



**BANK STREET COLLEGE OF EDUCATION**

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

# **BANK STREET COLLEGE OF EDUCATION**

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KPMG LLP  
345 Park Avenue  
New York, NY 10154

## Independent Auditors' Report

The Board of Trustees  
Bank Street College of Education:

We have audited the accompanying financial statements of Bank Street College of Education, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Bank Street College of Education as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

March 26, 2014

**BANK STREET COLLEGE OF EDUCATION**

## Statements of Financial Position

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 15,565,690	12,115,569
Student accounts and loans receivable, net	1,010,720	1,154,760
Grants receivable	1,888,272	2,758,832
Contributions and other receivables, net (note 3)	3,338,671	3,325,648
Bookstore inventory, net	415,360	463,106
Prepaid expenses, deferred financing costs (note 6) and other assets	1,301,338	1,438,969
Investments and deposits held by third parties (note 4)	32,937,537	30,526,283
Property and equipment, net (note 5)	13,155,501	14,081,851
Total assets	<u>\$ 69,613,089</u>	<u>65,865,018</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,342,626	4,601,976
Deferred revenue:		
Tuition and fees	8,287,429	7,044,128
Grants	88,252	501,483
Conditional asset retirement obligations	453,304	433,784
Refundable government loan program	667,539	620,338
Bonds payable (note 6)	3,548,151	4,259,657
Postretirement health benefit plan (note 7)	6,472,847	7,004,562
Total liabilities	<u>24,860,148</u>	<u>24,465,928</u>
Net assets:		
Unrestricted:		
Undesignated	18,834,679	17,467,134
Board of Trustees designated for endowment (note 8)	835,606	779,868
	<u>19,670,285</u>	<u>18,247,002</u>
Temporarily restricted (note 9)	8,931,322	8,119,582
Permanently restricted (note 8)	16,151,334	15,032,506
Total net assets	<u>44,752,941</u>	<u>41,399,090</u>
Total liabilities and net assets	<u>\$ 69,613,089</u>	<u>65,865,018</u>

See accompanying notes to financial statements.

**BANK STREET COLLEGE OF EDUCATION**

Statements of Activities

Years ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Revenues, gains, and other support:								
Tuition and fees	\$ 40,515,501	—	—	40,515,501	41,522,519	—	—	41,522,519
Less tuition discounts and scholarships	(6,237,868)	—	—	(6,237,868)	(6,213,679)	—	—	(6,213,679)
	34,277,633	—	—	34,277,633	35,308,840	—	—	35,308,840
Contributions	1,416,818	989,326	—	2,406,144	1,852,124	1,737,642	—	3,589,766
Grants and contracts (note 10)	9,698,474	—	—	9,698,474	8,681,283	—	—	8,681,283
Auxiliary activities	4,250,425	—	—	4,250,425	3,500,770	—	—	3,500,770
Investment returns utilized in operations (note 4)	377,667	—	—	377,667	681,283	—	—	681,283
Other revenues	338,961	—	—	338,961	730,456	—	—	730,456
Net assets released from restrictions	2,224,879	(2,224,879)	—	—	2,849,107	(2,849,107)	—	—
Total revenues, gains, and other support	52,584,857	(1,235,553)	—	51,349,304	53,603,863	(1,111,465)	—	52,492,398
Expenses (note 11):								
Instruction	24,507,690	—	—	24,507,690	25,023,088	—	—	25,023,088
Grants and contracts – professional development and education	8,255,799	—	—	8,255,799	9,243,735	—	—	9,243,735
Auxiliary activities	4,466,359	—	—	4,466,359	3,676,828	—	—	3,676,828
Institutional support	15,647,849	—	—	15,647,849	16,252,001	—	—	16,252,001
Total expenses	52,877,697	—	—	52,877,697	54,195,652	—	—	54,195,652
Changes in net assets from operating activities	(292,840)	(1,235,553)	—	(1,528,393)	(591,789)	(1,111,465)	—	(1,703,254)
Nonoperating activities:								
Contributions	25,000	—	1,118,828	1,143,828	90,100	—	2,939,550	3,029,650
Adjustment to recognize funded status of postretirement health benefit plan (note 7)	1,094,454	—	—	1,094,454	(681,395)	—	—	(681,395)
Investment returns greater than (less than) amount utilized in operations (note 4)	713,104	2,047,293	—	2,760,397	(140,970)	(284,361)	—	(425,331)
Capital campaign expenses	(116,435)	—	—	(116,435)	(147,500)	—	—	(147,500)
Other	—	—	—	—	(55,351)	—	—	(55,351)
Changes in net assets from nonoperating activities	1,716,123	2,047,293	1,118,828	4,882,244	(935,116)	(284,361)	2,939,550	1,720,073
Changes in net assets	1,423,283	811,740	1,118,828	3,353,851	(1,526,905)	(1,395,826)	2,939,550	16,819
Net assets, beginning of year	18,247,002	8,119,582	15,032,506	41,399,090	19,773,907	9,515,408	12,092,956	41,382,271
Net assets, end of year	\$ 19,670,285	8,931,322	16,151,334	44,752,941	18,247,002	8,119,582	15,032,506	41,399,090

See accompanying notes to financial statements.

# BANK STREET COLLEGE OF EDUCATION

## Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Changes in net assets	\$ 3,353,851	16,819
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,691,884	1,601,829
Permanently restricted contributions	(1,118,828)	(2,939,550)
Net (appreciation) depreciation in fair value of investments	(2,459,647)	258,771
Changes in assets and liabilities:		
Student accounts and loans receivable	144,040	(50,805)
Grants receivable	870,560	1,138,330
Contributions (excluding permanently restricted contributions) and other receivables	(57,488)	(607,721)
Bookstore inventory	47,746	(74,517)
Prepaid expenses and other assets	101,537	138,822
Accounts payable and accrued expenses	740,650	(1,065,794)
Deferred tuition and fees	1,243,301	(987,820)
Deferred grant revenue	(413,231)	(140,485)
Conditional asset retirement obligations	19,520	18,680
Postretirement health benefit plan	(531,715)	1,226,890
Net cash provided by (used in) operating activities	<u>3,632,180</u>	<u>(1,466,551)</u>
Cash flows from investing activities:		
Purchases of investments	(16,646,642)	(14,015,646)
Proceeds from sale of investments	17,982,826	13,492,727
(Increase) decrease in cash and cash equivalents held for long term investment	(1,391,119)	478,174
Purchases of property and equipment	(729,440)	(938,244)
Net cash used in investing activities	<u>(784,375)</u>	<u>(982,989)</u>
Cash flows from financing activities:		
Principal payments on bonds	(711,506)	(676,136)
Permanently restricted contributions received	1,266,621	1,244,890
Change in refundable government loan program	47,201	(6,559)
Net cash provided by financing activities	<u>602,316</u>	<u>562,195</u>
Increase (decrease) in cash and cash equivalents	3,450,121	(1,887,345)
Cash and cash equivalents, beginning of year	<u>12,115,569</u>	<u>14,002,914</u>
Cash and cash equivalents, end of year	<u>\$ 15,565,690</u>	<u>12,115,569</u>
Supplemental disclosure:		
Cash paid for interest	\$ 199,470	232,105

See accompanying notes to financial statements.

# **BANK STREET COLLEGE OF EDUCATION**

## **Notes to Financial Statements**

June 30, 2013 and 2012

### **(1) Organization**

Bank Street College of Education (the College) is an independent coeducational institution offering an elementary school (Bank Street School for Children), a graduate teachers' college, and executing grants and contracts for professional development and education. The College also has auxiliary activities including a bookstore, publications and media, and a cafeteria. The College derives its operating revenues principally from student tuition and fees as well as government and private grants, contributions, and distributions from its endowment. The College spends these resources to meet the instructional and educational mission of the College.

The College is an organization described under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes under Section 501(a) of the Code and a similar provision of the State of New York income tax law. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities unrelated to its exempt purpose. The College recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required in 2013 or 2012.

### **(2) Summary of Significant Accounting Policies**

The significant accounting policies of the College are described below:

#### **(a) Basis of Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The most significant management estimates and assumptions relate to the determination of postretirement health benefit plan obligations; allowances for uncollectible accounts relating to student accounts and loans, and contribution receivable; conditional asset retirement obligations; and estimated useful lives of buildings, building improvements, and equipment. Actual results could differ from those estimates.

Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based upon the existence or absence of donor-imposed stipulations limiting the use of the contributed assets as follows:

*Unrestricted* – include expendable resources that are used to carry out the College's operations and are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the College's Board of Trustees or may be limited by contractual agreements with outside parties.

*Temporarily Restricted* – include net assets subject to donor-imposed stipulations that either expire with the passage of time or can be fulfilled by the actions of the College pursuant to those stipulations. When a donor restriction expires, that is, when a time restriction ends or a

# **BANK STREET COLLEGE OF EDUCATION**

## **Notes to Financial Statements**

June 30, 2013 and 2012

purpose is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which the contribution is received, such amounts are reported as changes in unrestricted net assets.

*Permanently Restricted* – include net assets subject to donor-imposed stipulations that require the corpus to be maintained permanently (note 8). The donors of these assets typically permit the College to use the income and appreciation on related investments for general or specific purposes.

Revenues and other income are reported as changes in unrestricted net assets unless limited by explicit donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

The statements of activities distinguish between operating and nonoperating activities. Operating activities include all revenues, gains, and expenses that are an integral part of the College's educational programs and supporting activities. Nonoperating activities include investment returns in excess of or less than distributions from the endowment and Board of Trustees designated investments, contributions to the endowment, certain changes to postretirement benefit obligations, capital campaign expenses, and other nonrecurring items, if any.

**(b) *Cash and Cash Equivalents***

Cash and cash equivalents include all money market funds and highly liquid financial instruments with original maturities of three months or less, except for such instruments purchased as part of the College's ongoing investment activities.

**(c) *Concentration of Credit Risk***

Financial instruments that potentially subject the College to concentrations of credit and market risk consist principally of cash and cash equivalents and investments on deposit with financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) limit. The College does not believe that a significant risk of loss due to the failure of a financial institution is likely.

**(d) *Bookstore Inventory***

Inventories are stated at the lower of cost or market, less an estimated reserve for obsolete and slow-moving items.

**(e) *Investments, Investment Returns, and Deposits Held by Third Parties***

Investments include the following:

- Endowment funds permanently restricted by donors for:
  - Specific programs
  - Student financial assistance:
    - Scholarships with unique criteria



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### Notes to Financial Statements

June 30, 2013 and 2012

- General tuition discounts and scholarships
- Funds temporarily restricted by donors for purposes other than endowments
- Unrestricted funds designated as an endowment by the Board of Trustees
- Other unrestricted funds
- Unexpended investment returns on each of the above categories

Investments and deposits held by third parties are reported at fair value. The College uses a hierarchy of measuring fair value established in GAAP that prioritizes observable and unobservable input techniques for fair value measurements. Level 1 inputs are the highest priority and Level 3 inputs are the lowest priority. A financial instrument's level is the lowest level of input that is significant to its fair value measurement, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not considered active; observable inputs other than quoted prices; or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

Investment returns reported in the accompanying statements of activities include dividends, interest income, and realized and unrealized appreciation and depreciation in fair values, net of investment management and transaction fees. Securities transactions are recorded on a trade-date basis, dividends are recorded as of the ex-dividend date and interest income is recorded on the accrual basis.

The Board of Trustees each year has authorized an investment return distribution rate of 1% per quarter of the average fair value at the end of the twenty immediately preceding calendar quarters of the endowment funds restricted by donors for general tuition discounts and scholarships, unrestricted funds designated as an endowment by the Board of Trustees and other unrestricted investment funds. Net investment earnings to the extent of the Board of Trustees authorized distribution are reported as unrestricted operating revenues. The remaining net investment returns on endowment funds restricted by donors for general tuition discounts and scholarships are reported in temporarily restricted nonoperating activities. The remaining net investment returns on unrestricted funds designated as an endowment by the Board of Trustees and other unrestricted funds are reported in unrestricted nonoperating activities.

Net investment returns on endowment funds designated by donors for specific programs and for scholarships with unique criteria and on funds temporarily restricted by donors for purposes other than endowments are reported in temporarily restricted nonoperating activities until authorized for expenditure for the designated purposes, at which time the amounts are reported as net assets released from restrictions.

# **BANK STREET COLLEGE OF EDUCATION**

## **Notes to Financial Statements**

June 30, 2013 and 2012

If as a result of net investment losses, the fair value of invested endowment funds restricted by a donor is less than the related donor's original gift amounts, the deficiency is reported as a reduction of unrestricted net assets in nonoperating activities. Subsequent net investment income related to those invested endowment funds is reported as an increase in unrestricted net assets in nonoperating activities until the deficiency is eliminated.

### **(f) *Property and Equipment***

Property and equipment with an acquisition cost of \$500 or more are capitalized at cost at the date of acquisition or fair value, estimated when necessary, at the date of contribution, if donated. The College's building and equipment are depreciated using the straight-line basis over their estimated useful lives. The estimated useful lives of the College's property and equipment follow:

Building	50 years
Building improvements	5–25 years
Furniture and equipment	5–10 years
Computer equipment	5 years

Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining life of the related lease on a straight-line basis.

### **(g) *Contributions***

Gifts and pledges representing unconditional promises to give are recognized initially at fair value as revenues in the period received or pledged, respectively. Noncash gifts and pledges are recorded at their fair value, estimated when necessary. Pledges are recorded net of an allowance for estimated uncollectible amounts. Pledges that will be received over periods in excess of one year are discounted to present value at a risk-adjusted rate at the date of the contribution. Amortization of the discounts in subsequent periods is reported as additional contribution revenue. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Contributions, including cash or other assets, to be used to acquire long-lived assets are reported as additions to temporarily restricted net assets. Restrictions are considered released when the long-lived assets are constructed or acquired.

### **(h) *Fair Value of Financial Instruments Other than Investments***

The carrying amounts of student accounts, grants receivable, prepaid expenses and other assets, and accounts payable and accrued expenses and other liabilities, except postretirement health benefit plan liability, approximate fair value due to the short-term maturity of these financial instruments. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

A reasonable estimate of the fair value of student loans receivable under the Federal Perkins Loan program could not be made because the notes are not saleable and can only be assigned to the U.S. government or its designees.

# **BANK STREET COLLEGE OF EDUCATION**

## **Notes to Financial Statements**

June 30, 2013 and 2012

Fair value measurements of bonds payable are based on observable interest rates and maturity schedules that fall within Level 2 of the fair value hierarchy.

**(i) *Refundable Government Loan Program***

Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government and are presented in the accompanying statements of financial position as a liability.

**(j) *Conditional Asset Retirement Obligations***

The College has conditional asset retirement obligations associated with asbestos in its building. Those obligations are defined as legal obligations associated with the retirement of tangible long-lived assets in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of the College.

**(k) *Postretirement Health Benefit Plan***

The College has an unfunded postretirement health benefit plan for retirees and their spouses and accrues the cost of the benefits during the employees' active service period.

**(l) *Endowments***

The College has endowment funds permanently restricted by donors where the donors have specified that the gift amounts be invested and only the related investment returns may be spent for the donor-restricted purposes. The Board of Trustees has interpreted The New York Prudent Management of Institutional Funds Act as requiring the College, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinary person in a like position would exercise under similar circumstances in making determinations to authorize for expenditure and accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use endowment funds to achieve the purpose for which it was donated.

The College reports as permanently restricted net assets the original fair value of gifts donated to permanent endowments and accumulations, if any, to the permanent endowments required by the applicable donors' gift instruments. The remaining portion of donor-restricted endowment funds that is not reported as permanently restricted net assets is reported as temporarily restricted net assets until such amounts are authorized for expenditure by the Board of Trustees, at which time the amounts are reported as net assets released from restrictions. If the authorization is for expenditure in a future year, the amounts are reported as net assets released from restrictions in that year.

The College also has Board of Trustees designated endowment funds that are reported as unrestricted net assets as there are no donor-imposed restrictions applicable to such funds.

The College's endowment funds investment goal is to generate total returns (dividends and interest income together with increases in fair value) that provide a relatively predictable source of funds to fulfill the endowments' designated purposes while maintaining the investments' long-term earning

## **BANK STREET COLLEGE OF EDUCATION**

### **Notes to Financial Statements**

June 30, 2013 and 2012

power. Specifically the College seeks to realize an average return (net of all investment fees and expenses) equal to or exceeding the authorized annual distributions plus the inflation rate as measured by the Consumer Price Index. To achieve the desired returns, the College has typically allocated investments 60%–70% to equity securities with the balance primarily allocated to fixed income securities (note 4).

**(m) *Revenue***

Tuition and fees are recognized as revenues in the period in which the related instruction is delivered. Grants received are recognized as revenues in the period in which the related professional development and education are performed. Unrecognized portions are reported as deferred revenues.

**(n) *Sabbatical Program***

The College has a sabbatical leave program for professional employees. After each 10 years of service, those employees may spend the equivalent of 6 months in preapproved professional development activities, an exchange that is for the mutual benefit of the individuals and the College and no liability is recognized.

**(o) *Reclassifications***

Certain reclassifications of 2012 amounts have been made to conform to the 2013 presentation.

**(p) *Subsequent Events***

Management of the College has evaluated all transactions and events that occurred after June 30, 2013 through March 26, 2014, the date the accompanying financial statements were available to be issued and has concluded that there are no subsequent events for disclosure.

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

### (3) Contributions and Other Receivables

Contributions and other receivables, net, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Contributions receivable:		
Due within one year	\$ 614,000	843,960
Due in one to five years	1,348,104	1,656,660
	<u>1,962,104</u>	<u>2,500,620</u>
Less allowance for uncollectible amounts	(70,376)	(82,833)
	<u>1,891,728</u>	<u>2,417,787</u>
Discount to present value (at risk-adjusted rates of 2%–5%)	(45,058)	(68,830)
Contributions receivable, net	1,846,670	2,348,957
Other receivables, net	1,492,001	976,691
Total contributions and other receivables	<u>\$ 3,338,671</u>	<u>3,325,648</u>

### (4) Investments and Deposits Held by Third Parties

The College's investments, all of which were Level 1 fair value measurements, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Funds managed by external investment managers:		
Cash and cash equivalents	\$ 3,261,278	938,116
Equity securities	15,458,324	13,509,531
Fixed income securities	5,960,271	6,657,778
Mutual funds – equity	1,636,843	4,894,679
Mutual funds – fixed income	4,854,645	1,846,640
	<u>31,171,361</u>	<u>27,846,744</u>
Cash held by the College for investment purposes	557,192	1,489,235
	<u>\$ 31,728,553</u>	<u>29,335,979</u>

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

Investments at fair value were derived from the following at June 30:

	<u>2013</u>	<u>2012</u>
Permanently restricted net assets (note 8)	\$ 14,279,230	13,115,937
Temporarily restricted net assets	6,905,882	6,027,955
Unrestricted net assets	<u>10,543,441</u>	<u>10,192,087</u>
Total	<u>\$ 31,728,553</u>	<u>29,335,979</u>

The changes in these investments are summarized as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Investments, beginning of year	\$ 29,335,979	29,562,855
Contributions invested	1,338,393	1,184,290
Investment funds transferred to operating accounts	(2,083,883)	(1,667,118)
Investment returns	<u>3,138,064</u>	<u>255,952</u>
Investments, end of year	<u>\$ 31,728,553</u>	<u>29,335,979</u>

Investment returns consisted of the following for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Net appreciation (depreciation) in fair value of investments	\$ 2,459,647	(258,771)
Interest and dividends	<u>826,817</u>	<u>736,604</u>
Investment return	3,286,464	477,833
Less investment fees	<u>(148,400)</u>	<u>(221,881)</u>
Investment returns, net	<u>\$ 3,138,064</u>	<u>255,952</u>

Deposits held by third parties, all of which were Level 1 fair value measurements, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Planned giving	\$ 146,226	157,726
457(b) plan assets – mutual fund	131,296	101,028
U.S. Treasury bills and money market funds - debt service reserve	<u>931,462</u>	<u>931,550</u>
	<u>\$ 1,208,984</u>	<u>1,190,304</u>

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## Notes to Financial Statements

June 30, 2013 and 2012

### (5) Property and Equipment

Property and equipment, net, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 767,580	767,580
Building	17,430,887	17,430,887
Building and leasehold improvements	11,400,539	11,026,017
Computer equipment	7,204,418	6,897,568
Furniture and other equipment	4,707,803	4,659,735
	<u>41,511,227</u>	<u>40,781,787</u>
Less accumulated depreciation	<u>(28,355,726)</u>	<u>(26,699,936)</u>
	<u>\$ 13,155,501</u>	<u>14,081,851</u>

Depreciation expense amounted to \$1,655,790 and \$1,565,445 for the years ended June 30, 2013 and 2012, respectively.

### (6) Bonds Payable

The College had the following bonds payable outstanding at June 30:

	<u>2013</u>	<u>2012</u>
1997 serial bonds payable to the New York City Industrial Development Agency, annual principal payments to maturity in December 2012, interest at 4.90% annual percentage rate due semiannually, secured by tuitions received	\$ —	290,378
2002 serial bonds payable to the New York City Industrial Development Agency, interest ranging from 4.75% currently to 5.25% at maturity annual percentage rate, due semiannually, secured by tuitions received:		
Maturity December 2015; annual principal payments currently \$355,000, increasing to \$390,000 at maturity	1,124,471	1,467,617
Maturity December 2030; annual principal payments currently \$85,000, increasing to \$205,000 at maturity	<u>2,423,680</u>	<u>2,501,662</u>
	<u>\$ 3,548,151</u>	<u>4,259,657</u>

The College is required to maintain debt service reserve accounts (note 4) with the trustees for the bonds that may be used by the trustees, if necessary, to pay annual debt service on those bonds.

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

Principal repayments under all bond obligations follow:

Year ending June 30:		
2014	\$	440,000
2015		460,000
2016		490,000
2017		100,000
2018		105,000
Thereafter		<u>1,980,000</u>
Total principal		3,575,000
Less discount		<u>(26,849)</u>
Total	\$	<u><u>3,548,151</u></u>

Interest expense for the years ended June 30, 2013 and 2012 was \$195,531 and \$229,049, respectively.

Deferred financing costs, associated with the Series 1997 and 2002 issuances, are amortized on the straight-line basis over the maturity periods of the respective issuances. The remaining balance of unamortized deferred financing costs was \$257,981 and \$294,075 at June 30, 2013 and 2012, respectively.

### (7) Postretirement Health Benefit Plan

The College provides, through an unfunded Medicare HMO point of service plan, postretirement health benefits at age 65 to retirees (and their spouses) with 10 years of service. Upon retirement, retirees or their spouses pay a portion of the premiums for the benefits that range from 30% for those retiring on or after January 1, 2008 to 0% for those who retired prior to January 1, 1993.

Changes in benefit obligation for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Benefit obligation at beginning of year	\$ 7,004,562	5,777,672
Service cost	326,688	281,718
Interest cost	311,828	328,929
Plan participants' contributions	36,046	24,266
Actuarial (gain) loss	(1,032,446)	707,662
Benefits paid	<u>(173,831)</u>	<u>(115,685)</u>
Benefit obligation at end of year	<u><u>\$ 6,472,847</u></u>	<u><u>7,004,562</u></u>



# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

Accumulated benefit obligation, funded status, and other information:

	<u>2013</u>	<u>2012</u>
At June 30:		
Accumulated benefit obligation, representing funded status, discount rate 4.80% and 4.50%, respectively	\$ <u>6,472,847</u>	<u>7,004,562</u>
Amounts not yet recognized in net periodic healthcare expenses:		
Prior service credit	\$ (59,863)	(104,338)
Net loss	<u>1,068,263</u>	<u>2,207,192</u>
	\$ <u>1,008,400</u>	<u>2,102,854</u>
	<u>2013</u>	<u>2012</u>
For the years ended June 30:		
Net periodic healthcare expense, discount rate 4.50% and 5.75%, respectively	\$ 700,524	636,914
Amortization included in net periodic healthcare expense:		
Net loss	106,483	70,742
Prior service credit	(44,475)	(44,475)
Amounts arising:		
Net (gain) loss	(1,032,446)	707,662
Contributions (premiums paid) by the College	137,785	91,419
Contributions (premiums paid) by retirees	36,046	24,266

Annual insurance premiums are assumed to increase 9.00% in fiscal 2014, with increases trending to 5.00% in 2021. The estimated amortization of net loss and prior service credit to be recognized in fiscal 2014 are \$29,751 and \$(44,475), respectively.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed healthcare cost trend rates would have the following effects as of June 30, 2013:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost	\$ 153,452	(117,595)
Effect on postretirement benefit obligation	1,142,844	(917,143)

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

Estimated contributions (premium payments) by the College for fiscal years ending June 30 are as follows:

2014	\$ 155,801
2015	172,966
2016	192,905
2017	216,187
2018	237,468
2019–2023	1,636,440

### (8) Endowments

The College's endowments consisted of the following at June 30:

<b>2013</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$ —	1,778,934	16,151,334	17,930,268
Board of Trustees designated	835,606	—	—	835,606
Total	<u>\$ 835,606</u>	<u>1,778,934</u>	<u>16,151,334</u>	<u>18,765,874</u>

  

<b>2012</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$ —	996,016	15,032,506	16,028,522
Board of Trustees designated	779,868	—	—	779,868
Total	<u>\$ 779,868</u>	<u>996,016</u>	<u>15,032,506</u>	<u>16,808,390</u>

Changes in the College's endowments for the years ended June 30 are as follows:

<b>2013</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 779,868	996,016	15,032,506	16,808,390
Net investment returns	67,781	1,299,784	—	1,367,565
Contributions	—	—	1,118,828	1,118,828
Appropriation for expenditure	<u>(12,043)</u>	<u>(516,866)</u>	<u>—</u>	<u>(528,909)</u>
Endowment net assets, end of year	<u>\$ 835,606</u>	<u>1,778,934</u>	<u>16,151,334</u>	<u>18,765,874</u>

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

<b>2012</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 761,872	757,689	12,092,956	13,612,517
Net investment returns	26,387	535,803	—	562,190
Contributions	—	—	2,939,550	2,939,550
Appropriation for expenditure	(8,391)	(297,476)	—	(305,867)
Endowment net assets, end of year	<u>\$ 779,868</u>	<u>996,016</u>	<u>15,032,506</u>	<u>16,808,390</u>

Permanently restricted endowment net assets were restricted by donors for the following purposes at June 30:

	<b>2013</b>	<b>2012</b>
Programs	\$ 5,196,612	5,140,556
Student financial assistance:		
Scholarships with unique criteria	5,530,295	4,675,570
General tuition discounts and scholarships	5,424,427	5,216,380
	<u>\$ 16,151,334</u>	<u>15,032,506</u>

Investments of permanently restricted amounts consisted of the following at June 30 (note 4):

	<b>2013</b>	<b>2012</b>
Permanently restricted endowment amounts	\$ 16,151,334	15,032,506
Endowment pledges receivable	(1,872,104)	(1,916,569)
	<u>\$ 14,279,230</u>	<u>13,115,937</u>

### (9) Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following, including time restrictions, at June 30:

	<b>2013</b>	<b>2012</b>
Kerlin Institute, teaching natural and environmental sciences	\$ 3,968,439	3,635,868
Urban Education	717,136	1,249,731
Other scholarships and program support	4,245,747	3,233,983
	<u>\$ 8,931,322</u>	<u>8,119,582</u>

# BANK STREET COLLEGE OF EDUCATION

## Notes to Financial Statements

June 30, 2013 and 2012

### (10) Grants and Contracts

The College receives grants and contracts to perform professional development and education. Grant and contract revenue consisted of the following for the years ended June 30:

	<b>2013</b>	<b>2012</b>
Private	\$ 2,524,699	1,256,237
Federal	5,526,517	4,627,470
State and local	1,647,258	2,797,576
	<u>\$ 9,698,474</u>	<u>8,681,283</u>

### (11) Expenses

Expenses of the College's functional activities presented in the accompanying statements of activities include expenses by natural classifications as shown below. Certain expenses, principally utilities, maintenance services, depreciation and amortization, and interest expense are allocated based on square footage.

<b>2013</b>	<b>Compensation and benefits</b>	<b>Professional and contract services</b>	<b>Materials and supplies</b>	<b>Facilities operations and maintenance</b>	<b>Depreciation and amortization</b>	<b>Interest</b>	<b>Total</b>
Instruction	\$ 20,067,430	928,682	1,558,693	914,306	930,985	107,594	24,507,690
Grants and contracts	4,029,100	3,793,245	420,546	4,805	7,260	843	8,255,799
Auxiliary activities	1,168,901	623,030	2,565,102	67,471	34,007	7,848	4,466,359
Institutional support	10,591,214	2,703,932	661,529	892,296	719,632	79,246	15,647,849
	<u>\$ 35,856,645</u>	<u>8,048,889</u>	<u>5,205,870</u>	<u>1,878,878</u>	<u>1,691,884</u>	<u>195,531</u>	<u>52,877,697</u>

  

<b>2012</b>	<b>Compensation and benefits</b>	<b>Professional and contract services</b>	<b>Materials and supplies</b>	<b>Facilities operations and maintenance</b>	<b>Depreciation and amortization</b>	<b>Interest</b>	<b>Total</b>
Instruction	\$ 20,488,237	850,310	1,634,341	1,037,092	886,365	126,743	25,023,088
Grants and contracts	4,580,394	4,052,706	595,185	6,600	7,743	1,107	9,243,735
Auxiliary activities	1,048,836	520,536	1,998,869	69,185	32,634	6,768	3,676,828
Institutional support	11,434,970	2,218,052	886,002	943,459	675,087	94,431	16,252,001
	<u>\$ 37,552,437</u>	<u>7,641,604</u>	<u>5,114,397</u>	<u>2,056,336</u>	<u>1,601,829</u>	<u>229,049</u>	<u>54,195,652</u>

Fund-raising expenses incurred by the College included in institutional support for the years ended June 30, 2013 and 2012 totaled \$1,482,763 and \$1,146,791, respectively.

## **BANK STREET COLLEGE OF EDUCATION**

### **Notes to Financial Statements**

June 30, 2013 and 2012

#### **(12) Defined-Contribution Retirement Plan**

The College provides retirement benefits for its instructional and administrative employees through a defined-contribution plan that purchases individual annuities through Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA-CREF). Participation in the retirement plan is mandatory for all employees who are appointed on a 70.0% or more load basis and have worked for the College a minimum of one year. The College contributes, for all participating employees, an amount equal to 7.5% of their compensation and participants must contribute a minimum of 5% of their compensation. The employees are responsible for establishing with TIAA-CREF their own investment strategy for their individual retirement portfolio. The cost of this employee benefit to the College for the years ended June 30, 2013 and 2012 was \$1,628,286 and \$1,626,035, respectively.

#### **(13) Commitments and Contingencies**

Amounts received and expended by the College under various federal and New York State grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the financial position or changes in net assets of the College.

The College leases office equipment and office space under noncancelable operating leases, which expire through 2016. Minimum future rental payments under such leases are as follows at June 30, 2013:

Year ending June 30:	
2014	\$ 1,039,342
2015	734,685
2016	41,634
	<hr/>
	\$ 1,815,661
	<hr/>

Total rent expense for the years ended June 30, 2013 and 2012 was \$1,182,642 and \$1,226,171, respectively.