June 30, 2012. The discount rates used to determine the present value of the split-interest agreements range between 1.6% and 6%.

Additionally, the Foundation is the remainderman of charitable remainder trusts for which it is not the trustee. As of June 30, 2012, the balance was \$966,582.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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:

2013	\$ 5,300,490
2014	987,550
2015	830,000
2016	330,000
2017	<u>60,000</u>
	7,508,040
Less allowance for doubtful accounts	(400,000)
Less discount to present value	<u>(164,096)</u>
	<u>\$ 6,943,944</u>

Five pledges at gross totaling approximately \$5,869,708 before discounting represent a significant portion of the total outstanding contributions balance at June 30, 2012.

NOTE 5 - NET ASSETS

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

Programmatic support	\$ 3,375,856
Scholarships	781,960
Professorships	237,742
Internships	101,083
Fellowships	155,125
Time restriction	<u>4,184,257</u>
	<u>\$ 8,836,023</u>

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - NET ASSETS (continued)

Temporarily restricted net assets at June 30, 2012 are available for the following purposes:

Programmatic support	\$ 25,512,365
Scholarships	8,398,824
Professorships	1,879,054
Internships	388,151
Fellowships	1,733,986
Time restriction	<u>7,888,617</u>
	<u>\$ 45,800,997</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.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has adopted the New York 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. The Foundation is now governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7% of the average of its previous five years' balance. 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 standards of prudence prescribed by NYPMIFA.

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012, the Foundation had 43 individual endowments with deficiencies totaling \$180,592.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

Investments to be held in perpetuity totaled \$26,878,920 in 2012. The income is expendable for the following purposes:

Programmatic support	\$ 9,029,626
Scholarships	13,799,188
Professorships	3,104,678
Internships	855,428
Fellowships	<u>90,000</u>
	<u>\$ 26,878,920</u>

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THE BROOKLYN COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year		\$ 6,287,274	\$ 30,569,256	\$ 36,856,530
Unrealized and realized gain (loss)		572,565	(13,018)	559,547
Change in value split- interest agreements			3,391	3,391
Contributions		219,799	3,164,626	3,384,425
Bad debt loss			(18,868)	(18,868)
Investment income		345		345
Appropriation of endowment assets for expenditure	\$ 283,277	(283,277)		
Expenses	(283,277)			(283,277)
Reclassifications	<u> </u>	<u>(4,684,062)</u>	<u>(6,826,467)</u>	<u>(11,510,529)</u>
Endowment net assets, end of year	\$ <u> </u>	\$ <u>2,112,644</u>	\$ <u>26,878,920</u>	\$ <u>28,991,564</u>

During 2012, 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, 2012, the expense was \$63,535.

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THE BROOKLYN COLLEGE FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2012****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 \$621,062 and the office space totaled \$67,538 for the year ended June 30, 2012.

During 2012, 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. The Foundation has separately insured the balances over the FDIC limits with JPMorgan Chase.

NOTE 9 - COMMITMENTS

As of June 30, 2012, the Foundation has a commitment to fund the building of the Brooklyn College Performing Arts Center for \$11.8 million.

NOTE 10 - SUBSEQUENT EVENT

In July 2012, the Foundation transferred title to the investment in real estate to Dormitory Authority of the State of New York in order to aggregate the real property for the benefit of the City University of New York.