

THE CITY COLLEGE 21ST CENTURY
FOUNDATION, INC.
Financial Statements and
Supplemental Information
June 30, 2018 and 2017
(With Independent Auditors' Report Thereon)

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The City College 21st Century Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The City College 21st Century Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The City College 21st Century Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 16, 2018

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
 Statements of Financial Position
 June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 2,905,616	1,142,877
Investments	187,377,680	173,607,772
Contributions receivable, net	16,230,336	17,885,892
Prepaid expenses and other assets	1,131,740	431,551
Artwork and collection (note 2)	-	-
Total assets	\$ 207,645,372	193,068,092
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	966,259	555,354
Other liabilities	116,975	109,474
Total liabilities	1,083,234	664,828
Net assets:		
Unrestricted	7,613,461	5,698,465
Temporarily restricted	95,743,005	92,429,612
Permanently restricted	103,205,672	94,275,187
Total net assets	206,562,138	192,403,264
Total liabilities and net assets	\$ 207,645,372	193,068,092

See accompanying notes to financial statements.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
 Statements of Activities
 Years ended June 30, 2018 and 2017

	Year ended June 30, 2018				Year ended June 30, 2017			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue:								
Contributions	\$ 244,269	5,427,111	8,930,485	14,601,865	2,188	4,526,483	3,966,663	8,495,334
Donated space and services	1,386,080	-	-	1,386,080	765,701	-	-	765,701
Investment return	4,601,183	10,227,655	-	14,828,838	3,050,340	18,646,945	-	21,697,285
Other income	-	1,573	-	1,573	117	2,598	-	2,715
Special event, net of direct benefit to donors of \$43,210 in 2018 and \$129,149 in 2017	-	60,590	-	60,590	-	80,351	-	80,351
Net assets released from restrictions - satisfaction of purpose restrictions	<u>12,403,536</u>	<u>(12,403,536)</u>	<u>-</u>	<u>-</u>	<u>13,520,468</u>	<u>(13,520,468)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,635,068</u>	<u>3,313,393</u>	<u>8,930,485</u>	<u>30,878,946</u>	<u>17,338,814</u>	<u>9,735,909</u>	<u>3,966,663</u>	<u>31,041,386</u>
Expenses:								
Program services:								
Scholarship programs	4,546,873	-	-	4,546,873	4,347,642	-	-	4,347,642
College activities supporting programs	<u>9,325,721</u>	<u>-</u>	<u>-</u>	<u>9,325,721</u>	<u>9,617,945</u>	<u>-</u>	<u>-</u>	<u>9,617,945</u>
Total program services	<u>13,872,594</u>	<u>-</u>	<u>-</u>	<u>13,872,594</u>	<u>13,965,587</u>	<u>-</u>	<u>-</u>	<u>13,965,587</u>
Supporting services:								
Management and general	1,741,935	-	-	1,741,935	2,133,045	-	-	2,133,045
Fundraising	<u>1,105,543</u>	<u>-</u>	<u>-</u>	<u>1,105,543</u>	<u>833,095</u>	<u>-</u>	<u>-</u>	<u>833,095</u>
Total supporting services	<u>2,847,478</u>	<u>-</u>	<u>-</u>	<u>2,847,478</u>	<u>2,966,140</u>	<u>-</u>	<u>-</u>	<u>2,966,140</u>
Total expenses	<u>16,720,072</u>	<u>-</u>	<u>-</u>	<u>16,720,072</u>	<u>16,931,727</u>	<u>-</u>	<u>-</u>	<u>16,931,727</u>
Increase in net assets	1,914,996	3,313,393	8,930,485	14,158,874	407,087	9,735,909	3,966,663	14,109,659
Net assets at beginning of year	5,698,465	92,429,612	94,275,187	192,403,264	10,459,299	77,525,782	90,308,524	178,293,605
Transfer of net assets	-	-	-	-	<u>(5,167,921)</u>	<u>5,167,921</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 7,613,461</u>	<u>95,743,005</u>	<u>103,205,672</u>	<u>206,562,138</u>	<u>5,698,465</u>	<u>92,429,612</u>	<u>94,275,187</u>	<u>192,403,264</u>

See accompanying notes to financial statements.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
 Statements of Cash Flows
 Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash receipts from:		
Contributions	\$ 15,356,489	14,017,167
Dividends and interest	4,528,946	3,053,973
Other income	1,573	2,715
Cash payments to/for:		
Employees' salaries	(3,192,080)	(3,477,397)
Employees' benefits	(293,051)	(291,238)
Vendors and suppliers	(3,115,784)	(6,314,196)
Contributions and grants	(2,364,077)	(1,973,539)
College support	(987,986)	(1,055,343)
Scholarships, fellowships, internships and stipends	(4,546,873)	(4,347,642)
Other	(354,077)	(179,406)
Contributions restricted for permanent endowments	<u>(8,930,485)</u>	<u>(3,966,663)</u>
Net cash used in operating activities	<u>(3,897,405)</u>	<u>(4,531,569)</u>
Cash flows from investing activities:		
Purchase of investments	(26,863,393)	(9,551,308)
Proceeds from sales and maturities of investments	<u>23,593,052</u>	<u>9,630,469</u>
Net cash provided by (used in) investing activities	<u>(3,270,341)</u>	<u>79,161</u>
Cash flows from financing activities - contributions restricted for permanent endowments	<u>8,930,485</u>	<u>3,966,663</u>
Net increase (decrease) in cash and cash equivalents	1,762,739	(485,745)
Cash and cash equivalents at beginning of the year	<u>1,142,877</u>	<u>1,628,622</u>
Cash and cash equivalent at end of year	<u>\$ 2,905,616</u>	<u>1,142,877</u>

(Continued)

See accompanying notes to financial statements.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
Statements of Cash Flows, Continued

	<u>2018</u>	<u>2017</u>
Reconciliation of increase in net assets to net cash used in operating activities:		
Increase (decrease) in net assets	\$ 14,158,874	14,109,659
Adjustments to reconcile increase in net assets to cash used in operating activities:		
Bad debt expense	1,004,732	1,089,940
Gains on sale of investments	(2,791,222)	(1,603,110)
Unrealized gains on investments	(7,708,345)	(17,210,585)
Contributions for long-term investments	(8,930,485)	(3,966,663)
Changes in:		
Contributions receivable	650,824	5,312,333
Prepaid expenses and other assets	(700,189)	51,185
Accounts payable and accrued expenses	410,905	(2,333,968)
Other liabilities	7,501	19,640
Net cash used in operating activities	<u>\$ (3,897,405)</u>	<u>(4,531,569)</u>
Supplemental schedule of cash flow information:		
Net cash used in operations	(3,987,405)	(4,531,569)
Add back contributions restricted for permanent endowments	<u>8,930,485</u>	<u>3,966,663</u>
Net cash provided by (used in) operations, including contributions restricted for permanent endowments	<u>\$ 4,943,080</u>	<u>(564,906)</u>
Non-cash transactions:		
Donated space and services revenue	<u>\$ 1,386,080</u>	<u>765,701</u>
Donated professional services	1,326,080	710,701
Donated space	<u>60,000</u>	<u>55,000</u>
Total donated space and services expenses	<u>\$ 1,386,080</u>	<u>765,701</u>
Stock contributions	<u>\$ 241,075</u>	<u>286,311</u>

See accompanying notes to financial statements.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(1) Nature of Organization

The City College 21st Century Foundation, Inc. (the Foundation) is a not-for-profit organization formed under the laws of the State of New York to operate exclusively for charitable purposes, including providing scholarships for students of The City College of The City University of New York (the College). The Foundation also provides program support for students and faculty within the College. The Foundation is primarily supported by contributions and investment income.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets restricted to investment in perpetuity, the income from which may be expended to support specific purposes.

(c) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities when acquired of three months or less. At times, the Foundation's cash and cash equivalents may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Investments

Investments are reported at their fair values based on quoted market prices. Donated securities are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the statements of activities as changes in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

(f) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates (2.73% to 2.85% in 2018 and 1.89% to 2.31% in 2017) applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met. Interest is not charged or recorded on outstanding receivables.

(g) Allowance for Doubtful Accounts and Bad Debt Expense

Contributions receivable are stated net of an allowance for doubtful accounts. Factors used to determine whether an allowance should be recorded include the age of the receivable, an assessment of the donor's ability to pay, a review of payments subsequent to year end, historical information and other factors. A receivable is charged to the allowance account when management determines the receivable is uncollectible.

(h) Artwork and Collection

Artwork and collection items acquired either through purchase or donation are not capitalized. Purchases of artwork and collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of artwork and collection items are not recognized in the statements of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statements of activities based on the absence or existence and nature of donor-imposed restrictions.

(i) Fixed Assets

Fixed assets purchased by the Foundation in support of the programs and activities of the College are the property of the College and are expensed and transferred to the College when purchased.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(k) Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2018.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Fair Value Measurements and Disclosures, Continued

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and equities - Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate and government bonds - Valued at the closing price reported on the active markets in which the individual securities are traded.

Common trust funds - Valued at the net asset value (NAV) of shares held at year end or as determined by the investment managers.

Alternative investments - Valued at the NAV of shares held at year end or as determined by the investment managers.

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

The Foundation assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

(l) Donated Space and Services

Certain services, materials, use of space, use of utilities and supplies were provided to the Foundation by the College or other professionals. These arrangements are recorded as donated space and services at their fair value on the date received. The cost savings associated with these arrangements, which amounted to \$1,386,080 and \$765,701, during the years ended June 30, 2018 and 2017, respectively, are reflected in the accompanying statements of activities.

(m) Functional Allocation of Expenses

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(n) Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Foundation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Foundation are subject to examination by taxing authorities.

(o) Subsequent Events

The Foundation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(3) Investments

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2018 and 2017.

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 29,506,722	-	-	29,509,722
Domestic equity	63,732,938	-	-	63,732,938
International equity	51,029,469	-	-	51,029,469
Alternatives	32,431,130	-	-	32,431,130
Other	<u>44,414</u>	<u>-</u>	<u>-</u>	<u>44,414</u>
	176,744,673	-	-	176,744,673
Common trust funds	-	-	9,231,607	9,231,607
Auction - rate preferred equity securities	-	-	1,400,000	1,400,000
Other	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
	<u>-</u>	<u>-</u>	<u>10,633,007</u>	<u>10,633,007</u>
	<u>\$ 176,744,673</u>	<u>-</u>	<u>10,633,007</u>	<u>187,377,680</u>

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(3) Investments, Continued

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 25,524,806	-	-	25,524,806
Domestic equity	60,062,811	-	-	60,062,811
International equity	51,738,348	-	-	51,738,348
Alternatives	26,661,576	-	-	26,661,576
Other	<u>43,487</u>	<u>-</u>	<u>-</u>	<u>43,487</u>
	164,031,028	-	-	164,031,028
Common trust funds	-	-	8,175,344	8,175,344
Auction - rate preferred equity securities	-	-	1,400,000	1,400,000
Other	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
	<u>-</u>	<u>-</u>	<u>9,576,744</u>	<u>9,576,744</u>
	<u>\$ 164,031,028</u>	<u>-</u>	<u>9,576,744</u>	<u>173,607,772</u>

The following table summarizes the activity for financial instruments classified as Level 3 in 2017 and 2018:

Balance at July 1, 2016	\$ 9,434,645
Net sales	(22,982)
Net investment return	<u>165,081</u>
Balance at July 1, 2017	9,576,744
Net purchases	650,000
Net sales	(324,427)
Net investment return	<u>730,690</u>
Balance at June 30, 2018	<u>\$ 10,633,007</u>

The composition of the 2018 investment returns were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 1,445,053	3,083,893	4,528,946
Net realized gains on investments	946,041	1,845,181	2,791,222
Unrealized gains on investments	2,276,991	5,431,354	7,708,345
Commissions and fees	<u>(66,902)</u>	<u>(132,773)</u>	<u>(199,675)</u>
Total investment return before transfer	4,601,183	10,227,655	14,828,838
Transfer to repay prior periods borrowing of unrestricted funds	<u>(218,457)</u>	<u>218,457</u>	<u>-</u>
Total investment return after transfer	<u>\$ 4,382,726</u>	<u>10,446,112</u>	<u>14,828,838</u>

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(3) Investments, Continued

The composition of the 2017 investment returns were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 526,219	2,527,754	3,053,973
Net realized gains on investments	389,593	1,213,517	1,603,110
Unrealized gains on investments	2,169,610	15,040,975	17,210,585
Commissions and fees	<u>(35,082)</u>	<u>(135,301)</u>	<u>(170,383)</u>
Total investment return before transfer	3,050,340	18,646,945	21,697,285
Transfer to repay prior periods borrowing of unrestricted funds	<u>164,218</u>	<u>(164,218)</u>	<u>-</u>
Total investment return after transfer	\$ <u>3,214,558</u>	<u>18,482,727</u>	<u>21,697,285</u>

(4) Contributions Receivable

Contributions receivable have been discounted over payment periods using 0.65% - 3.72% discount rates at the time of the contribution. Contributions receivable were estimated to be due as following:

	<u>2018</u>	<u>2017</u>
Gross amount due in:		
Less than one year	\$ 8,569,040	8,308,641
One to five years	3,259,392	4,276,227
More than five years	<u>7,183,156</u>	<u>8,393,333</u>
	19,011,588	20,978,201
Less allowance for uncollectible amounts	(756,816)	(602,084)
Less discounts to net present value	<u>(2,024,436)</u>	<u>(2,490,225)</u>
Total	\$ <u>16,230,336</u>	<u>17,885,892</u>

Three pledges at gross totaling approximately \$12,400,000 before discounting represent a significant portion of the total outstanding contributions balance at June 30, 2018.

Four pledges at gross totaling approximately \$14,933,720 before discounting represent a significant portion of the total outstanding contributions balance at June 30, 2017.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(5) Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarship programs	\$ 23,151,941	21,145,289
College activities supporting programs	<u>72,591,064</u>	<u>71,284,323</u>
Total	\$ <u>95,743,005</u>	<u>92,429,612</u>

Permanently restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Scholarship programs	\$ 27,807,990	26,581,330
College activities supporting programs	<u>75,397,682</u>	<u>67,693,857</u>
Total	\$ <u>103,205,672</u>	<u>94,275,187</u>

The earnings from the permanently restricted net assets are restricted for scholarship programs and college activities supporting programs.

(6) Endowment

The endowment consists of approximately 160 individual funds established for a variety of purposes and consisting entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of any subsequent gifts to permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards or prudence prescribed by applicable laws and regulations.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(6) Endowment, Continued

Interpretation of Relevant Law, Continued

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

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

1. The duration and preservation of the fund.
2. The purposes of the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. Alternatives to expenditure of the endowment fund.
8. The investment policies of the Foundation.

Return Objectives, Risk Parameters and Strategies

The Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Endowment return objectives are to equal or exceed, on an inflation-adjusted basis, composite benchmark results of approximately 5% over the long term with a conservative to moderate level of risk. In order to achieve this objective, the Foundation follows the strategy of weighting the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board’s interpretation of law.

Spending Policy

The Board utilized a spending rate of 4% of the fair value of the endowment funds at the beginning of the fiscal year 2018 and 2017, to determine its annual drawdown from the endowment.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.

Notes to Financial Statements, Continued

(6) Endowment, Continued

Funds with Deficiencies

As of June 30, 2018, the Foundation had three individual endowment with deficiencies totaling \$218,457. As of June 30, 2017, the Foundation had no individual endowment with deficiencies.

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment in net assets, June 30, 2016	\$ (164,218)	28,775,056	90,308,524	118,919,362
Dividends and interest	-	1,560,696	-	1,560,696
Unrealized and realized gains	-	9,457,934	-	9,457,934
Deficit balances in endowment income	164,218	-	-	164,218
Contributions	-	-	3,966,663	3,966,663
Amounts appropriated for expenditure	<u>-</u>	<u>(4,572,644)</u>	<u>-</u>	<u>(4,572,644)</u>
Endowment in net assets, June 30, 2017	-	35,221,042	94,275,187	129,496,229
Dividends and interest	-	2,213,595	-	2,213,595
Unrealized and realized gains	-	5,005,635	-	5,005,635
Deficit balances in endowment income	(218,457)	-	-	(218,457)
Contributions	-	-	8,930,485	8,930,485
Amounts appropriated for expenditure	<u>-</u>	<u>(2,777,067)</u>	<u>-</u>	<u>(2,777,067)</u>
Endowment in net assets, June 30, 2018	\$ <u>(218,457)</u>	<u>39,663,205</u>	<u>103,205,672</u>	<u>142,650,420</u>

(7) Transfer of Net Assets

Unrealized losses on the investments associated with the temporarily restricted gifts were not allocated properly in prior years. In 2018, the Foundation transferred approximately \$5,200,000 from unrestricted net assets to temporarily restricted net assets to satisfy the allocation of the unrealized losses. The transfer to temporarily restricted net assets increased the amount available for College activities supporting programs to \$71,284,323 at June 30, 2017.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
Schedule of Functional Expenses
For the year ended June 30, 2018

	Program Services			Supporting Services			Total
	Scholarship programs	College activities supporting programs	Total program services	Management and general	Fundraising	Total supporting services	
Salaries	\$ -	2,457,921	2,457,921	889,987	39,157	929,144	3,387,065
Payroll taxes and fringe benefits	-	283,692	283,692	441,889	3,103	444,992	728,684
Scholarships and awards	4,546,873	-	4,546,873	-	-	-	4,546,873
Equipment, repairs and maintenance	-	13,999	13,999	-	1,958	1,958	15,957
Supplies	-	330,982	330,982	43,663	18,925	62,588	393,570
Professional fees	-	200,490	200,490	186,087	140,000	326,087	526,577
Refreshments and meals	-	454,291	454,291	427	82,954	83,381	537,672
Space rental and storage	-	104,845	104,845	60,000	17,630	77,630	182,475
Honorarium	-	105,047	105,047	-	-	-	105,047
Insurance	-	1,125	1,125	16,712	-	16,712	17,837
Telecommunication	-	802	802	-	422	422	1,224
Consultants and subcontractors	-	562,596	562,596	-	298,828	298,828	861,424
Postage and shipping	-	5,234	5,234	55	3,458	3,513	8,747
Travel and conferences	-	437,889	437,889	7,597	23,841	31,438	469,327
Printing and reproduction	-	73,882	73,882	1,046	12,742	13,788	87,670
Bank charges and credit card fees	-	-	-	11,041	2,986	14,027	14,027
Subscriptions and memberships	-	392,113	392,113	4,440	41,696	46,136	438,249
Miscellaneous	-	-	-	-	10,845	10,845	10,845
Grants and contributions	-	1,947,989	1,947,989	-	364,731	364,731	2,312,720
Advertising	-	24,196	24,196	-	5,811	5,811	30,007
Bad debt expense	-	1,004,732	1,004,732	-	-	-	1,004,732
Furniture or equipment purchased for the College (note 2)	-	923,896	923,896	78,991	36,456	115,447	1,039,343
Total expenses	\$ 4,546,873	9,325,721	13,872,594	1,741,935	1,105,543	2,847,478	16,720,072

(Continued)

See accompanying notes to financial statements.

THE CITY COLLEGE 21ST CENTURY FOUNDATION, INC.
Schedule of Functional Expenses
For the year ended June 30, 2017

	Program Services			Supporting Services			Total
	Scholarship programs	College activities supporting programs	Total program services	Management and general	Fundraising	Total supporting services	
Salaries	\$ -	2,373,342	2,373,342	1,517,343	64,331	1,581,674	3,955,016
Payroll taxes and fringe benefits	-	266,271	266,271	231,045	13,348	244,393	510,664
Scholarships and awards	4,347,642	-	4,347,642	-	-	-	4,347,642
Equipment, repairs and maintenance	-	32,732	32,732	152	19,245	19,397	52,129
Supplies	-	470,346	470,346	1,005	57,630	58,635	528,981
Professional fees	-	267,829	267,829	208,725	30,136	238,861	506,690
Refreshments and meals	-	561,453	561,453	-	33,708	33,708	595,161
Space rental and storage	-	298,589	298,589	55,000	1,584	56,584	355,173
Honorarium	-	56,065	56,065	-	-	-	56,065
Insurance	-	1,291	1,291	31,288	-	31,288	32,579
Telecommunication	-	5	5	-	387	387	392
Consultants and subcontractors	-	580,799	580,799	305	244,741	245,046	825,845
Postage and shipping	-	9,202	9,202	44	1,755	1,799	11,001
Travel and conferences	-	471,135	471,135	666	15,904	16,570	487,705
Printing and reproduction	-	84,341	84,341	-	23,669	23,669	108,010
Bank charges and credit card fees	-	2,850	2,850	3,767	3,577	7,344	10,194
Subscriptions and memberships	-	309,982	309,982	6,989	93,631	100,620	410,602
Miscellaneous	-	-	-	-	1,890	1,890	1,890
Grants and contributions	-	1,752,601	1,752,601	-	220,938	220,938	1,973,539
Advertising	-	16,726	16,726	-	440	440	17,166
Bad debt expense	-	1,089,940	1,089,940	-	-	-	1,089,940
Furniture or equipment purchased for the College (note 2)	-	972,446	972,446	76,716	6,181	82,897	1,055,343
Total expenses	\$ 4,347,642	9,617,945	13,965,587	2,133,045	833,095	2,966,140	16,931,727

See accompanying notes to financial statements.