The Brooklyn College Foundation, Inc.

Financial Statements

June 30, 2018 and 2017

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Independent Auditors' Report

Board of Trustees
The Brooklyn College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Brooklyn College Foundation, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, 2018 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Brooklyn College Foundation, Inc. as of June 30, 2017, were audited by other auditors whose report, dated September 11, 2017, expressed an unmodified opinion on those statements.

Baker Tilly Virchow Krause, LLP

Melville, New York
September 21, 2018

The Brooklyn College Foundation, Inc.

Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 2,989,387	$ 617,208
Investments (includes $1,136,420 in 2018 and $1,192,268 in 2017 held for split-interest agreements) (Notes 3 and 4)	55,984,268	53,704,075
Contributions receivable (net of allowance of $1,050,000 in 2018 and 2017) (Note 5)	1,333,400	1,866,826
Prepaid expenses	13,953	20,491
Total current assets	60,321,008	56,208,600
Investments (Notes 3 and 4)	31,392,151	30,715,035
Contributions receivable (Note 5)	2,150,139	2,857,794
Beneficial interest in remainder trusts (Note 4)	1,122,281	1,097,176
Beneficial interest in life insurance	192,710	188,912
Total assets	$ 95,178,289	$ 91,067,517
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,147,989	$ 2,269,557
Annuity obligations (Note 4)	100,000	100,000
Total current liabilities	2,247,989	2,369,557
Annuity obligations (Note 4)	520,822	528,244
Total liabilities	2,768,811	2,897,801
Net Assets		
Unrestricted:		
Operating	1,510,370	238,582
Board designated	677,028	673,846
Total unrestricted net assets	2,187,398	912,428
Temporarily restricted (Note 6)	58,757,770	56,127,594
Permanently restricted (Note 6)	31,464,310	31,129,694
Total net assets	92,409,478	88,169,716
Total liabilities and net assets	$ 95,178,289	$ 91,067,517

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018 (with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Revenues, Gains, Losses and Other Support					
Contributions, grants, legacies and bequests	$ 1,786,156	$ 3,998,712	$ 259,192	$ 6,044,060	$ 3,483,997
Investment income (loss), net of investment fees of $69,730 in 2018 and $63,048 in 2017 (Note 3)	1,288,267	4,005,578	(22,162)	5,271,683	8,493,925
Change in value of split-interest agreements	(56,148)	(1,125)	2,558	(54,715)	(24,532)
Change in value of beneficial interest in remainder trust	-	25,105	-	25,105	41,928
Change in value of beneficial interest in life insurance	-	3,798	-	3,798	(7,929)
Special events, net of direct expenses of $84,575	206,812	26,500	-	233,312	-
Donated materials and other support	64,206	305,235	-	369,441	96,526
Donated services (Note 8)	755,883	-	-	755,883	871,177
Donated occupancy (Note 8)	102,657	-	-	102,657	89,150
Miscellaneous income	52,000	1,014	-	53,014	24,637
Net assets released from restrictions (Note 6)	5,622,024	(5,622,024)	-	-	-
Total revenues, gains, losses and other support	9,821,857	2,742,793	239,588	12,804,238	13,068,879
Expenses					
Program service - college and student support	5,720,940	-	-	5,720,940	5,382,429
Supporting services					
Management and general	1,519,603	-	-	1,519,603	1,613,867
Fundraising	1,284,327	-	-	1,284,327	1,443,286
Total supporting services	2,803,930	-	-	2,803,930	3,057,153
Total expenses	8,524,870	-	-	8,524,870	8,439,582
Change in net assets before other changes	1,296,987	2,742,793	239,588	4,279,368	4,629,297
Bad debt expense	-	(14,406)	-	(14,406)	-
Reclassification (Note 6)	3,183	(98,211)	95,028	-	-
Transfer of artwork and collections (Note 11)	(25,200)	-	-	(25,200)	(30,000)
Change in net assets	1,274,970	2,630,176	334,616	4,239,762	4,599,297
Net Assets, Beginning of Year	912,428	56,127,594	31,129,694	88,169,716	83,570,419
Net Assets, End of Year	$ 2,187,398	$ 58,757,770	$ 31,464,310	$ 92,409,478	$ 88,169,716

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Other Support				
Contributions, grants, legacies and bequests	$ 885,687	$ 2,083,192	$ 515,118	$ 3,483,997
Investment income, net of investment fees of $63,048 (Note 3)	1,093,746	7,258,020	142,159	8,493,925
Change in value of split-interest agreements	(33,404)	510	8,362	(24,532)
Change in value of beneficial interest in remainder trust	-	41,928	-	41,928
Change in value of beneficial interest in life insurance	-	(7,929)	-	(7,929)
Donated materials and other support	96,526	-	-	96,526
Donated services (Note 8)	871,177	-	-	871,177
Donated occupancy (Note 8)	89,150	-	-	89,150
Miscellaneous income	20,000	4,637	-	24,637
Net assets released from restrictions (Note 6)	4,937,626	(4,937,626)	-	-
Total revenues, gains, losses and other support	7,960,508	4,442,732	665,639	13,068,879
Expenses				
Program service - college and student support	5,382,429	-	-	5,382,429
Supporting services				
Management and general	1,613,867	-	-	1,613,867
Fundraising	1,443,286	-	-	1,443,286
Total supporting services	3,057,153	-	-	3,057,153
Total expenses	8,439,582	-	-	8,439,582
Change in net assets before other changes	(479,074)	4,442,732	665,639	4,629,297
Reclassification (Note 6)	3,450	(27,656)	24,206	-
Transfer of artwork and collections (Note 11)	(30,000)	-	-	(30,000)
Change in net assets	(505,624)	4,415,076	689,845	4,599,297
Net Assets, Beginning of Year	1,418,052	51,712,518	30,439,849	83,570,419
Net Assets, End of Year	$ 912,428	$ 56,127,594	$ 31,129,694	$ 88,169,716

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	Program Service - College and Student Support	Management and General	Fundraising	Total 2018	Total 2017
Salaries and benefits (includes donated services of $658,091 and $668,672 in management and general and $97,792 and $202,505 in fundraising expenses in 2018 and 2017, respectively)	$ -	$ 1,270,712	$ 769,201	$ 2,039,913	$ 2,141,916
Scholarships and awards	2,709,556	-	-	2,709,556	2,222,590
College support	2,520,326	-	-	2,520,326	2,587,151
Conferences and travel	108,317	54	7,007	115,378	102,184
Meetings	131,181	-	3,519	134,700	142,837
Supplies	147,837	15,161	30	163,028	267,454
Advertising	6,823	-	-	6,823	4,022
Printing and publications	49,079	1,812	125,434	176,325	178,410
Postage	952	2,016	77,624	80,592	78,327
Maintenance and repairs	2,925	-	-	2,925	8,584
Miscellaneous	-	31,599	48,406	80,005	112,013
Consulting and professional fees	43,944	102,655	169,924	316,523	413,743
Insurance	-	35,318	-	35,318	37,599
Office and computer expenses	-	37,571	3,230	40,801	53,602
Occupancy	-	22,705	79,952	102,657	89,150
Total expenses	$ 5,720,940	$ 1,519,603	$ 1,284,327	$ 8,524,870	$ 8,439,582

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Service - College and Student Support	Management and General	Fundraising	Total
Salaries and benefits (includes donated services of $668,672 in management and general and $202,505 in fundraising expenses)	$ -	$ 1,228,084	$ 913,832	$ 2,141,916
Scholarships and awards	2,222,590	-	-	2,222,590
College support	2,587,151	-	-	2,587,151
Conferences and travel	93,829	-	8,355	102,184
Meetings	139,168	-	3,669	142,837
Supplies	258,243	9,211	-	267,454
Advertising	4,022	-	-	4,022
Printing and publications	40,483	-	137,927	178,410
Postage	80	2,163	76,084	78,327
Maintenance and repairs	8,584	-	-	8,584
Miscellaneous	27,679	18,072	66,262	112,013
Consulting and professional fees	600	253,418	159,725	413,743
Insurance	-	37,599	-	37,599
Office and computer expenses	-	45,602	8,000	53,602
Occupancy	-	19,718	69,432	89,150
Total expenses	$ 5,382,429	$ 1,613,867	$ 1,443,286	$ 8,439,582

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 4,239,762	$ 4,599,297
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Contributions restricted for long-term investment	(259,192)	(515,118)
Contributions restricted for annuity agreements	(24,960)	(28,221)
Realized gain on sale of investments	(2,831,512)	(664,183)
Unrealized gain on investments	(1,720,930)	(6,871,778)
Change in value of split-interest agreements	54,715	24,532
Change in value of beneficial interest in remainder trust	(25,105)	(41,928)
Beneficial interest in life insurance	(3,798)	7,929
Bad debt expense	14,406	-
Change in present value of pledge discount	(99,745)	(123,530)
Transfer of artwork and collections	25,200	30,000
Donated artwork and collections	(25,200)	(30,000)
Decrease (increase) in assets		
Contributions receivable	1,017,221	327,049
Prepaid expenses	6,538	(1,395)
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	(121,568)	43,752
Net cash provided by (used in) operating activities	245,832	(3,243,594)
Cash Flows from Investing Activities		
Purchase of investments	(23,569,512)	(75,919,851)
Proceeds from sales of investments	25,164,645	77,992,484
Net cash provided by investing activities	1,595,133	2,072,633
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in endowment	568,391	667,618
Proceeds from contributions restricted for annuity obligations	64,399	72,000
Payments to annuitants	(101,576)	(90,135)
Net cash provided by financing activities	531,214	649,483
Net increase (decrease) in cash and cash equivalents	2,372,179	(521,478)
Cash and Cash Equivalents, Beginning of Year	617,208	1,138,686
Cash and Cash Equivalents, End of Year	$ 2,989,387	$ 617,208

See notes to financial statements

1. 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 (the "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 manage 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 (“IRC”) and corresponding provisions of state laws and, accordingly, is not subject to federal or state income taxes; however, it pays unrelated business income tax on the income from certain limited partnerships. The Internal Revenue Service (“IRS”) has classified the Foundation as an organization that is not a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents as highly liquid, short-term investments with a maturity date at the date of acquisition of three months or less, except for cash and cash equivalents held by investments managers which are included in investments.

Investments and Investment Income

Investments in mutual funds and common stock are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in hedge funds, limited liability corporations, and limited partnerships are recorded at their net asset value as provided by the fund managers. The Foundation reviews and evaluates the values provided by the fund managers for reasonableness. Donated investments are reported at fair value at the date of receipt.

Investment income is recognized when earned. Investment income (including realized and unrealized gains and losses on investments and interest and dividends) is included in the change in net assets unless donor stipulation or law restricts the income or loss. Gains and losses on the sale of investments are based on an identified cost basis. Investment fees have been netted against investment income in the statements of activities and changes in net assets.

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.

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.

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.

Beneficial Interest in Life Insurance

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

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 scholarships.

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.

Endowment

The Foundation follows the provisions of the *Not-for-Profit Entities Topic* of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, related to enhanced disclosures for endowment funds. Specifically, the Organization classifies the portion of the endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to unrestricted net assets would not occur until the purpose restriction has also been met.

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 statements 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 in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Foundation expenses advertising costs as incurred.

Uncertain Tax positions

Management evaluated the Foundation's tax positions and concluded that the Foundation has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB ASC No. 740.

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.

Subsequent Events

Subsequent events have been evaluated through September 21, 2018, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of adopting ASU No. 2016-14 on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting ASU 2018-08 on the Foundation's financial statements.

3. Investments

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has access to.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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 and 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 were 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 maximize the use of relevant observables and minimize the use of unobservable inputs.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

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 as of June 30, 2018 and 2017.

Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the daily closing price as reported by the fund. These are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to establish their daily net asset value ("NAV") and to transact at that price. These funds are deemed to be actively traded.

Hedge funds, limited liability company, and limited partnerships are valued at the NAV of shares held as of year end as determined by the investment fund managers. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held less any liability. The practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than reported at NAV.

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 as of the reporting date.

The following tables present the fair value hierarchy for investments of the Foundation measured at fair value as of June 30, 2018 and 2017:

	Fair Value as of June 30, 2018	
	Level 1	**Total**
Mutual funds - domestic equities	$ 20,348,145	$ 20,348,145
Mutual funds - fixed income	27,923,245	27,923,245
Mutual funds - international equity	10,639,970	10,639,970
Common stock	802,471	802,471
Total assets in the fair value hierarchy	$ 59,713,831	59,713,831
Assets recorded at net asset value as a practical expedient to fair value (a)		26,355,205
Total assets at fair value		86,069,036
Cash equivalents		1,307,383
Total investments		$ 87,376,419

	Fair Value as of June 30, 2017	
	Level 1	**Total**
Mutual funds - domestic equities	$ 16,489,956	$ 16,489,956
Mutual funds - fixed income	30,555,895	30,555,895
Mutual funds - international equity	9,865,873	9,865,873
Common stock	1,073,172	1,073,172
Total assets in the fair value hierarchy	$ 57,984,896	57,984,896
Assets recorded at net asset value as a practical expedient to fair value (a)		26,335,444
Total assets at fair value		84,320,340
Cash equivalents		98,770
Total investments		$ 84,419,110

(a) In accordance with ASU No. 2015-07, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Investment income for the years ended June 30 consists of the following:

	2018	2017
Interest and dividends	$ 788,971	$ 1,021,012
Realized gain on sale of investments	2,831,512	664,183
Unrealized gain on investments	1,720,930	6,871,778
Less investment fees	(69,730)	(63,048)
Total	$ 5,271,683	$ 8,493,925

The following table sets forth additional disclosures of the Foundation's investments in certain entities whose fair value is estimated using the net asset value per share (or its equivalent) as a practical expedient to fair value as of June 30, 2018 and 2017.

	Fair Value as of June 30, 2018	Fair Value as of June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund (a)	$ -	$ 2,160,308	None	Quarterly	45 days
Hedge Fund (b)	3,028,009	2,958,776	None	Quarterly	60 days
Hedge Fund (c)	1,873,529	1,937,178	None	3 years	90 days
Hedge Fund (d)	3,077,385	2,956,426	None	Quarterly	60 days
Hedge Fund (e)	2,430,218	2,213,695	None	Quarterly	45 days
Hedge Fund (f)	2,669,717	2,673,521	None	Quarterly	60 days
Hedge Fund (g)	2,205,668	-	None	Quarterly	60 days
Limited Liability Company (h)	6,445,539	6,122,141	None	Monthly	10 days
Limited Partnership (i)	3,370,721	3,145,890	None	Annually	45 days
Limited Partnership (j)	1,254,419	2,167,509	None	2 years	90 days
	$ 26,355,205	$ 26,335,444			

Hedge Fund (a)

This hedge fund is a portfolio of ten hedge funds managed by senior investment professionals. In contrast to traditional funds of hedge funds, there are no allocations to funds managed by external firms and thus no extra layer of fees. The fund is entirely focused on fundamental long/short equity strategies and includes diversification across sectors and geographies. This fund is a long-biased strategy that seeks to capture approximately 75% of the upside in positive equity markets with only half of the downside in market selloffs.

Hedge Fund (b)

This hedge fund is a direct, multi-strategy hedge fund. The fund seeks to preserve capital and generate consistent, attractive risk-adjusted returns with low correlation to broader markets through active, fundamental investing in a relative value construct. The fund's investment philosophy is designed to identify and capitalize on asymmetric risk-reward opportunities across multiple asset classes. The fund employs strategies including equity relative value, credit relative value, event-driven strategies including merger arbitrage, long/short equity and volatility trading.

Hedge Fund (c)

This fund is a direct, multi-strategy hedge fund. This fund's main priority is preservation of capital with a strong emphasis on portfolio diversification and risk management. This fund invests opportunistically across a variety of sub-strategies including merger (or risk) arbitrage, long/short equity, corporate and structured credit, convertible and derivative arbitrage and private investments. This fund invests on a global basis with positions in the U.S., Europe and Asia. This fund will invest where it sees opportunities; thus, there is no predetermined commitment to any given investment discipline or geography.

Hedge Fund (d)

This fund is a direct, multi-strategy hedge fund. This fund seeks to achieve consistent positive absolute returns that have a low correlation to equity markets through bottom-up, fundamental research. Risk management and preservation of capital are key priorities in the management of this fund. This fund employs an event-driven focus on investing, but also allocates capital to sub-strategies within the fund including distressed investments, merger (or risk) arbitrage, long-short equity, convertible arbitrage and volatility arbitrage.

Hedge Fund (e)

This fund is a fundamental value/growth oriented equity across domestic and developed international markets and a sector specialist strategy excluding coverage of healthcare and financials. The fund employs a "sector before company approach" of fundamental security selection focusing more on industry headwinds/tailwinds while deploying a private equity style research process, working backwards to identify a differentiated view on company earnings deeper and longer sighted than competitors. The fund is a "lower to the ground" strategy with a net exposure that tends to hover in the 20-35% range, leading to lower market volatility and correlation over time. The strategy features moderate concentration, where top 10 ideas typically represent under 60% of the portfolio.

Hedge Fund (f)

This fund uses a multi-portfolio manager structure and centralized risk infrastructure to invest capital across strategies within a largely related value, market neutral investment framework. The fund is designed to produce consistently high risk-adjusted returns with limited sensitivity to traditional equity and fixed income markets. Strategies in the portfolio include Merger Arbitrage, Fundamental Market Neutral Long/Short Equity, Fundamental Conservative Long/Short Equity, High Yield Credit Long/Short, Investment Grade Credit Long/Short, Opportunistic, and Convertible Arbitrage. The fund's portfolio managers abide by strict risk and position size limits within their respective strategy sleeves, and the CIO and Capital Allocation committee add another layer of risk oversight at the fund level. The resulting portfolio is highly diversified, generally holding in excess of 2,000 positions. Key to this fund's process is its focus on risk management, market liquidity, and its ability to allocate capital across strategies to areas with the best perceived risk adjusted return opportunities.

Hedge Fund (g)

This fund is a bottom-up value/growth oriented equity strategy investing across domestic and developed international markets. The fund manager leads an investment team of generalist analysts evaluating industry ecosystems, additionally utilizing vast private equity resources. The investment team focuses strongly on management teams, changing boardroom dynamics, and incentives of key influencers. This approach relies on building relationships with company leadership and competitors, analyzing capital structures, and channel checking across suppliers, customers, etc.

Limited Liability Company (h)

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%.

Limited Partnership (i)

This limited partnership invests in a multi-strategy hedge fund. This partnership seeks superior risk-adjusted return through a process of fundamental analysis that emphasizes capital preservation. This partnership's core investment strategies include merger arbitrage (focused mainly on corporate takeovers), credit investments, which generally include investments in companies experiencing financial distress or whose credit is viewed by the market as marginal but improving and real estate investments, predominantly outside the U.S., in securities such as mortgages or other real estate-related assets.

Limited Partnership (j)

This limited partnership invests in a multi-strategy hedge fund, focused on bottom-up, opportunistic, value-oriented investing across equity, credit and real estate on a global basis. This partnership's portfolio managers focus on only a handful of new investments each year, thus this fund is a concentrated investment, with 20-30 investments typically representing 80% of portfolio value. This partnership's positions are principally held for 1-3 years on average. While not a primary focus, the fund will seek out value enhancement through activism and working with corporate management teams to unlock hidden value. Lastly, this partnership employs minimal leverage.

4. Charitable Gift Annuities and Remainder Trusts

The Foundation administers a Charitable Gift Annuity Program, which is regulated by New York Department of Financial Services and managed by the Foundation and is also registered in various states. The Foundation is the remainderman of the annuities. The total fair market value of the assets held for the charitable gift annuities is $1,136,420 and $1,192,268 as of June 30, 2018 and 2017, respectively. The discount rates used to determine the present value of the split-interest agreements range between 1% and 6%. The Foundation has adequate reserves as of June 30, 2018 and 2017 to fund its charitable gift annuity liability and is in compliance with Code of Maryland Regulations 31.09.07.03. As of June 30, 2018 and 2017, the annuity obligations were approximately $621,000 and $628,000, respectively.

Additionally, the Foundation is the remainderman of charitable remainder trusts for which it is not the trustee. As of June 30, 2018 and 2017, the balance was approximately $1,122,000 and $1,097,000, respectively.

5. Contributions Receivable

The Foundation's contributions receivable as of June 30 are summarized below:

	2018	2017
Total contributions receivable	$ 4,714,400	$ 6,055,226
Less allowance for doubtful accounts	(1,050,000)	(1,050,000)
Less discount to present value	(180,861)	(280,606)
Net present value of contributions receivable	$ 3,483,539	$ 4,724,620
Amounts due in:		
One year or less	$ 1,333,400	$ 1,866,826
Two to five years	2,150,139	2,857,794
Total	$ 3,483,539	$ 4,724,620

The discount rate used to record amounts due in two to five years were between 3.75% and 6.00% at the time of the contribution.

6. Net Assets

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

	2018	2017
Scholarships and awards	$ 2,709,555	$ 1,905,302
College support	2,912,469	3,032,324
Total	$ 5,622,024	$ 4,937,626

Temporarily restricted net assets as of June 30, including appreciation from permanently restricted funds that is temporarily restricted as to use, are available for the following purposes:

	2018	2017
Scholarships and awards	$ 15,642,077	$ 15,970,771
College support	43,115,693	40,156,823
Total	$ 58,757,770	$ 56,127,594

General

The Foundation's endowment consists of 259 donor restricted endowment funds for the purposes indicated below.

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 prudent 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.

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 approximates the long-term inflation rate of 3% plus the endowment's required annual spending rate of 4% 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

The Foundation does not have any funds with deficiencies.

Endowment Funds

Investments to be held in perpetuity totaled $31,464,310 and $31,129,694 as of June 30, 2018 and 2017, respectively. Endowment net asset composition by type of fund as of June 30:

	2018	2017
Scholarships and awards	$ 16,219,101	$ 15,885,201
College support	15,245,209	15,244,493
Total	$ 31,464,310	$ 31,129,694

Changes in endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 4,781,983	$ 31,129,694	$ 35,911,677
Investment income (loss)	-	1,322,326	(22,162)	1,300,164
Change in value split-interest agreements	-	-	2,558	2,558
Contributions	-	74,736	259,192	333,928
Reclassification	-	-	95,028	95,028
Appropriation of endowment net assets for expenditure	1,010,629	(1,010,629)	-	-
Expenses	(1,010,629)	-	-	(1,010,629)
Endowment net assets, end of year	$ -	$ 5,168,416	$ 31,464,310	$ 36,632,726

During 2018, certain net assets were reclassified from temporarily restricted to unrestricted and permanently restricted net assets in accordance with donor agreements.

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 4,330,079	$ 30,439,849	$ 34,769,928
Investment income	-	1,280,893	142,159	1,423,052
Change in value split-interest agreements	-	-	8,362	8,362
Contributions	-	85,000	515,118	600,118
Reclassification	-	-	24,206	24,206
Appropriation of endowment net assets for expenditure	913,989	(913,989)	-	-
Expenses	(913,989)	-	-	(913,989)
Endowment net assets, end of year	$ -	$ 4,781,983	$ 31,129,694	$ 35,911,677

During 2017, certain net assets were reclassified from temporarily restricted to unrestricted and permanently restricted net assets in accordance with donor agreements.

7. Pension

The Brooklyn College Foundation, Inc., has a 401(k) pension plan for its employees. For the years ended June 30, 2018 and 2017, the expense was approximately $56,000 and $53,000, respectively.

8. Related-Party Transactions

The Foundation utilizes certain facilities and professional services provided by the College. The estimated fair value of occupancy costs and salaries and benefits amounted to approximately $103,000 and $89,000 and $756,000 and $871,000, respectively, for the years ended June 30, 2018 and 2017, and are included in the accompanying statements of activities and changes in net assets as both income and expense.

See Note 10 for unconditional promises to give to the College.

9. Concentrations

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with a financial institution in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Foundation has separately insured the balances over the FDIC limits with Citi Bank.

Three and four pledges at gross totaling approximately $3,041,000 and $4,066,000 before discounting represent a significant portion of the total outstanding contributions receivable balance as of June 30, 2018 and 2017, respectively.

As of June 30, 2018 and 2017, approximately 44% of gross outstanding contributions receivable represent amounts due from the Foundation's Board of Trustee members.

10. Unconditional Promises to Give

As of June 30, 2018 and 2017, the Foundation has a remaining commitment to fund the building of the Brooklyn College Performing Arts Center for $1,600,000.

In addition, as of June 30, 2018 and 2017, the Foundation has a commitment of $295,000 to fund the remaining construction retainage related to a Cinema Academy building at Steiner Studios.

11. Transfer of Artwork and Collections

During 2018 and 2017, the Foundation received and then transferred artwork and collections that had been donated to the Foundation for the benefit of the College to Brooklyn College in the amount of $25,200 and $30,000, respectively.