KPMG

THE CITY UNIVERSITY OF NEW YORK

Basic Financial Statements,
Supplementary Schedules, and
Management's Discussion and Analysis

June 30, 2012

(With Independent Auditors' Report Thereon)

THE CITY UNIVERSITY OF NEW YORK

Table of Contents

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The City University of New York:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the University), as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented foundations, component units of The City University of New York. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University's discretely presented foundations, is based on the reports of other auditors.

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 University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The City University of New York, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective June 30, 2012.

Additionally, as discussed in note 2 to the financial statements, the University adopted the provisions of Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2011.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary information included on pages 64 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 18, 2012

Introduction

The intent of Management's Discussion and Analysis (MD&A) is to provide readers with an overview of the changes in the financial position of The City University of New York (the University or CUNY) as of and for the years ended June 30, 2012 and 2011. Prior year balances have been reclassified to conform to the current year presentation.

The MD&A is designed to focus on current activities, resulting changes, and currently known facts with respect to the University's financial position. It should be read in conjunction with the accompanying basic financial statements and related footnotes.

For financial reporting purposes, the University's reporting entity consists of eleven (11) senior colleges, seven (7) community colleges, three (3) Graduate and Professional Schools, and a School of Professional Studies, School of Biomedical Education, and an Honors College. The University's financial statements also include the financial activity of the following other related organizations: Research Foundation of the City University of New York (RF-CUNY), the 230 West 41st Street LLC, the City University Construction Fund (CUCF), the City University Economic Development Corporation (CUEDC), auxiliary enterprise corporations, college associations, child care centers of the individual colleges, and other entities deemed includable in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

The University also includes twenty-two (22) college foundations as part of its reporting entity. These fund-raising organizations follow the Financial Accounting Standards Board (FASB) standards. The financial activities of these organizations are maintained in their original FASB format and are not included in the discussion presented below. The basis for determining which University related organizations are considered to be part of the University's reporting entity is included in note 1 of the financial statements.

Financial Highlights (Comparison of Fiscal Years 2012 and 2011)

- For fiscal year 2012, the State of New York (the State) imposed $95.1 million in operating budget reductions for the senior colleges. Combined with the reductions from the past three fiscal years, the University has now sustained over $300 million in State cuts to the senior colleges since fiscal year 2009. For the community colleges, fiscal year 2012 State base aid per Full-Time Equivalent (FTE) was lowered by $138, resulting in an operating budget reduction to the community colleges of approximately $10.6 million.

- In June 2011, the State approved a rational tuition plan for CUNY that calls for a $300 increase in the resident undergraduate rate each year for the next five years. The State also provided a $40 million revenue appropriation for the tuition increase enacted in spring 2011. The agreement includes a maintenance-of-effort provision, which states that funding cannot be less than the preceding year (beginning with fiscal year 2011-12 levels) unless the governor declares a fiscal emergency, at which point State support for operating expenses at CUNY may be reduced. In the event that annual tuition exceeds $5,000 per year, a tuition "credit" is to be given to those students who are eligible for the State's Tuition Assistance Program (TAP). The New York State Higher Education Services Corporation (HESC) determines the award amount based on the proportion of the current award.

- Enrollment at the University continues to be strong. Annual FTE enrollments increased by 3%, between fiscal years 2012 and 2011. Total headcount enrollment in fiscal year 2012 is in excess of 269,000 students.
- Governor Andrew M. Cuomo approved on September 20, 2011 an amendment to CUNY's Master Plan, establishing The New Community College at CUNY. This is the University's first new community college in more than 40 years. The New Community College connects field experiences with classroom learning in a structured and supportive environment. All students begin in the Summer Bridge Program and engage in a city-centered first-year experience before starting their major coursework in one of six degree programs. Teams of faculty, staff and peer mentors create a rich classroom environment, and an integrated advisement program will help students stay on the path to graduation. The New Community College at CUNY officially opened its doors in midtown Manhattan overlooking Bryant Park on August 20, 2012, after four years of planning in consultation with experts from around the country and hundreds of faculty and staff across the University.
- Several new buildings came online during fiscal year 2012 and the most significant are discussed below:
    - Hunter College School of Social Work - A property in Harlem was purchased to relocate the school from its current leased facility on Manhattan's Upper East Side, giving the school a permanent, owned facility. This new 147,000-square-foot building includes instructional space, a library, centers and institutes, as well as space for the School of Public Health and faculty housing.
    - John Jay multi-use building - This 600,000-square-foot building provides classrooms and lecture halls, modern forensic science labs, instructional and research laboratories, faculty offices, student activities and academic support services, administrative offices, and campus services.
    - CUNY School of Law Building – The University acquired a six-floor, 260,000-square-foot condominium interest in a 14-story building located at 2 Court Square in Long Island City. The space gives the School nearly 70,000 additional square feet of state-of-the-art classroom, conference, and event facilities, including an auditorium and a moot courtroom.
- During fiscal year 2012, the University implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53* (GASB 64), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), please see New Accounting Standards Adopted in note 2 of the financial statements for further details.

Financial Position

An institution's net position (assets minus liabilities) are one measure of financial health or financial position. Increases and decreases in the University's net position over time are indicators of whether its financial health is sound or not.

CUNY's total net position increased by $19.9 million, or 3%, between fiscal years 2012 and 2011.

The 2012 variance was due to the following: (i) a $127.7 million increase in net investment in capital assets primarily due to paying down our debt by $307.5 million and capitalizing more capital assets, offset by depreciation and amortization expense of $218.4 million; (ii) a $87.7 million decrease in restricted expendable net position, which is primarily comprised of a $55.8 million decrease related to funds held for scheduled debt service payments and $8.0 million decrease in the value of the University's Investment Pool, reflecting withdrawals and unrealized losses on pool assets; and (iii) a $22.4 million decrease in unrestricted net position mainly due to an increase in Other Post Employment Benefits (OPEB) liability of $73.3 million, offset by $30 million increase in account receivable related to tuition and fees, and a decrease in compensated absence liability of $11.8 million.

The major components of the University's net position at June 30, 2012 and 2011 follow:

		2012	2011
		(in thousands)	
Net position:			
Net investment in capital assets	$	378,610	250,902
Restricted nonexpendable		45,108	42,844
Restricted expendable		255,615	343,351
Unrestricted		1,932	24,291
Total net position	$	681,265	661,388

Several nonfinancial factors are also relevant to the University's financial health. These include changes in the number and quality of its applicants, size of the first-year class, number of full-time faculty, student retention, graduation rates, building conditions, and campus safety. For example, an increase in the size of the first-year class could result in an increase of tuition and fees revenues.

Assets and Deferred Outflows of Resources

At June 30, 2012, the University's total assets and deferred outflows decreased by $99.7 million, or 1.4%. The variance was primarily attributable to increases in capital assets, net and receivables, net and interest rate swap agreements, offset by decreases in restricted deposits held by bond trustees.

The major components of the University's assets and deferred outflows of resources at June 30, 2012 and 2011 follow:

		2012	2011
		(in thousands)	
Assets:			
Cash and cash equivalents	$	637,432	633,265
Investments		248,981	263,487
Restricted deposits held by bond trustees		446,759	840,516
Restricted amounts held by DASNY		36,845	52,421
Receivables, net		684,414	567,516
Capital assets, net		4,697,746	4,355,779
Prepaid expenses and other assets		42,863	21,031
Total assets	$	6,795,040	6,734,015
Deferred outflows of resources:			
Interest rate swap agreements	$	114,317	64,221
Deferred amount on debt refunding		96,372	107,804
Total deferred outflow	$	210,689	172,025
Total assets and deferred outflows of resources	$	7,005,729	6,906,040

The most significant fluctuations are discussed below:

Restricted Deposits Held by Bond Trustees includes bond proceeds not yet expended for construction projects and debt service and related accumulated investment income. Bond proceeds and investment income in excess of construction costs are restricted for future projects and debt service; these funds are invested in highly liquid assets, such as treasury bills. The balance decreased by $393.8 million, or 46.8%, between fiscal years 2012 and 2011. The 2012 variance was primarily due to receipt of capital appropriations of $501.3 million and receipt of bond proceeds of $133.7 million, offset by construction disbursements of $479.2 million, bond principal payments of $297.2 million, and bond interest payments of $219.3 million, of which $60.5 million was capitalized.

Receivables, net increased by $116.9 million, or 20.6% between fiscal years 2012 and 2011. The 2012 variance was primarily due to i) $67.3 million was due from the State to CUNY due to delays in processing tax levy payments using the new state financial system (SFS) and thus an increase in payments due to vendors related to fiscal year 2012 (these payments were made by October 1, 2012); and ii) $30 million related to amounts due for tuition and fees receivables as a result of tuition increases and continued enrollment increases at the University.

Capital Assets, net includes land, land improvements, building, building improvements, leasehold improvements, construction in progress, infrastructure, infrastructure improvements, intangible assets, artwork and historical treasures, and equipment, reduced by related depreciation. The balance increased by $342.0 million, or 7.9%, between fiscal years 2012 and 2011. Several new buildings came online during fiscal year 2012 and the most significant were Hunter College School of Social Work, John Jay multi-use building and CUNY School of Law Building. The 2012 variance was primarily due to capital asset additions of $561.0 million offset by depreciation expense of $218.4 million.

Interest Rate Swap Agreements are derivative instruments representing an agreement between two parties to exchange future cash flow. Fair value changes of effective derivative hedges are deferred on the statement of net position until the hedged transactions occurs or the derivative ceases to be effective. Fair value changes of ineffective hedges are reported as investment income or loss on the statement of revenues, expenses, and changes in net position. The swap agreements entered into by the University were deemed to be effective. The balance increased by $50.1 million, or 78%, between fiscal years 2012 and 2011, due to the changes in the fair value of the swap agreements.

Liabilities

At June 30, 2012, the University's total liabilities increased by $79.8 million, or 1.3%, between fiscal years 2012 and 2011.

The following summarizes the liabilities at June 30, 2012 and 2011:

		2012	**2011**
		(in thousands)	
Liabilities:			
Accounts payable and accrued expenses	$	652,150	556,590
Compensated absences		127,635	139,396
OPEB liability		426,885	353,541
Unearned tuition and fees revenue		88,676	78,623
Accrued interest payable		80,446	81,324
Long-term debt		4,634,840	4,808,593
Unearned grant revenue		77,585	67,166
Federal refundable loans		28,763	32,811
Interest rate swap agreements		117,403	64,221
Other liabilities		90,081	62,387
Total liabilities	$	6,324,464	6,244,652

The most significant fluctuations are discussed below:

Accounts Payable and Accrued Expenses increased by $95.5 million, or 17.2%, between fiscal years 2012 and 2011. The fiscal year 2012 variance was primarily due to increases in amounts due to vendors as a direct result of delays in processing payments using the new state financial system and retroactive payments that were made to employees in the Laborer and City Laborer titles, as a result of a New York City Comptroller's wage determination which increased the hourly rates for those titles and authorized retroactive payments back to 2002.

OPEB Liability increased by $73.3 million, or 20.7%, between fiscal years 2012 and 2011. The 2012 increase was comprised of annual OPEB cost of $99.6 million, offset by payments made during the fiscal year of $33 million and an increase in OPEB liability of $6.7 million at the RF-CUNY due to the decrease in the discount rate (from 5.70% to 4.10%).

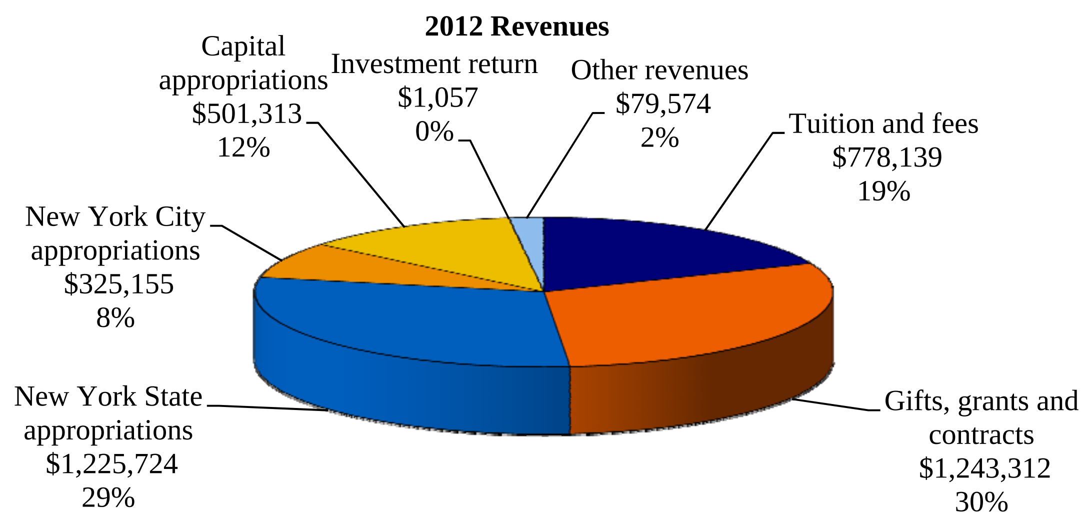
Long-Term Debt decreased by $173.8 million, or 3.6%, between fiscal years 2012 and 2011. The 2012 variance reflects $133.7 in new debt issued, offset by $307.5 million in debt service payments.

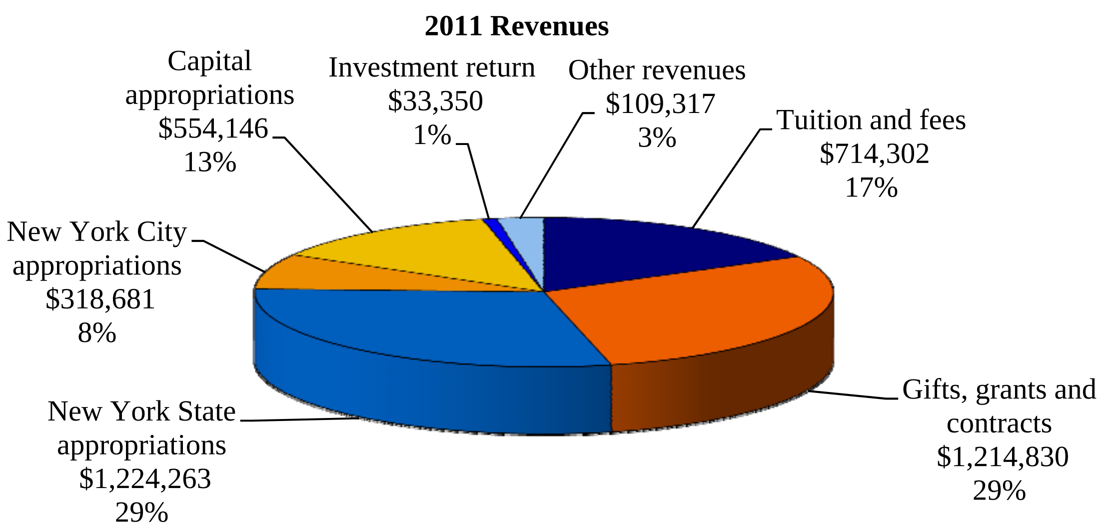
Interest Rate Swap Agreements increased by $53.2 million, or 82.8%, between fiscal years 2012 and 2011. The swap agreements entered into by the University were deemed to be effective. The increase was due to the changes in the fair value of the swap agreements.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the University, as well as nonoperating revenues and expenses. New York State and City appropriations/transfers (appropriations), while budgeted for in operating activities, are presented as nonoperating revenues as prescribed by GASB. The major components of revenues are presented below:

Revenues





The University's revenues for the fiscal years ended June 30, 2012 and 2011 are presented below:

		2012	2011
		(in thousands)	
Revenues:			
Operating revenues:	$		
Tuition and fees, net		778,139	714,302
Grants and contracts		1,213,276	1,182,300
Auxiliary enterprises		25,719	24,050
Other operating revenues		53,855	52,488
Total operating revenues		2,070,989	1,973,140
Nonoperating and other revenues:			
Federal appropriations		—	32,779
New York State appropriations		1,225,724	1,224,263
New York City appropriations		325,155	318,681
Capital appropriations		501,313	554,146
Investment income, net		5,387	6,131
Net (depreciation) appreciation in fair value of investments		(4,330)	27,219
Gifts and grants		30,036	32,530
Total nonoperating and other revenues		2,083,285	2,195,749
Total revenues	$	4,154,274	4,168,889

The University's total revenue for fiscal year 2012 was $4.15 billion, which represents a decrease of $14.6 million, or 0.4%, below the prior year. Gifts, grants, and contracts accounted for 30% of revenues generated by the University, followed by New York State appropriations at 29%, tuition and fees at 19%, capital appropriations at 12%, and New York City appropriations at 8%.

The most significant fluctuations are discussed below:

Tuition and Fees, net of scholarships, increased by $63.8 million, or 8.9%, between fiscal years 2012 and 2011. The fiscal year 2012 variance can be primarily attributed to increases in the undergraduate tuition rate of $300 per year and a 3.1% increase in average annual FTE enrollment for 2012.

The following depicts the University's enrollment trends for the past five years:

Student enrollment 2008 – 2012
Annual Average Headcount Enrollment and
Full-Time Equivalent (FTE) Student Enrollment

	Headcount			FTEs		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
2012	236,863	32,268	269,131	177,783	20,247	198,030
2011	228,211	33,493	261,704	171,213	20,801	192,014
2010	225,681	33,076	258,757	169,080	20,523	189,603
2009	212,614	30,949	243,563	156,329	18,918	175,247
2008	202,222	29,401	231,623	147,378	17,944	165,322

The University continues to experience record enrollment levels. Driven by value-seeking students, including surging numbers of high academic achievers and community college applicants enrollment has increased in every year since 2008. Between 2008 and 2012, headcount enrollment increased 16.2% and FTEs increased 19.8% bringing enrollment to an all-time high. This level of enrollment also reflects the economic challenges currently facing our country and our state, as increasing numbers of students look to gain advanced skills and reshape careers in order to compete successfully in a changing economic environment. At the same time, the enrollment increases are a measure of New Yorkers' increased confidence in CUNY, where students know they can find the high quality, affordable education that is the hallmark of public universities.

Federal Appropriations decreased by $32.8 million, or 100%, between fiscal years 2012 and 2011. The University received $32.8 million in American Recovery and Reinvestment Act (federal stimulus) funds as an offset against state reductions in fiscal year 2011 and none in fiscal year 2012.

Capital Appropriations decreased by $52.8 million, or 9.5%, between fiscal years 2012 and 2011. The 2012 variance was primarily due to a decrease of $52.9 million in scheduled debt service payments.

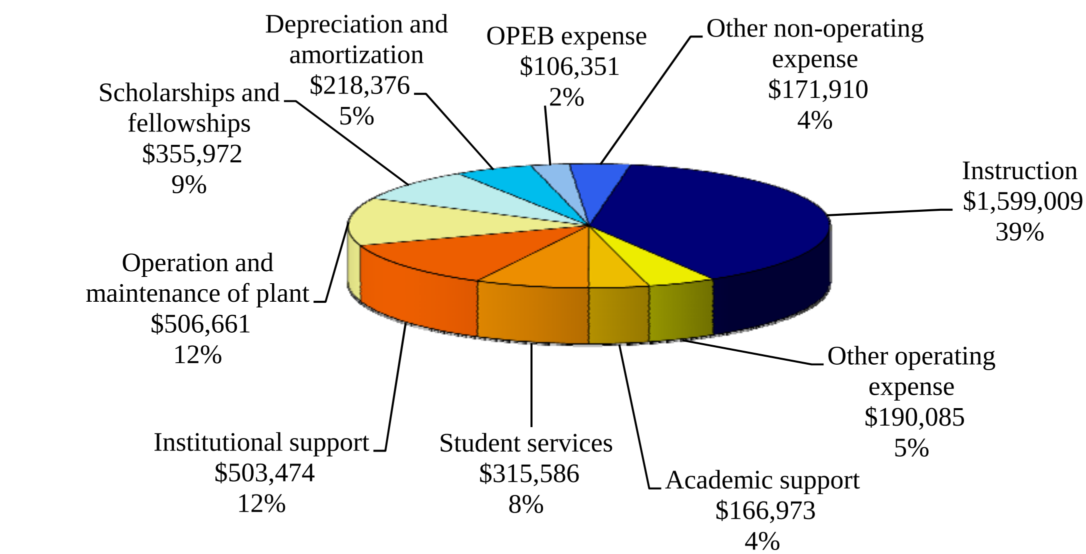
Net (Depreciation) Appreciation in Fair Value of Investments represents net realized and unrealized gains/(losses) on investments. The balance decreased by $31.5 million, or 115.9%, between fiscal years 2012 and 2011. This mainly reflects the difference in the CUNY Investment Pool (Pool). Capital markets continue to be volatile in 2012.

In fiscal year 2011, the Pool experienced a positive return of 21.3%, which included a realized gain of $4.7 million and an unrealized gain of $22.3 million, for a combined realized and unrealized gain of $27.0 million. In fiscal year 2012, the Pool experienced a negative return of 0.7%, which included a realized gain of $3.1 million and an unrealized loss of $6.7 million, for a combined realized and unrealized loss of $3.6 million.

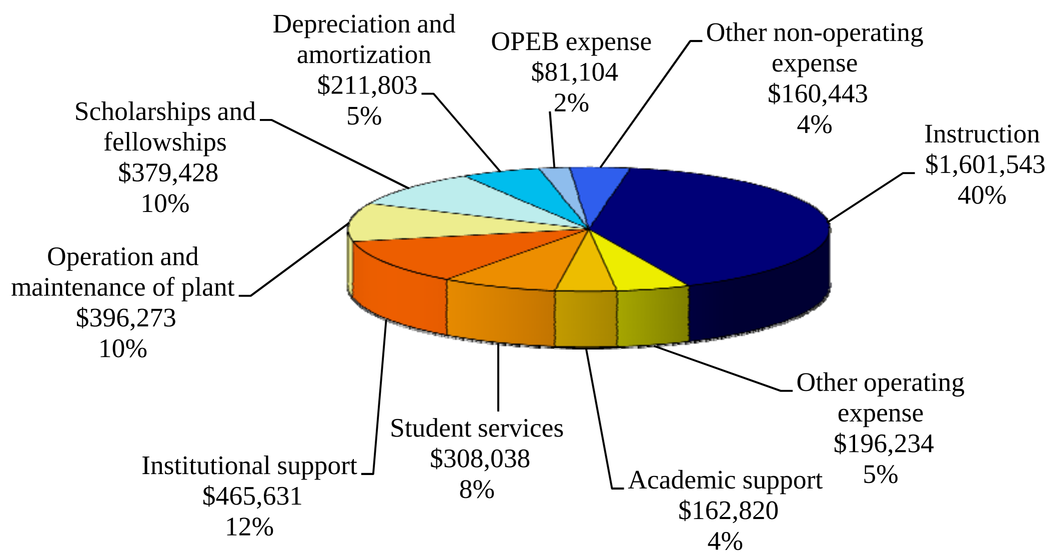
The Pool is a long-term investment solution for the endowed and non-endowed assets of CUNY's colleges and foundations. As such, the objectives are to provide continuous support through relatively predictable and stable annual spending, while at the same time preserving and enhancing the purchasing power for the benefit of future generations of students. The long-term investment objective is to attain an average annual real total return at least equal to 5% plus fees. Over the last three years ended June 30, 2012, the Pool returned 10.3%, well above its objective and beating the median of 82% of its endowment peers.

Expenses

2012 Expenses



2011 Expenses



The University's expenses for the fiscal years ended June 30, 2012 and 2011 are presented below:

		2012	2011
		(in thousands)	
Expenses:			
Operating expenses:			
Instruction	$	1,599,009	1,601,543
Research		120,092	126,872
Public service		29,988	32,295
Academic support		166,973	162,820
Student services		315,586	308,038
Institutional support		503,474	465,631
Operation and maintenance of plant		506,661	396,273
Scholarships and fellowships		355,972	379,428
Auxiliary enterprises		40,005	37,067
Depreciation and amortization expense		218,376	211,803
OPEB expense		106,351	81,104
Total operating expenses		3,962,487	3,802,874
Nonoperating expenses:			
Interest expense		162,190	160,955
Other nonoperating expenses (revenues)		9,720	(512)
Total nonoperating expenses	$	171,910	160,443
Total expenses		4,134,397	3,963,317

Total expenses for fiscal year 2012 exceeded $4.134 billion, which reflected an increase of $171.1 million, or 4.3%, over the prior year. Thirty-nine percent of the University's expenses were spent on instruction, followed by operation and maintenance of plant at 12%, institutional support at 12%, scholarships and fellowships at 9%, and student services at 8%. The 2012 increases can be attributed to overall increases in payroll and related fringe benefit costs and building rentals, somewhat offset by early retirement savings.

Instruction expenses decreased by $2.5 million, or 0.2%, between fiscal years 2012 and 2011. The decrease is mainly due to the early retirement program which commenced in 2010 and ended in 2011, resulting in fewer instructional staff employed for a full year in fiscal year 2012. The lower levels of staff were offset by the annual salary (i.e., step) increments as per contractual obligations. Efforts continue as part of the Master Plan to expand Academic Excellence and to hire more full time faculty.

Institutional Support expenses increased by $37.8 million, or 8.1%, between fiscal years 2012 and 2011. The increase is mainly due to increases in University wide technology initiatives and increases in security costs from labor.

Operation and Maintenance of Plant expenses increased by $110.4 million, or 27.9%, between fiscal years 2012 and 2011. The increase is mainly due to new buildings opening at John Jay College of Criminal Justice, Hunter College, and CUNY Law School, thereby, increasing staff and other expenses such as utilities. Building rentals increased as a result of new rental leases for the School for Professional Studies and Hostos Community

(Continued)

College as well as annual cost escalations for all the University's rentals. Lastly, retroactive payments were made for Laborer and City Laborer titles, as a result of a New York City Comptroller's wage determination, which increased the hourly rates for those titles and authorized retroactive payments back to 2002.

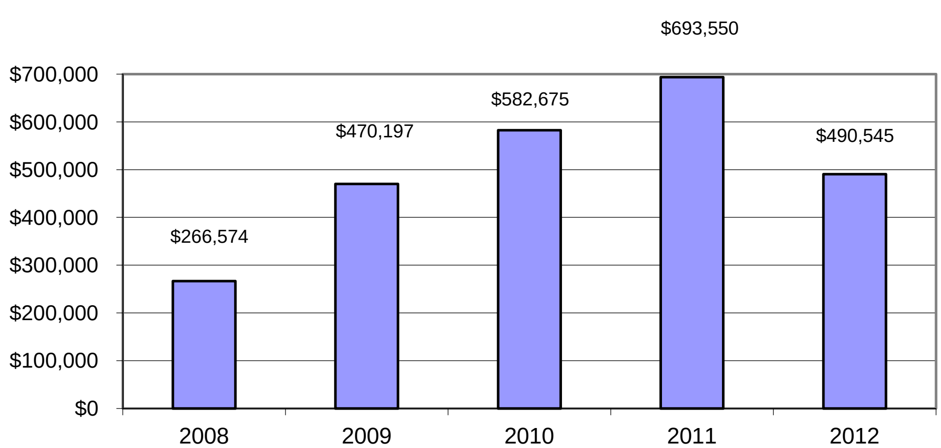
Capital Assets

At June 30, 2012, the University had approximately $4.7 billion in capital assets, net of accumulated depreciation of $3.1 billion. Annual depreciation expense totaled $218.4 million for the year ended June 30, 2012.

The University's capital program addresses the major new construction, rehabilitation, and capital equipment needs of its colleges and is developed in accordance with the University's established priority system as articulated in its Master Plan. Funding is based upon a five-year capital plan, which is subject to final approval by the State. A complete list of project and construction costs is included in the Master Plan. Most of CUNY's capital program is conducted through the Dormitory Authority of the State of New York (DASNY) on behalf of CUNY.

The following depicts disbursements made by DASNY for the University's capital construction projects over the last five years:

DASNY Capital Construction Disbursements
(in thousands)

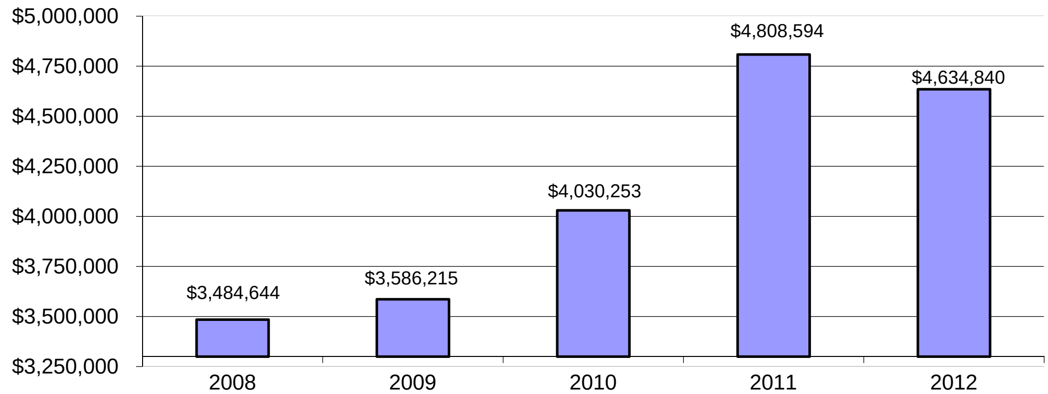


Capital construction disbursement decreased by $203 million, or 29.3%, between fiscal years 2012 and 2011. The 2012 decrease reflects several major projects that were completed or close to completion in 2012, namely the CUNY Law School, the John Jay multi-use building, and the Hunter School of Social Work.

Funding for capital construction and rehabilitation of educational facilities is provided principally through the issuance of bonds authorized by CUCF and funded through DASNY. Some rehabilitation projects are also funded through City and State capital appropriations.

The following summarizes the University's long-term debt:

Long-Term Debt
(in thousands)



Debt decreased by $173.8 million, or 3.6%, between fiscal years 2012 and 2011. The 2012 variance reflects $133.7 million in new debt, offset by debt service payments of $307.5 million.

Economic Factors that may Affect the Future

The major economic factor affecting the future of The City University of New York continues to be the global economic situation and its impact on government entities at all levels. We first called attention to this in 2011, and it continues as a concern in 2012 and into the near term future.

Both the State and the City continue to experience challenges in dealing with forecasted budget gaps through 2013. Revenues are not keeping pace with expenses. New York State is projecting a deficit of $2.4 billion in fiscal year 2013, while New York City is projecting a gap of $4.6 billion. Since fiscal year 2009, CUNY has sustained $300 million in State budget reductions, including a $95.1 million reduction in fiscal year 2012.

In June 2011, the State of New York enacted legislation authorizing CUNY to implement a rational tuition policy by increasing its tuition up to $300 annually for five years (through fiscal year 2015-2016) for full-time undergraduate resident students, beginning with the fall 2012 semester. In addition, the new State legislation requires that a tuition credit be given to those students who are eligible for the State Tuition Assistance Program (TAP) when the annual tuition exceeds $5,000. The legislation also includes a Maintenance of Effort provision, whereby State funding for CUNY's senior colleges cannot be less than the preceding year (i.e., the fiscal year 2012 funding level from the state cannot be less than the funding level was for fiscal year 2011) unless the Governor declares a fiscal emergency, at which point state support for operating expenses at CUNY and SUNY may be reduced proportionate to each other.

For the past number of years, the University has advanced a funding model known as the CUNY Compact. Now in its seventh year, funding is shared by the State and the City, the University (through internal efficiencies), philanthropic sources and students, through managed enrollment growth and modest, predictable tuition increases. With State approval of a rational tuition policy in June 2011 permitting modest tuition increases, this model is now fully operational. It enables multi-year planning and positions CUNY to compete more effectively in the national and international marketplace. It sends a powerful signal to families, donors, and the business community that New York is investing in its students and its future through stable support of its public university systems. This will allow families to plan for the costs of higher education and at the same time protects the neediest students from unmanageable fluctuations in tuition costs. A portion of the revenues generated from the increased rates will be set aside for student financial aid. The University is in the midst of a $3 billion comprehensive capital campaign to conclude in 2015. With 3 years left in the campaign, $2.235 billion has been raised.

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Net Position

June 30, 2012

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents (note 3)	$	637,432
Short-term investments (note 3)		24,779
Restricted deposits held by bond trustees (note 8)		180,225
Restricted amounts held by the Dormitory Authority of the State of New York (note 8)		36,845
Receivables (net of allowance for doubtful accounts of $72,392) (note 4)		663,573
Prepaid expenses and other current assets		14,108
Total current assets		1,556,962
Noncurrent assets:		
Restricted cash (note 3)		25,708
Long-term investments, unrestricted (note 3)		89,209
Long-term investments, restricted (note 3)		134,993
Restricted deposits held by bond trustees (note 8)		266,534
Student loans and accrued interest receivable (net of allowance for doubtful loans of $20,846) (note 4)		20,841
Capital assets, net (note 5)		4,697,746
Other noncurrent assets		3,047
Total noncurrent assets		5,238,078
Total assets		6,795,040
Deferred outflows of resources:		
Interest rate swap agreements (note 7)		114,317
Deferred amount on debt refundings		96,372
Total deferred outflows of resources		210,689
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses (note 6)		652,150
Compensated absences (note 7)		95,181
Unearned tuition and fees revenue		88,676
Accrued interest payable		80,446
Current portion of long-term debt (note 7)		224,375
Unearned grant revenue		77,585
Other current liabilities		38,357
Deposits held in custody for others		35,349
Total current liabilities		1,292,119
Noncurrent liabilities (note 7):		
Compensated absences		32,454
OPEB liability (note 10)		426,885
Long-term debt		4,410,465
Federal refundable loans		28,763
Interest rate swap agreements		117,403
Other noncurrent liabilities		16,375
Total noncurrent liabilities		5,032,345
Total liabilities		6,324,464
Net position:		
Net investment in capital assets		378,610
Restricted:		
Nonexpendable		45,108
Expendable:		
Debt service		93,108
Scholarships and general educational support		96,549
Loans		13,205
Other		52,753
Unrestricted		1,932
Total net position	$	681,265

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Discretely Presented Component Units – College Foundations

Combined Statement of Financial Position

June 30, 2012

Assets:		
Cash and cash equivalents	$	34,925,968
Accounts and other receivables, net		1,180,214
Prepaid expenses and other assets		2,788,027
Contributions receivable, net		131,363,676
Investments		481,667,058
Beneficial interest in remainder trusts		9,781,018
Remainder interest in real property		264,000
Capital assets, net		37,490,460
Total assets	$	699,460,421
Liabilities:		
Accounts payable and accrued expenses	$	4,320,872
Annuities payable		3,713,471
Due to affiliates		2,827,821
Deferred revenue		1,032,911
Loans payable		30,903,654
Other liabilities		728,295
Total liabilities		43,527,024
Net assets:		
Unrestricted		84,025,629
Temporarily restricted		258,372,969
Permanently restricted		313,534,799
Total net assets		655,933,397
Total liabilities and net assets	$	699,460,421

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2012

(In thousands)

Revenues:		
Operating revenues:		
Tuition and fees (net of allowance of $627,948)	$	778,139
Grants and contracts:		
Federal		731,344
New York State		329,516
New York City		64,828
Private		87,588
Total grants and contracts		1,213,276
Sales and services of auxiliary enterprises		25,719
Other operating revenues		53,855
Total operating revenues		2,070,989
Expenses:		
Operating expenses:		
Instruction		1,599,009
Research		120,092
Public service		29,988
Academic support		166,973
Student services		315,586
Institutional support		503,474
Operation and maintenance of plant		506,661
Scholarships and fellowships		355,972
Auxiliary enterprises		40,005
Depreciation and amortization expense		218,376
OPEB expense (note 10)		106,351
Total operating expenses		3,962,487
Operating loss		(1,891,498)
Nonoperating revenues (expenses):		
Government appropriations/transfers:		
New York State		1,225,724
New York City		325,155
Gifts and grants		27,772
Investment income, net		5,387
Interest expense		(162,190)
Net depreciation in fair value of investments		(4,330)
Other nonoperating expenses, net		(9,720)
Net nonoperating revenues		1,407,798
Loss before other revenues		(483,700)
Capital appropriations		501,313
Additions to permanent endowments		2,264
Total other revenues		503,577
Increase in net position		19,877
Net position at beginning of year		712,695
Effect of adoption of GASB 65 (note 2)		(51,307)
Net position at beginning of year, as restated		661,388
Net position at end of year	$	681,265

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Discretely Presented Component Units – College Foundations

Combined Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, losses, and other support:				
Gifts, grants, and contributions	$ 18,086,233	59,556,114	21,942,374	99,584,721
Special events	3,098,665	524,147	1,000	3,623,812
Program service revenues	166,927	—	—	166,927
Investment income	3,318,904	7,716,357	338,441	11,373,702
Net realized and unrealized losses on investments	(4,651,953)	(9,864,923)	(358,096)	(14,874,972)
Change in value of split interest agreements/beneficial trust	293,949	(278,163)	3,391	19,177
Other income	1,953,220	171,959	—	2,125,179
Net assets released from restrictions	57,925,953	(57,925,953)	—	—
Total revenues, gains, and other support	80,191,898	(100,462)	21,927,110	102,018,546
Expenses:				
Program services	73,144,410	—	—	73,144,410
Management and general	8,294,647	—	—	8,294,647
Fundraising	6,906,847	—	—	6,906,847
Total expenses	88,345,904	—	—	88,345,904
Change in net assets before donor redesignations and reclassifications	(8,154,006)	(100,462)	21,927,110	13,672,642
Donor redesignations and reclassifications	1,665,656	4,739,863	(6,405,519)	—
Change in net assets	(6,488,350)	4,639,401	15,521,591	13,672,642
Net assets at beginning of year	90,513,979	253,733,568	298,013,208	642,260,755
Net assets at end of year	$ 84,025,629	258,372,969	313,534,799	655,933,397

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Cash Flows

Year ended June 30, 2012

(In thousands)

Cash flows from operating activities:		
Collection of tuition and fees	$	771,288
Collection of grants and contracts		1,204,085
Collection of loans from students		7,694
Sales and services of auxiliary enterprises		25,719
Collection of other operating revenues		65,476
Payments to suppliers		(267,817)
Payments for utilities		(70,497)
Payments to employees		(2,064,713)
Payments for benefits		(826,524)
Payments for scholarships and fellowships		(355,972)
Payments for OPEB		(40,346)
Loans issued to students		(12,629)
Net cash flows used by operating activities		(1,564,236)
Cash flows from noncapital financing activities:		
New York State and New York City appropriations/transfers		1,471,229
Gifts and grants for other than capital purposes		27,772
Private gifts for endowment purposes		2,264
Decrease in deposits held in custody for others		8,203
Disbursements to third parties		(4,965)
Net cash flows provided by noncapital financing activities		1,504,503
Cash flows from capital and related financing activities:		
Proceeds from capital debt		133,741
Capital appropriations		501,313
Purchases of capital assets		(513,347)
Principal paid on capital debt		(241,538)
Principal amount refunded		(55,675)
Interest paid on capital debt		(158,790)
Amounts paid for bond issuance costs		(4,378)
Decrease in restricted deposits held by bond trustees		393,757
Decrease in restricted amounts held by the Dormitory Authority of the State of New York		15,576
Net cash flows provided by capital and related financing activities		70,659
Cash flows from investing activities:		
Investment income		5,387
Proceeds from sales and maturities of investments		403,292
Purchases of investments		(393,118)
Increase in restricted cash		(22,320)
Net cash flows used by investing activities		(6,759)
Increase in cash and cash equivalents		4,167
Cash and cash equivalents at beginning of year		633,265
Cash and cash equivalents at end of year	$	637,432

(Continued)

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Cash Flows

Year ended June 30, 2012

(In thousands)

Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	$	(1,891,498)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation and amortization		218,376
Bad debt expense		10,958
Change in operating assets and liabilities:		
Receivables		(52,252)
Prepaid expenses and other assets		111
Accounts payable and accrued expenses		48,524
Unearned tuition and fees revenue		10,053
Compensated absences		(11,762)
OPEB liability		73,344
Unearned grant revenue		10,419
Other liabilities		19,491
Net cash flows used by operating activities	$	(1,564,236)

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

The City University of New York (the University or CUNY) is a municipal college system located in the City of New York and is composed of the following colleges:

Senior Colleges

Bernard M. Baruch College
Brooklyn College
The City College
The College of Staten Island
Hunter College
John Jay College of Criminal Justice
Herbert H. Lehman College
Medgar Evers College
New York City College of Technology
Queens College
York College

Community Colleges

Borough of Manhattan Community College
Bronx Community College
Eugenio María de Hostos Community College
Kingsborough Community College
Fiorello H. LaGuardia Community College
Queensborough Community College
New Community College (new)

Graduate and Professional Schools

The Graduate School and University Center
CUNY School of Law
The CUNY Graduate School of Journalism

Other Schools

The William E. Macaulay Honors College
The Sophie Davis School of Biomedical Education
The CUNY School of Professional Studies

In addition to the colleges and schools listed above, it was determined that other related organizations, including the Research Foundation of The City University of New York (RF-CUNY), the City University Construction Fund (CUCF), City University Economic Development Corporation (CUEDC), child care centers, auxiliary service corporations, and student associations should be included in the University's financial reporting entity. The key element for inclusion in the reporting entity is based primarily on financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, *The*

(Continued)

Financial Reporting Entity (GASB 14), defines financial accountability in terms of a primary government (the University) that is financially accountable for the organizations that make up its legal entity. The University is financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the University. The University may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the University are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity.

Further, the State of New York presents the senior colleges as part of the primary government of the State of New York, as defined by GASB 14, in its financial statements. Similarly, the City of New York presents CUCF as a component unit in its financial statements. In addition, the community colleges are reported as part of the primary government of the City of New York.

The accompanying basic financial statements include the operations of the following related organizations, which are blended with the accounts of the University:

RF-CUNY

RF-CUNY is a separate not-for-profit educational corporation and legal entity, which operates as the fiscal administrator for the majority of University-sponsored programs financed by grants and contracts. Such programs include research, training, and public service activities.

230 West 41st Street LLC (the Company) was established on May 7, 2004 as a Delaware limited liability company. The Company was organized pursuant to the Limited Liability Operating Agreement (the Agreement) dated July 14, 2004 by RF-CUNY with a 100% interest in the Company. The Company was formed to acquire, own, and operate an approximately 300,000 square foot office building located at 230 West 41st Street in New York, New York. The Company will continue indefinitely, unless terminated sooner pursuant to the Agreement.

The University has a financial benefit/burden relationship with RF-CUNY. Accordingly, financial activity related to RF-CUNY is included in the accompanying basic financial statements.

CUCF

CUCF is a public benefit corporation, which has the authority to design, construct, reconstruct, and rehabilitate facilities of the University pursuant to an approved master plan. The University has a financial benefit/burden relationship with CUCF, and therefore, the financial activity related to CUCF is included in the accompanying basic financial statements.

CUEDC

CUEDC is a public benefit corporation, which was incorporated to support and advance the education, research, and public service mission of CUNY. The University has a financial benefit/burden relationship with CUEDC, and therefore, the financial activity related to CUEDC is included in the accompanying basic financial statements.

Other Related Organizations

The majority of the University's colleges maintain auxiliary services, child care centers, and certain performing arts corporations. These entities are campus-based, not-for-profit corporations, which operate, manage, and promote educationally related services for the benefit of the campus community. Although separate and independent legal entities, those corporations carry out operations, which are integrally related to the University and are included in the accompanying basic financial statements.

The colleges' student associations carry out operations, which are integrally related to the University. Accordingly, financial activity related to these associations is included in the accompanying basic financial statements.

College Foundations

Under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14* (GASB 39), legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University/college, its component units or its constituents (e.g., students, faculty, and staff).

2. The University/college, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

3. The economic resources received or held by an individual organization that the University/college, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

Each of the 22 foundations listed below met these criteria, and are, therefore, discretely presented in the University's basic financial statements. The majority of the members of the foundations' Board of Directors are made up of individuals who are independent from the University or college. All of the foundations listed below are June 30 year-ends.

Senior College Foundations

The Baruch College Fund
The Brooklyn College Foundation, Inc.
The City College 21st Century Foundation, Inc.
The City College Fund
The City University School of Law Foundation, Inc.
The Graduate Center Foundation, Inc.
The Hunter College Foundation, Inc.
John Jay College Foundation, Inc.
Herbert H. Lehman College Foundation, Inc.
Macaulay Honors College Foundation
Medgar Evers Educational Foundation, Inc.

(Continued)

New York City College of Technology Foundation, Inc.
Queens College Foundation, Inc.
The College of Staten Island Foundation, Inc.
School of Professional Studies Foundation, Inc. (new)
York College Foundation

Community College Foundations

Borough of Manhattan Community College Foundation, Inc.
Bronx Community College Foundation, Inc.
Eugenio María de Hostos Community College Foundation
Kingsborough Community College Foundation, Inc.
Fiorello H. LaGuardia Community College Foundation, Inc.
Queensborough Community College Fund, Inc.

The operations of certain related but independent organizations existing at each campus, such as certain campus-related alumni associations, are not included in the accompanying basic financial statements because they do not meet the third criteria for inclusion under GASB 39; that is, the economic resources received or held by these organizations, which the University or college, or its component units, is entitled to, or has the ability to access, are not significant to the University.

Copies of the foundation audit reports can be obtained by sending an inquiry to The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

(2) Summary of Significant Accounting Policies

In addition to GASB 14 and GASB 39, which were discussed previously, the significant accounting policies followed by the University are described below:

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the GASB. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized when incurred, if measurable.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), establishes financial reporting requirements that require the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34* (GASB 35), establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. In accordance with this statement, the University presents statements of net position, revenues, expenses, and changes in net position, and cash flows on a University-wide basis. The objective of this statement is to enhance the understandability and usefulness of the external financial reports issued by public colleges and universities.

New Accounting Standards Adopted

In fiscal year 2012, the University adopted four new accounting standards as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the University's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53* (GASB 64), establishes that when a government enters into a swap and the swap counterparty or counterparty credit support provider commits or experiences an act of default or a termination event, the government does not terminate hedge accounting if the counter party is replaced by another counterparty and the rest of the terms of the swap remain the same (assignment or in-substance assignment). Thereby, the government continues to report changes in fair values of the swap as either deferred inflows or outflows and does not recognize an investment income or expense. There was no impact on the University's financial statements as a result of the adoption of GASB 64.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by $51.3 million.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are composed of highly liquid assets with original maturities of 90 days or less, and include overnight repurchase agreements, commercial paper, and money market accounts.

Investments and Restricted Deposits Held by Bond Trustees

Debt and equity securities and certain other investments with readily determinable fair values are required to be reported at fair value. Accordingly, the University's investments and restricted deposits held by bond trustees are reported at fair value, which is based upon values provided by the University's custodian or current market quotations and assessed by the University for reasonableness, in the accompanying statement of net position. Nonmarketable investments such as hedge funds or other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers. All investment income, including changes in the fair value of investments, is recognized as gain (loss) in the accompanying statement of revenues, expenses, and changes in net position.

If a derivative's hedge is effective in significantly reducing an identified risk of rising or falling cash flows or fair values, then its fair value changes are deferred on the statement of net position until the hedged transaction occurs or the derivative ceases to be effective. If a derivative hedge is not effective in reducing an identified risk of rising or falling cash flows or fair values, then the change in the fair value is reported as investment income or loss on the statement of revenues, expenses, and changes in net position.

Noncurrent Assets

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more); (2) restricted assets, which should be reported when restrictions on assets change the nature or normal understanding of the availability of the asset. For example, cash and investments normally are classified as current assets, and a normal understanding of these assets presumes that restrictions do not limit the University's ability to use the resources to pay current liabilities. But cash and investments held in a separate account that can be used to pay debt principal and interest only as required by the debt covenants and that cannot be used to pay other current liabilities should be reported as restricted assets; and (3) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs. Investments that are an endowment or externally restricted are reported as restricted long term investment and noncurrent assets.

Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statement of net position.

(Continued)

Capital Assets

Land, land improvements, buildings, building improvements, leasehold improvements, intangible assets, infrastructure, and infrastructure improvements are stated at cost or cost based appraisal values based upon an independent appraisal performed in 2002, with subsequent additions at cost at date of acquisition or fair value at date of donation in the case of gifts. Intangible assets, equipment, and works of art and historical treasures are recorded at cost at date of acquisition or appraised fair value at date of donation.

In accordance with the University's capitalization policy, only those items with unit costs of more than $5,000 (excluding computer hardware, which has a threshold of $1,000) and useful lives of two years or more are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful lives of the structures are capitalized. Net interest costs on debt related to construction in progress are capitalized. University capital assets, with the exception of land, construction in progress, and works of art and historical treasures, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The University reports the effects of capital asset impairment in its financial statements and establishes accounting guidance for recording insurance recoveries.

The University is required to report pollution (including contamination) remediation obligations in its financial statements, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Unearned Revenue

Unearned revenue primarily consists of tuition and fees not earned during the current year and grant and contracts that have not yet been earned.

Noncurrent Liabilities

Noncurrent liabilities include: (1) principal and interest amounts of debt obligations with contractual maturities greater than one year; (2) federal refundable loans; (3) estimated amounts of compensated absences and other liabilities that will not be paid within the next fiscal year; (4) OPEB liability; and (5) interest rate swap agreements with contractual periods in excess of one year.

Other Postemployment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of other than postemployment benefits costs (OPEB) and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan.

OPEB cost is measured and disclosed using the accrual basis of accounting (see note 10). Annual OPEB cost is equal to the annual required contributions of the OPEB plan, calculated in accordance with certain parameters.

Net Position

The University classifies its net position into the following three categories:

Net investment in capital assets

This represents the University's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represent resources derived primarily from student tuition and fees, State and City appropriations/transfers (appropriations), grants and contracts, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Revenue Recognition

Student tuition and fee revenues are recognized in the period earned. Included in revenues are appropriations from New York State and City, which are used for the reimbursement of operating expenses. Appropriations are recognized as the related expenses are incurred.

New York State and City appropriations remain in effect provided the expense has been incurred at June 30, 2012 and a liability established at October 1, 2012. Accordingly, an appropriation receivable is recorded for accounts payable and accrued expenses to be paid from these appropriations.

Classification of Revenues

The University's policy for defining operating activities in the accompanying statement of revenues, expenses, and changes in net position is those that serve the University's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Examples include: (1) tuition and fees, net of scholarship allowances and bad debt; (2) sales and services of auxiliary enterprises; and (3) most Federal, State, local, private grants, and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as contributions, operating and capital appropriations from the State and the City of New York, and investment income.

Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances and bad debt in the accompanying statement of revenues, expenses, and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on behalf of students. To the extent that these revenues are used to satisfy tuition and fees, the University has recorded a scholarship allowance.

Income Tax Status

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

Summary of Significant Accounting Policies Related to Component Units

Purchase Accounting for Acquisition of Real Estate

The fair value of 230 West 41st Street LLC's (the Company) acquired rental property is allocated to the acquired tangible assets, consisting of land, building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases, other value of in place leases, and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets of an acquired property (which includes land and building) is determined by valuing the property as if it were vacant, and the "as if vacant" value is then allocated to land and building based on the Company's determination of relative fair values of these assets. Factors considered by the Company in performing these analyses include an estimate of carrying costs during the expected lease up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance, and other operating expenses, and estimates of lost rental revenue during the expected lease up periods based on current market demand. The Company also estimates costs to execute similar leases, including leasing commissions.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above market and below market in place lease values are recorded based on the difference between the current in place lease rent and the Company's estimate of current market rents. Below market lease intangibles are recorded as part of liabilities, and amortized into rental revenues over the noncancelable period of the respective leases. Above market lease intangibles are recorded as part of assets and are amortized as a direct charge against rental revenues over the noncancelable periods of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in place leases and tenant relationships, is measured by the excess of (i) the purchase price paid for the property over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in place lease values and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease. The value of in place leases is amortized to expense over the remaining noncancelable periods of the respective leases.

The weighted average amortization period for value of in place leases, above-market leases, and below-market leases is approximately five years.

(3) Cash, Cash Equivalents, and Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes disclosure requirements related to the following investment and deposit risks:

Custodial credit risk – deposits is the risk that, in the event of failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk – investments is the risk that, in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the University) of a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University is diversified and is not currently exposed to this risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the investment.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit. The University's exposure to this risk is not significant.

Custodial Credit Risk – Deposits

At June 30, 2012, cash and cash equivalents and restricted cash were held by depositories and amounted to $681,616,296 of which $84,303,458 was insured and $597,312,838 was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the University's name. The carrying value of such funds amounted to $663,140,190 at June 30, 2012.

Investments

At June 30, 2012, the University had the following investments (in thousands):

Investment type	Amount
Mutual funds – equities	$ 78,485
Alternative investments	77,167
U.S. Treasury bills	49,731
Cash and cash equivalents	13,842
Certificates of deposits	8,782
U.S. corporate bonds	8,373
Equities	7,938
Beneficial interest in remainder trust	1,718
Foreign corporate bonds	1,708
Mutual funds – fixed income	782
Foreign government bonds	300
Other investments	155
Total investments	248,981
Less short-term investments	24,779
Long-term investments	224,202
Long-term investments, unrestricted	89,209
Long-term investments, restricted	$ 134,993

The University invests in various types of investments, each having their own unique exposure to risks, such as interest rate, market, and credit risks. The University's Investment Policy for the CUNY Investment Pool, stipulates that the investments shall be diversified by investment manager, by asset class and within asset classes. Alternative investments are primarily invested in marketable equity and debt securities.

The University's Investment Policy for the CUNY Investment Pool, which is comprised of long-term investments has a zero percent target allocation to cash and does not participate in programs that would have uninsured investments held by counterparties.

Custodial Credit Risk – Investments

The University's Investment Policy for CUNY Investment Pool incorporates specific monitoring initiatives, which includes the area of custodial credit risk.

Credit Risk

At June 30, 2012, the University's investments in debt securities were rated as follows (in thousands):

Type of debt security		Fair value	S&P credit rating
U.S. corporate bonds	$	661	AA+
U.S. corporate bonds		605	A+
U.S. corporate bonds		895	A
U.S. corporate bonds		745	A-
U.S. corporate bonds		2,394	BBB+
U.S. corporate bonds		3,073	BBB
Total U.S. corporate bonds		8,373	
Foreign corporate bonds		402	AA-
Foreign corporate bonds		435	A+
Foreign corporate bonds		440	A
Foreign corporate bonds		431	A-
Total Foreign corporate bonds		1,708	
Foreign government bonds		300	A-
Total	$	10,381	

The University's Investment Policy for the CUNY Investment Pool includes a target allocation to fixed income of 25%, as well as reference to specific guidelines for each investment manager. All of the Pool's fixed income is invested in commingled funds as follows: 1) 73% in US Government/Credit bond index, 2) 27% is in global sovereign bonds. The average quality ranges from AA to AA2.

Interest Rate Risk

At June 30, 2012, the University's investments in debt securities had the following maturities (in thousands):

Investment type		Fair value	Less than 1 year	1 – 5 years	6 – 10 years	More than 10 years
U.S. Treasury bills	$	49,731	47,936	1,795	—	—
Certificates of deposits		8,782	4,600	4,182	—	—
U.S. corporate bonds		8,373	67	8,306	—	—
Foreign corporate bonds		1,708	—	1,708	—	—
Mutual funds – fixed income		782	—	640	67	75
Foreign bonds		300	—	300	—	—
	$	69,676	52,603	16,931	67	75

The University's Investment Policy for the CUNY Investment Pool does specify that the primary purpose of the fixed income portfolio shall be to provide a hedge against the effects of a prolonged economic contraction and in order to achieve its primary purpose, its fixed income investments should be made primarily in long-duration, noncallable, or call-protected high quality bonds.

Investment Pool

Certain assets included within investments in the accompanying financial statements are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined on a quarterly basis. At June 30, 2012, the investment pool had a fair value of $166,334,542. The investment pool includes certain gifts and bequests received by the University, the use of which is restricted by donor-imposed limitations. During 2012, the University recorded a loss of approximately $2,054,000, of net realized and unrealized depreciation related to donor-restricted expendable and nonexpendable donations. In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The University has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted nonexpendable endowments as is prudent for the uses, benefits, purposes, and duration for which the nonexpendable endowment funds are established.

(4) Receivables, Net

Receivables consist of the following at June 30, 2012 (in thousands):

Receivables, net		Amount
Appropriations receivable	$	425,260
Students and financial aid receivable		102,454
Grants and contracts receivable		84,855
Student loans receivables and accrued interest receivable		36,311
Other receivables		35,534
Total receivables, net	$	684,414

(5) Capital Assets, Net

Capital assets consist of the following at June 30, 2012 (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012
Buildings	$ 2,466,106	239,434	—	2,705,540
Building improvements	2,316,668	74,389	—	2,391,057
Construction in progress	1,418,107	261,098	70,971	1,608,234
Equipment	511,587	45,043	46,729	509,901
Infrastructure and infrastructure improvements	137,527	4,702	—	142,229
Land	322,541	—	—	322,541
Land improvements	79,751	742	—	80,493
Leasehold improvements	14,662	374	—	15,036
Internally generated software	5,497	3,012	134	8,375
Copyrights	4,334	2,933	—	7,267
Works of art and historical treasures	12,118	294	326	12,086
Total capital assets	7,288,898	632,021	118,160	7,802,759
Less accumulated depreciation:				
Building	1,332,292	57,083	—	1,389,375
Building improvements	1,085,641	100,892	1,442	1,185,091
Equipment	405,456	49,953	45,029	410,380
Infrastructure and infrastructure improvements	38,244	6,970	—	45,214
Land improvements	63,923	1,381	1	65,303
Leasehold improvements	6,367	1,246	—	7,613
Internally generated software	808	666	51	1,423
Copyrights	388	226	—	614
Total accumulated depreciation	2,933,119	218,417	46,523	3,105,013
Total capital assets, net	$ 4,355,779	413,604	71,637	4,697,746

Added to construction in progress is net capitalized interest of $60,526,000 for the year ended June 30, 2012. This amount represents interest expense of $61,202,000 reduced by investment income of $676,000 for the year ended June 30, 2012.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2012 (in thousands):

Accounts payable and accrued expenses		Amount
Personnel services	$	165,808
Fringe benefits		95,296
Capital projects		117,465
Due to City of New York		30,540
Due to State of New York		10,072
Vendors and other		232,969
Total accounts payable and accrued expenses	$	652,150

(7) Noncurrent Liabilities

Noncurrent liabilities at June 30, 2012 consist of the following (in thousands):

Noncurrent liabilities		June 30, 2011	Additions	Reductions	June 30, 2012	Current portion
Long-term debt:						
Mortgage loan payable	$	58,292	—	909	57,383	978
Capital lease agreements with DASNY		4,628,746	63,783	299,290	4,393,239	215,905
Macaulay Honors College loan		18,400	—	1,800	16,600	1,800
Queens Student Residences mortgage loan		67,154	2,142	605	68,691	725
College of Staten Island Student Housing Bond		—	67,776	—	67,776	—
Certificate of Participation (PIT)		36,000	—	4,849	31,151	4,967
Total long-term debt		4,808,592	133,701	307,453	4,634,840	224,375
Other liabilities:						
Compensated absences		139,396	1,264	13,025	127,635	95,181
Federal refundable loans		32,811	1,177	5,225	28,763	—
Other noncurrent liabilities		16,617	—	242	16,375	—
OPEB liability		353,541	106,352	33,008	426,885	—
Interest rate swap agreements		64,221	53,182	—	117,403	—
Total other liabilities		606,586	161,975	51,500	717,061	95,181
Total noncurrent liabilities	$	5,415,178	295,676	358,953	5,351,901	319,556

Mortgage Loan Payable

On July 11, 2004, the Company, a component unit of the University, entered into a mortgage loan (the Loan) with a principal amount of $62 million, which matures on August 11, 2014. The Loan bears interest at a rate of 6.19% and is payable in monthly installments of interest only through August 2006; thereafter, principal and interest payments are due in equal monthly installments of $379,328. A balloon payment is due at maturity consisting of unpaid principal of $55,184,007 and accrued and unpaid interest.

Under the terms of the Loan, the Company is required to deposit monthly payments of $24,500 to escrow accounts maintained by the Company consisting of escrow accounts for building capital expenditures and tenant improvements, leasing commissions, lease cancellation fees, and other leasing costs. The Company had balances in escrow accounts, including interest earned, of approximately $1,952,000 as of June 30, 2012. In addition, under the terms of the mortgage, the Company is required to deposit monthly payments to escrow accounts maintained by the Company for real estate taxes and insurance.

The following is a summary of future minimum mortgage payments required under the mortgage loan payable at June 30, 2012 (in thousands):

Mortgage loan payable	Principal
Fiscal year:	
2013	$ 978
2014	1,041
2015	55,364
	$ 57,383

The Loan is secured by the property and assignment of rents and other payments from the tenants.

The Loan is subject to certain restrictive financial covenants, including limitations on the incurrence of additional indebtedness. Management believes the Company is in compliance with all covenants at June 30, 2012. The Loan is subject to certain prepayment penalties if it is repaid prior to its maturity date.

Also, included in restricted cash are amounts to be funded for replacements and repairs, and leasing commissions as required by the loan agreement.

Capital Lease Agreements with the Dormitory Authority of the State of New York

The University has entered into capital lease agreements for much of its capital assets with the Dormitory Authority of the State of New York (DASNY). In addition, the University has entered into various agreements for construction of other capital assets and the purchase of other equipment through the issuance of certificates of participation. The University has also entered into certain leases for leasehold improvements, which have been treated as capital leases.

Under the University's capital lease agreements with DASNY, construction costs are initially paid with the proceeds of bonds issued by DASNY. The bonds, with a maximum 30-year life, are repaid by DASNY via appropriations received from both New York State and New York City. Annual bond payments are secured by instructional and noninstructional fees, State appropriations for University operating expenditures, per capita State aid to New York City, or New York State personal income tax receipts. Upon repayment of the bonds and the satisfaction of all other obligations under the agreements, all rights, title, and interest in the projects are conveyed to the State of New York (for senior colleges) or the City of New York (for community colleges).

The following is a schedule by year of future minimum lease payments under these capital leases, together with the net swap amount, assuming current interest rates remain the same, and the present value of the minimum lease payments at June 30, 2012 (in thousands):

Capital lease agreements with DASNY	Principal	Interest	Swap, net	Total
Fiscal year:				
2013	$ 205,665	205,283	14,826	425,774
2014	181,975	195,283	14,826	392,084
2015	189,095	186,240	14,791	390,126
2016	231,030	175,745	14,791	421,566
2017	234,250	164,401	14,791	413,442
2018 – 2022	936,600	679,150	60,357	1,676,107
2023 – 2027	775,655	482,834	34,141	1,292,630
2028 – 2032	694,670	301,481	6,377	1,002,528
2033 – 2037	542,090	146,827	—	688,917
2038 – 2042	246,960	25,565	—	272,525
Total minimum lease payment	$ 4,237,990	2,562,809	174,900	6,975,699
Less amount representing interest				(2,562,809)
Less swap, net				(174,900)
Present value of net minimum lease payments				4,237,990
Plus unamortized original issue premium, net				155,249
Carrying amount of obligations				$ 4,393,239

Interest rates on DASNY obligations range from 2% to 6.1%.

During 2012, DASNY issued refunding bonds with a par value of $52,265,000 and original issued premium of $11,518,408. Bond proceeds of $63,049,559 were used to defease $55,675,000 of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is defeased. The economic gain related to the defeased bonds amounted to $5,555,127. The excess of the bond proceeds over the amount of debt defeased, $7,374,559, and remaining unamortized premium and discount of $2,215,067 are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter.

As of June 30, 2012, a total of $174,760,000 of bonds outstanding were defeased.

Interest Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY issued certain variable interest rate bonds, and concurrently entered into 22 separate pay-fixed, receive-variable interest swaps with three counterparties. The swaps are undertaken as a part of the State's overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swaps were entered into at the same time the bonds were issued. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bond payable" category. The terms, including the fair values and credit ratings of the outstanding swaps at June 30, 2012, were as follows (in thousands):

Pay-fixed, receive-variable swaps

Counterparty	Notional amount	Termination date	Swap fixed rate paid	a Variable swap rate received	Swap fair value	b Counterparty credit rating	Swap insured	Change in fair value
City University System Consolidated Revenue Bonds, Series 2008C and 2008D:								
Hedging derivatives:								
Citibank	$ 214,309	1/1/25 to 7/1/31	3.36%	65% of LIBOR	$ (50,145)	A3/A/A	Yes	$ (23,150)
Merrill Lynch	124,422	1/1/25 to 7/1/31	3.36	65% of LIBOR	(29,104)	Aa3/AAA/NR	Yes	(13,442)
UBS	124,422	1/1/25 to 7/1/31	3.36	65% of LIBOR	(29,104)	A2/A/A	Yes	(13,442)
Total pay-fixed swap	$ 463,153				$ (108,353)			(50,034)

a London Interbank Offered Rate
b Moody's/S&P/Fitch, respectively

At June 30, 2012, the swaps had a fair value of $(108,353,000) and are included in interest rate swap agreements in the statement of net position. These swaps had a change in fair value during fiscal year 2012 of $(50,034,000). Interest rates have changed since the swaps were entered into; the pay-fixed, receive-variable swaps have a fair value of $(108,353,000) (the fixed swap payment rate is higher than current comparable fixed rates). The fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Market Access Risk. The swap agreements are exposed to market access risk. There is risk that DASNY will not be able to enter the credit markets or that credit will become more costly. If that occurs, expected cost savings from the swap may not be realized.

Credit Risk. At June 30, 2012, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rates change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps' fair value.

The guidelines set forth by DASNY require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings that are obtained from any other nationally recognized statistical rating agency for such counterparty shall also be within the three highest investment grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings.

Interest Rate Risk. The pay-variable, receive-fixed interest rate swaps increase the exposure to interest rate risk. The variable interest rate to the counterparties is based on the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). As SIFMA increases, the net payment on the swaps increases.

Basis Risk. The pay-fixed, receive-variable swap agreements are exposed to basis risk. DASNY is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate representing 65% of the one-month LIBOR. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk. The swap contracts use the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds, and bankruptcy. The schedule to the Master Agreement includes additional termination events, providing that the swap may be terminated if either the downgrade of the applicable state supported bonds or the debt of the counterparty falls below certain levels. DASNY or the counterparty may terminate any of the swaps if the other party fails to perform under the term of the contract. If the counterparty to the swap defaults or if the swap is terminated, the related variable rate bonds would no longer be hedged and DASNY would no longer effectively be paying a synthetic fixed rate with respect to those bonds. A termination of the swap agreement may also result in DASNY making or receiving a termination payment. If, at the time of termination, the swap has a negative fair value, DASNY would incur a loss and would be required to settle with the other party at the swap’s fair value. If the swap has a positive value at the time of termination, DASNY would realize a gain that the other party would be required to pay.

Rollover Risk. Since the terms of the individual swaps correlate to match the final maturity of the associated debt, the authority is not exposed to rollover risk.

Macaulay Honors College Loan

The University is obligated to repay the loan related to the purchase of the Macaulay Honors College Building.

The following is the schedule by year of future principal and interest payments to TD Bank on behalf of the Macaulay Honors College Foundation, assuming current interest rates at June 30, 2012 remain the same (in thousands):

Macaulay Honors College Loan		Principal	Interest		Total
Fiscal year:					
2013	$	1,800	542		2,342
2014		14,800	276		15,076
Total minimum loan payment	$	16,600	818		17,418
Less amount representing interest					(818)
Carrying amount of obligations				$	16,600

Interest rate range is between 6.54% and 30-day LIBOR (0.24%) plus 1.25%. At June 30, 2012, the variable interest rate was 1.49%.

Queens Student Residences Mortgage Loan

The Queens Student Residences, LLC ("QSR") entered into a mortgage loan with RBS Citizens Bank, NA for financing Queens College Summit, Student Housing Building. In connection with the loan, the Queens Student Residences obtained a letter of credit of $70,645,957 from RBS Citizens Bank, N.A. On May 10, 2012, the letter of credit termination date was extended to May 10, 2015.

Under the revised Reimbursement Agreement, the QSR has agreed, among other things, to reimburse the bank for amounts drawn on the letter of credit; to maintain a debt service coverage ratio of not less than 1.05 to 1; and maintain certain reserve accounts. Additionally, the QSR is required to make annual sinking fund payments and maintain a fixed interest rate swap agreement. QSR is in compliance with these requirements at June 30, 2012, except for the debt service coverage ratio requirement. RBS Citizens Bank has issued a waiver for this instance of noncompliance at June 30, 2012. The debt service coverage ratio is only required to be calculated at June 30.

The following is the schedule by year of future principal and interest payments to RBS Citizens Bank, NA, assuming current interest rate and the present value of the net swap amounts at June 30, 2012 remain the same (in thousands):

Queens Student Residences Mortgage Loan		**Principal**	**Interest**	**Swap, net**	**Total**
Fiscal year:					
2013	$	725	131	1,971	2,827
2014		855	129	1,950	2,934
2015		995	128	1,925	3,048
2016		1,145	126	1,896	3,167
2017		1,300	123	1,863	3,286
2018 – 2022		7,795	576	1,521	9,892
2023 – 2027		9,475	496	—	9,971
2028 – 2032		11,530	399	—	11,929
2033 – 2037		14,010	280	—	14,290
2038 – 2042		17,035	136	—	17,171
2043 – 2044		3,826	7	—	3,833
Total minimum loan payment	$	68,691	2,531	11,126	82,348
Less amount representing interest					(2,531)
Less swap, net					(11,126)
Carrying amount of obligations					$ 68,691

Swap interest rate is the 7-day USD-LIBOR-BBA times 67% and the fixed rate of the bonds is 3.0275%. At June 30, 2012, the 7-day USD-LIBOR-BBA rate was .13%.

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, Queens Student Residences concurrently entered into pay-fixed, receive-variable interest swap with the same bank, for which swap payments commence at future date. The notional amount of the swap is $68,070,000 whereas the principal amount of the associated debt is $68,690,000. The swap was entered into at the same time the loan was obtained. The swap agreement contains scheduled reductions to outstanding notional amounts that continue through fiscal 2018, the swap termination date. The terms, including the fair values and credit ratings of the outstanding swap at June 30, 2012, are as follows (in thousands):

Pay-fixed, receive-variable swaps								
Counterparty	**Notional amount**	**Termination date**	**Swap fixed rate paid**	**Variable swap rate received**	**Swap fair value**	**Counterparty credit rating**	**Swap insured**	**Change in fair value**
Hedging derivative:								
RBS Citizens, NA	$ 68,070,000	4/23/2018	3.0275%	7-days USD-LIBOR-BBA times 67%	$ (9,050)	A (S&P)	Yes	$ (3,147)

At June 30, 2012, the swap had a fair value of $(9,050,000) and is included in interest rate swap agreements in the statement of net position.

Market Access Risk. The pay-fixed, receive-variable swap agreement is exposed to market access risk. There is risk that the Queens Student Residences will not be able to enter credit markets or that credit will become more costly. If that occurs, expected cost savings from the swap may not be realized.

Credit Risk. At June 30, 2012, the swap agreement was not exposed to credit risk as the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, then the swap agreement would be exposed to credit risk in the amount of the swap’s fair value.

Basis Risk. The pay-fixed, receive-variable swap agreement is exposed to basis risk. The Queens Student Residences is paying a fixed rate of interest to the counterparty at 3.0275% and receiving from the counterparty a variable rate representing 7-day USD-LIBOR-BBA times 67%. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk. The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds, and bankruptcy. The Queens Student Residences or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. A termination of the swap agreement may also result in the Queens Student Residences making or receiving a termination payment. If, at the time of termination, the swap has a negative fair value, the Queens Student Residences would incur a loss and would be required to settle with the other party at the swap’s fair value. If the swap has a positive value at the time of termination, the Queens Student Residences would realize a gain that the other party would be required to pay.

Rollover Risk. Since the term of the swap does not match the final maturity of the associated debt, the Queens Student Residences is exposed to rollover risk.

College of Staten Island Student Housing Bond

The New York City Housing Development Corporation issued a bond of $67,800,000 on behalf of the College of Staten Island Student Housing, LLC in order to finance a student housing facility to benefit students attending the College of Staten Island. The following is a summary of future minimum payments under this agreement at June 30, 2012 (in thousands):

College of Staten Island Student Housing Bond	**Principal**	**Interest**	**Total**
Fiscal year:			
2013	$ —	2,102	2,102
2014	—	2,522	2,522
2015	785	2,520	3,305
2016	745	2,508	3,253
2017	760	2,492	3,252
2018 – 2022	4,995	12,208	17,203
2023 – 2027	8,110	11,283	19,393
2028 – 2032	9,710	9,772	19,482
2033 – 2037	11,875	7,714	19,589
2038 – 2042	14,670	5,050	19,720
2043 – 2047	16,150	1,723	17,873
Total minimum loan payment	$ 67,800	59,894	127,694
Less amount representing interest			(59,894)
Less unamortized original issue discount, net			(24)
Carrying amount of obligations			$ 67,776

Interest rates on the College of Staten Island Student Housing bond obligations range from 1.395% to 4.150%.

Certificate of Participation Agreements

The University has entered into various arrangements for the acquisition/rehabilitation of capital assets through the issuance of personal income tax bonds (PIT) also known as certificates of participation. The bonds are issued through a trustee and the University is responsible for payment to the trustee in an amount equal to the interest and principal payment made by the trustee to the certificate bond holders. There is no collateral associated with the bonds. The following is a summary of future minimum payments required under this agreement at June 30, 2012 (in thousands):

		Principal	Interest		Total
Fiscal year:					
2013	$	4,967	743		5,710
2014		5,089	621		5,710
2015		5,213	495		5,708
2016		5,340	366		5,706
2017-2021		10,542	733		11,275
Total minimum loan payment	$	31,151	2,958		34,109
Less amount representing interest					(2,958)
Carrying amount of obligations				$	31,151

Interest rates on Certificate of Participation obligations range from 2.18% to 2.87%.

Compensated Absences

Employees accrue vacation leave based upon time employed, with the maximum accumulation generally ranging from 45 to 50 days. The recorded liability for accrued vacation leave, including the University's share of fringe benefits, is approximately $95.7 million at June 30, 2012, of which $1.6 million is related to early retirement. Employees also earn sick leave credits, which are considered termination payments and may be accumulated up to a maximum of 160 days. Accumulated sick leave credits are payable up to 50% of the accumulated amount as of the date of retirement. The recorded liability for sick leave credits is approximately $31.9 million at June 30, 2012, of which $3.9 million is related to early retirement.

(8) Restricted Deposits Held by Bond Trustees and Restricted Amounts Held by the Dormitory Authority of the State of New York

Restricted deposits held by bond trustees include bond proceeds not yet expended for construction projects and related accumulated investment income. Bond proceeds and interest income in excess of construction costs are restricted for future projects or debt service. In addition, restricted deposits held by bond trustees include reserves required for debt service and replacement under lease agreements, together with earnings on such funds.

Restricted amounts held by DASNY represent funds that have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes.

In accordance with GASB 40, restricted deposits held by bond trustee and restricted amounts held by DASNY by type at June 30, 2012 are as follows (in thousands):

Deposits held by trustee and amounts held by DASNY		**Fair value**	**Rating**
Type:			
Cash and cash equivalents	$	279,996	
U.S. Treasury notes and bonds		36,830	
U.S. Treasury bills		120,933	
U.S. Treasury Strips		6,102	
U.S. agency mortgage-backed securities		39,743	AA/Aaa/AAA *
Total	$	483,604	

* S&P, Moody's, Fitch respectively

The funds are invested in securities with maturities of less than one year.

Restricted deposits held by bond trustee and restricted amounts held by DASNY are subject to the following risks:

Custodial Credit Risk

Custodial credit risk for restricted deposits held by bond trustee and restricted amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the University will not be able to recover the value of its cash and investments in the possession of an outside party. Of the $483,604,000 in restricted deposits held by bond trustee and restricted amounts held by DASNY at June 30, 2012, $479,438,000 is held by DASNY or the bond trustee, not in the University's name.

Credit Risk

For an investment security, credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Under investment agreements, restricted deposits held by bond trustee and restricted amounts held by DASNY are invested with financial institutions at a fixed contract rate of interest. Because the security is essentially a written contract, there is no rating available for such an instrument; however, at the time the agreements are entered into, the underlying providers are generally rated in at least the second highest rating category by at least one of the nationally recognized rating organizations in accordance with established investment policy and guidelines.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. During 2012, restricted deposits held by bond trustee and restricted amounts held by DASNY were not exposed to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy for restricted deposits held by bond trustee or restricted amounts held by DASNY that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments primarily consist of obligations of the U.S. Government and are reported at fair value with maturities of one year or less.

(9) Pension Plans

The University participates in three pension plans for its employees: the New York City Employees' Retirement System (ERS); the Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS); and Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). ERS and TRS are cost sharing, multiple employer defined benefit plans administered by the City of New York. TIAA-CREF is a privately operated, multi-employer defined contribution retirement plan. TIAA-CREF obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

ERS and TRS provide retirement benefits, as well as death and disability benefits. These systems function in accordance with existing State of New York statutes and New York City laws.

ERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to ERS at 335 Adams Street, Brooklyn, New York 11201, or TRS at 55 Water Street, New York, New York 10041.

TIAA-CREF provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

Funding Policy

Employer contributions to ERS and TRS are determined by the City of New York based on actuarially determined rates that, expressed as a percentage of annualized covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Member contributions are established by law. Employees who joined ERS and TRS on or after July 1, 1977 are mandated to contribute 3% of their annual wages to the plans. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members are not required to make contributions after the 10th anniversary of their membership date or completion of 10 years of credited service, whichever is earlier.

Employer and employee contribution requirements to TIAA-CREF are determined by the New York State Retirement and Social Security Law. Participating University employees contribute 1.5% for tiers one through four and 3.0% for tier five of salary on an after tax basis. Employer contributions range from 10.5% to 13.5% for tiers one through four, depending upon the employee's compensation, and 8.0% to 10.0% of salary for tier five, depending upon the employee's years of service. Employee contributions for 2012 amounted to approximately $65.8 million.

The required University contributions for the current year and the two preceding years were (in thousands):

Pension plans		ERS	TRS	TIAA-CREF	Total
Year:					
2012	$	49,731	62,504	99,869	212,104
2011		45,106	50,051	109,278	204,435
2010		41,000	40,175	96,197	177,372

The University's contributions made to the systems were equal to 100% of the contributions required for each year.

(10) Postemployment Benefits

Plan Description. CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program (Plan), which is a single-employer defined benefit healthcare plan. The program covers former CUNY employees who were originally employed by CUNY senior colleges or by CUNY community colleges. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS):

- New York City Employees' Retirement System (ERS)
- New York City Teachers' Retirement System (TRS)
- New York City Board of Education Retirement System (BERS)

In addition, the program covers individuals under alternate retirement arrangements. The most significant alternate retirement arrangement is coverage under the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA) rather than through the NYCRS. In addition to the participants of NYCRS and TIAA, the valuation also includes 28 CUNY employees covered under the Cultural Institutions Retirement System (CIRS), who are being treated the same as employees in TIAA.

The City of New York is assumed to pay for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS and TIAA who retired from community colleges. The City of New York also pays for the Ware Fund costs for nonpedagogical CUNY Senior College retirees of the NYCRS. In addition, the City reimburses CUNY employees the Part B premium for Medicare-eligible retirees and covered spouses for all covered CUNY employees, whether retired under NYCRS or TIAA, and whether retired from a senior or community college. The obligation for the coverage is considered an obligation of the City and not included in CUNY's valuation.

CUNY currently reimburses the City for Basic Coverage and Welfare Fund coverage for NYCRS senior college retirees except for those who retired from one of the NYCRS in nonpedagogical positions. CUNY is also currently billed for Basic Coverage and Welfare Fund coverage for all TIAA retirees, whether retired from a senior or community college.

The City issues a publicly available financial report, which is available at: Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, New York 10007.

Funding Policy. Postemployment Benefits other than Pensions (OPEB) includes Health Insurance and Medicare Part B Reimbursements; Welfare Benefits stem from the University's collective bargaining agreements. The University is not required by law or contractual agreement to provide funding for postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependants. For the fiscal year ended June 30, 2012, the University paid $41.5 million, of which $33 million was for senior colleges and $8.6 million was for community colleges, which were paid to the New York City Health Retirement Trust Fund.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB 45). Under this method, the excess of the Actuarial Present Value of Projected Benefits over the sum of the Actuarial Value of Assets and the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the future salaries of the group included in the valuation from the valuation date to assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains (losses), as they occur, reduce (increase) future Normal Costs. The ARC represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year, and amortize unfunded actuarially liabilities (or funding excess) over an open 30-year period. The results also take into account certain aspects of National Health Care Reform (NHCR) and its impact on certain benefits and on certain OPEB-specific actuarial assumptions. The following table shows the elements of the University's annual OPEB cost for the year, the amount paid, and changes in the University's net OPEB obligation for the year ended June 30, 2012 (in thousands):

		Amount
Annual required contribution*	$	99,548
Interest on net OPEB obligation		12,961
Adjustment to annual required contribution		(12,878)
Annual OPEB cost (expense)		99,631
Payments made		(33,007)
Increase in net OPEB obligation		66,624
Net OPEB obligation – beginning of year		324,054
Net OPEB obligation – end of year	$	390,678

* This amount reflects a 30-year amortization as a level percentage of payrolls of the Unfunded Actuarial Accrued Liability on an open basis.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2012 were as follows (in thousands):

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost paid	Net OPEB obligation
June 30, 2012	$ 99,632	33.1%	$ 390,678

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $1,235 million (which represents the total present value $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,235 million). The covered payroll (annual payroll of active employees by the Plan) was $910.1 million, and the ratio of the UAAL to the covered payroll was 135.7%.

The schedule of funding progress, shown below as required supplementation information, presents the results of OPEB valuations as of June 30, 2012 and looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress
(In thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/c
June 30, 2011	$ —	1,235,145	1,235,145	0%	$ 910,097	135.7%

Actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The recently approved health care reform law could have significant accounting consequences for entities in diverse industries. Specifically, there are several provisions in the new law that might affect CUNY's measurement of its postretirement healthcare benefits obligation. There are certain provisions (if applicable) that are generally expected to either increase or reduce employer's obligations. It is very difficult at this stage to measure the impact of some of these provisions on CUNY's obligations. CUNY will continue to monitor developments, interpretations, and guidance relating to the law and incorporate the latest thinking in future measurements.

Additionally, beginning in 2018, NHCR will impose an excise tax on providers of certain “high cost plans” with total health care benefit values above certain thresholds. In considering the impact of the excise tax, projected potential tax amounts are estimated based on a reasonable set of assumptions, and concludes that the impact of the high cost plan excise tax on the CUNY OPEB valuation would be de minimis. Thus, any explicit liability for this potential additional future administrative cost is not included. Alternative assumptions and interpretations of the law could result in a greater financial impact.

Actuarial Cost Methods and Assumptions: CUNY employees and retirees are eligible for the same health benefits (both in active service and in retirement, if eligible) as employees and retirees of the City of New York. The health benefits are administered by the Office of Labor Relations (OLR). The City of New York is responsible for the cost of all OPEB benefits for Community College retirees, Welfare Fund costs for nonpedagogical CUNY Senior College retirees of NYCRS, and Medicare Part B premiums for all Senior College retirees.

The actuarial assumptions used for CUNY members of the NYCRS are the same as those used for City of New York members of the applicable retirement systems. According to the data provided by the New York City Office of the Actuary (OA), there are CUNY employees covered by NYCRS, TRS, and BERS.

Except as noted below, all other assumptions for TIAA employees and retirees (e.g., mortality, disability, rate of salary increase, discount rate, per capita claims costs, healthcare trend rates, and age-related morbidity) are the same as those used for members of TRS.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical patterns of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date**:** June 30, 2011

Actuarial Cost Method: Frozen Entry Age Actuarial Cost Method. Under this method, the excess of the Actuarial Present Value of Projected Benefits over the sum of the Actuarial Value of Assets and the Unfunded Frozen Actuarial Accrued Liability (AAL) is allocated on a level basis over the future salaries of the group included in the valuation from the valuation date to assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method, with the initial portion of the AAL frozen as of June 30, 2006, and subsequent portions frozen as of June 30, 2007, June 30, 2008, June 30, 2009 and June 30, 2010. The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Amortization**:** For purposes of these calculations, the Frozen Actuarial Accrued Liability is amortized as a level percentage of payroll over an open 30-year period.

Discount Rate**:** 4.0% per annum, compounded annually.

Healthcare Cost Trend Rate**:** Covered healthcare expenses were assumed to increase by the following percentages each year:

	Pre-Medicare Plans*	**Medical (Post-Medicate)**	**Welfare Fund contributions**
Fiscal year ending:			
2013	9.5%	5.0%	5.0%
2014	9.5	5.0	5.0
2015	9.0	5.0	5.0
2016	8.5	5.0	5.0
2017	8.0	5.0	5.0
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023+	5.0	5.0	5.0

Inflation Rate: The assumed increase in premium rates.

Medical:	
Initial rate	9.5%
Ultimate rate	5.0
Fiscal year ultimate rate reached	2023

Wage Inflation**:** 3.0% per annum, compounded annually.

Miscellaneous: The valuation was prepared on a going-plan basis. This assumption does not necessarily imply that an obligation to continue the Plan exists.

Component Unit

RF-CUNY provides postemployment benefits, including salary continuance, to certain employees. The cost of these benefits is accrued over the employees' years of service. RF-CUNY also provides certain healthcare benefits to retired employees (including eligible dependents) who have a combination of age and years of service equal to 70 with a minimum age of 55 and at least 10 years of continuous service. RF-CUNY accounts for postretirement benefits provided to retirees on an accrual basis during the period of their employment.

The following table sets forth RF-CUNY's information with respect to the postretirement plan at June 30, 2012 (in thousands):

Benefit obligation	$	(107,054)
Fair value of plan assets		70,847
Funded status as of June 30	$	(36,207)

(11) Commitments

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2012, these outstanding contractual commitments were approximately $674 million.

The University is also committed under various operating leases covering real property and equipment. The following is a summary of the future minimum rental commitments under noncancelable real property (in thousands):

Contractual commitments		Principal amount
Fiscal year:		
2013	$	58,558
2014		57,296
2015		54,281
2016		44,806
2017		43,561
2018 – 2022		158,611
2023 – 2027		119,168
2028 – 2032		67,252
	$	603,533

For the year ended June 30, 2012, rent expense, including escalations of $10.6 million, was approximately $68.0 million.

(12) Litigation and Risk Financing

The University is involved with claims and other legal actions arising in the normal course of its activities, including several currently in litigation. Pursuant to the New York State Education Law, the State or City of New York (as applicable) shall save harmless and indemnify the University, members of its Board, and any duly appointed staff member against any claim, demand, suit, or judgment arising from such person performing his or her duties on behalf of the University. Further, any judgments rendered against such individuals will be paid from funds appropriated by the Legislature, which are separate and apart from the University's operating funds. While the final outcome of the matters referred to above cannot be determined at this time, management is of the opinion that the ultimate liability, if any, will not have a material effect on the financial position of the University.

Liabilities for claims are accrued when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

CUNY is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. CUNY's residence hall facilities are covered by insurance. However, in general, CUNY does not insure its educational buildings, contents or related risks and does not insure its equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by CUNY are covered by the State or City on a self-insured basis. The State and City do have fidelity insurance on State/City employees.

(13) Financial Dependency

Appropriations from the State of New York and the City of New York are significant sources of revenue to the University. Accordingly, the University is economically dependent on these appropriations to carry on its operations.

(14) City College Dormitory

During 2005, the University entered into a support agreement with DASNY in connection with the issuance of CUNY Student Housing Project Insured Revenue Bond, Series 2005. The bonds having a par value of $63,050,000 and premium of $5,955,235 were issued to fund a nonrecourse loan from DASNY to Educational Housing Services, Inc. to finance construction of a student residence building on the campus of City College. Under the terms of the support agreement, the University has agreed to unconditionally guarantee the loan and transfer to the trustee amounts required to replenish deficiencies related to debt service payments and debt service reserve funds. The obligations of CUNY shall terminate upon the payment or legal defeasance of all of the Series 2005 bonds.

(15) Subsequent Events

1. On July 26, 2012, DASNY issued construction bonds with a par value of $377,220,000 and original issued premium of $67,130,656, on behalf of the University.

2. The New Community College at CUNY officially opened its doors in midtown Manhattan overlooking Bryant Park on August 20, 2012, after four years of planning in consultation with experts from around the country and hundreds of faculty and staff across the University.

3. The University purchased a leasehold condominium at 205 East 42nd Street on July 26, 2012 with payments to be made from September 2012 through September 2041. The present value at the beginning of the lease term for the leasehold condominium is $93,365,458. The leasehold condominium will become the new home for the Central Office, currently located at 535 East 80th Street. A contract for the sale of the 80th Street property has been signed and is expected to close prior to the end of the calendar year 2012.

4. Fiterman Hall opened its doors on August 27th, almost exactly 11 years since the original building was destroyed on September 11, 2001. Located at 245 Greenwich Street (between Barclay and Park Place), the new building adds 400,000 square feet and 80 much-needed classrooms to the thriving Borough of Manhattan Community College.

5. Hurricane Sandy came to New York City starting on Sunday, October 25, 2012 and resulted in classes being cancelled from Monday, October 26 through Thursday, October 29, 2012. Seven (7) locations were unable to resume classes on Friday, November 2, 2012 due to power outages in lower Manhattan and other severe damages from the storm. All locations were back in operation by November 6, 2012 except for York College which was back in operation on November 8, 2012. Ten locations were shelters for those evacuated from their homes. As of November 20, 2012, schools are no longer used to provide shelter for evacuees. Costs of clean up for all locations including capital improvements required due to storm damage are expected to be covered either by insurance by DASNY for those buildings under DASNY coverage or by FEMA.

(16) College Foundations

The University's college foundations are made up of not-for-profit corporations, which support both academic and general needs of the colleges and their students. Their activities are funded through donor contributions, special fund raising events, and earnings on investments.

The accounting policies of the foundations conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The foundations' financial statements are based on applicable FASB pronouncements.

Summary of Significant Accounting Policies

Contributions received, including unconditional promises to give, are recognized at fair value in the period received. Foundations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The classes are defined as follows:

Permanently Restricted

Net assets resulting from contributions whose use is limited by donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets resulting from contributions and other inflows of assets, whose use is limited by restrictions that expire either by the passage of time or by fulfillment of the restriction. When stipulations end or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets

Net assets that are neither permanently nor temporarily restricted.

Split Interest Agreements

Several of the foundations have received contributions from donors in exchange for a promise by the foundations to pay a fixed amount to the donor or other individuals over a specified period of time (normally the donor's or other beneficiary's life) and are recognized at fair value when received. The annuity payment liability is recognized at the present value of future cash payments expected to be paid. The net of these two amounts is recorded as contribution income.

Charitable Remainder Trusts

Several of the foundations have received charitable remainder trusts of various types, which are received by the college during the lifetime of the grantor, and carry with them the obligation to pay the grantor an annuity during his or her lifetime. Upon the death of the grantor, the trust is terminated, and the remaining value becomes the property of the foundation.

Investments

Investments are carried at fair value with changes in their value of investments recorded in the statement of activities. Investments at June 30, 2012 consist of:

Investment type		Amount
Cash and cash equivalents	$	15,011,085
Certificates of deposit		151,178
U.S. Treasury bills		184,632
U.S. government bonds		10,143,037
Corporate bonds		38,365,165
Mutual funds		155,316,291
U.S. agency mortgage-backed securities		2,649,351
Equities		132,880,991
Alternative investments		58,240,025
CUNY investment pool		7,251,483
Other		61,473,820
Total investments	$	481,667,058

Contributions Receivable

Unconditional promises to give are recorded as contributions receivable, and in most cases are discounted over the payment period using the applicable discount rate in effect at the time of the contribution. At June 30, 2012, contributions receivable consisted of:

Contributions receivable		Amount
Contributions receivable	$	151,346,702
Less allowance for doubtful accounts		5,785,217
Less discount to present value		14,197,809
Contributions receivable, net	$	131,363,676

(Continued)

Temporarily Restricted Net Assets

At June 30, 2012, temporarily restricted net assets are available for the following purposes:

Temporarily restricted net assets		Amount
Student education and welfare	$	255,777,469
Obligations under charitable remainder trusts		1,979,309
Other		616,191
Total temporarily restricted net assets	$	258,372,969

Permanently Restricted Net Assets

At June 30, 2012, permanently restricted net assets consist of the following:

Permanently restricted net assets		Amount
Student education and welfare	$	313,464,177
Other		70,622
Total permanently restricted net assets	$	313,534,799

The student education and welfare category includes scholarships, awards, and college programs, while the other programs category represents funds restricted for college and community programs.

The following tables include the financial information for the colleges' foundations as of and for the year ended June 30, 2012:

Combining schedule of financial position – College Foundations:

	2012										
	Baruch	**Brooklyn**	**City College Fund**	**City 21st Century**	**Graduate**	**Hunter**	**Queens**	**Other senior ***	**Total senior**	**Total community ****	**Grand total**
Assets:											
Cash and cash equivalents	$ 938,573	4,565,714	648,627	4,130,387	9,384,423	1,659,221	2,392,606	7,565,492	31,285,043	3,640,925	34,925,968
Accounts and other receivables, net	—	—	330,865	89,293	19,499	75,456	40,900	357,807	913,820	266,394	1,180,214
Prepaid expenses and other assets	664,345	53,975	48,021	503,210	881,371	54,171	372,477	85,329	2,662,899	125,128	2,788,027
Contributions receivable, net	17,840,572	6,943,944	4,791,000	49,133,840	3,288,936	18,379,483	4,403,507	25,991,885	130,773,167	590,509	131,363,676
Investments	104,428,391	65,314,712	50,937,652	111,916,556	30,374,937	39,823,261	37,490,886	24,603,445	464,889,840	16,777,218	481,667,058
Beneficial interest in remainder trusts	8,664,663	1,116,355	—	—	—	—	—	—	9,781,018	—	9,781,018
Remainder interest in real property	—	—	—	—	—	264,000	—	—	264,000	—	264,000
Capital assets, net	—	9,301,254	17,129	—	25,035,030	—	2,990,225	128,272	37,471,910	18,550	37,490,460
Total assets	$ 132,536,544	87,295,954	56,773,294	165,773,286	68,984,196	60,255,592	47,690,601	58,732,230	678,041,697	21,418,724	699,460,421
Liabilities:											
Accounts payable and accrued expenses	$ 467,242	1,211,042	304,829	786,018	220,217	459,542	290,911	448,862	4,188,663	132,209	4,320,872
Annuities payable	2,129,491	466,032	961,986	—	24,394	93,551	—	38,017	3,713,471	—	3,713,471
Due to affiliates	—	—	—	—	2,000,000	—	—	285,898	2,285,898	541,923	2,827,821
Deferred revenue	—	—	—	—	8,918	—	—	100,270	109,188	923,723	1,032,911
Loans payable	—	—	—	—	14,303,654	—	—	16,600,000	30,903,654	—	30,903,654
Other liabilities	—	—	—	36,713	156,139	—	61,500	464,304	718,656	9,639	728,295
Total liabilities	2,596,733	1,677,074	1,266,815	822,731	16,713,322	553,093	352,411	17,937,351	41,919,530	1,607,494	43,527,024
Net assets:											
Unrestricted	7,268,790	12,938,963	3,178,531	8,479,201	20,248,127	227,318	19,349,883	2,859,130	74,549,943	9,475,686	84,025,629
Temporarily restricted	39,287,817	45,800,997	29,134,516	73,734,631	9,584,168	28,608,934	9,368,287	17,223,925	252,743,275	5,629,694	258,372,969
Permanently restricted	83,383,204	26,878,920	23,193,432	82,736,723	22,438,579	30,866,247	18,620,020	20,711,824	308,828,949	4,705,850	313,534,799
Total net assets	129,939,811	85,618,880	55,506,479	164,950,555	52,270,874	59,702,499	47,338,190	40,794,879	636,122,167	19,811,230	655,933,397
Total liabilities and net assets	$ 132,536,544	87,295,954	56,773,294	165,773,286	68,984,196	60,255,592	47,690,601	58,732,230	678,041,697	21,418,724	699,460,421

* Other senior refers to Foundations at Macaulay Honors College, School of Professional Studies, CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

** See note 1 for a listing of all community college foundations.

(Continued)

Combining schedule of activities – College Foundations:

	2012											
	Baruch				Brooklyn				City			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains (losses), and other support:												
Gifts, grants, and contributions	$ 2,074,206	4,809,646	1,054,439	7,938,291	2,649,823	3,297,247	3,164,626	9,111,696	1,602,520	4,862,130	1,954,463	8,419,113
Special events	761,151	—	—	761,151	380,611	26,591	—	407,202	—	—	—	—
Program service revenues	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	1,018,659	821,868	—	1,840,527	170,351	564,287	330,055	1,064,693	198,958	1,512,503	—	1,711,461
Net realized and unrealized gains (losses) on investments	(114,103)	(4,037,924)	—	(4,152,027)	(329,729)	328,013	(343,073)	(344,789)	144,067	481,380	—	625,447
Change in value of split interest agreements/beneficial trust	—	(216,614)	—	(216,614)	(38,443)	37,235	3,391	2,183	—	(95,908)	—	(95,908)
Other income	—	—	—	—	1,288	24,386	—	25,674	—	—	—	—
Net assets released from restrictions	8,988,563	(8,988,563)	—	—	8,836,023	(8,836,023)	—	—	4,177,552	(4,177,552)	—	—
Total revenues, gains (losses), and other support	12,728,476	(7,611,587)	1,054,439	6,171,328	11,669,924	(4,558,264)	3,154,999	10,266,659	6,123,097	2,582,553	1,954,463	10,660,113
Expenses:												
Program services	10,776,791	—	—	10,776,791	9,738,448	—	—	9,738,448	4,349,684	—	—	4,349,684
Management and general	678,001	—	—	678,001	1,701,794	—	—	1,701,794	1,354,883	—	—	1,354,883
Fundraising	1,645,317	—	—	1,645,317	1,637,427	—	—	1,637,427	—	—	—	—
Total expenses	13,100,109	—	—	13,100,109	13,077,669	—	—	13,077,669	5,704,567	—	—	5,704,567
Change in net assets before reclassifications	(371,633)	(7,611,587)	1,054,439	(6,928,781)	(1,407,745)	(4,558,264)	3,154,999	(2,811,010)	418,530	2,582,553	1,954,463	4,955,546
Reclassifications and donor redesignations	—	—	—	—	1,589,477	5,255,858	(6,845,335)	—	—	(103,400)	103,400	—
Change in net assets	(371,633)	(7,611,587)	1,054,439	(6,928,781)	181,732	697,594	(3,690,336)	(2,811,010)	418,530	2,479,153	2,057,863	4,955,546
Net assets at beginning of year	7,640,423	46,899,404	82,328,765	136,868,592	12,757,231	45,103,403	30,569,256	88,429,890	2,760,001	26,655,363	21,135,569	50,550,933
Net assets at end of year	$ 7,268,790	39,287,817	83,383,204	129,939,811	12,938,963	45,800,997	26,878,920	85,618,880	3,178,531	29,134,516	23,193,432	55,506,479

* Other senior refers to Foundations at Macaulay Honors College, School of Professional Studies, CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

** See note 1 for a listing of all community college foundations.

Combining schedule of activities – College Foundations:

	2012											
	City 21st century				Graduate				Hunter			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains (losses), and other support:												
Gifts, grants, and contributions	$ 1,278,878	20,144,442	6,477,170	27,900,490	958,986	2,243,768	41,006	3,243,760	1,108,934	13,084,134	6,819,336	21,012,404
Special events	196,464	—	—	196,464	—	—	—	—	—	—	—	—
Program service revenues	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	938,394	3,310,326	—	4,248,720	138,468	499,664	—	638,132	266,441	92,981	—	359,422
Net realized and unrealized gains (losses) on investments	(2,982,283)	(4,786,338)	—	(7,768,621)	128,266	(941,432)	—	(813,166)	—	—	—	—
Change in value of split interest agreements/beneficial trust	—	—	—	—	—	—	—	—	—	—	—	—
Other income	226,821	—	—	226,821	1,663,510	144,557	—	1,808,067	—	—	—	—
Net assets released from restrictions	11,164,214	(11,164,214)	—	—	3,400,629	(3,400,629)	—	—	9,702,444	(9,702,444)	—	—
Total revenues, gains (losses), and other support	10,822,488	7,504,216	6,477,170	24,803,874	6,289,859	(1,454,072)	41,006	4,876,793	11,077,819	3,474,671	6,819,336	21,371,826
Expenses:												
Program services	14,811,056	—	—	14,811,056	5,530,955	—	—	5,530,955	11,136,731	—	—	11,136,731
Management and general	321,370	—	—	321,370	582,223	—	—	582,223	279,357	—	—	279,357
Fundraising	819,968	—	—	819,968	196,811	—	—	196,811	616,188	—	—	616,188
Total expenses	15,952,394	—	—	15,952,394	6,309,989	—	—	6,309,989	12,032,276	—	—	12,032,276
Change in net assets before reclassifications	(5,129,906)	7,504,216	6,477,170	8,851,480	(20,130)	(1,454,072)	41,006	(1,433,196)	(954,457)	3,474,671	6,819,336	9,339,550
Reclassifications and adjustments	—	—	—	—	(114,714)	(1,213,561)	1,328,275	—	27,781	—	(27,781)	—
Change in net assets	(5,129,906)	7,504,216	6,477,170	8,851,480	(134,844)	(2,667,633)	1,369,281	(1,433,196)	(926,676)	3,474,671	6,791,555	9,339,550
Net assets at beginning of year	13,609,107	66,230,415	76,259,553	156,099,075	20,382,971	12,251,801	21,069,298	53,704,070	1,153,994	25,134,263	24,074,692	50,362,949
Net assets at end of year	$ 8,479,201	73,734,631	82,736,723	164,950,555	20,248,127	9,584,168	22,438,579	52,270,874	227,318	28,608,934	30,866,247	59,702,499

* Other senior refers to Foundations at Macaulay Honors College, School of Professional Studies, CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

** See note 1 for a listing of all community college foundations.

Combining schedule of activities – College Foundations:

	2012											
	Queens				Other senior *				Total senior			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains (losses), and other support:												
Gifts, grants, and contributions	$ 1,206,034	2,418,541	805,026	4,429,601	5,704,969	6,623,849	1,255,029	13,583,847	16,584,350	57,483,757	21,571,095	95,639,202
Special events	—	—	—	—	720,290	455,829	—	1,176,119	2,058,516	482,420	—	2,540,936
Program service revenues	—	—	—	—	166,927	—	—	166,927	166,927	—	—	166,927
Investment income	349,467	617,895	—	967,362	75,155	276,726	8,142	360,023	3,155,893	7,696,250	338,197	11,190,340
Net realized and unrealized gains (losses) on investments	(1,085,407)	(861,452)	—	(1,946,859)	(33,167)	(31,539)	(14,579)	(79,285)	(4,272,356)	(9,849,292)	(357,652)	(14,479,300)
Change in value of split interest agreements/beneficial trust	—	—	—	—	332,392	(2,876)	—	329,516	293,949	(278,163)	3,391	19,177
Other income	30,206	—	—	30,206	26,320	—	—	26,320	1,948,145	168,943	—	2,117,088
Net assets released from restrictions	3,634,543	(3,634,543)	—	—	5,856,285	(5,856,285)	—	—	55,760,253	(55,760,253)	—	—
Total revenues, gains (losses), and other support	4,134,843	(1,459,559)	805,026	3,480,310	12,849,171	1,465,704	1,248,592	15,563,467	75,695,677	(56,338)	21,555,031	97,194,370
Expenses:												
Program services	5,589,359	—	—	5,589,359	7,913,108	—	—	7,913,108	69,846,132	—	—	69,846,132
Management and general	460,120	—	—	460,120	2,141,930	—	—	2,141,930	7,519,678	—	—	7,519,678
Fundraising	320,188	—	—	320,188	1,404,694	—	—	1,404,694	6,640,593	—	—	6,640,593
Total expenses	6,369,667	—	—	6,369,667	11,459,732	—	—	11,459,732	84,006,403	—	—	84,006,403
Change in net assets before reclassifications	(2,234,824)	(1,459,559)	805,026	(2,889,357)	1,389,439	1,465,704	1,248,592	4,103,735	(8,310,726)	(56,338)	21,555,031	13,187,967
Reclassifications and adjustments	—	1,036,391	(1,036,391)	—	163,202	(235,425)	72,223	—	1,665,746	4,739,863	(6,405,609)	—
Change in net assets	(2,234,824)	(423,168)	(231,365)	(2,889,357)	1,552,641	1,230,279	1,320,815	4,103,735	(6,644,980)	4,683,525	15,149,422	13,187,967
Net assets at beginning of year	21,584,707	9,791,455	18,851,385	50,227,547	1,306,489	15,993,646	19,391,009	36,691,144	81,194,923	248,059,750	293,679,527	622,934,200
Net assets at end of year	$ 19,349,883	9,368,287	18,620,020	47,338,190	2,859,130	17,223,925	20,711,824	40,794,879	74,549,943	252,743,275	308,828,949	636,122,167

* Other senior refers to Foundations at Macaulay Honors College, School of Professional Studies, CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

** See note 1 for a listing of all community college foundations.

Combining schedule of activities – College Foundations:

	2012							
	Total community **				Grand total			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains (losses), and other support:								
Gifts, grants, and contributions	$ 1,501,883	2,072,357	371,279	3,945,519	18,086,233	59,556,114	21,942,374	99,584,721
Special events	1,040,149	41,727	1,000	1,082,876	3,098,665	524,147	1,000	3,623,812
Program service revenues	—	—	—	—	166,927	—	—	166,927
Investment income	163,011	20,107	244	183,362	3,318,904	7,716,357	338,441	11,373,702
Net realized and unrealized gains on investments	(379,597)	(15,631)	(444)	(395,672)	(4,651,953)	(9,864,923)	(358,096)	(14,874,972)
Change in value of split interest agreements/beneficial trust	—	—	—	—	293,949	(278,163)	3,391	19,177
Other income	5,075	3,016	—	8,091	1,953,220	171,959	—	2,125,179
Net assets released from restrictions	2,165,700	(2,165,700)	—	—	57,925,953	(57,925,953)	—	—
Total revenues, gains, and other support	4,496,221	(44,124)	372,079	4,824,176	80,191,898	(100,462)	21,927,110	102,018,546
Expenses:								
Program services	3,298,278	—	—	3,298,278	73,144,410	—	—	73,144,410
Management and general	774,969	—	—	774,969	8,294,647	—	—	8,294,647
Fundraising	266,254	—	—	266,254	6,906,847	—	—	6,906,847
Total expenses	4,339,501	—	—	4,339,501	88,345,904	—	—	88,345,904
Change in net assets before reclassifications	156,720	(44,124)	372,079	484,675	(8,154,006)	(100,462)	21,927,110	13,672,642
Reclassifications and donor redesignations	(90)	—	90	—	1,665,656	4,739,863	(6,405,519)	—
Change in net assets	156,630	(44,124)	372,169	484,675	(6,488,350)	4,639,401	15,521,591	13,672,642
Net assets at beginning of year	9,319,056	5,673,818	4,333,681	19,326,555	90,513,979	253,733,568	298,013,208	642,260,755
Net assets at end of year	$ 9,475,686	5,629,694	4,705,850	19,811,230	84,025,629	258,372,969	313,534,799	655,933,397

* Other senior refers to Foundations at Macaulay Honors College, School of Professional Studies, CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College

** See note 1 for a listing of all community college foundations.

Schedule 1

THE CITY UNIVERSITY OF NEW YORK

Schedule of Net Position – Senior and Community Colleges

June 30, 2012

(In thousands)

	Senior colleges	Community colleges	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 570,592	66,840	637,432
Short-term investments	21,130	3,649	24,779
Restricted deposits held by bond trustees	148,131	32,094	180,225
Restricted amounts held by the Dormitory Authority of the State of New York	23,749	13,096	36,845
Receivables, net	534,379	129,194	663,573
Prepaid expense and other current assets	10,945	3,163	14,108
Total current assets	1,308,926	248,036	1,556,962
Noncurrent assets:			
Restricted cash	25,708	—	25,708
Long-term investments, unrestricted	75,956	13,253	89,209
Long-term investments, restricted	133,470	1,523	134,993
Restricted deposits held by bond trustees	220,538	45,996	266,534
Student loans and accrued interest receivable, net	20,116	725	20,841
Capital assets, net	3,999,885	697,861	4,697,746
Other noncurrent assets	3,047	—	3,047
Total noncurrent assets	4,478,720	759,358	5,238,078
Total assets	5,787,646	1,007,394	6,795,040
Deferred outflows of resources:			
Interest rate swap agreements	103,080	11,237	114,317
Deferred amount on debt refunding	85,349	11,023	96,372
Total deferred outflows of resources	188,429	22,260	210,689
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	517,144	135,006	652,150
Compensated absences	71,867	23,314	95,181
Unearned tuition and fees revenue	76,795	11,881	88,676
Accrued interest payable	69,667	10,779	80,446
Current portion of long-term debt	186,082	38,293	224,375
Unearned grant revenue	74,207	3,378	77,585
Other current liabilities	17,627	20,730	38,357
Deposits held in custody for others	20,999	14,350	35,349
Total current liabilities	1,034,388	257,731	1,292,119
Noncurrent liabilities:			
Compensated absences	24,298	8,156	32,454
OPEB liability	419,546	7,339	426,885
Long-term debt	3,883,995	526,470	4,410,465
Federal refundable loans	25,831	2,932	28,763
Interest rate swap agreements	106,166	11,237	117,403
Other noncurrent liabilities	9,081	7,294	16,375
Total noncurrent liabilities	4,468,917	563,428	5,032,345
Total liabilities	5,503,305	821,159	6,324,464
Net position:			
Net investment in capital assets	203,652	174,958	378,610
Restricted:			
Nonexpendable	44,999	109	45,108
Expendable:			
Debt service	72,647	20,461	93,108
Scholarships and general educational support	95,351	1,198	96,549
Loans	13,720	(515)	13,205
Other	51,080	1,673	52,753
Unrestricted	(8,679)	10,611	1,932
Total net position	$ 472,770	208,495	681,265

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Revenues, Expenses, and Changes in Net Position – Senior and Community Colleges

Year ended June 30, 2012

(In thousands)

	Senior colleges	Community colleges	Total
Revenues:			
Operating revenues:			
Tuition and fees, net	$ 637,069	141,070	778,139
Grants and contracts:			
Federal	454,845	276,499	731,344
New York State	225,427	104,089	329,516
New York City	53,419	11,409	64,828
Private	73,337	14,251	87,588
Total grants and contracts	807,028	406,248	1,213,276
Sales and services of auxiliary enterprises	21,717	4,002	25,719
Other operating revenues	41,708	12,147	53,855
Total operating revenues	1,507,522	563,467	2,070,989
Expenses:			
Operating expenses:			
Instruction	1,120,815	478,194	1,599,009
Research	117,584	2,508	120,092
Public service	16,508	13,480	29,988
Academic support	131,584	35,389	166,973
Student services	221,048	94,538	315,586
Institutional support	369,952	133,522	503,474
Operation and maintenance of plant	367,298	139,363	506,661
Scholarships and fellowships	217,691	138,281	355,972
Auxiliary enterprises	32,021	7,984	40,005
Depreciation and amortization expense	177,751	40,625	218,376
OPEB expense	104,989	1,362	106,351
Total operating expenses	2,877,241	1,085,246	3,962,487
Operating loss	(1,369,719)	(521,779)	(1,891,498)
Nonoperating revenues (expenses):			
Government appropriations/transfers:			
New York State	1,044,568	181,156	1,225,724
New York City	37,272	287,883	325,155
Gifts and grants	26,050	1,722	27,772
Investment income, net	5,112	275	5,387
Interest expense	(138,048)	(24,142)	(162,190)
Net depreciation in fair value of investments	(4,319)	(11)	(4,330)
Transfers	16,324	(16,324)	—
Other nonoperating (expenses) revenue, net	(13,669)	3,949	(9,720)
Net nonoperating revenues	973,290	434,508	1,407,798
Loss before other revenues	(396,429)	(87,271)	(483,700)
Capital appropriations	362,852	138,461	501,313
Additions to permanent endowments	2,264	—	2,264
Total other revenues	365,116	138,461	503,577
(Decrease) increase in net position	(31,313)	51,190	19,877
Net Position at beginning of year	549,112	163,583	712,695
Effect of adoption of GASB 65	(45,029)	(6,278)	(51,307)
Net position at beginning of year, as restated	504,083	157,305	661,388
Net position at end of year	$ 472,770	208,495	681,265

See accompanying independent auditors' report.

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flows – Senior and Community Colleges

Year ended June 30, 2012

(In thousands)

		Senior colleges	Community colleges	Total
Cash flows from operating activities:				
Collection of tuition and fees	$	629,749	141,539	771,288
Collection of grants and contracts		803,379	400,706	1,204,085
Collection of loans from students		6,731	963	7,694
Sales and services of auxiliary enterprises		21,717	4,002	25,719
Collection of other operating revenue		50,266	15,210	65,476
Payments to suppliers		(105,737)	(162,080)	(267,817)
Payments for utilities		(42,851)	(27,646)	(70,497)
Payments to employees		(1,558,342)	(506,371)	(2,064,713)
Payments for benefits		(625,618)	(200,906)	(826,524)
Payments for scholarships and fellowships		(217,691)	(138,281)	(355,972)
Payment for OPEB		(38,984)	(1,362)	(40,346)
Loans issued to students		(12,005)	(624)	(12,629)
Net cash flows used by operating activities		(1,089,386)	(474,850)	(1,564,236)
Cash flows from noncapital financing activities:				
New York State and New York City appropriations/transfers		1,006,356	464,873	1,471,229
Gifts and grants for other than capital purposes		26,050	1,722	27,772
Private gifts for endowment purposes		2,264	—	2,264
Decrease in deposits held in custody for others		7,370	833	8,203
Receipts from (disbursements to) third parties		7,349	(12,314)	(4,965)
Net cash flows provided by noncapital financing activities		1,049,389	455,114	1,504,503
Cash flows from capital and related financing activities:				
Proceeds from capital debt		128,650	5,091	133,741
Capital appropriations		362,852	138,461	501,313
Purchases of capital assets		(368,062)	(145,285)	(513,347)
Principal paid on capital debt		(208,249)	(33,289)	(241,538)
Principal amount refunded		(51,215)	(4,460)	(55,675)
Interest paid on capital debt		(135,161)	(23,629)	(158,790)
Amounts paid on bond issuance cost		(4,317)	(61)	(4,378)
Decrease in restricted deposits held by bond trustees		318,132	75,625	393,757
Decrease in restricted amounts held by the Dormitory Authority of the State of New York		6,068	9,508	15,576
Net cash flows provided by capital and related financing activities		48,698	21,961	70,659
Cash flows from investing activities:				
Investment income		5,112	275	5,387
Proceeds from sales and maturities of investments		400,348	2,944	403,292
Purchases of investments		(388,789)	(4,329)	(393,118)
Increase in restricted cash		(22,320)	—	(22,320)
Net cash flows used by investing activities		(5,649)	(1,110)	(6,759)
Net increase in cash and cash equivalents		3,052	1,115	4,167
Cash and cash equivalents at beginning of year		567,540	65,725	633,265
Cash and cash equivalents at end of year	$	570,592	66,840	637,432

(Continued)

Schedule 3

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flows – Senior and Community Colleges

Year ended June 30, 2012

(In thousands)

		Senior colleges	Community colleges	Total
Reconciliation of operating loss to net cash flows used by operating activities:				
Operating loss	$	(1,369,719)	(521,779)	(1,891,498)
Adjustments to reconcile operating loss to net cash flows used by operating activities:				
Depreciation and amortization expense		177,751	40,625	218,376
Bad debt expense		784	10,174	10,958
Change in operating assets and liabilities:				
Receivables		(26,487)	(25,765)	(52,252)
Prepaid expenses and other assets		2,365	(2,254)	111
Accounts payable and accrued expenses		44,782	3,742	48,524
Unearned tuition and fees revenue		9,187	866	10,053
Compensated absences		(9,548)	(2,214)	(11,762)
OPEB liability		66,005	7,339	73,344
Unearned grant revenue		8,046	2,373	10,419
Other liabilities		7,448	12,043	19,491
Net cash flows used by operating activities	$	(1,089,386)	(474,850)	(1,564,236)

See accompanying independent auditors' report.